WORLDWIDE TAX GUIDE 2015

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

Assurance & Advisory
Tax Advisory & Compliance
Business Services
Financial Planning/Wealth management
Corporate Finance
Insolvency – Corporate & Personal
Forensic Accounting
IT Consulting
Hotel Consulting

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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While utmost care has been taken in the compilation of this publication, no responsibility will be accepted for any inaccuracies, errors or omissions.

This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication.
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MAY 2015

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INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Afghanistan . . . 4.30 pm
Algeria . . . 1 pm
Angola . . . 1 pm
Argentina . . . 9 am
Australia -
- Melbourne . . . 10 pm
- Sydney . . . 10 pm
- Adelaide . . . 9.30 pm
- Perth . . . 8 pm

Austria . . . 1 pm

B

Bahamas . . . 7 am
Bahrain . . . 3 pm
Bangladesh . . . 6 pm
Belgium . . . 1 pm
Belize . . . 6 am
Bermuda . . . 8 am
Bosnia and Herzegovina . . . 2 pm
Brazil . . . 7 am
Bulgaria . . . 3pm
Burundi . . . 2 pm

C

Canada -
- Toronto . . . 7 am
- Winnipeg . . . 6 am
- Calgary . . . 5 am
- Vancouver . . . 4 am

Cape Verde . . . 11 am
Cayman Islands . . . 7 am
Chile . . . 8 am
China - Beijing . . . 10 pm
Colombia . . . 7 am
Costa Rica . . . 6 am
Cyprus . . . 2 pm
Czech Republic . . . 1 pm

D

Denmark . . . 1 pm
Dominican Republic . . . 7 am

E

Ecuador . . . 7 am
Egypt . . . 2 pm
El Salvador . . . 6 am
Estonia . . . 2 pm

F

Finland . . . 2 pm
France . . . 1 pm

G

Gambia (The) . . . 12 noon
Georgia . . . 4 pm
Germany . . . 1 pm
Ghana . . . 12 noon
Gibraltar . . . 2 pm
Greece . . . 2 pm
Grenada . . . 8 am
Guatemala . . . 6 am
Guyana . . . 7 am

H

Hong Kong . . . 8 pm
Hungary . . . 1 pm

I

India . . . 5.30 pm
Indonesia . . . 7 pm
Iraq . . . 3 pm
Ireland . . . 12 noon
Isle of Man . . . 12 noon
Israel . . . 2 pm
Italy . . . 1 pm

J

Japan . . . 9 pm
Jordan . . . 2 pm

K

Kazakhstan . . . 6 pm
Kenya . . . 3 pm
Korea . . . 9pm
Kuwait . . . 3pm

L

Latvia . . . 2 pm
Lebanon . . . 2 pm
Lesotho . . . 2 pm
Libya . . . 2 pm
Luxembourg . . . 1 pm

M

Malaysia . . . 8 pm
Malta . . . 1 pm
Mauritius . . . 4 pm
Mexico . . . 6 am
Montenegro . . . 2 pm
Morocco . . . 12 noon
Mozambique . . . 2pm

N

Namibia . . . 2 pm
Netherlands (The) . . . 1 pm
New Zealand . . . 12 midnight
Nigeria . . . 1 pm
Norway . . . 1 pm

O

Oman . . . 4 pm

P

Pakistan . . . 5 pm
Panama . . . 7 am
Paraguay . . . 8 am
Peru . . . 7 am
Philippines . . . 8 pm
Poland . . . 1 pm

Portugal . . . . .1 pm

Q

Qatar. . . . . .8 am

R

Romania . . . . .2 pm
Russia -
    Moscow . . . . .3 pm
    St Petersburg. . . . . .3 pm
Rwanda. 2pm

S

Saudi Arabia . . . . .3 pm
Serbia 2pm
Sierra Leone . . . . 12 noon
Singapore . . . . .7 pm
Slovak Republic . . . . .1 pm
Slovenia . . . . .1 pm
Somaliland . . . . .3 pm
South Africa. . . . . .2 pm
South Sudan . . . . .3 pm
Spain . . . . .1 pm
St Lucia. 8am
Swaziland . . . . .2 pm
Sweden. . . . . .1 pm
Switzerland . . . . .1 pm

T

Taiwan .8 pm
Tanzania . . . . .3 pm
Thailand . . . . .8 pm
Trinidad & Tobago 8am
Tunisia . . . . 12 noon
Turkey. .2 pm

U

Uganda .3 pm
Ukraine .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
    New York City. . . . . .7 am
    Washington, D.C. . . . . .7 am
    Chicago. . . . . .6 am
    Houston. . . . . .6 am
    Denver . . . . .5 am
    Los Angeles. . . . . .4 am
    San Francisco . . . . .4 am
Uruguay . . . . .9 am
Uzbekistan. . . . . .5 pm

V

Venezuela . . . . .8 am
Vietnam. . . . . .7 pm

Z

Zambia .2 pm
Zimbabwe . . . . .2 pm

STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AFGANISTAN

MEMBER FIRM

City	Name	Contact Information
Kabul	Qamar Ali Mumtaz	+93 799 195344 qamar@frants.pk

BASIC FACTS

Full name:	Islamic Republic of Afghanistan
Capital:	Kabul
Main languages:	Pashto, Dari
Population:	31,822,848 (2014 estimate)
Major religion:	Islam
Monetary units:	Afghani (AFN)
Internet domain:	.af
Int. dialling code:	+93

KEY TAX POINTS

- All businesses irrespective of the legal status of the organization are subject to 20% tax on income under Article 4 of the Income Tax law in Afghanistan.
- Capital gains from the sale, exchange, or transfer of certain assets is treated as taxable income. Capital gains include the sale of a trade or business (including goodwill), a factory (including equipment, machinery, buildings and land, or any part of such assets), equipment used in the business of transporting persons and property, and shares of stock in corporations or limited liability companies.
- The calculation of tax on the taxable profits of branch offices of international organizations is the same as other business. The tax is calculated at 20% of income after allowing all admissible expenses.
- The Government of Afghanistan is now planning to levy VAT from 21 March 2015 however, the detailed content of the said law are not yet available as of reporting date.
- Individuals are subject to tax at progressive rates. The monthly maximum limit is 20% + AFN 8,900 fixed amount.
- Any income tax paid to the government of a foreign country may be taken as credit on the principle of reciprocity.

A

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

CORPORATE TAX

All businesses irrespective of the legal status of the organization are subject to 20% tax on income under Article 4 of the Income Tax law in Afghanistan.

Business Receipt tax (BRT) is also applicable on gross revenue of business at rates given below. BRT is treated as an admissible expense and is deducted from revenue.

Description	Applicable Rate
Automobile and the spare parts	2/7%
The travelling agents	2%
Revenue from the public entertainment, exhibition and support events	2%
Sale form the merchandise and services	2%
Restaurant earning per quarter less than 750,000 per quarter	2%
Guest house, restaurant and hotel earning 750,000 per quarter	5%
Club hall subject to without any threshold	5%

CAPITAL GAINS TAX

Capital gain are considered in case of the following cases (Article 23):
Gain from the sale, exchange, or transfer of the following assets is taxable income:

1. a trade or business, including goodwill;
2. a factory including equipment, machinery, buildings and land, or any part of such assets;
3. equipment used in the business of transporting persons and property; and
4. shares of stock in corporations or limited liability companies.

Gain from the sale or transfer of movable or immovable property acquired by inheritance is excluded from the provisions of paragraph (1) of this Article.

METHOD OF CALCULATION OF CAPITAL GAIN
Gain (receipts less allowable expenses) arising from capital asset transaction, is divided by number of years of usage of the said asset. The average rate so obtained shall than be applied to the total income of the person (natural or legal) for the year. The rate so calculated shall not be less than 2%.

BRANCH PROFITS TAX
Calculation of tax on branch offices of international organizations is the same as other business. The tax is calculated @ 20% of income after allowing all admissible expenses.
The only exception to the rule is that any amount remitted outside Afghanistan to principal office or any other branch office shall be regarded as dividend and shall be subject to withholding tax @ 20%

SALES TAX / VALUE ADDED TAX
VAT is levied on only very few items and services such as hotel services etc and no separate comprehensive regulation exist for VAT.
Government of Afghanistan is now planning to levy VAT from March 21, 2015 however, detailed contents of the said law are not available as of reporting date.

LOCAL TAXES
No local taxes are payable in respect of income of companies.

OTHER TAXES
Other important levies in Afghanistan include customs duty and various import duties.

B. DETERMINATION OF TAXABLE INCOME

A

Taxable income is calculated as follows:
Revenue for the year from all sources less following admissible expenses:
1. Any expense related to the cost of production or trade and business, such as insurance and freight expenses, etc.;
2. The cost of supplies, materials, fuel, electricity, water, and ordinary and necessary expenses used in the production of income, or in a trade or business;
3. Wages, salaries, commissions, and fees paid for services rendered by employees in trade or business;
4. Interest paid on business loans;
5. Rent paid on property necessary to and used in trade or business;
6. Cost of repairs and maintenance of properties and equipment necessary to and used for purposes of the business or trade;
7. Depreciation of movable and immovable property at rates mentioned below:

No.	Assets	Useful Life (in Years)	Annual Percentage Allowed
1	Bricks or stone structures	50	2
2	Loam structure	20	5
3	Wooden structures	10	10
4	Machinery and Equipment not otherwise specified below	10	10
5	Mining Equipment	6.5	15
6	Tools	4	25
7	Printing Equipment and Machines	2	50
8	Handicraft machines	3	33
9	Metallurgical machines	10	10
10	Carpets	10	10
11	Rugs and other furnishings	4	25
12	Chairs, seats, and sofas	4	25
13	Desks, Tables, and cabinets	10	10
14	Office equipment (calculators, typewriters, telephone, etc.)	6.5	15
15	Bicycles	5	20
16	Trucks	2	50
17	Cars	2	25
18	Tires and tubes	2	50

No.	Assets	Useful Life (in Years)	Annual Percentage Allowed
19	Sacks	2	50
20	Impure iron stoves and pipes	10	10
21	Iron stoves	2	50
22	Carriages, animal carts, and handcarts	3	33
23	Construction machines, rollers and mixers	5	20
24	Computers and computer related equipment	3	33
25	Televisions, radios, and cellular phones	3	33
26	Telecommunication equipment/ cell towers	7	14

8. Any tax or charge that is necessary expense of doing business, holding property for income, or of producing income, if paid or accrued during the taxable year. Taxes imposed by this Law and taxes not qualifying as necessary business expense are not deductible, except as otherwise provided by this Law;
9. Damages to movable or immovable property caused by fire, earthquake, and by casualty or disaster of any kind, over a three year period, to the extent that the cost is determined and substantiated by records and the loss was not recovered by insurance;
10. Losses in business or trade from bad debts according to the Income Tax Manual;
11. Dividends paid in money by a legal entity organized under the laws of Afghanistan; and
12. Other expenses of doing business and of holding movable or immovable property for the production of income under relevant legislative documents.

NON ADMISSIBLE DEDUCTIONS

1. Expenses incurred to provide entertainment or advertising that are not connected to economical or commercial activities;
2. Dividends, interest, royalties, rent, commissions, wages, salaries, in case the tax has not been withheld as required by the law;
3. In case of a branch in Afghanistan of a non-resident person, any expenses paid or incurred to the non-resident person or any person connected to the non-resident person.
4. Personal expenses are not deductible;
5. Capital expenditure that are subject to depreciation;
6. Taxes paid to foreign countries by non-resident persons on income from sources within Afghanistan, if the bilateral treaty is not made with the country.

C. FOREIGN TAX RELIEF

Any income tax paid to the government of a foreign country may be taken as credit on the principle of reciprocity.
Tax credit on the foreign tax payment is calculated as per following formula:

$$\text{Tax credit on Foreign tax paid} = \text{Afghanistan tax on global taxable income} \times \frac{\text{Foreign country income}}{\text{Total global taxable income}}$$

D. RELATED PARTY TRANSACTIONS

Tax authorities have the power in respect of a transaction between associates to distribute, apportion, or allocate income, deductions, or tax credits between such associates to reflect the income that would have been realized in an arm's-length transaction.

E. EXCHANGE CONTROL

For the purpose of tax calculations, official rates issued by Central Bank in Afghanistan (DAB) must be used.

F. PERSONAL INCOME TAX

Following are the rates at which natural persons are subject to tax:

Income slab per month	Applicable Rate
From Afs.0 to Afs.5,000 monthly	0%
From Afs.5,001 to Afs.12,500	2%
From Afs. 12,501 to Afs. 100,000	10% + Afs. 150 fixed amount
From Afs. 100,000 above	20% + Afs.8,900 fixed amount

G. WITHHOLDING TAX RATES

Individuals and organizations are subject to following withholding taxes:

Type of income	Applicable Rate
Salary	At rates discussed in preceding paragraph
Interest	20%
Dividends	20%
Royalties	20%
Prizes	20%
Rewards	20%
Lotteries	20%
Bonuses	20%
Service charges	20%
Rent	If the monthly rent is more than Afs.10,000 and less than Afs.100000 - 10 percent. 2. If the monthly rent is more than Afs.100,000 -15 percent
Contractors for Supplies of Goods, Services, Contractions.	7% for contractors without business License & 2% for contractors having business license

A

ALGERIA

MEMBER FIRM

Please email Oliver Grosse-Brauckmann, PKFI EMEI Regional Director at oliver.grosse-brauckmann@pkf.com for further information.

BASIC FACTS

Full name:	People's Democratic Republic of Algeria
Population:	38,289,500 (2013 PRB)
Capital:	Alger
Major languages:	Arabic
Major religion:	Islam
Monetary unit:	Algerian Dinar (DZD)
Internet domain:	.dz
International dialling code:	+213
Ministry of Finance website:	www.mf.gov.dz/

KEY TAX POINTS

- All companies who realize a turnover exceeding 30 million dinars are liable for corporate income tax on their profits arising from any business they carry on in Algeria, except of certain categories restricted quoted by the tax code.
- All economic activities conducted in Algeria, including industrial and handicraft activities and liberal or commercial professions, are subject to VAT.
- Dividends paid to shareholders or partners Algerians are subject to a withholding tax of 10%; however, if the shareholder or the shareholder is a corporation, the profit from such distribution is not subject to income tax.
- Relief from foreign Taxes in Algeria depends on whether the country in question has agreed a double tax treaty with Algeria.
- Withholding tax applies to wages, dividends, royalties and technical service fees.

A. TAXES PAYABLE

TAX ON PROFESSIONAL ACTIVITY

This tax is applied to the turnover excluding VAT of natural or legal person. The rate of tax is set at 2%. The tax base consists of the total revenues raw professional or excluding VAT turnover when it comes of taxpayers subject to this tax, made in Algeria during the year.

FEDERAL TAXES AND LEVIES

COMPANY TAX

All companies, except partnerships and joint ventures under the Commercial Code, are liable for corporate income tax on their profits arising from any business carried on in Algeria. Companies are liable for corporate income tax at the rate of 23% for all kinds of activities

Foreign companies not established in Algeria and foreign companies with no permanent establishment in Algeria are subject to withholding tax of 24% on their turnover realized in Algeria or they can be taxed according to the general scheme following a request.

TAX ON TOTAL INCOME:

It is a tax that applies on the income of individuals (natural person) and those of partnerships.

The overall net income is the total net income of the following categories:
- The industrial, commercial and craft;
- Benefits for non-commercial professions;
- Income from agriculture;
- Income from the rental of developed and undeveloped properties.
- Income from movable capital;
- Wages, salaries, pensions and annuities

The rate of this tax is illustrated below:

Through 2010 DZD	Rate %
0 to 120,000	0
120,001 to 360,000	20
360,001 to 1,440,000	30
Over 1,440,000 DZD	35

A

VALUE ADDED TAX (VAT)

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Algeria, including industrial and handicraft activities and liberal or commercial professions, are subject to VAT. Exports by definition are consumed abroad and usually are not subject to VAT. Any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports.

(1) Rates

Two different VAT rates apply in Algeria:
- A special reduced rate of 7% applies to products, commodities, wares, merchandise and operations related to printing, materials for agriculture, products of traditional crafts, plants and domestic animals (aquaculture products), excluding fish and other edible products of sea and various other items; and,
- 17% for operations related to services and goods not subject to another rate.

(2) Registration

Registration generally is required for entities that have an annual turnover of DZD 100,000 for sales of goods and DZD 130,000 for the service. A business must register within 30 days of becoming liable.

(3) Filing and payment

Monthly returns and any tax payable are due by the 20th day of the following month.

SINGLE FLAT TAX

It is a tax that replaces taxes (TOTAL INCOME TAXE or INCOME TAX , VAT and TAX ON PROFESSIONAL ACTIVITY) that is applied to taxpayers whose turnover does not exceed 30 million dinars.

The rate of this tax are:
- 12%: applicable to the service delivery activity;
- 6%: applicable to sales activity.

STAMP DUTY

It is a tax that applies to the documents listed by the law, among them there are:
- Contracts subject to the registration fee, court documents, negotiable instruments (bills of exchange, promissory notes, bills and non-marketable bonds) trade register.

PROPERTY TAX

It is a tax that applies to developed and undeveloped properties. The rate of PT vary

between 3 and 10%.

FRINGE BENEFITS TAX
As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Taxable fringe benefits are evaluated on the basis of their market value.

OTHER TAXES AND LEVIES
VOCATIONAL TRAINING TAX
Companies that employ more than six (6) permanent employees are subject to a tax of 1% of the annual payroll for vocational training. An additional tax of 1% of the annual payroll is also payable (for learning) for all companies that employ more than 20 permanent employees, taxpayers may be exempt from paying this tax on condition to initiate training and learning.

BRANCH TAX
Introduced by the Finance Act 2009 (Section 6), branch tax is applicable to profits transferred to a non-resident by the branch or permanent establishment of a foreign company.

The tax is payable on the profit after company tax at 15%.

LUXURY VEHICLE TAX
Vehicles registered in the category of passenger cars (PC) which are less than five (5) years old and disclosed in the Balance Sheet of a company established in Algeria, or rented by the company tor a cumulative period equal to or greater than three (3) months during a tax period, are subject to an annual tax determined as follows:

Between DZD 2,500,000 and DZD 5,000,000:	DZD 300,000
Over DZD 5,000,000:	DZD 500,000.

However, the tax does not apply to vehicles intended exclusively for sale, either to rent or to execute a transport service available to the public, when these operations correspond to the normal activity of the owning company.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results. Profits are habitually considered to be gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated in the conduct of business are deductible if they are incurred in gaining or producing assessable income.

DEPRECIATION
Fixed assets owned by a company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted but other methods may be used in certain circumstances and with the authorisation of the tax authorities following a request.

For the determination of net income, inventories must be evaluated at their cost price. If, at the end of the year, the market or realisable value is lower, the company must set up reserves for depreciation of the inventories. The tax authority is very strict regarding the deductibility of provisions, it requires that provisions be documented

DIVIDENDS
Dividends received from Algerian subsidiaries are not taxable

LOSSES
Losses may be carried forward for four years. The carry back of losses is not permitted.

FOREIGN SOURCED INCOME
Revenues from a foreign source that are subject to tax at source on the payment in the country of origin are not subject to tax in Algeria in case of existence of bilateral agreement

Non-resident legal entities are taxable on their Algerian source income and on gains from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost.

Relief from foreign taxes in Algeria depends on whether a double tax treaty has been concluded by Algeria.

INCENTIVES

The Algerian tax legislation has established a number of incentives to facilitate investment and the creation of projects in certain sectors. Incentives are aimed at accelerating the growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that require development.

Investment project can be tax advantages in the launch phase, and three years during the operational phase.

C. FOREIGN TAX RELIEF

Relief from foreign Taxes in Algeria depends on whether the country in question has agreed a double tax treaty with Algeria.

Algeria has concluded more than 20 non-double imposition treaties. The treaty must be ratified to be applicable.

D. CORPORATE GROUPS

When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria and abroad are consolidated.

E. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax returns and submit the amount of tax withheld to the financial authorities.

- Dividends: Dividends paid to non-resident shareholders are subjected to a 15% withholding tax which may be reduced under a tax treaty.
- Royalties: The withholding tax on royalties is 24% which may be reduced under a tax treaty.
- Technical service fees: The withholding tax on technical service fees is 24% and applies to the gross income derived from any service fee paid abroad by a local company to a foreign company.

F. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into residents and non-residents. Income subject to tax is called assessable income and is divided into seven categories:

(1) Industrial profits, commerce and craft;
(2) Professional non-profit business;
(3) Income from agriculture;
(4) Income from rental properties (built and unbuilt);
(5) Income from movable capital;
(6) Wages, salaries, pensions and life annuities; and,
(7) Gains from transfer for value of buildings or undeveloped and related rights.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayers should keep their books of account in compliance with the accounting legislation in order to benefit from these deductions.

In general, a person liable to personal income tax has to compute his tax liability, file a tax return and pay tax, if any, on a calendar year basis.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of the family. A spouse can report the income of their children on his/her tax return in certain circumstances.

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Algeria has tax treaties with the following countries:

Germany, South Africa, Austria, Belgium, Bahrain, Bulgaria, Canada, China, South Korea, Spain, Egypt, UAE, France, Italy, Indonesia, Jordan, Kuwait, Lebanon, Portugal,

Romania, Russia, Sultanate Oman, Syria, Switzerland, Turkey, UMA, Ukraine, Yemen.

ANGOLA

MEMBER FIRM

City	Name	Contact Information
Luanda	Henrique Camões Serra	+93 222 334332 pkf_angola@snet.co.ao

BASIC FACTS

Full name:	Republic of Angola
Population:	21.6 million (2013 PRB)
Capital:	Luanda
Major languages:	Portuguese (official), Umbundu, Kimbundu, Kikongo and others
Major religion:	Christianity
Monetary unit:	Kwanza (AOA)
Internet domain:	.ao
International dialling code:	+244
Angola Ministry of Finance website:	www.minfin.gov.ao

KEY TAX POINTS

- Companies carrying out industrial and commercial activities in Angola are subject to corporate tax on all Angolan source income. Taxpayers are divided into two groups, each group having different tax payment deadlines.
- Angolan resident companies are taxed on their worldwide income.
- Non-resident companies are liable to corporate tax if they carry on a trade in Angola trough a permanent establishment.
- Double taxation relief is not available in Angola.
- Angola has not concluded double tax agreements with any jurisdiction.
- The Large Taxpayers Statute regulates the criteria for large taxpayers classification, their rights and obligations. This regime allows for tax group taxation (tax consolidation) and introduces Transfer Pricing Regulations, including the obligation to prepare the transfer pricing documentation for taxpayers with a turnover exceeding AOA 7,000,000,000.00,
- Consumption tax is levied on the production and on the import of goods as well on the provision of services, at rates comprised between 2% and 30%.
- Special tax regimes exist for oil and mining companies.
- Personal income tax is payable by all Angolan residents and non-residents earning income in Angola at rates based on a sliding scale from 0% to 17%.

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES

COMPANY TAX

Angolan resident companies are liable to corporate tax on all its sources of income and capital gains. A non-resident company carrying on a trade in Angola through a permanent establishment located in Angola is liable to corporate tax on all income and gains attributed to that establishment.

Resident companies are subject to taxation on their worldwide income.

Income from Angolan companies is taxed under Industrial Tax (“Imposto Industrial “). Taxpayers liable for Industrial Tax are divided into two groups: A and B.

Taxpayers included in Group A as well as Group B taxpayers that opt for keeping organized accounts, are subject to Industrial Tax on the income effectively obtained and determined in accordance with the accounting records. Group B taxpayers that do not keep organized accounts are subject to tax on the basis of their turnover.

In general, commercial companies, as well as permanent establishments of non-resident companies, are mandatorily included in Group A. Group B is applicable to the companies with a share capital of less than AOA 2,000,000.00 and with a turnover not exceeding AOA 500,000,000.00.

CORPORATE INCOME TAX RATE AND TAX RETURNS

Corporate taxable income, determined on the basis of accounting profits, is taxable at a rate of 30%.

For Group A taxpayers an annual corporate income tax return ("Modelo 1") must be submitted by 31 May of the following year, together with a documentation set that forms part of the technical report.

For Group B taxpayers that voluntarily prepare accounting records, an annual corporate income tax return ("Modelo 1") must be submitted 30 April of the following year, together with a documentation set that forms part of the technical report. For Group B taxpayers that do not prepare accounting records, an annual corporate income tax return ("Modelo 2") must be submitted by 30 April of the following year, signed by an accountant and with the description of the sales and services provided.

WITHHOLDING TAX ON SERVICES

Most types of services are subject to withholding tax at rate of 6.5%. The types of services provided by resident companies that are not subject to withholding tax are the following:

- Educational Services
- Medical Services
- Hospitality Services
- Transportation Services, including passengers
- Rental of Equipment subject to Capital Application Tax
- Telecommunications Services
- Financial Broker and Insurance Services
- Recharges with no mark-up, conducted between related companies, defined under the Statute of the Large Taxpayers

This withholding tax should be withheld by the payer of the service, and may be deducted on the corporate income tax return ("Modelo 1") as an advance payment, up to the amount of the tax assessed. The excess of the amount of tax withheld over the amount of tax assessed, it may be carried forward and set-off against the corporate tax liability of the following 5 years.

A

Likewise the payment of services to non-resident companies is subject to a withholding tax rate of 6,5%, except for the following services:

- Educational Services
- Medical Services
- Transportation Services, including passengers
- Rental of Equipment subject to Capital Application Tax

The provision of services up to a total of AOA 20,000 is exempt from withholding tax.

PERMANENT ESTABLISHMENT

In accordance with the Angolan General Tax Code (CGT), a fixed place of business from which the company exercises the whole or a part of its activity, namely an office, a branch, a factory is deemed as a permanent establishment.

The continued provision of services for periods longer than 90 days within any 12 months period may also be deemed as a permanent establishment.

BRANCH PROFITS TAX

Foreign companies with a permanent establishment in Angola are subject to Industrial Tax in respect of:

(a) Profits imputable to a permanent establishment located in Angola, and
(b) Profits of business activities carried out by the head office in Angola, with the same nature of the activities carried out by a permanent establishment of the head office in that territory

An Angolan branch of a non-resident company is taxed on its profits and capital gains in the same way as a resident Angolan company.

The repatriation of Angolan branch profits to foreign companies is subject to Industrial Tax at rate of 10%.

CAPITAL GAINS TAX

Capital gains obtained by resident companies are included in their taxable income and taxed under the Industrial Tax at the standard flat rate of 30%. Capital gains on shares or other instruments not subject to Industrial Tax are taxed under Capital Application Tax at a rate of 10%.

CONSUMPTION TAX

There is no value-added tax (VAT) or sales tax in Angola. However, a consumption tax exists, which is levied on the production and import of goods as well as on the provision of services listed in the Consumption Tax Code. The tax rates vary between 2% (basic products) to 30% (luxury products) for the products.

As far as services are concerned, a standard tax rate of 5% applies (e.g. water and energy consumption, communication services, car rental, consultancy services, namely legal, tax, financial, accounting, IT, engineering, architecture, economics, real estate, audit services, and legal services) except for the hospitality business services which are taxed at a 10% rate.

The tax payment should be made by:

- The manufacturer of the goods, if the goods are produced in Angola
- The customs office at the importation of goods
- The company providing the services

The consumption tax is to be borne by the acquirer of the goods or services.
Services charged by non-resident taxpayers will be taxed by reverse charge by the acquirer of the service.

STAMP DUTY

Stamp Duty is levied in a wide range of operations and contracts. Both the operations on which the tax is levied and the applicable rate are listed in the table annex to the Stamp Duty Code. Tax rates vary from 0.1% to 1%. Certain items are taxed at a determined fixed amount.

Some examples are:
Loans: 0.1% to 0.5% on the principal amount of the loan depending on the loan contracted period.
Notary acts: AOA 2,000.
Amounts collected by a company from its customers: 1%.

In the particular case of loans granted by foreign companies as well as in the case interest charged by a foreign bank, the tax must be self-assessed (by reverse charge) and paid by the borrower.

CAPITAL APPLICATION TAX

Capital Application Tax applies to investment income, such as interest, dividends and royalties and capital gains. The tax rates vary from 5% (e.g dividends and loan interest with maturity over 3 years, dividends from listed companies) 10% (e.g. dividends, royalties, capital gains, bank deposits interest) or 15% (e.g. gambling and lotteries prizes, loan agreements interest). In the case of loan contracts, the tax authorities may deem that the principal is remunerated at a 6% interest rate.

Dividends paid between Angolan resident companies are exempt from tax if a participation of 25% has been held for a 1 year period prior to the dividend distribution, otherwise a tax of 10% must be withheld.

URBAN REAL ESTATE INCOME TAX (IPU)

This tax is levied on rented as well as non-rented urban real estate.

In the case of rented real estate, the tenant is required to withhold 15% tax on the rents paid to the landlord.

In non-rented urban real estate the owner of the real estate is subject to tax at rate of 0,5% of the asset tax value and exempt if the tax value is below AOA 5,000,000.

REAL ESTATE TRANSFER TAX (SISA)

This tax is levied on all acts that involve the sale of real estate at a rate of 2% and payable by the acquirer.

SPECIAL TAX REGIMES: PETROLEUM INDUSTRY TAX REGIME

Income from oil industry is subject to a specific tax regime. This tax regime is applied to all companies that perform activities of search, development, production, storage, treatment and sales of oil and its components.
Oil Corporate Income Tax Rates:

- Production or sharing agreement – 50%
- Other types of joint-ventures – 65,75%
- Angolan companies members of the national concessionaire – 30%

MINING INDUSTRY TAXATION

Mining companies are subject to a specific tax regime. The general rate applied in this tax regime is 25%.

B. DETERMINATION OF TAXABLE INCOME

GENERAL REGIME
Taxable income is calculated by adjusting the accounting profits from non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred tor the purpose of producing income.

DEPRECIATION OF FIXED ASSETS
Fixed assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation. The normal method of calculation is the straight-line method.

STOCK / INVENTORY
Inventory must normally be valued at the effective cost of acquisition or production (historic cost).

DIVIDENDS
Dividends when subject to Capital Application Tax are excluded from the tax basis for CIT proposes. The same applies for other income subject to Capital Application Tax.

INTEREST DEDUCTION
Interest charges related to shareholder loans are not tax deductible for corporate income tax purposes. Interest on loans contracted with other parties are eligible as tax deductible.

LOSSES
Operating losses incurred by resident companies or by a branch of a non-resident company, may be carried forward and set off against taxable profits for the following three years.

FOREIGN SOURCED INCOME
Angolan companies are taxed on their worldwide income, including any foreign branch income.

INCENTIVES
Foreign private investment in Angola requires a minimum capital of 1 million USD.

Depending on the investment project area of implementation, it may be possible to contract with the Angola Government certain tax benefits namely:
(a) Customs Duty (except Stamp Duty, emoluments and statistical fees) – exemption or rate reduction for up to six years.
(b) Corporate Tax – Temporary exemption or rate reduction (up to 50%), for up to ten years.
(c) Withholding tax on dividends – Temporary exemption or rate reduction for up to 9 years.
(d) Real Estate transfer tax – exemption or rate reduction.

Additionally Micro, small and medium-sized companies may benefit from a reduced corporate income tax rate, a consumption tax exemption on raw materials and from a Stamp Duty exemption.

C. FOREIGN TAX RELIEF

There is no tax relief on foreign taxes paid by Angolan companies.

D. CORPORATE GROUPS

A group special regime has been recently introduced by Angolan tax law. Companies which are classified as Large Taxpayers may opt to be taxed by the sum of the taxable profits and losses of the group.

E. RELATED PARTY TRANSACTIONS

There is a general provision that allows the tax authorities to adjust the taxable income of any taxpayer as a result of non-arm's length transfer pricing practices.

The recently published Statute of Large Taxpayers introduced new transfer pricing rules. A company listed as a Large Taxpayer with an annual turnover above AOA 7 billion (approximately 70 million USD) is required to prepare transfer pricing documentation.

F. WITHHOLDING TAX

Under domestic law, dividends paid to non-resident companies are subject to a 10% withholding tax. Dividends paid between Angolan resident companies may be exempt

from withholding tax if a participation of at least 25% is held for a period longer than 1 year prior to the dividend distribution. Dividends paid to resident or non-resident companies with stocks traded on a recognized stock exchange market are subject to a reduced withholding tax rate of 5%, in respect of the 2015 to 2019 years.

All royalties paid to resident or non-resident companies are subject to a 10% withholding tax.

Interest paid to resident or non-resident companies are subject to withholding tax usually at a rate of 15%. However, certain interest, such as interest on shareholders loans, corporate bonds, bank deposits, treasury bills, treasury bonds and securities issued by the Angolan Central Bank (BNA), are subject to a 10% rate. Interest on treasury bonds and securities issued by the BNA is subject to a reduced rate of 5% if the maturity is of no less than three years.

Service fees are usually subject to a 6,5% withholding tax regardless of whether it is paid to a resident or non-resident company. Some exemptions may apply depending on the type of service.

G. EXCHANGE CONTROL

There are exchange controls in Angola.

H. PERSONAL INCOME TAX

Individuals receiving employment income for work performed in Angola are subject to personal income tax. The individuals' tax payers are divided in three groups: Group A – Employment Income; Group B – independent professionals (appeared in the list annex to the Personal Income Tax Code); Group C – Industrial and Commercial Activities.

A

EMPLOYMENT INCOME (GROUP A)

Employment income is taxed by withholding tax (final tax) levied on the monthly remuneration paid, at the following progressive rates:

Taxable Income Exceeding AOA	Taxable Income Not Exceeding AOA	Tax On Lower Amount AOA	Rate On Excess %
0	34,450	0	0
34,451	35,000	Amount 34.451	exceeding
35,001	40,000	550	7
40,001	45,000	900	8
45,001	50,000	1,300	9
50,001	70,000	1,750	10
70,001	90,000	3,750	11
90,001	110,000	5,950	12
110,001	140,000	8,350	13
140,001	170,000	12,250	14
170,001	200,000	16,450	15
200,001	230,000	20,950	16
230,000	-	25,750	17

INDEPENDENT PROFESSIONALS (GROUP B)

Fees paid to independent professionals are subject to withholding tax at a flat rate of 15% on 70% of their total income (being the effective tax rate of 10.5%).

INDUSTRIALS AND COMMERCIALS ACTIVITIES (GROUP C)

Income derived from industrial and commercial activities is subject to a rate of 30% determined according to the Minimum Profits table or a rate of 6.5% in other situations.

MINIMUM WAGE

In Angola, the minimum wage is determined according to the economic sector where the employee works:

Commerce and extractive industry : 22,504.50 AOA
Transports, services and processing industry: 18,754.00 AOA
Agriculture: 15,003.00 AOA

SOCIAL SECURITY CONTRIBUTIONS

Remunerations paid by employer are subject to social security contributions at the following rates:

- 8% for the employer, and
- 3% for the employee (to be withheld by the employer).

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Angola has not concluded a tax treaty with any jurisdiction.

ARGENTINA

MEMBER FIRM

City	Name	Contact Information
Buenos Aires	Julián Pablo Laski	+54 11 52356393 pkf@pkfargentina.com.ar

BASIC FACTS

Full name:	Argentine Republic
Population:	41.2 million (2013 PRB)
Capital:	Buenos Aires
Major language:	Spanish
Major religion:	Christianity
Monetary unit:	1 peso = 100 centavos
Internet domain:	.ar
International dialling code:	+54
Argentina tax information website:	www.mecon.gov.ar

KEY TAX POINTS

- Companies domiciled in Argentina are subject to income tax on all their income. Non-resident companies are subject to tax on Argentina-source income.
- There is no separate capital gains tax levied on capital gains of companies as they fall under the scope of income tax.
- Value added tax is applied at all stages of the production and selling processes (output tax). Tax suffered in the immediately preceding stage is deductible (input tax).
- Any foreign taxes paid on foreign-accrued income may be credited against Argentine income tax up to the limit of the Argentine tax on the same income.
- Transactions between Argentine companies and related parties are deemed to take place at arm's length rates for tax purposes. For income tax assessment purposes, Argentine Law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm's length price has been used.
- Argentine-source income paid to foreign recipients not having a permanent establishment in Argentina is subject to 35% withholding tax. However, for each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate.
- Income tax is levied on income earned by Individuals in Argentina and abroad by individuals residing in Argentina.
- Personal assets tax (wealth tax) is levied on all assets, wherever situated, of Argentine domiciliaries, Argentine assets of non-domicillaries and shares issued by an Argentine company (the company pays the tax on behalf of the shareholders). In the case of trusts (excluding financial trusts), the trustee pays the tax on behalf of the beneficiaries.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Companies domiciled in Argentina are subject to income tax on all their income, whether sourced in Argentina or in a foreign country. Non-resident companies are subject to tax on Argentine source income. Income from the export of goods situated in Argentina is deemed to be fully taxable and, for other specific international activities (eg news agencies, insurance, commercial use of films produced abroad, international transport etc), the tax law establishes a certain percentage as presumed income.

The tax rate for corporations (Sociedades An nimas, Sociedad de Responsabilidad Limitada - Limited Liability Corporation - en Comandita) and branches of foreign companies domiciled in Argentina is 35%. For partnerships, the tax is charged to each partner according to a progressive tax rate scale ranging from 9% to 35% depending on the amount of the taxable income.

Foreign recipients not qualifying as a permanent establishment in Argentina are subject to withholding tax at source. The rate is 35% on the applicable presumptive net income percent, depending on the type of payment made (ie interest, fees, royalties, rentals, etc).

For companies organised or incorporated in Argentina, any income tax (or similar tax) paid abroad on a foreign source income is creditable against Argentine income tax, up to a limit.

Company income is taxed on an accrued basis during the company's business year. The tax is assessed annually within five months after fiscal year end. Advanced payments must be paid monthly on the basis of the tax amount paid the previous year. Moreover, the AFIP (Tax Authority) has enforced several withholding tax regulations that involve almost all kind of activities. The income tax withheld during the fiscal year is creditable against the income tax assessed, as well as the advanced payments. The balance must be paid at due date. Small and Medium size companies can file an instalment plan (up to six instalments) accruing interest at a monthly 2% rate.

CAPITAL GAINS TAX

There is no separate tax levied on capital gains for companies organised in the country or for branches as they fall under the scope of income tax. For foreign corporations, capital gains are also included under withholding at source income tax regime at the time payment is made.

For foreign resident companies and individuals, capital gains derived from the sale of shares, stocks, bonds and other securities (whether listed or unlisted on the Stock Exchange) are levied on income tax at a rate of 15%.

Foreign resident taxpayers can elect to be taxed on the gross sales price. In this case, 90% on the gross sales price will be deemed to be the amount of capital gains that will be levied at a rate of 15%. Therefore, the effective tax rate on the gross sales price will be 13.50%.

VALUE ADDED TAX (VAT)

This tax is applied to all stages of the production and sales processes (output tax) and the tax amount of the immediately preceding stage is deductible (input tax). The tax is imposed on the following transactions:

- Sale of personal property situated in Argentina;
- Leases and services, including financial and insurance services;
- Real estate leases;
- Work performed on third-party real property;
- Work performed on owned real property, in the case of constructors;
- Production of personal property commissioned by a third party;
- Procurement of natural goods commissioned by a third party;
- Permanent import of personal property;
- Services provided from abroad and used in Argentina (including interest). In this case, input tax must be paid by the local company and it automatically becomes 'input tax' for VAT purposes in the following month.

VAT is assessed on a monthly basis. The inception of the taxable event is to issue the invoice, deliver the goods and render the service or the receipt, whichever is the earliest. The standard tax rate, currently 21%, is charged on the net price of the transaction. There are some leases and services levied at 27% (electricity, telecommunications, etc). Some goods and services are levied at 10.50% (bovine meat, fresh vegetables, lodgings, interests on loans received from Argentine financial institutions, certain property plant and equipment, newspapers and magazines,

transportation for individuals, etc).

Exports are levied at a zero rate (destination country method). Exporters can apply input tax (incurred in making exports) against output tax arising from other taxable transactions. In case of a net input tax internal charge), exporters are entitled to a refund (under a special procedure established by the tax authority). Foreign tourists are also entitled to a VAT refund (cash or in credit card account) included in personal property purchases and lodging services in some tourist areas.

There are several withholding and 'collection at source' regimes in force. The VAT withheld or collected at source is creditable against the internal charge. In case of a reminding tax credit, it can be offset against any other federal tax liability.

FRINGE BENEFITS

No tax is levied specifically on fringe benefits, since they are levied with income tax and social security contributions.

MINIMUM PRESUMPTIVE INCOME TAX (MPLT)

This tax is levied on all assets located in Argentina or in foreign countries owned by companies domiciled in Argentina or branches of foreign companies located in Argentina.

The Tax Act sets out how to value the assets to which, in general, the current market value must be given. Some assets are not levied, e.g. shares of other companies domiciled in Argentina, dividends earned, investment in construction (for two years), and new personal property purchases (for two years). Companies having less than $200,000 of assets are not levied. Field Real Estate property is levied allowing a special deduction of up to $200,000. The tax rate is 1%.

Financial institutions and insurance companies, subject to the control of state entities, are subject to MPIT on 20% of their assets value.

Although this is an 'assets tax', the spirit of the law is to set a company's minimum income tax liability (for example, in the case of tax losses). Income tax assessed by the company may be creditable against MPIT for the same fiscal year.

If, in the same fiscal year, the income tax assessed is higher than the MPIT assessed, the net will not generate a tax credit. On the other hand, if in the same fiscal year the MPIT assessed is higher than the income tax assessed, the net of the MPIT may be carried forward and offset against income tax in the following ten fiscal years.

Despite this tax credit, the company must pay effectively at least the amount of MPIT assessed every fiscal year. Therefore, every year the company must assess both taxes, yet pay either income tax or MPIT, whichever is the highest.

PERSONAL ASSETS TAX PAID ON BEHALF OF SHAREHOLDERS

Companies residing in Argentina are levied on Personal Assets Tax on behalf of its shareholders (see section "H. Personal Assets Tax (Wealth Tax)" below).

SINGLE SIMPLIFIED TAX

Single simplified tax is a volunteer tax applicable to individuals and small partnership that perform little activity and where income does not exceed a threshold set by the Act. The taxpayer can choose whether to pay income tax and VAT or substitute both by paying a monthly single simplified tax. The tax is determined considering a scale of income.

LOCAL TAXES

The different provinces and jurisdictions within the territory of Argentina apply local taxes. A brief description is provided as follows:

TURNOVER TAX:

This is a provincial tax levied on the various stages of production and selling processes but no input tax is deductible from the tax amount of the immediately preceding stage (waterfall effect).

In general, it applies to gross revenues accrued during each fiscal period (month). The tax rate is approximately 3% to 5% for commercial activities, 1.5% to 4% for industrial activities, and 1% - 3% for primary activities, according to the taxpayer turnover and other regulations enforced by each provincial Tax Act.

Under an agreement signed between the National Administration and the Provincial Administrations, several exemptions to some productive activities have been established and the tax scheme will be reshaped gradually until this tax becomes

ineffective and replaced by a 'neutral' tax. In general, small industrial activities are not levied in the jurisdiction where the factory is located.

STAMP DUTY:

The duty is levied in each of the country's jurisdictions on juristic acts and instruments entailing a flow of wealth between the parties involved in the legal relationship. Thus, Stamp Duty is applicable inter alia to acts whereby for profit transactions on real estate, personal property, services rendered and civil, commercial or financial obligations are documented. Rates vary according to the jurisdiction and the type of instrument involved, the most common one being 1% of the contract value. Under the aforesaid fiscal agreement, Stamp Duty is also to be phased out in the future but currently it is still in effect.

LAND AND CAR TAXES:

These taxes, typically 'ad valorem', are levied on land and automobiles located or registered within any of the country's 24 provinces. The fiscal assessment value of the assets and the applicable tax rate varies according to each jurisdiction.

RATES:

These are municipal levies applied on a range of taxable bases in the various jurisdictions, in consideration of services provided by each township. The taxable event is the performance of an activity for profit in a town. The tax rate, set by each Municipal Act, is applicable on the turnover and depends on the activity performed.

OTHER TAXES

EXCISE TAX:

This is a federal tax on specific goods and services, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages (whisky, other spirits, liquor, etc), soft drinks, beer, automobiles, ships and aircraft, mobile phone services, insurance premiums, luxury items (jewellery, stones, pearls, furs, etc), some electronic products (microwave oven, television set, radio, several home appliances, etc). Excise tax is levied on the sale price. The tax rate varies depending on the item. This tax is generally levied at the production or importing stage (first stage).

Furthermore, a fuel and gas tax is levied on the sale of some of these products.

SOCIAL SECURITY CONTRIBUTIONS:

These are federal taxes levied on both employers and employees. The taxable base is the salary. An employer files the tax return with the official authority under self-assessment and pays the tax withheld from the employee together with his/her liability.

Employee contributions on salaries are 17% of salary and employers' contributions are set at 23% for small and medium-sized companies and 27% (for large companies).

Employers' social security contributions can be partially considered as input tax for VAT purposes in some provinces. The amount that can be offset depends on the employer's location, ranging from nil in Buenos Aires up to 10.75%.

TAX ON CHECKING ACCOUNT DEBITS AND CREDITS:

This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account but also a large variety of financial transactions (money remittances, money orders, cheque deposit on saving accounts, etc). The law sets out several exceptions (i.e. saving accounts, stock exchange agents, non-profitable associations, etc), and provides for reduced rates for certain transactions such as time deposits.

To prevent tax avoidance, any amounts over $1,000 must be paid by cheque as a binding procedure.

The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account. Thus the whole transaction is levied at a 1.2% rate. For specific activities performed by some taxpayers (who might use checking accounts to make payments on behalf of third party) a 0.075% rate is applicable.

17% of the tax amount paid each month is creditable against income tax or minimum presumptive income tax. The remaining 83% of the tax is a non-recoverable expense. The idea is that Financial Institutions act as withholding agents in order to ensure the revenue of the most important taxes.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act lists specific

regulations for dealing with the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

INVESTMENT ALLOWANCE

At present, there is no income tax incentive scheme in force allowing additional deductions, in whole or in part, tor investment on facilities and equipment.

DEPRECIATION OF FIXED ASSETS

For real estate, the law establishes a depreciation rate of 2% annually on the portion attributable to the building. The Tax Act indicates that fixed assets may be depreciated over their estimated useful life on a straight-line basis. Assets subject to depletion (mines, quarries etc), may be depreciated, not on the straight-line method, but proportionally to the units extracted in each period.

STOCK / INVENTORY

In the case of resale goods and raw materials, inventories should be valued for tax purposes at the end of each business year at their acquisition cost (last purchase value).

For self-manufactured items, the inventory value is determined on the basis of the sales price at the end of the fiscal year after deducting any direct expenses associated with the sale and the net profit margin. In special cases, where cost accounting systems are maintained, own-production goods can be valued at their production cost.

CAPITAL GAINS AND LOSSES

Capital losses are deductible, subject to the limitations noted in the paragraph under 'Losses' below.

DIVIDENDS

Dividends and profit distributions are subject to tax at a rate of 10%. This tax is in addition to the existing "equalization tax".

In general, dividends between two Argentine resident companies are tax exempt in the hands of the recipient (an Argentine resident company).

Equalization tax applies to dividends paid to residents and non-residents when commercial profits (i.e. the profits before tax as reported in the company's financial statements) exceed taxable profits.

If the dividend passed does not exceed the taxable profit, dividend tax is not levied, whoever their recipients are, provided that the dividend is distributed on nominative (registered) shares. If the dividends exceed taxable profit, a withholding tax at 35% is payable on the difference (equalization tax).

No tax credit is derived from the tax withheld because dividends are not levied as income for the recipient (the whole tax was withheld).

INTEREST DEDUCTION

Interest is generally deductible provided that it is incurred on loans taken out for business purposes. Otherwise the deduction is denied. Notwithstanding this, there is a threshold set on deductible interest. Under thin capitalisation rules, interest is disallowed where all the following conditions take place all together:

- The company's financial debt/equity ratio exceeds 2:1
- The loan is granted by a foreign resident who controls the Argentine company (directly or indirectly)
- The withholding tax rate applicable on the interest paid abroad is reduced to 15.05% (that is 35% tax rate on 43% presumptive net income). See paragraph F.

Where the conditions do not apply simultaneously, no limitation is applied and interest is fully deductible. This is logical because when the withholding tax rate applicable is 35% (35% tax rate on 100% presumptive net income), the full tax was already withheld and the deduction is therefore allowed. (See paragraph F for more details about withholding tax on interest.) If the limit is applicable, interest is not deductible on the percentage of two times net worth over total liabilities. The remaining percentage of interest is deductible.

LOSSES

Income tax losses made in a given fiscal year may be carried forward for five years but taxpayers may only offset losses against the same kind of income. Thus, stocks and foreign-sourced losses may only be offset against income of the same kind.

FOREIGN CAPITAL INFLOWS

No special regulations exist to control incoming funds disclosed as capital contributions,

as the current policy is designed to encourage inflows of foreign capital. However, foreign companies should pay personal assets tax (see below) because Argentine Law deems that the stock belongs to a resident individual. Other kind of incoming funds may be subject to a time deposit (see paragraph G).

On the other hand, there are specific regulations in force to control outgoing funds set by the Central Bank.

INCENTIVES

Promotional tax schemes are available for new investments in agricultural transactions and tourism in certain areas of Argentina. Approval of new industrial investment projects has been suspended.

CORPORATE MERGERS

Corporate reorganisations (de-mergers and mergers/consolidations) are to be considered 'tax free' provided that certain legal requirements and proceedings are met. These relate, in particular, to maintenance of the shareholders' interest and continuance of the business activity carried out (two years after and before the reorganisation process).

In such cases, any outstanding tax loss may be carried forward and other existing allowances and liabilities may be passed on to the successor companies.

SHARES AND BONDS

For corporations domiciled in Argentina, the income produced by shareholding is levied when share alienation takes place (not just because of holding them). On the other hand, bonds must be valued at their current value.

Therefore, the income produced by bond holding is levied whether they are sold or not. For foreign residents domiciled in any country but tax havens, the disposal of shares (issued by an Argentine Company) is not levied with Income Tax.

C. FOREIGN TAX RELIEF

Any overseas income taxes paid on foreign-sourced income may be creditable against Argentine income tax up to the limit of the increase in the tax liability resulting from aggregating the foreign-sourced income.

D. CORPORATE GROUPS

Companies belonging to the same group or holding, but having separate legal status, should pay their taxes separately and the transfer of losses from lossmaking to profit-making members of the same group of companies is not permitted.

Nevertheless, payment is waived in the case of taxes arising from corporate reorganisations (de-mergers and mergers/consolidations) which comply with established legal requirement's (particularly, maintenance of the shareholders' interest and continuance of the business activity carried out) for two years after and before the reorganisation process.

E. TRANSFER PRICING AND RELATED PARTY TRANSACTIONS

Under Argentine Law, transactions between Argentine companies and related parties domiciled abroad are deemed to take place at arm's length rates for tax purposes. When the pricing used agrees with normal market practices as between non-related - entities, no adjustment is required for tax purposes.

For income tax assessment purposes, Argentine law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm's length price has been used in transactions performed with related parties residing abroad, or any parties residing in tax havens.

The related parties test is broad and includes not only transactions between a local subsidiary and its parent company but also other relationships, (e.g. local company and foreign subsidiary, local permanent establishment and foreign head office, local company and foreign permanent establishment, local company and related or not related party residing in a tax haven, among others).

F. WITHHOLDING INCOME TAX FOR FOREIGN TRANSACTIONS

When Argentine-source income is paid to foreign recipients who do not have a

permanent establishment - branch, office, etc - in Argentina, such income is subject to withholding tax of 35%.

For each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate. The following chart shows the presumptive net income percentages:

Income	Presumptive net income % A	Effective withholding tax rate % 35% x A
Interest on loans granted by overseas banks only on condition that the lender bank: a) is domiciled in a jurisdiction not considered a "tax haven", and, b) has supervision on financial activity provided by the Central Bank (Federal Reserve). Offshore banks domiciled in any territory are not included in this category.	43%	15.05%
Interest on debt arising the importation of property plant and equipment subject to depreciation (except cars) provided that the exporter is the creditor.	43%	15.05%
Interest on time deposits made by foreign residents (either companies or individuals) in financial institutions located In Argentina, provided the Interest is not chargeable to income tax in the country of residence.	43%	15.05%
Other interest. This category includes: a) Interest on loans granted by overseas corporations or individuals; b) Interest on loans granted by offshore banks domiciled in any territory considered a "tax haven" or who's Central Bank (Federal Reserve) does not apply supervision on financial activity.	100%	35.00%
Royalties arising from technical assistance or consulting not available in Argentina under specific regulations (the contract must be duly registered with the official authority).	60% - 80%	21% - 28%
Copyright (must be registered with the National Copyright Bureau).	35%	12.25%
Other royalties.	90%	31.50%
Salaries of technicians, professionals, sportsmen, and artists for temporary work in Argentina (individuals only - not applicable when the provider is a corporation).	70%	24.50%
Personal property leases.	40%	14.00%
Real Estate property leases.	60%	21.00%
Disposal of assets situated in Argentina.	50%	17.50%
Dividends and profit distributions.	Not applicable	10% (rate applicable directly on dividend)
Sale of shares, stocks, bonds and other securities, applicable on the gross sales price. (In this case, the taxpayer can elect to be taxed on the capital gain at a 15% rate on the gain).	90% x 15% tax rate	13.50%
Other incomes	90%	31.50%

G. EXCHANGE CONTROL

Exchange controls are currently in effect. Foreign currency can be transferred into Argentina provided that the sender files a disclosure with the official authority. In some cases, the transfer is subject to a one year time deposit (with no interest accrued) for the 30% of the amount transferred (especially financial loans).

Capital contributions are not subject to the time deposit. To transfer out, the reason must be proved by filing forms with the Central Bank (i.e. dividends, loans, etc).

H. PERSONAL TAX

Two taxes are currently levied on individuals:
- Income tax; and,
- Personal assets tax (wealth tax).

INCOME TAX

The tax is levied on income earned in Argentina and abroad by individuals residing in Argentina.

It is payable on an annual basis with five advanced payments (every two months). Any expenses incurred in generating such income may be deducted from gross income. The law establishes fixed deductions: non-taxable minimum, special tax free amount, dependant allowance, etc.

Capital gains not related to income-generating activity are not subject to tax. In the case of the disposal of real property not assigned to such activity, a 1.5% real estate sales tax is charged on the selling value of the property, regardless of whether a loss or a profit is made.

Under the Income Tax Act, some exemptions are provided for the financial and capital markets, whereby interest on time deposits, government securities, and income from stocks and bonds that are quoted on the Stock Exchange are not subject to tax.

Similarly, the sale of stocks (issued by an Argentine company) is not levied on income tax provided that the activity of buying and selling stocks is not performed on a regular (trading) basis.

Employees are subject to withholding tax at source, for which the employer is responsible (withholding agent).

Resident individuals are liable to the tax on the basis of a progressive tax rate scale ranging from 9% to 35% of annual taxable net income.

PERSONAL ASSETS TAX (WEALTH TAX)

This tax is levied on:

All assets located in Argentina or in foreign countries that belong to individuals resident in Argentina
- All assets located in Argentina that belong to individuals resident in foreign countries
- Shares issued by Argentine companies. In this case, the company pays the tax on behalf of the shareholders.
- Trusts (excluding financial trusts). In this case, the trustee pays the tax on behalf of the beneficiaries.

INDIVIDUALS RESIDING IN ARGENTINA

This tax is levied on all assets located in Argentina and in foreign countries. Similar tax paid arising overseas in respect of assets located in foreign countries is creditable against personal assets tax.

The only deduction allowed is the amount of liabilities arising from the purchase or construction of the taxpayer's home.

Investments in shares issued by an Argentine company are not to be included in the taxable base because the company pays this tax on behalf of the shareholders (a situation that does not mean shares are exempted).

The tax is assessed on the value of property that exceeds the tax free amount of $305, 000. If the taxable base is higher than $ 305,000, the tax is assessed on the total and it is calculated on a progressive tax-rate-scale basis. The applicable rate ranges from 0.5% to 1.25% on the taxable base.

INDIVIDUALS AND COMPANIES RESIDING IN A FOREIGN COUNTRY

The tax is also charged on assets located in Argentina and owned by individual foreign residents at a 1.25% rate. Neither deductions nor taxable minimum are allowed.

In the case of certain assets (i.e. securities, non-exploited real estate property, etc) located in Argentina and owned by foreign companies, these are deemed to belong to individuals and are levied with personal assets tax at a 2.50% rate.

Shareholders of an Argentine company who reside in foreign countries are liable to

personal assets tax. The tax liability is not assessed directly but is paid by the company on behalf of its shareholders (see the next paragraph).

SHARES ISSUED BY ARGENTINE COMPANIES OR TRUSTS

Shares whose holders are foreign resident companies are deemed to belong to foreign resident individuals and the tax is levied on those shares.

The taxable base is the Argentine company's equity value assessed in the company's last financial statements. The tax rate is 0.5%.

In all such cases, the tax is assessed and paid by the Argentine company on behalf of the shareholders. The tax paid is not deductible for income tax purposes because the company is allowed to claim the tax paid to the shareholders.

A foreign company's branch (a permanent establishment in Argentina) will be levied on personal assets tax in respect of the capital assigned to the branch.
In the case of trusts (excluding financial trusts), the trustee pays the tax on behalf of the beneficiaries. The taxable base is the amount of Assets.

I. TREATY AND NON· TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries	10	15.05 – 35.00 9	21.00 - 31.50 6
Treaty Countries:			
Australia	10/15 1	12	10/15 7
Austria 10			
Belgium	10/15 1	12	3/5/10/15 7
Bolivia	*	*	*
Brazil	*	*	*
Canada	10/15 1	12.50	3/5/10/15 7
Chile 11			
Denmark	10/15 1	12	3/5/10/15 7
Finland	10/15 1	15 3	5/10 6
France	15 1	20 3	18 5
Germany	15 1	15 2	15/15 3
Italy	15 1	20 3	10/18 5
Netherlands	10/15 1	12	3/5/10/15 7
Norway	10/15 1	12.50	3/5/10/15 7
Russia	10/15 1	15	15
Spain	10/15 1	12	3/5/10/15 7
Sweden	10/15 1	12.50	3/5/10/15 7
Switzerland 12			
United Kingdom	10/15 1	12	3/5/10/15 7
Uruguay	4	4	4

Notes
1 This is the percentage ceiling set under the agreement. However, it is only applicable when the conditions set under (B) are met (Dividends).
2 The rate applies to interest loans associated with the sale of equipment, bank loans and public works financing.
3 This is the ceiling set by the treaty. However, when the effective rate for non-treaty countries is lower, this latter rate is applicable.
4 Under the agreement no ceilings were set but the jurisdiction where the tax should be levied was established. Therefore, applicable rates are those for non-treaty countries.
5 The 10% rate applies to copyright royalties.
6 Varies according to contract purpose and terms.
7 A 3% rate applies to the use of news, a 5% rate applies to copyright, a 10% rate applies to trademarks, patents and technical assistance, and a 15% rate applies in other cases.
8 A 5% rate is appropriate only where the payment relates to copyright.
9 See withholding taxes description at (F) above.
10 The Treaty with Austria was rendered ineffective as of 01January2009.

11 The Treaty with Chile was rendered ineffective as of 01 July 2012.
12 The Treaty with Switzerland was rendered ineffective as of 01 January 2013. The new treaty is not effective yet.

AUSTRALIA

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BASIC FACTS

Full name:	Commonwealth of Australia
Population:	23.1 million (2013 PRB)
Capital:	Canberra
Largest city:	Sydney
Major language:	English
Major religion:	Christianity
Monetary unit:	1 Australian dollar = 100 cents
Internet domain:	.au
International dialling code:	+61
The Australian Taxation Office website:	www.ato.gov.au

KEY TAX POINTS

- Australian resident companies are subject to company income tax on income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.
- There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.
- All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold.
- Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. There is also a Foreign Investment Funds (FIF) regime, which seeks to tax Australian residents on an accruals basis where the Australian resident holds a non-controlling interest in a foreign company or trust engaged in producing passive income.
- Where foreign sourced income is included in assessable income, tax credits are available equal to the lesser of the foreign tax paid and the Australian tax payable.
- Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis.
- Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer

pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arms-length prices.
- Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents.
- Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income.
- There is no separate capital gains tax, but capital gains are included in taxable income. The tax treatment of capital gains and losses is generally the same for individuals and trustees as for companies, but there are some differences (eg individuals and trustees, unlike companies, can claim a 50% discount of capital gains on assets held for more than one year).
- There is no net wealth tax, real estate tax or inheritance or gift tax.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Australian resident companies are subject to company income tax on their income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.

Resident companies are those that are incorporated in Australia or those that carry on business in Australia and either have their central management and control in Australia or their voting power controlled by shareholders who are Australian residents.

The tax year runs from 1 July to 30 June. Companies' financial years usually coincide with the tax year. A taxpayer can choose to have an accounting period different to the tax year if they wish but this will require additional costs of preparing another set of accounts based on the tax year. Alternatively, if a taxpayer has a good reason for having a financial year other than 1 July to 30 June they can apply to the Australian Tax Office to have a substituted accounting period (SAP) and align the tax year with their financial year. The Australian Tax Office will generally accept applications for a SAP where an Australian subsidiary wants to align its tax year with its foreign parent company's financial year.

The company tax rate for the 2014/2015 tax year is 30% of the company's taxable income.

Companies are generally required to 'self-assess' their likely tax liability in a financial year and pay the tax by quarterly instalments with the final tax liability being reconciled in an annual tax return. 'Likely tax' is the latest estimate of tax payable made by the company in a current financial year. If no estimate is made, 'likely tax' is the tax assessed in the preceding year.

Company tax is payable on a quarterly basis (except for companies with a turnover of greater than AUD 100 million (starting 1 January 2015) which are required to pay monthly). Companies that are not required to report their goods and services tax (GST) on a monthly basis and with income tax payable of less than AUD 8,000 for the most recent income year can elect to pay an annual instalment of tax rather than quarterly instalments. Generally, the annual payment date is 21 October when the income year ends on 30 June.

Quarterly company tax is payable within 21 days after the end of each quarter of the financial year. However, where taxpayers are eligible to pay other quarterly obligations on a deferred basis (namely those entities that are required to pay GST on a quarterly basis); the due date is the 28th day after the end of the quarter (except for the December quarter in which case payment date is 28 February).

There are two methods of working out the quarterly payment amount as follows:
- Instalment Income Option - the quarterly payment amount is the amount of gross assessable income earned for that quarter (less capital gains) multiplied by the instalment rate. The instalment rate is advised by the Tax Office and is based on the company tax paid on the most recent tax assessment divided by the company's turnover (less capital gains). This method is available to all taxpayers.

- GDP adjustment notional tax option - the quarterly payment income amount is based on the assessable income figure from the most recent tax return multiplied by a GDP factor. The income amount is advised by the Tax Office. This method is available for individual taxpayers or other entities where their most recent assessed taxable income was under AUD 1 million. Certain categories of taxpayers such as farmers, sports people and artists may meet their liability for these four instalments by making two payments per year.

BRANCH PROFITS TAX

There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.

GOODS AND SERVICES TAX (GST)

All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold of AUD 75,000 or AUD 150,000 for not-for-profit organisations.

Once registered, entities are required to charge 10% GST on all goods and services that they supply within Australia, unless the supplies are specifically excluded, such as education, health, child care services and certain types of food.
Registered entities are entitled to claim an 'input tax credit' equal to the amount of GST paid on purchases, provided that those purchases were used for a 'creditable purpose' in carrying on their enterprise. This means that the cost of the GST is effectively borne solely by the end user. However, there are two exceptions to the general rule:

(1) GST-free supplies (zero rated supplies): These supplies are provided by enterprises to their customers free of GST, and the enterprise is also allowed to claim input tax credits on its creditable business acquisitions. Examples include education and health providers and certain types of food.
(2) Input taxed supplies: These supplies are provided by enterprises to their customers free of GST, but the enterprise is not allowed to claim any input tax credits on its creditable business acquisitions, effectively treating the supplier as an end user. Examples include financial services providers and residential accommodation supplies.

The GST collected from customers is remitted to the Federal Government on a quarterly or monthly basis, depending on the size of the entity's annual turnover.

FRINGE BENEFITS TAX (FBT)

Fringe benefits tax is a federal tax that is payable by resident and non-resident employers on certain benefits that are provided to their employees. The tax is levied at a rate of 47% for the FBT year ending 31 March 2015 on the 'grossed-up taxable value' of each benefit that is provided to employees. FBT is separate from income tax.

In calculating the 'grossed-up taxable value' of a fringe benefit, the provider must first determine whether they are entitled to a GST input tax credit on that benefit. If so entitled, the value of the benefit must be 'grossed up' using a rate of 2.0802. In all other cases, the value of the benefit is grossed up using a rate of 1.8868.

The grossing up methodology effectively levies tax on the benefit at the rate of tax that an employee on the highest marginal tax rate would pay on the cash salary required for them to pay for the benefit out of after tax salary and taking into account any GST input tax credit the employer can claim on providing the benefit.

Employees can make non-tax deductible contributions towards the private use component of a benefit to reduce the taxable value, thereby reducing the FBT payable.

The FBT year runs from 1 April to 31 March. If the prior year's FBT liability is AUD 3,000 or more, it is payable on a quarterly basis on the same payments dates as quarterly company tax (see above). If the total FBT liability is less than AUD 3,000, an annual payment is required instead. The annual FBT return is due for lodgement by 21 May of each year.

Any FBT paid in Australia by an employer is generally deductible for Australian income tax purposes.

SUPERANNUATION CONTRIBUTIONS

Employers are required to make superannuation contributions on behalf of their employees at a rate of 9.5% (from 1 July 2014) of the employee's salary and wages. The rate will remain at 9.5% up until 30 June 2021; this will increase to 10% from 1 July 2021 and will increase gradually until the rate reaches 12% on 1 July 2025. Contributions are required on a quarterly basis.

If insufficient contributions are made, employers are liable for a Superannuation Guarantee Charge. The 'charge' includes the shortfall in the contributions together with an interest component and an administration fee. Employers who have a superannuation guarantee shortfall are required to lodge a Superannuation Guarantee Statement together with the 'charge' on the 28th day of the second month following the end of the quarter.

Superannuation contributions made by employers for their employees are generally

income tax deductible. For the 2013-2014FY onwards, where excess concessional contributions are made, they are no longer subject to excess contributions tax. Where concessional contributions exceed the cap, the amount will now be included in the individual's assessable income and taxed at their marginal tax rate. The individual is also liable for excess concessional contributions charge (ECC) which is collected later than the normal income tax. A 15% tax offset is available to account for the contributions tax that has already been paid by the super fund provider.

OTHER TAXES

Other Federal taxes include:

(1) Customs & Excise duties on certain imported items.

(2) Carbon pricing scheme - imposes a fixed price on carbon pollution from 1 July 2012 to 30 June 2014.

Businesses responsible for direct greenhouse gas emissions of 25,000 tonnes or more of carbon dioxide equivalent emissions were required to purchase permits from the Government equivalent to the quantity of carbon pollution they released. The initial price was AUD 23 per tonne increasing to AUD 24.15 on 1 July 2013.

Use of liquid fuels, such as petroleum, diesel and LPG were generally not subject to the carbon pricing system were subject to fuel excise increases of an amount similar to the carbon price. The fuel excise increases were not levied on fuel used by householders, small businesses, agricultural, forestry and fishing industries. Heavy on-road transport vehicles were also excluded from the fuel excise increases until 1 July 2014. The Fuel Tax Credit for liquid petroleum was reduced by between 5.5 and 6 cents per litre.

Carbon Tax Repeal legislation is now in effect from 1 July 2014. No new carbon tax liabilities will be incurred from 1 July 2014.

Carbon Tax liabilities and equivalent carbon price liabilities incurred up to 30 June 2014 must be met in full.

(3) From 1 July 2012, the petroleum resource rent tax (PRRT) regime also applies to onshore petroleum projects - including coal seam gas, tight gas and shale oil projects - as well as the offshore North West Shelf project.

The PRRT is payable on the taxable profit of a person in relation to a petroleum project. If a person has an entitlement to assessable petroleum receipts from a production licence they will have a petroleum project.

(4) Minerals resource rent tax - for coal and iron ore projects in Australia from 1July 2012 to 30 September 2014.

The minerals resource rent tax (MRRT) applied to new and existing coal and iron ore projects in Australia. MRRT may have been payable on group mining profits of more than AUD 75 million in a year. Entities with interests in coal or iron ore projects needed to consider a number of things that may have affected their future obligations, including what records may need to be kept.

- MRRT applied at the valuation point which separated upstream and downstream operations, effectively taxing the value of the extracted resources and not the value added in the downstream activities, such as processing.
- The basic MRRT rate was 30%, which was reduced by a 25% extraction allowance, making the effective tax rate 22.5%.
- Operating and capital expenses incurred from 1 July 2012 were immediately deductible, while unused losses may be carried forward and uplifted.
- The taxpayer was able to apply pre-mining project losses to the mining project interest which originated from that pre-mining project interest.
- A full credit against any MMRT liability was available for Commonwealth, State and Territory royalties paid by a taxpayer for a mining project.
- MRRT recognised past investments through an allowance, known as the starting base, which could be either:
    - The market value of past investment, written down over a period of up to 25 years; or,
    - The book value of past investment, written down over a five year period.

Entities will not accrue further MRRT Liabilities from 1 October 2014. Entities will need to lodge MRRT returns for the 2014-2015 MRRT year (ending 30 September 2014) on or before 1 March 2015 unless the entities are exempted from having to lodge an MRRT return.

Exempted entities include:
- Low volume non- paying entities (for the 2013, 2014 & 2015 MRRT Years)
- Large volume non- paying entities (for the 2014 and 2015 MRRT Years)

The MRRT was repealed on 30 September 2014. The repeal of MRRT was tied to the repeal of the following business concessions:
- Abolition of company loss carry-back from 1 July 2013
- Reduction of small business instant asset write off from 1 January 2014
- Abolition of accelerated depreciation for Motor Vehicles from 1 January 2014
- Abolition of geothermal energy concessions from 1 July 2014

(5) Excise on fuel, tobacco and alcohol

LOCAL TAXES

The States and Territories of Australia impose the following taxes:
(1) Stamp Duty: payable on specified transactions, including certain transfers of property.
(2) Payroll tax: payable by employers who have total payrolls exceeding specified thresholds which vary from State to State. Payroll tax rates between each State and Territory varies from 4.75% - 6.85%.
(3) Land and property taxes.
(4) Workcare / workers compensation levies or premiums.

B. DETERMINATION OF TAXABLE INCOME

Taxable income equals assessable income less allowable deductions. Assessable income includes ordinary income under common law and statutory income but does not include specifically exempt or non-assessable income.

Generally, to be deductible, losses and outgoings must relate to the gaining or producing of assessable income. Some items are specifically non-deductible, such as penalties and fines.

Capital expenses are generally non-deductible but may be deducted over time as a capital allowance or included in the capital gains tax (CGT) cost base. Expenses incurred in producing exempt income are also non-deductible. It is possible to claim a portion of expense items that have dual purposes.

Special rules apply in respect of the categories listed below.

CAPITAL ALLOWANCES

Plant, equipment and other depreciable items are generally written off over their effective life. There are alternative rules for small business taxpayers with average turnover less than AUD 2 million. Taxpayers may self-determine the effective life of plant to calculate the tax depreciation rate or instead may rely on tax rates published by the Commissioner of Taxation.

Either the straight-line or diminishing-value methods of depreciation can be used for each item of plant and is determined as follows:
(1) Straight-line method: 100% divided by the Asset's effective life.
(2) Diminishing-value method: 150% divided by the Asset's effective life if acquired before 10 May 2006 or 200% if acquired on or after 10 May 2006.

Motor vehicles are subject to an indexed depreciation cost limit. The limit for the 2014/2015 financial year is AUD 57,466.

Small business can pool depreciable assets in a general small business pool to be written off at one rate.

The deduction for an asset acquired during an income year and allocated to the general small business pool is 15% of the taxable purpose proportion of its adjustable value. The general small business pool is written off at 30% per income year thereafter.

From 1 July 2012 to 31 December 2013, small businesses were able to claim an immediate write-off for depreciating assets costing less than AUD 6,500 (including motor vehicles). An immediate write-off of the first AUD 5,000 and 15% of the remaining amount was available for motor vehicles costing AUD 6,500 or more with the balance being pooled. From 1 January 2014, the threshold has changed and only assets costing less than $1,000 will be eligible for immediate write off. Assets costing $1,000 or more will need to be depreciated in the general small business pool.

A 2.5% or 4% special write-off is available on a straight-line basis for the construction

costs of buildings used for income-producing purposes and traveller accommodation, depending on their date of construction.

Most business related capital expenses that are not otherwise deductible, included in the cost of depreciable assets or included in the CGT cost base of an asset, are deductible over five years.

STOCK / INVENTORY

All trading stock on hand at the beginning of the year of income and all trading stock on hand at the end of that income year must be taken into account in determining taxable income.

Each item of inventory must be valued at the end of each financial year at:

- Cost price valued at full absorption cost;
- Market selling value (the current selling value in the taxpayer's trading market); or,
- Replacement cost.

The closing value adopted becomes the opening value at the beginning of the following income year. Acceptable valuation methods include FIFO, average cost, standard costing and retail inventory method. Non-acceptable valuation methods include LIFO and the base stock method.

Certain small business taxpayers who have an annual turnover of less than AUD 2 million are only required to make such valuations where the value of their stock changed by more than AUD 5,000.

CAPITAL GAINS AND LOSSES

Net capital gains are generally included in the determination of assessable income. Capital losses cannot be deducted from assessable income, and can only be offset against capital gains. Capital losses can be carried forward indefinitely to offset against future capital gains.

Net capital gains are determined by deducting the cost base of an asset from the proceeds received on disposal of that asset. The purchase price of an asset purchased prior to 21 September 1999 can be adjusted for inflation indexation to the quarter ending 30 September 1999. Indexation is not available for assets purchased after 21 September 1999.

In lieu of indexation, individuals and trustees may be eligible for a 50% reduction in their assessable capital gain if certain conditions are met. Complying superannuation funds are eligible for a 33.33% discount. This reduction is not available for companies.

Other exemptions from capital gains tax may also be available, such as the main residence exemption, gains from foreign branches or small business exemptions for businesses that satisfy certain criteria.

Foreign residents are exempt from Australian CGT except on Australian real property; business assets used in an Australian permanent establishment (PE); or equity interests in Australian or foreign companies or trusts with substantial interests in Australian real property either directly or indirectly through interposed entities. Australian real property includes Australian land and mining, quarrying and prospecting rights over Australian land.

The 50% CGT discount for non-residents was removed on capital gains accrued after 8 May 2012 on Taxable Australian Property such as real estate and mining assets. However, non-residents will still be entitled to the 50% discount on capital gains accrued prior to this date (after offsetting any capital losses) provided they obtain a market valuation of assets as at 8 May 2012.

DIVIDENDS

In general, dividends received by resident shareholders from resident companies are taxable but grossed up for any franking credits attached. The franking credits are equivalent to the tax paid by the company on its profits out of which the dividend was paid. However, the resident shareholders are allowed a tax offset of tax equal to the amount of any franking credits on the dividend.

Dividends received from non-resident companies do not qualify for this tax offset, but may be entitled to a foreign tax credit (see foreign tax relief below). Alternatively, the dividend may be tax-exempt if the recipient is an Australian company that has a 10% or greater interest in the foreign company.

Dividends paid by non-resident companies in certain foreign countries are also exempt to the extent that they represent profits already taxed in Australia under Australia's

Controlled Foreign Corporation (CFC) rules.

Dividends paid by resident companies to non-resident shareholders are not subject to income tax but may be subject to withholding tax except to the extent that the dividends are franked (that is, have been paid out of Australian-taxed profits). Payments of dividends are not generally tax deductible.

INTEREST DEDUCTIONS

Interest is generally deductible to the extent it relates to funds borrowed for income-producing purposes.

Interest deductions may be restricted by the thin capitalisation provisions. The thin capitalisation rules seek to deny deductions for interest payments if the taxpayer's debt-to-equity ratio exceeds the 'safe harbour' ratio of 1.5 to 1 for the first financial year commencing on or after 1 July 2014 (previously the ratio was 3 to 1). An exception to this rule is where the company can satisfy an 'arm's length test', which focuses on the company's likely borrowings if it had acted at arm's length and what independent lenders would lend to the company on arm's length terms.

The thin capitalisation provisions apply to foreign controlled Australian entities and the inward investments of foreign nationals and Australian-based entities with foreign investments. A de-minimis rule ensures that all corporate entities and their associates (regardless of their nature or business) which claim no more than AUD 2 million for the financial year commencing on or after 1 July 2014 (previously the de-minimis limit was AUD 250,000) in debt deductions per income year will not be subject to the thin capitalisation rules.

MANAGED INVESTMENTS

Managed investment trusts that make fund payments to an address outside Australia are required to pay withholding tax to the Tax Office. The rate of withholding is 30% but this rate is reduced if the country has an exchange of information agreement with Australia, in which case the rate is 15% as of 1 July 2012.

LOSSES

A tax loss is the excess of allowable deductions over assessable income (not including exempt income) and can be carried forward indefinitely to offset against future taxable income. For companies and trusts the deductibility of losses is restricted by a 'continuity of ownership' test (more than 50% of voting, dividend and capital rights). Alternatively, the loss is deductible if the company passes a 'same business' test.

For the 2013FY, companies were entitled to carry back up to AUD 1 million of losses to the previous income tax year (i.e. year ended 30 June 2012). This means that qualifying companies that paid tax in the 30 June 2012 year, and then generated a loss in the 30 June 2013 year were able to carry back the 2013 loss against the 2012 income, and receive a refund of tax paid in the 2012 year. The loss carry- back tax offset was repealed from the start of the 2013-2014 income year for most taxpayers. No loss carry- back tax offset is available from the 2013-2014 income year onwards.

Losses cannot be transferred between entities. However, wholly owned corporate groups that elect to be a consolidated group effectively can transfer losses as the group is taxed as a single entity.

FOREIGN SOURCED INCOME

(i) Controlled Foreign Corporations {CFCs): Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. In general, a foreign company will be regarded as a CFC where:

- Five or fewer Australian residents hold at least a 50% interest in the foreign corporation or have de facto control of the foreign entity;
- An Australian entity (and its associates) has 40% or greater control in the foreign corporation, unless they can prove that their interest is not a controlling interest; or,
- Irrespective of the interests in a foreign company, a group of five or fewer Australian entities (either alone or together with associates) has actual control of the company.

CFCs in seven listed countries (USA, UK, France, Germany, Japan, Canada - and New Zealand) are largely exempted from the CFC rules. The Australian Government has repealed the Foreign Investment Fund (FIF) rules. There are several exemptions to the CFC rules including an active business exemption.

The Government is currently reviewing the CFC provisions with a view to simplifying the rules.

(ii) Most foreign branch profits and capital gains of a resident company are generally not taxed when the income or gain is derived in carrying on a business through a permanent establishment in the following listed countries: UK, US, Canada, France, Germany, Japan and New Zealand.

Losses from branches in the countries listed above cannot be claimed. Foreign branches of resident companies in other countries (unlisted countries) are generally not subject to tax on profits or gains where the income is from an 'active business' and for capital gains where the company used the asset wholly or mainly in an active business. Associated losses are also not claimable.

CONDUIT FOREIGN INCOME

The conduit foreign income rules allow foreign income and certain foreign capital gains to flow through Australian companies and other interposed entities to foreign residents without being taxed in Australia.

INCENTIVES

Specific write-offs are provided for the mining and primary production industries. Special taxation treatment is also afforded to investment in innovative Australian companies through a 'venture capital tax concession'.

The Research & Development (R&D) tax incentive provides a tax offset for eligible R & D activities targeting R&D activities that benefit Australia. From 1 July 2011, the two core components of the incentive include:
Refundable tax offset for certain eligible entities whose aggregated turnover is less than AUD 20 million;
A non- refundable tax offset for all other eligible entities.

OTHER

(i) Debt Forgiveness: Where a commercial debt is forgiven, special provisions operate in some circumstances to effectively tax the borrower on the benefit received as a result of the forgiveness of the debt. The 'net forgiven amount' is not included directly in the borrower's assessable income but is applied against the borrower's tax attributes in the following order:
   (1) Reduction of revenue losses.
   (2) Reduction of net capital losses.
   (3) Reduction of deductions for particular expenditure.
   (4) Reduction of the cost base of certain assets.

(ii) Debt/Equity Rules: There are special debt equity rules that determine what an equity interest is for a company and what a debt is. The rules determine whether a return on a debt or equity interest in an entity may be frankable and non-deductible (like a dividend) or may be deductible to the entity and not frankable (like interest). Broadly speaking, the rules are based on the substance of the arrangement rather than its legal form.

(iii) Taxation of Foreign Exchange (forex) Gains or Loss: Special rules tax forex gains and allow tax deductions for forex losses. The rules apply to transactions where there is a disposal of foreign currency or a disposal of a right to foreign currency, a ceasing of a right or obligation to receive foreign currency, or a ceasing of a right or obligation to pay foreign currency. These provisions will not apply where the taxpayer has made certain elections.

(iv) Taxation of Financial Arrangements (TOFA): Broadly, the TOFA regime defines what constitutes a financial arrangement and provides a framework for calculating gains and losses on financial arrangements through default and elective tax timing methods. In broad terms, it is directed to entities that have:
   - Aggregated turnover of greater than AUD 100 million or
   - Assets of greater than AUD 300 million
     However, certain exceptions apply.

C. FOREIGN TAX RELIEF

Where foreign sourced income is included in a taxpayer's assessable income, foreign income tax offsets are available at the lesser of the foreign tax paid or the Australian tax payable. For example, any withholding tax paid on an assessable dividend from a foreign company will generally be allowed as a foreign income tax offset.

D. CONSOLIDATED CORPORATE GROUPS

Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis. This means that the entire group is treated, and taxed, as a single corporate taxpayer.

Where the parent of Australian subsidiary entities is a foreign entity, the consolidation regime allows for the Australian subsidiary entities to be grouped under the

consolidation regime where certain conditions are met.

E. RELATED PARTY TRANSACTIONS

Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arm's length prices.

New rules apply from 1 July 2013, which enhance the Commissioner of Taxation's powers with a focus on arms-length profit and profit allocation rather than on arms-length pricing of transactions. The new rules must be applied in a manner to best achieve consistency with OECD transfer pricing guidelines.
Recently introduced changes to documentation requirements and arm's length conditions aim to better align Australian requirements with OECD Guidance material. Contemporaneous documentation should be prepared prior to lodgement of the entity's income tax return and records should be made readily available to avoid failing to demonstrate a reasonably arguable position in the event of a transfer pricing adjustment.

Base Erosion Profit Shifting (BEPS) remains a subject of international discussion.

F. WITHHOLDING TAXES

Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents. Liability for the remittance of withholding taxes rests with the payer of such amounts. Withholding tax is collected through the PAYG system and is determined according to the payer's PAYG withholding status.

The payer is also required to lodge an annual report with the Commissioner of Taxation where such amounts have been withheld during the financial year.

The relevant withholding tax rates are:

1. Dividends - franked	0%
2. Dividends - unfranked	0-15% (treaty countries); 30% (non-treaty countries)
3. Interest	10%
4. Royalties	5% -15% (treaty countries); 30% (non-treaty countries)

G. EXCHANGE CONTROL

Where more than AUD 10,000 of Australian currency is physically taken out of Australia, the departing individual must report this to an Australian Customs Officer, or to the Australian Transaction Reports and Analysis Centre, (AUSTRAC).

Equivalent amounts of foreign currency that are brought into Australia must also be reported.

H. PERSONAL TAX

Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income.

Residency is generally determined by reference to common law principles of residence. However an individual can also be deemed an Australian resident if the individual's domicile is in Australia (unless they have a permanent place of abode outside Australia) or where the individual has spent more than one half of the relevant year of income in Australia (unless their usual place of abode is outside Australia and they do not intend to take up residence in Australia).

Individuals that become residents for a short time may be eligible for the temporary resident tax exemptions on their foreign income and capital gains. If they are holders of a temporary resident visa (generally for up to four years but may be longer), they will not be taxed on foreign-sourced income unless the income relates to employment or services rendered while they are a resident of Australia. In addition, temporary residents are not taxed on capital gains except for gains on 'Taxable Australian Property' (see capital gains section above).

Income tax is payable on taxable income, which is the 'excess' of assessable income less allowable deductions. Assessable income includes business income, employment income, capital gains on certain assets, dividends, rent and interest. Allowable

deductions include outgoings incurred in gaining or producing assessable income such as interest expenses and statutory deductions such as tax-deductible gifts to specified charitable entities.

Most individual taxpayers that are employees will generally have Pay-As-You-Go (PAYG) tax instalments withheld from their salary or wage payments by their employers. Most individuals who are either self-employed or who earn non-salary income are required to make interim payments of tax during the financial year. The amount of these instalments is calculated using the same method outlined in section 'A' above for companies.

Individuals with likely tax of less than AUD 8,000 can elect to make an annual payment, otherwise interim payments are generally required either 21 days after the payment period (or 28 days if they are deferred business activity statement (BAS) payers).

A 2% levy, called the Medicare Levy, is payable by resident individual taxpayers. This levy covers basic hospital and medical expenses for all Australian residents and is assessed on the taxable income of resident individual taxpayers with no maximum ceiling on the amount payable. Low income taxpayers may be eligible for an exemption or reduced levy.

A further 2% Temporary Budget Repair Levy was introduced to apply to individual taxpayers with taxable incomes over AUD 180,000 from 1 July 2014 to 30 June 2017.

Higher income individuals without private health insurance are subject to an additional 1% Medicare Levy Surcharge. A 30% rebate is available to resident taxpayers for the cost of private health insurance. The rebate is subject to an income test. A low income tax offset of AUD 445 is available to taxpayers with a taxable income of less than AUD 37,000. This tax offset is phased out when taxable income reaches AUD 66,667.

Various other tax offsets are also available to resident individual taxpayers such as medical expenses rebate, zone offsets and superannuation offset. The tax rates for Australian individual residents and non-residents in the 2014/15 financial year are outlined as follows:

RESIDENT INDIVIDUALS - RATES 2014/15

Taxable Income Exceeding AUD	Taxable Income Not Exceeding AUD	Tax On Lower Amount AUD	Rate On Excess %
0	18,200	0	0.0
18,200	37,000	0	19.0
37,000	80,000	3,572	32.5
80,000	180,000	17,547	37.0
180,000	—	54,547	45.0

The Budget Repair Levy applies at a rate of an additional 2% for taxable incomes exceeding $180,000.

NON-RESIDENT INDIVIDUALS - RATES 2014/15:

Taxable Income Exceeding AUD	Taxable Income Not Exceeding AUD	Tax On Lower Amount AUD	Rate On Excess %
0	80,000	0	32.5
80,000	180,000	26,000	37.0
180,000	—	63,000	45.0

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Resident corporations or individuals:	0	0	0
Non-resident corporations or individuals of non-treaty countries:	30	10	30
Treaty countries:			
Argentina	10 or 15	12	10 or 15
Austria	15	10	10

	Dividends (%)	Interest (%)	Royalties (%)
Belgium	15	10	10
Canada	5 or 15	10	10
Chile	5 or 15	5 or 15	5 or 15
China	15	10	10
Czech Republic	5 or 15	10	10
Denmark	15	10	10
East Timor	15	10	10
Fiji	20	10	15
Finland	0, 5, 15	10	5
France	0, 5, 15	0 or 10	5
Germany	15	10	10
Greece	30	10	30
Hungary	15	10	10
India	15	15	10, 15 or 20
Indonesia	15	10	10 or 15
Ireland	15	10	10
Italy	15	10	10
Japan	0, 5, 10	0 or 10	5
Kiribati	20	10	15
Korea	15	15	15
Malaysia	0 or 15	15	15
Malta	15	15	10
Mexico	0 or 15	0, 10 or 15	10
Netherlands	15	10	10
New Zealand	0, 5 or 15	0 or 10	10
Norway	0, 5 or 15	0 or 10	5
Papua New Guinea	15 or 20	10	10
Philippines	15 or 25	0,10 or 15	15 or 25
Poland	15	10	10
Romania	5 or 15	10	10
Russia	5 or 15	10	10
Singapore	15	10	10
Slovak Republic	15	10	10
South Africa	5 or 15	0 or 10	5
Spain	15	10	10
Sri Lanka	15	10	10
Sweden	15	0 or 10	10
Switzerland	0,5 or 15	0 or 10	5
Taiwan/Taipei	10 or 15	10	12.50
Thailand	15 or 20	10 or 25	15
Turkey	15	10	10
United Kingdom	0, 5 or 15	0 or 10	5
United States	0, 5 or 15	10 or 15	5
Vietnam	10 or 15	10	10

Notes to the above withholding tax rate schedule:

1. Franked dividends paid by Australian resident companies to non-residents are exempt from dividend withholding tax.
2. Non-resident interest withholding tax in Australia is limited to 10% under Australian tax law.
3. Withholding tax of 30% is generally imposed on the gross amount of royalties

paid from Australia to non-residents. A reduced rate is applicable to residents of treaty countries as listed above.

The various rates may change according to categories and circumstances. Taxpayers should consult the applicable DTA's to ascertain the applicable rate.

AUSTRIA

MEMBER FIRM

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BASIC FACTS

Full name:	Republic of Austria
Population:	8.5 million (2013 PRB)
Capital:	Vienna
Major language:	German
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.at
International dialling code:	+43
Ministry of Finance website:	http://english.bmf.gv.at

KEY TAX POINTS

- Public and private limited companies and certain other entities, such as cooperative purchasing societies and mutual insurance companies, are subject to corporate income tax at 25%.
- Resident companies are subject to tax on their worldwide income. Non-resident companies are taxed on income attributable to an Austrian permanent establishment and certain other Austrian-sourced income.
- There is no specific capital gains tax for limited companies. Capital gains and losses are generally treated as ordinary business income (or loss) and are taxed at regular corporate income tax rates.
- The group taxation regime allows for offsetting losses against group profits. In certain cases, losses incurred by non-Austrian resident members of the group may be utilised.
- VAT is generally imposed on the delivery of goods and the supply of services within Austria by entrepreneurs within the scope of their business and on imports into Austrian customs territory.
- Austria imposes a 25% withholding tax on dividends, unless double taxation treaties provide otherwise. Withholding tax is also levied on royalties at 20% and interest from banks and financial instruments at 25%.
- Austrian resident individuals are subject to unlimited tax liability on their worldwide income, including income from trade or business, professional services, employment, property and investments. Non-resident individuals are only taxex on Austrian-sourced income. An individual is generally treated as resident in Austria if he or she is domiciled or establishes a habitual place of abode in Austria (including a six-month stay in Austria).

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Public and private limited companies and certain other entities, such as cooperative purchasing societies and mutual insurance companies, are subject to corporate income tax at 25%.

Limited companies incurring a tax loss or earning small profits must pay a minimum tax of EUR 1,750, EUR 3,500 or EUR 5,452 depending on the legal status of the company and the industry. A reduced minimum tax applies to the first 10 years upon incorporation. Non-resident companies are not subject to a minimum tax. Minimum tax

may be credited against corporate tax payable in the following years.

Resident companies are subject to tax on their worldwide income. Non-resident companies are taxed on income attributable to an Austrian permanent establishment, immovable property located in Austria, deposits with Austrian banks, income from silent partnerships in Austria, income from leasing or renting certain property in Austria and income from commercial or industrial consulting or providing labour for domestic use. Companies are deemed to be resident if they are incorporated in Austria (ie. the registered office is in Austria) or have their place of effective management in Austria.

The fiscal year usually runs from 1 January to 31 December, although a company can choose a different fiscal year under certain circumstances. Corporate income tax is assessed on an annual basis. However, quarterly advance payments have to be made.

CAPITAL GAINS TAX

There is no specific capital gains tax for limited companies in Austria. Capital gains and losses are generally treated as ordinary business income (or loss) and are taxed at standard corporate income tax rates. Special rules apply to capital gains and losses on property sold by legal entities other than limited companies. The sale of a property by individuals and non-corporate businesses is subject to income tax at a reduced rate of 25% regardless of the holding period. Special rules apply to the calculation of the tax basis for long holding periods and property purchased before 2002. Deductions are quite restricted. Exemptions apply to privately owned main residencies. Another exemption from capital gains taxation applies to real estate newly built at the seller's own risk unless rented out during the last 10 years before sale. Capital gains from financial instruments held by private persons are taxed at the lower of 25% and half the regular rate, regardless of the holding period.

BRANCH PROFITS TAX

There is no branch profits tax in Austria. Austrian branches of foreign companies are subject to Austrian (corporate) income tax on Austrian-sourced income only.

SALES TAX / VALUE ADDED TAX (VAT)

VAT is generally imposed on the delivery of goods and supply of services within Austria by entrepreneurs within the scope of their business and on imports into Austrian customs territory.

The standard VAT rate is 20%. A reduced rate of 10% applies to some basic goods such as food. Some transactions such as exports and intra-community sales B2B are zero-rated. A number of transactions are exempt from VAT, e.g. sale of financial assets, insurance premiums. VAT is generally assessed on a calendar year basis. Monthly or quarterly preliminary returns have to be filed.

FRINGE BENEFITS TAX (FBT)

There is no specific fringe benefits tax in Austria. However, fringe benefits are subject to salary tax according to the value of the benefit in kind. For assessment of the latter, special rules may apply. The fringe benefits are taxed on the employee.

LOCAL TAXES

A municipal tax of 3% is levied on the gross payroll of enterprises. In addition, municipalities levy land and property taxes.

OTHER TAXES

Austria imposes a number of other taxes such as:

- A 1% capital transfer tax on contributions to company capital (will be abolished by Jan 1, 2016).
- A real estate transfer tax of 2% to 3.5% of the real estate value or, alternatively, based upon a deemed tax value for some transactions.
  Insurance tax on insurance premiums, ranging from 1% to 11%.
- Social security is payable both by employers and employees with a capped basis of € 65,100 p.a. or € 4.650 p.m. (14 salary payments). The employee rate ranges from 15.1% to 18.9% depending on the employee's status, age and type of income. The employer rate ranges roughly from 16.8 to 25.9%. Apart from social security contributions, employers have to pay approximately 9.5% salary-related charges on top of gross salary. The total staff costs amount to approximately 130% of gross salary.
- Stamp duties are due on certain transactions and documents.
- Austria does not levy any tax on inheritance or gifts. No tax is imposed on gratuitous transfers (except for land transfer tax which is usually based on a tax value considerably lower than market value) but mandatory reporting on such transfers exceeding certain limits has been implemented.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated as balance between taxable income and allowed deductions. Generally, to be deductible, losses and expenses must have been incurred to generate taxable income. Restrictions on deductions apply to capital gains from the sale of properties and financial instruments. From 2014 management compensation exceeding EUR 500,000 per annum is disallowed as deduction for the employer's corporate income tax.

Another restriction introduced recently applies to long-term (exceeding one year) provisions where the deductible amount is calculated as the net present value at a discount rate of 3.5% p.a.

Taxable income is based on the profit or loss shown in the financial statements prepared according to Austrian GAAP (called UGB). The accounting profit/loss is then adjusted for special tax rules according to the Income Tax Act. Non-deductible taxes (e.g. corporate tax) and non-deductible expenses (such as donations and general provisions) are added. On the other hand, special allowances and non-taxable income (dividends and losses carried forward) may be deducted.

Under certain circumstances Austria also allows to deduct foreign losses incurred in permanent establishments or in subsidiaries under the group taxation regime.

CAPITAL ALLOWANCES

There are some special capital allowances in Austria that are particularly applicable to small and medium-sized enterprises.

DEPRECIATION

Assets subject to wear and tear have to be depreciated using the straight-line method. If an asset costs less than EUR 400 it can be written off immediately in the period of acquisition. The Income Tax Act stipulates fixed depreciation rates for buildings, ranging between 2% and 3% (depending on the use and type of building). For company cars, the Income Tax Act stipulates a fixed useful life of eight years for both acquisition and leasing. Other assets are depreciated over their useful life.

STOCK / INVENTORY

Stock is valued at the lower of cost or market value. Where inventory is valued according to the cost price, the FIFO method is generally accepted. Fungible goods may also be valued by using the weighted average cost method.

CAPITAL GAINS AND LOSSES

Under certain circumstances, roll-over of capital gains is allowed for individuals or partnerships but not for limited companies. If fixed assets are sold, gains resulting from disposal may be deducted from the cost of investments made in the same period or may be allocated to a tax-free reserve to be used against investments within the following 12 or 24 months. Any amounts not used within this period are subject to tax.

Several restrictions apply to the roll-over of capital gains (e.g. not applicable for limited companies). For corporate businesses there is no difference in the tax treatment of capital losses versus trading losses. For international participations, one can choose between tax-free treatment (capital gains and losses, depreciation is treated as neutral for tax-assessment) or taxable treatment. The declared option is irrevocably binding for the future.

For privately held financial instruments the bank collects a withholding tax of 25% on capital gains.

DIVIDENDS

There is a final withholding tax of 25% on domestic dividends. Withholding tax does not apply to dividends received by:

- An Austrian company holding an interest of at least 10% in the distributing company;
- A foreign resident company holding an interest of at least 10% in the distributing company for a minimum period of one year.
  Where withholding tax is incurred on dividends paid between Austrian resident companies, this is creditable against the recipient's corporate income tax liability. In accordance with double taxation treaties withholding tax on dividends may be reduced at source or through a refund procedure.

INTEREST DEDUCTIONS

Interest is deductible on an accruals basis. Austria does not apply a general thin-capitalisation regime but allows deduction of costs from debt financing rather to a large extent.

An important exception however was introduced on March 1, 2014 where by interest payable on intra-group loans are only allowed for deduction if the lender is subject to a 15% income tax on the interest earned in his domicile (if the lender's tax rate was 10%, half of the interest will be deductible in Austria) In other words, there is no deduction for interest paid to intra-group financial holdings in tax havens. The same restriction applies to royalties.
Interest income from bank deposits and securities is subject to a withholding tax of 25%. The withholding tax on interest is a final tax (income, donation, inheritance) for individuals. Interest income earned by a company is part of its business income and therefore subject to 25% corporate tax. For such companies, the withholding tax will be credited to corporate income tax due.

LOSSES

Losses incurred by companies may be set off against trading income and capital gains of the same accounting period. Excess losses may be carried forward indefinitely, but not carried back. However, losses carried forward may only be set off against the current income, i.e. a minimum of 25% of the income is subject to corporate income tax, regardless of losses carried forward. The excess loss may be credited against profits in consecutive years.

Losses incurred by individuals can be carried forward indefinitely if they stem from business sources; losses from other sources, e.g. rental income or capital assets on the other hand cannot be carried forward by individuals. The 25% minimum taxable income does neither apply to individuals.

FOREIGN-SOURCED INCOME

A resident company is subject to corporate income tax on its worldwide income. Income from foreign sources is taxable in Austria according to double taxation treaty rules. Austria does not apply specific controlled foreign company (CFC) legislation. However, to avoid tax abuse, dividends from international participations located in tax havens may be taxed in Austria if certain anti-abuse criteria are met.

INVESTMENT ALLOWANCE / INCENTIVES

Under certain circumstances, the taxation of realised capital gains can be avoided or deferred by transferring the amount to an untaxed roll-over reserve. There are special allowances and/or tax incentives for apprenticeships, educational costs (20% allowance) and research and development (up to 35% allowance).

A further allowance for individuals and partnerships allows for 13% of annual profits to be exempt from tax provided the allowance amount (other than the first EUR 30,000 of profit) is invested in certain tangible assets or specific securities with a holding period of at least four years. The allowance is reduced to 7% for that proportion of annual profits between EUR 175,000 and EUR 350,000 and to 4.5% for that proportion of annual profits between EUR 350,000 and EUR 580,000. No allowance is available for annual profits that exceed EUR 580,000.

TRUSTS (PRIVATE FOUNDATION)

An Austrian Trust is a legal entity in civil law in which a donor transfers assets in order to achieve the objects of the trust. Quite often, the purpose of a trust is part of estate planning to care for family members ('family trust'). Trusts enjoy some minor tax advantages as certain forms of income (e.g. certain capital gains, dividends, interest) are not subject to corporate income tax at the trust level. The transfers to private trusts are subject to a fixed rate of 2.5% donation tax. Where real estate is transferred, there is a surcharge of 2% of the assessed value of the property. Transfers by the trust to its beneficiaries (natural persons) are subject to withholding tax.

Trusts (Private Foundations) are subject to special tax regimes that vary from company taxation in quite a number of significant aspects.

C. FOREIGN TAX RELIEF

Austria has concluded a number of double taxation treaties with other countries. Generally, an Austrian resident is subject to taxation in Austria. The double taxation treaties may either exempt foreign-sourced income or grant a credit against Austrian tax for foreign taxes paid on the same income or gain in the same fiscal period.

D. CORPORATE GROUPS

There is a special regime for the taxation of corporate groups where profits and losses can be set off within the group. The parent (or head of the national group) must be a resident corporation or permanent establishment of an EC-corporation. Basically, the parent must hold at least 50% of the shares and voting rights in any member of the group directly or indirectly and the group status must be kept for a minimum

period of three years. Losses from non-resident group members (restrictions apply to members in tax havens and countries where Austria has not concluded a treaty with a comprehensive administrative assistance clause) reduce the Austrian tax basis (subsequent taxation of these losses applies if the foreign group member can realise losses carried forward in the future). If a member leaves the group for whatever reason before expiration of the minimum period, tax will be assessed as if it had never been a group member.

Losses arising in relation to a member's investment in another member of the corporate group are generally not deductible (for example, a realised loss on disposal of a subsidiary or impairment loss). The group taxation provides a considerably attractive tax instrument for corporate groups in Austria. However, thorough long-term tax planning is key to efficient utilisation of these provisions.

E. RELATED PARTY TRANSACTIONS

The arm's length principle applies. In this context, the 'substance-over-form' principle, which is a general principle of Austrian income tax, has to be strictly observed. This implies that a transaction must be assessed according to its economic effect and not according to the legal form it takes. The tax administration introduced guidelines for transfer pricing basically relying on the OECD Transfer Pricing Guidelines.

Particular restrictions apply to deductibility of intra-group interest and royalty payments to related parties in low tax jurisdictions.

F. WITHHOLDING TAX

Austria imposes a 25% withholding tax on dividends, unless double taxation treaties provide otherwise. A withholding tax exemption applies if the recipient is resident company in another EU member state, holds at least 10% of the share capital and has done so continuously for one year prior to the dividend payment. Otherwise, the amount withheld can be credited by the recipient company against its own tax liability. For international participations, the EC Parent-Subsidiary Directive applies.

If the tax authorities suspect cases of tax avoidance or abuse, the withholding tax exemption can only be claimed through a refund procedure. In principle, Austria levies a 25% withholding tax not only on dividends but also on certain interest payments and capital income derived from securities. Corporate investors may achieve a tax exemption if certain conditions are met, even for portfolio dividends.

Austria imposes a withholding tax regime also on royalties and income from artists, musicians, actors, sportspersons and the like. The tax rate is usually 20% of the gross receipts. The royalty case, however, is reduced to zero by many of Austria's double taxation treaties.

G. EXCHANGE CONTROL

Most exchange controls have been abolished in recent years. There are hardly any restrictions on the transfer of capital and currency transactions.

H. PERSONAL TAX

Austrian resident individuals are subject to unlimited tax liability on their worldwide income. Non-resident individuals are only required to pay tax on Austrian-sourced income.

Taxable income consists of the following seven sources:
(1) Agriculture and forestry;
(2) Independent (professional) services (including scientific, artistic, literary, educational, or other professional services);
(3) Trade or business, including gains on the sale of a business or partnership share;
(4) Employment, eg wages and salaries, social security pensions;
(5) Capital assets (dividends, interest and capital gains from financial instruments);
(6) Rentals and royalties;
(7) Annuities and other income of a recurring nature, capital gains from property, speculative gains, and income from certain non-recurring services.

The current average tax rates are as follows:

Taxable income EUR	Rate (%)
0 - 11,000	0
11,001 - 25,000	0 - 20.4

25,001 - 60,000	20.4 - 33.70

Income exceeding EUR 60,000 per annum is taxed at 50%. The tax payable is reduced by certain tax credits, depending on marital status, number of children and other personal circumstances. Special regulations and rates apply for non-residents. Approximately 1/7 of an employee's salary paid as extra payments, e.g. 13th and 14th salary (which are mandatory pays in most industries) per year is taxed at a fixed rate of 6%. Incorporating this reduced rate on extra payments the maximum tax rate for low and medium salary income therefore is 43%. For higher income the reduced rate on extra payments is not applicable anymore or limited.

The favourable taxation rates are as follows:

Extra payments p.a. (EUR)	Tax Rate (%)
0 - 620	0.00
621 - 25,000	6.00
25,001 - 50,000	27.00
50,001 - 83,333	35.75

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest [10] (%)	Royalties (%)
Non-treaty countries:	25	25	20
Treaty countries:			
Albania	5/15[4]	5	5
Algeria	5/[1]51	0/10	10
Argentina	15	0/12.5	15
Armenia	5/15	10/0	5
Australia	15	10	10
Azerbaijan	5/10/[1]57	10	5/10
Bahrain	0	0	0
Barbados	5/15[1]	0	0
Belarus	5/[1]54	0/5	5
Belgium	15	15	0/10[11]
Belize	5/15[4]	0	0
Bosnia & Herzegovina	5/10[4]	5	5
Brazil	15	0/15	15/10/25
Bulgaria	0/59	0/5	5
Canada	5/15[1]	0/10	0/10
China	7/10[4]	0/10	10
Croatia	0/[1]51	5	0
Cuba	5/15[4]	0/10	0/5
Cyprus	10	0	0
Czech Republic	0/[1]01	0	0/5
Denmark	0/[1]51	0	0
Egypt	10	0	0/20
Estonia	5/[1]54	0/10	5/10
Finland	0/[1]01	0	5
France	0/[1]51	0	0[5]
Georgia	0/5/10	0	0
Germany	5/15[1]	0	0
Greece	5/[1]54	0/8	0/7
Hong Kong	0/10[1]	0	3
Hungary	10	0	0

	Dividends (%)	Interest [10] (%)	Royalties (%)
India	10	0/10	10
Indonesia	10/15[4]	0/10	10
Iran	5/[1]04	0/5	5
Ireland	10	0	0/10
Israel	25	15	0/10
Italy	15	0/10	0/10[5]
Japan	10/20[5]	10	10
Kazakhstan	5/15[1]	0/10	10
Korea	5/15[4]	0/10	2/10
Kuwait	0	0	10
Kyrgyzstan	5/[1]54	0/10	10
Latvia	5/10[4]	10	5/10
Liechtenstein	0/[1]51	0	5/10
Lithuania	5/[1]54	0/10	5/10
Luxembourg	5/15[4]	0	0/10[5]
Macedonia	0/15[1]	0	0
Malaysia	5/10[4]	15	10/15
Malta	15	5	0/10
Mexico	5/[1]01	0/10	10
Moldova	5/15[4]	5	5
Mongolia	5/10[1]	10	5/10
Morocco	5/10[4]	0/10	10
Nepal	5/10/[151],4	0/10/15	15
Netherlands	5/15[4]	0	0/13[5]
New Zealand	15	10	10
Norway	0/[1]59	0	0
Pakistan	10/15[3]	No Treaty Limit	20
Philippines	10/25[1]	0/15	15
Poland	5/15[1]	0/5	5
Portugal	15	10	5/10[5]
Qatar	0	0	5
Romania	0/5[4]	0/3	3
Russia	5/[1]58	0	0
San Marino	0/15[4]	0	0
Saudi Arabia	5	5	10
Serbia	5/15[4]	0/10	0/5/10
Singapore	0/[1]01	0/5	5
Slovakia	10	0	5/0
Slovenia	5/[1]54	5	5
South Africa	5/15[15]	0	0
Spain	10/15[5]	5	5
Sweden	5/[1]04	0	0/10[5]
Switzerland	15/0[3]	0	0
Taiwan	10	10	10
Tajikistan	5/[1]02	8	8
Thailand	0/10[4]	0/10/25	15
Tunisia	20/10[4]	10	10/15
Turkey	5/[1]54	0/5/10/15	0/10
Turkmenistan	0	0	0

A

	Dividends (%)	Interest [10] (%)	Royalties (%)
Ukraine	5/10[1]	2/5	0/5
United Arab Emirates	0	0	0
United Kingdom	5/15[4]	0/10	0/10[5]
United States	5/15[1]	0	0/10
Uzbekistan	5/15[1]	0/10	5
Venezuela	5/15[2]	5/10	5
Vietnam	5/10/15 [4,6]	10	7.5/10

1 Lower rate applies to 10% min. share in subsidiary.
2 Lower rate applies to 15% min. share in subsidiary.
3 Lower rate applies to 20% min. share in subsidiary.
4 Lower rate applies to 25% min. share in subsidiary.
5 Lower rate applies to 50% min. share in subsidiary.
6 Lower rate applies to 70% min. share in subsidiary.
7 Lower rate applies to 25% min. share and share value exceeding USD 250,000, higher rate applies to 25% and USD 100,000
8 Lower rate applies to 10% min. share and share value exceeding USD 100,000
9 Lower rate applies to corporate, higher to individual shareholders
10 Normally, the withholding tax rate on bank deposits etc. is 25%. However, a full exemption is frequently available where the bank receives a written declaration from the recipient that such interest forms part of the recipient's business income. The exemption also applies to non-resident individuals for interest received on bonds if they disclose their identity and residence to the depository. Interest received by individuals on bank deposits attracts withholding tax at the rates specified in the treaties. Interest on convertible bonds is taxed as dividends.
11 Royalties to these countries are exempt from withholding tax unless more than 50% of the issued share capital is held. Where more than 50% of the issued share capital is held the rate given is applicable.

BAHAMAS

MEMBER FIRM

City	Name	Contact Information
Nassau	Renée D Lockhart	+1242 322 8560 rdl.pkfbah@batelnet.bs

BASIC FACTS

Full name:	Commonwealth of the Bahamas
Population:	349,589 (PRB, 2013)
Capital and largest city:	Nassau
Major language:	English
Major religion:	Christianity
Monetary unit:	1 Bahamian dollar = 100 cents
Internet domain:	.bs
International dialling code:	+1242
Bahamas Customs Department website:	www.bahamas.gov.bs

KEY TAX POINTS

- There are no corporate, personal income, capital gains, withholding, inheritance, and estate taxes.
- Income received in the Bahamas may be subject to tax in the country of origin.
- There are some tax information exchange agreements between the Bahamas and other countries.

A. TAXES PAYABLE

The Bahamas offers the offshore financial sector freedom from corporate, personal income, capital gains, withholding, inheritance, and estate taxes. However, income received in the Bahamas may be subject to the taxes in the country of origin. There are tax information exchange agreements (TIEAs) between the Bahamas and other countries. The financial sector advantages are supported by a strong respect for privacy, flexible exchange controls, geographical location and continued record of political stability.

Government Tax Revenue is derived from the following sources:

- Import and export duties (recently reduced by varying percentages, as a result of the January 1, 2015 implementation of VAT @ 7.5%). VAT is now payable on taxable supplies at all ports of entry in the Bahamas;
- VAT – 7.5% Value Added Tax recently implemented on January 1, 2015;
- Real Property tax;
- Motor vehicle licences;
- Gaming tax.
- Tourism tax.
- Stamp tax.
- Company fees:
  - the registration fee for a foreign company is B$50 and stamp duty is payable in the amount of B$600. All foreign companies must also pay an annual licence fee of B$1,000
  - private companies are required to pay a fee of B$300 upon filing their Memorandum of Association and an additional fee of B$30 for the filing of the Articles of Association. An annual licence fee of B$1,000 is also payable
  - additionally, stamp duty is payable on the authorised capital of a company. Where the authorised capital is B$5,000 or less, the stamp duty is B$60. For every additional B$1,000 or fraction thereof, the stamp duty will be B$300.
- Bank and trust company fees
- Insurance company fees
- Other fees, including business licence fees

- Under the Business Licence Act, as amended on July 1, 2013, business licence fees are levied on the turnover of a business at varying percentage rates or amounts, based on the company's annual turnover.
- Under the Value Added Tax Bill of 2014, VAT at the rate of 7.5% has been implemented on goods and services with effect from January 1, 2015. The increased revenue has been offset by a corresponding reduction in Customs' duties on imports.

B

BAHRAIN

MEMBER FIRM

City	Name	Contact Information
Bahrain	Majeed M Shaji	+973 17 200 145 pkfb@batelco.com.bh

BASIC FACTS

Full name:	Kingdom of Bahrain
Population:	1.13 million (PRB, 2013)
Capital:	Manama
Major language:	Arabic
Major religion:	Islam
Monetary unit:	Bahraini Dinar (BHD)
Internet domain:	.bh
International dialling code:	+973
Bahrain Ministry of Finance website:	www.mof.gov.bh

KEY TAX POINTS

- There is no personal or corporate income tax, withholding taxes or value added tax applicable in Bahrain.
- Municipal tax of 10% is payable on the monthly rental of residential and business property.
- A government levy is applied at 5% on the gross turnover of hotel and entertainment businesses.
- Import duties are levied at a rate of 5%, although many items are exempt from duty.
- Bahrain has entered into a limited number of double tax agreements with certain countries.

A. TAXES PAYABLE

No form of personal, corporate, withholding or value added tax is applicable In Bahrain. There is no personal tax except municipal tax of 10% on the monthly rental of residential and business property. In addition, a 5% government levy on gross turnover is imposed on hotel services and entertainment.

Customs (Import) duties are generally levied at a rate of 5% but there are many items such as medicines, most food products, capital goods and raw material for industries which are exempt from duty. After implementation of the new Uniform Customs Tariff which became effective on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% Customs Duty. However, the products of GCC countries shall enter into each other's markets free of Customs Duty subject to the provision of the required documentation.

Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a Customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, Customs Duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union, which was implemented from 1 January 2003, will be applicable.

The Free Trade Treaty agreed between Bahrain and the US was signed on 14 September 2004 in the Kingdom. Bahrain has entered into Double Taxation Agreements (avoidance of double taxation treaties) with several countries including: Algeria, Belarus, Brunei, Bulgaria, China, Czech Republic, Egypt, France, Iran, Jordan, Lebanon, Morocco, Philippine, Singapore, Sri Lanka, Syria, Thailand,

BANGLADESH

MEMBER FIRM

City	Name	Contact Information
Dhaka	Jamshed Choudhury	+880 01713 008696 globepart@aol.com

BASIC FACTS

Full name:	People's Republic of Bangladesh
Capital:	Dhaka
Main languages:	Bengali, English
Population:	156,594,962 (2013 estimate)
Major religion:	Islam
Monetary units:	Bangladesh Taka (BDT)
Internet domain:	.bd
Int. dialling code:	+880

KEY TAX POINTS

- In Bangladesh, the principal taxes are Customs Duty, Value-Added-Tax (VAT), Supplementary Duty and personal income taxes and corporate income taxes.
- The standard rate of VAT is 15% levied on transaction value of most of the imports and supplies of goods and services.
- For Bangladesh tax purposes, income is categorised into seven areas, namely, salaries, interest on securities, income from house property, income from agriculture, income from business or profession, capital gains and income from other sources.
- Among direct taxes, income tax is one of the main sources of revenue. It is a progressive tax system. Income tax is imposed on the basis of ability to pay. "The more a taxpayer earns the more he should pay" is the basic principle of charging income tax. It aims at ensuring equity and social justice. The top income tax rate for individuals is 30%.
- For the 2014/15 tax year (1 July 2014 to 30 June 2015) the top corporate tax rate was 45% which also applies to banks, financial institutions and insurance companies. Publicly traded companies registered in Bangladesh are charged at a lower rate of 27.5%.

In Bangladesh, the principal taxes are Customs Duty, Value-Added-Tax (VAT), Supplementary Duty and personal income taxes and corporateincome taxes. The standard rate of VAT is 15% levied on transaction value of most of the imports and supplies of goods and services. The top income tax rate for individuals is 30% . For the 2014/15 tax year (July 1, 2014–June 30, 2015) the top corporate rate was 45%. However, publicly traded companies registered in Bangladesh are charged a lower rate of 27.5%. Banks, financial institutions and insurance companies are charged the 45%

rate. All other companies are taxed at the 37.5% rate. Effective 1 July 2011,

The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh. Administratively, it is under the Internal Resources Division (IRD) of the Ministry of Finance (MoF). MoF has 4 Divisions, namely, the Finance Division the Internal Resources Division (IRD), the Banking Division and the Economic Relations Division (ERD). Each division is headed by a Secretary to the Government. Secretary, IRD is the ex-officeo Chairman of NBR. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh.

Negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration are also NBR's responsibilities. The main responsibility of NBR is to mobilize domestic resources through collection of import duties and taxes, VAT and income tax for the government. Side by side with collection of taxes, facilitation of international trade through quick clearance of import and export cargoes has also emerged as a key role of NBR. Other responsibilities include administration of matters related to taxes, duties and other revenue related fees/charges and prevention of smuggling. Under the overall control of IRD, NBR administers the excise, VAT, customs and income-tax services consisting of 3434 officers of various grades and 10195 supporting staff positions.

INCOME TAX AT A GLANCE
Among direct taxes, income tax is one of the main sources of revenue. It is a progressive tax system. Income tax is imposed on the basis of ability to pay. "The more a taxpayer earns the more he should pay"-is the basic principle of charging income tax. It aims at ensuring equity and social justice.

INCOME TAX AUTHORITIES:
National Board of Revenue

B

SOURCES OF INCOME:
For the purpose of computation of total income and charging tax thereon, sources of income can be classified into 7 categories, which are as follows:

- Salaries
- Interest on securities
- Income from house property
- Income from agriculture
- Income from business or profession
- Capital gains
- Income from other sources.

TAX RATE
OTHER THAN COMPANY:
For individuals other than female taxpayers, senior taxpayers of 65 years and above and retarded taxpayers, tax payable for the
First 2,20,000/- Nil
Next 3,00,000/- 10%
Next 4,00,000/- 15%
Next 3,00,000/- 20%
Rest Amount 25%2

For female taxpayers, senior taxpayers of age 65 years and above and , tax payable for the
First 2,50,000/- Nil
Next 3,00,000/- 10%
Next 4,00,000/- 15%
Next 3,00,000/- 20%
Rest Amount 25%

For retarded taxpayers threshold limit is TK.3,00,000
Minimum tax for any individual assessee located in City Corporation area is Tk. 3,000
Minimum tax for any individual assessee located in District headquater is Tk. 2,000
Minimum tax for any individual assessee located in any other area is Tk.1,000
Non-resident Individual 25%
(other than non-resident Bangladeshi)

INCOME TAX
RESIDENCY STATUS
An individual is treated as a resident of Bangladesh if that person stays in Bangladesh for 182 days or more in any incom year; or 90 days or more in an income year if that person has previously resided in Bangladesh for a period of more than 365 days during the 4 preceding years. Residence is determined in Bangladesh purely on the period

of presence in Bangladesh, irrespective of residency in other countries. Short term visitors and dependents of foreign nationals not earning any income in Bangladesh are not taxed and are not required to file a tax return in Bangladesh.

TYPES OF TAXABLE REMUNERATION

In general, all remuneration and benefits received by an employee who is resident in Bangladesh, or for services rendered in Bangladesh, are taxable. Taxable remuneration and benefits include salary, bonuses, commissions, accommodation allowances, transport benefits, education allowances for children, employer-provided domestic assistance and medical allowances.

TAX RATES

Income tax is levied on residents based on progressive tax rates, which range from 10 percent to 25 percent, while nonresidents are taxed at the flat rate of 25 percent.

SOCIAL SECURITY

Liability for social security Companies of a certain size need to pay 5 percent of their profits into a Workers Profit Participation Fund. This fund is for employees not in a managerial role.

COMPLIANCE OBLIGATIONS

EMPLOYEE COMPLIANCE OBLIGATIONS

Every taxpayer is required to file an annual tax return. An individual's tax return must be filed by 30 September, following the end of the tax year, which is on 30 June.
The filing date may be extended up to 3 months by the Deputy Commissioner of Taxes upon application by an individual being assessed, and by another 3 months upon application by the Inspecting Joint Commissioner of Taxes.

EMPLOYER REPORTING AND WITHHOLDING REQUIREMENTS

Employers are required to withhold income tax when making payments to employees. Employers are also required to file an annual return showing pay and tax deducted for each employee in the tax year.

OTHER ISSUES

DOUBLE TAXATION TREATIES

Bangladesh has entered into double taxation treaties with about 30 countries.

PERMANENT ESTABLISHMENT IMPLICATIONS

There is the potential that a permanent establishment (PE) could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has. The concept of PE primarily exists in tax treaties.

INDIRECT TAXES

Value-added tax (VAT) is levied on the importation of goods and the making of taxable supplies in the course of carrying out a taxable activity. The standard rate is 15 percent. Reduced rates are available depending on the nature of the taxable supply, which ranges from 0 percent to15 percent. VAT operates in Bangladesh partly as a sales tax.

TRANSFER PRICING

Transfer pricing was introduced into Bangladesh tax laws as of the year 2012.

WORK PERMIT/VISA REQUIREMENTS

A visa must be applied for before the individual enters Bangladesh. The type of visa required will depend on the purpose of the individual's entry into Bangladesh. Foreigners working in Bangladesh must have a work permit. These are issued by the Board of Investment.

LOCAL DATA PRIVACY REQUIREMENTS

Bangladesh does not currently have data privacy laws.

EXCHANGE CONTROL

Expatriates are allowed to open foreign currency bank accounts in Bangladesh and remit a portion of their post-tax earnings through proper banking channels after obtaining necessary permissions from the central bank. The balance can be taken out when leaving the country permanently

FOR COMPANIES

Publicly Traded Company 27.5%
Non-publicly Traded Company 37.5%
Bank, Insurance & Financial Company (Except merchant bank) 42.5%
Merchant bank 37.5%
Cigarette manufacturing company 45%

Publicly traded cigarette company 40%
Mobile Phone Operator Company 45%
Publicly traded mobile company 40%

If any publicly traded company declares more than 20% dividend, tax rate would be 24.75% and if declares less than 10% dividend tax rate would be 37.5%. If any non publicly traded company transfers minimum of 20% shares of its paid-up capital through IPO(Initial Public Offering) it would get 10% rebate on total tax in the year of transfer.

TAX REBATE FOR INVESTMENT:

Rate of Rebate:
Amount of allowable investment is –actual investment or 30% of total income or Tk. 150,00,000/-whichever is less.
Tax rebate amounts to 15% of allowable investment.

WHO SHOULD SUBMIT INCOME TAX RETURN?

- If total income of any individual other than female taxpayers, senior male taxpayers of 65 years and above and retarded
- taxpayers during the income year exceeds Tk 2,20,000/-.
- If total income of any female taxpayer, senior male taxpayer of 65 years and above during the income year
- exceeds Tk 2,50,000/-.
- If total income of any retarded taxpayer during the income year exceeds TK. 3,00,000.
- If any person was assessed for tax during any of the 3 years immediately preceding the income year. A person who
- lives in any city corporation/paurashava/divisionalHQ/district HQ and owns a building of more than one storey and
- having plinth area exceeding 1,600 sq. feet/owns motor car/owns membership of a club registered under VAT Law.
- If any person subscribes a telephone.
- If any person runs a business or profession having trade license and operates a bank account.
- Any professional registered as a doctor, lawyer, income tax practitioner, Chartered Accountant, Cost
- & Management Accountant, Engineer, Architect and Surveyor etc.
- Member of a Chamber of Commerce and Industries or a trade Association.
- Any person who participates in a tender.
- Aperson who has a Taxpayer’s Idntification Number (TIN) in accordance with the provision of section 184A.
- Candidate for Union Parishad, Paurashava, City Corporation or Parliament elections.
- Any company registered under the Company Act, 1913 or 1994.
- Any Non-government organization (NGO) registered with NGO Affairs Bureau.

TIME TO SUBMIT INCOME TAX RETURN:
FOR COMPANY

By fifteenth day of July next following the income year or, where the fifteenth day of July falls before the expiry of six months from the end of the income year, before the expiry of such six months.

FOR OTHER THAN COMPANY

Unless the date is extended, by the Thirtieth day of September next following the income year.

CONSEQUENCES OF NON-SUBMISSION OF RETURN AND RETURN OF WITHHOLDING TAX.

- Imposition of penalty amounting to 10% of tax on last assessed income subject to a minimum of
- Tk. 1,000/-
- In case of a continuing default a further penalty of Tk. 50/-for every day of delay.

CONSEQUENCES OF USING FAKE TIN

- DCT can impose a penalty not exceeding TK.20,000/-
- For continuous use of fake TIN deliberately-3 years imprisonment, up to TK. 50,000/-fine or both.

ASSESSMENT PROCEDURES :

- For a return submitted under normal scheme, assessment is made after giving an opportunity of hearing.
- For returns submitted under Universal Self Assessment Scheme, the acknowledgement slip is determined to be an assessment order. Universal Self

Assessment is of course subject to audit.

AVOIDANCE OF DOUBLE TAXATION AGREEMENT

There are agreements on avoidance of double taxation between Bangladesh and 29 countries which are:-

(1) United Kingdom (2) Singapore (3) Sweden (4) Republic of Korea 5) Canada (6) Pakistan (7) Romania (8) Sri Lanka (9)
France (10) Malaysia (11) Japan (12) India (13) Germany (14) The Netherlands (15) Italy (16) Denmark (17) China (18)
Belgium (19) Thailand (20) Poland (21) Philippines (22) Vietnam (23) Turkey (24) Norway (25) USA (26) Indonesia (27)
Switzerland (28) Mauritius (29) Kingdom of SaudiArabia (30) United Arab Emirates (31) The Union Myanmar

BELGIUM

MEMBER FIRM

City	Name	Contact Information
Brussels	Kurt DE HAEN	+32 2460 0960 kurt.dehaen@vmb.be
Brussels	Wouter Brackx	+32 2454 0752 wouter.brackx@vmb.be

BASIC FACTS

Full name:	Kingdom of Belgium
Population:	11.1 million (2013 est.)
Capital:	Brussels
Major languages:	Dutch (local variant called Flemish), French, German
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.be
International dialling code:	+32
Ministry of Finance website:	www.minfin.fgov.be

KEY TAX POINTS

- A resident company is liable to Belgium resident corporate tax on its worldwide profits (with Belgium tax relief for eligible foreign-source profit). A non-resident company – i.e. a legal branch or permanent establishment - is liable to Belgium non-resident corporate tax levied on Belgian-source income only.
- Capital gains are normally treated as ordinary business income and are taxable at the normal corporate tax rates, be it that both tax exemptions and roll-over tax relief are available if conditions are satisfied.
- Belgium tax law is not featured by controlled foreign company (CFC) legislation.
- Belgian tax law is not featured by group relief for corporate tax purposes. Under certain conditions, separate taxable persons can however form a VAT unit and hence be considered as a single taxable person for VAT purposes.
- The standard Belgium withholding tax rate applicable to dividend, interest or royalty income is 25%. However, both Belgium domestic tax law and the tax treaties concluded by Belgium comprise numerous withholding tax exemptions that can be claimed by various investors, mainly non-residents and financial institutions.
- An individual resident in Belgium is liable to progressive personal income tax rates that apply to worldwide income. Qualifying foreign-source income can be eligible for a Belgian personal tax exemption with progression reserve if conditions are satisfied.
- Belgium tax law is not featured by asset tax, nor by a general capital gains taxation for individuals.
- Belgium has a very tax-attractive expatriate tax regime for foreign executives that are temporarily working in Belgium after being seconded to Belgium or being recruited outside Belgium.
- Belgium has a very extensive tax treaty network and a very active tax treaty policy.
- Belgium has a very active upfront tax ruling practice. No-name pre-filing meetings with the Belgium tax ruling commission are common practice.
- Taxable persons performing supplies of goods or services have to charge 21% VAT on these supplies unless these transactions are subject to a reduced rate, 'exempt' from VAT, 'outside the scope' of VAT or subject to 'reverse charge'.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A resident company is liable to corporation tax on its worldwide profits. A company is resident in Belgium if its registered office or centre of management is situated in Belgium. The place of incorporation is irrelevant.

The standard Belgium corporate tax rate is 33,99% (incl. a 3% crisis levy).

Reduced progressive corporate tax rates, varying from 24,98% - 35,54%, apply if certain conditions are satisfied, including:

- The company does not distribute dividends during the year that exceed 13% of the paid-up capital at the start of the year;
- The profits of the company do not exceed EUR 322,500;
- The company is not 50% or more owned by one or more companies;
- Other.

A company with tax residence outside Belgium that has a legal branch or permanent establishment in Belgium is subject to the same Belgium corporate tax rate of 33,99% (or the reduced tax rates if the conditions are met), be it on Belgium-source income only.

A company with tax residence outside Belgium that has no legal branch or permanent establishment in Belgium is basically only subject to Belgium non-resident corporate tax on income derived from Belgium based real estate. In addition, Belgium-source dividend, interest or royalty income is subject to 25% Belgium withholding tax. However, it is very likely that either a reduced tax treaty rate or even 0% withholding tax applies in the hands of a non-resident beneficiary of this type of income.

CAPITAL GAINS TAX

Capital gains are normally treated as ordinary business income and are taxable at the normal corporate tax rates. However, there are exceptions such as realized capital gains on eligible shares which can be 100% tax-free. In addition, realized capital gains on business assets can be eligible for spread taxation – i.e. roll-over tax relief – if, amongst others, the sales proceeds are timely reinvested in qualifying other business assets (including real estate).

BRANCH PROFITS TAX

There is no separate branch profits (remittance) tax in Belgium.

VALUE ADDED TAX (VAT)

VAT is a tax on 4 types of transactions: the supply of goods, the supply of services, the importation of goods from outside the EU, and the acquisition of goods from another EU Member State. In case these transactions are deemed to take place in Belgium for VAT purposes, as a general rule 21% Belgian VAT will be due. However, many exceptions to this main rule exist:

- Certain supplies are zero-rated (e.g. daily and weekly publications) or subject to 6% (e.g. food and water) or 12% (e.g. restaurant and catering services),
- Certain supplies are VAT exempt (e.g. export of goods, intra-Community supplies of goods, social-cultural services, insurance, some financial operations …),
- For certain supplies, the liability to pay the Belgian VAT is shifted to the customer (reverse charge).

Although many of these exceptions stem from EU legislation, the relevant Belgian rules often have a different scope or are interpreted differently by the Belgian VAT authorities (as is the case in most other EU Member States as well). It is therefore advised to carefully examine the correct VAT treatment of the operations taking place in Belgium.

The VAT legislation is formalistic, and imposes various administrative and document retention requirements. Non-compliance with these rules often leads to adverse VAT consequences, such as the rejection of input VAT deduction, the rejection of the application of a VAT exemption (resulting to a VAT claim) or administrative penalties.

Businesses (established in Belgium or not) that are required to VAT register in Belgium also need to file periodical VAT returns and an annual client listing. Depending on the type of transactions performed, possibly also intra-Community sales listings and Intrastat returns may need to be filed. As a general rule, these returns and listings need to be filed on a monthly basis. The VAT returns and intra-Community sales listings however only need to be filed on a quarterly basis if certain thresholds are not exceeded.

VAT should in principle be neutral for businesses, since a taxable person (even foreign

businesses that are not VAT registered in Belgium) can recover the input VAT on goods or services they have bought. However in practice this is not always the case, as the business can be faced with:

- Non-recoverable VAT: In some cases, a taxable person cannot fully deduct the input VAT either due to the fact that it partly/only performs activities that are out of scope or exempt from VAT or due to the fact that for certain types of expenses no VAT deduction is allowed.
- VAT pre-financing: There can be a significant timing difference between the moment the input VAT is paid and the moment this input VAT is actually recovered.
- VAT penalties: Infringements on the VAT legislation (even minor ones) can lead to severe penalties.
- VAT administration costs: the costs associated with having a Belgian VAT registration, filing returns and listings, complying with invoicing and bookkeeping requirements,…

In many cases, the scenario's in which VAT can become a cost for a business can be avoided or optimized by careful planning. The Belgian VAT legislation e.g. contains various simplification rules that, if applied correctly, can avoid the need to VAT register or to pre-finance VAT.

LOCAL TAXES
Other than some minor and very specific local taxes that may apply to e.g. advertising, office furniture, producing copies, etc., there are no significant and general local taxes in Belgium.

OTHER TAXES
REGISTRATION DUTY
Registration duties are indirect taxes and are therefore applied on a transaction basis, in particular when a notary deed is required. The tax rate can be different in either the Brussels Region, Flemish Region or Walloon Region. Transactions that are subject to proportional registration duties include the transfer of legal title of real estate situated in Belgium. A registration duty of 12.5% (10% in the Flemish Region) applies to the price or market value of the real estate (except in restructuring scenarios in which case an exemption can apply).

B

In general, no Belgium registration duties are due when increasing the capital of a Belgium based company.

REAL ESTATE WITHHOLDING TAX
Owners of real estate located in Belgium pay real estate taxes on the deemed rental value - this is a fictitious, but fairly low, income - of their property. The applicable rate depends on the location and use of the property.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a Belgium company or Belgium permanent establishment is based on its Belgium GAAP accounting profit as laid down in its annual accounts. This accounting profit is then adjusted for Belgium corporate tax purposes. We will list the main tax adjustments here under.

DISALLOWED EXPENSES
Some accounting charges are not (fully) tax-deductible. The main disallowed expenses are as follows:

- Restaurant costs are only 69% tax-deductible;
- Reception costs and business gifts are only 50% tax-deductible;
- Car costs are only tax-deductible depending on the co^2 emission rate of the car. Generally, they are only 75% tax-deductible;
- Hospitalization insurance premiums are not tax-deductible;
- Meal cheque expenses are not tax-deductible ;
- Etc.

INVESTMENT ALLOWANCE
Companies are entitled to "investment allowance" tax relief – called "investment deduction" - if conditions are satisfied. Specifically, in the event of an investment in qualifying assets that are used for own business purposes, the taxpayer cannot only amortize the asset for Belgium corporate tax purposes, but is also eligible for an additional tax deduction. Such tax deduction is either:

A one-off tax deduction applied to the total investment value, or ;
A spread tax deduction applied to the annual accounting amortization of the asset.

The actual percentage of the investment allowance depends on the type of investment. If the taxpayer at hand has insufficient tax capacity in a given financial year to fully

utilize the investment deduction, the excess deduction can be carried-forward without limitation in terms of time and amount.

In addition, if conditions are met, an increased investment deduction is available for, amongst others, the following types of investments:

- Energy-saving investments;
- Investments in environmental research and development;
- R&D investments ;
- Investments in safety measures ;
- Investments contributing towards the re-utilisation of the packaging of beverages and industrial products;
- Etc.

DEPRECIATION

Generally, all tangible and intangible business assets owned by the company and whose value diminishes over time, are depreciable for both BE GAAP and corporate tax purposes. Both the straight-line depreciation method and the declining-balance method are widely used.

STOCK / INVENTORY

Stocks should be valued at the lower of acquisition cost or year-end market value. The most common acceptable valuation methods are actual cost, FIFO and weighted average. The Belgium tax authorities require that the method chosen is justified and applied consistently.

CAPITAL GAINS AND LOSSES

Capital gains are treated as ordinary business income and are therefore taxable at normal corporate tax rates. However, there are a few exceptions:

- Revaluation gains are tax-free provided that they remain recorded on a specific “intangible account” of the company’s balance-sheet;
- As explained above, under certain conditions roll-over tax relief is granted for eligible realized gains on business assets;
- Realised capital gains on shares are tax-free if the underlying dividends qualify for the Belgium participation exemption (see below). There are however two exceptions to this rule:
- If the shares are not held for at least one year, 25.75 % Belgium capital gains tax is due;
- If the company does not qualify as a “small or medium-sized company”, 0,412% Belgium capital gains tax is due.

Capital losses are tax-deductible if they relate to fixed assets used for business purposes. Both unrealised (i.e. impairments recorded for BE GAAP purposes) and realized capital losses on shares are not tax-deductible. However, capital losses on shares realized upon the liquidation of a subsidiary are tax- deductible up to the value of the capital actually paid-up by the Belgium corporate shareholder.

DIVIDEND INCOME - PARTICIPATION EXEMPTION

A corporate shareholder can apply a 95% Belgium participation exemption for a shareholding of at least 10% or with an investment value of at least EUR 2.5 million in the distributing company. Also, the Belgium shareholder needs to hold this minimum shareholding for an uninterrupted period of at least one year, before or after the dividend distribution date. In addition and in summary: the dividend distributing subsidiary should be subject to normal taxation. Subsidiaries based in the EU are deemed to anyhow meet this subject-to-tax test.

The remaining 5% is taxable at normal corporate tax rates, but can be reduced by tax-deductible items, e.g. tax losses or tax-deductible interest expenses. Hence, a 0% effective Belgium corporate tax rate applicable to dividend income is possible.
If the taxpayer at hand has insufficient tax capacity in a given financial year to fully utilize the participation exemption, the excess can be carried-forward without limitation in terms of time and amount.

INTEREST DEDUCTIONS

At arm’s length interest expenses are fully tax-deductible. That is also the case if the loan relates to a capital increase or to a dividend distribution.

However, Belgium tax law provides for two specific thin capitalization rules:

- A 1:1 debt-equity ratio applies to loans granted by individual directors and shareholders to the company;
- A 5:1 debt-equity ratio applies to loans granted by related companies and by lenders based in a tax haven. However, the 5:1 thin capitalization rule does not apply in the event of a genuine “finance centre” transaction between related companies that are not based in a tax haven.

NOTIONAL INTEREST DEDUCTION (NID)

The notional interest deduction (NID) is a unique Belgium tax deduction. NID is a deduction for Belgium corporate tax purposes only and thus does not require any BE GAAP accounting entries or any cash-out cost. NID applies to basically all Belgium corporate taxpayers, regardless the nature of their business.
In essence, to have an equal treatment between the equity-funding and debt-funding of a Belgium company or permanent establishment, NID comes down to a corporate tax deduction of a "notional – i.e. fictitious - interest" expense that is deemed to arise for tax purposes only. The basis for the tax deduction is the qualifying BE GAAP prior-year net equity while the interest rate is function of the market interest rates. Small and medium-sized companies are entitled to an additional 0,5% NID rate. As market interest rates are currently low, the current (i.e. tax year 2016 – financial year 2015) NID rate is 1,63% while a small and medium-sized company can claim a 2,13% NID rate.

If the taxpayer at hand has insufficient tax capacity in a given financial year to fully utilize the NID, the excess cannot be carried-forward and thus permanently forfeits.

To avoid double-dips, the NID basis - i.e. the prior-year net equity - needs to be decreased by the net book value of certain "bad assets", including:

- Shares, as the latter are generally eligible for the Belgium participation exemption;
- Tax treaty assets, as the latter's income is tax-free in Belgium;
- Assets used for private purposes by the company's director.

PATENT INCOME DEDUCTION (PID)

The patent income deduction (PID) regime is a tax-attractive rule providing for a 80% corporate tax exemption of at arm's length patent income. Consequently, only 20% of the patent income is taxable at the normal corporate tax rate of 33.99% resulting in a maximum 6,8% effective corporate tax rate for income derived from patents. However, as e.g. R&D expenses, the R&D investment deduction and tax losses carry-forward are also fully tax-deductible, the patent income can be subject to a 0% effective Belgium corporate tax rate.

PID applies to both self-developed and acquired patents. The taxpayer can use the patent to grant licenses on the use of the patent and can use the patent for its own production process. In the latter case, the taxpayer will have to identify the patent income on a stand-alone basis.

PID can be claimed if the following conditions are complied with:

- The Belgium taxpayer needs to hold the legal ownership or usufruct of a patent;
- The Belgium taxpayer needs to have an own R&D centre in Belgium or abroad. R&D activities can be outsourced, but this process needs to be supervised and coordinated by the Belgium taxpayer;

LOSSES

Tax losses can be carried-forward indefinitely, i.e. without limitation in terms of time and amount. A carry-back of tax losses is not allowed.

However, tax losses may forfeit in the event of a purely tax-driven change of control in the hands of the Belgium company with tax losses. Furthermore, when a Belgium company with tax losses is part of a tax-free business restructuring (like e.g. a merger), the tax losses carry-forward may only survive the tax-free reorganization on a prorate basis.

FOREIGN SOURCE INCOME

Belgium tax law is not featured by controlled foreign company (CFC) legislation.

C. FOREIGN TAX RELIEF

Please consider the following Belgium foreign tax relief rules:

- Income derived from tax treaty sources, e.g. both a permanent establishment or real estate based in a tax treaty country, is fully tax-free for Belgium corporate tax purposes ;
- Tax losses of permanent establishments situated outside Belgium are deductible from Belgium source profits (be it that a future claw-back rule may apply) ;
- Foreign source dividend income can be eligible for the Belgium participation exemption (see above) ;
- Foreign source interest and royalty income can be eligible for a Belgium foreign tax credit if that income was subject to foreign withholding tax or if a tax sparing clause laid down in a tax treaty concluded with Belgium applies.

D. CORPORATE GROUPS

Belgium tax law is not featured by group relief for corporate tax purposes. If conditions are satisfied, group relief for VAT purposes can be applied.

E. RELATED PARTY TRANSACTIONS

All transactions with group companies must be conducted on an at arm's length basis. This means that the prices applied must be set as if the parties involved were genuine independent 3rd party companies, taking into account the normal market prices for similar transactions in identical or similar circumstances.

For Belgium tax purposes, transfer pricing documentation is a nice-to-have, but no need-to-have.

F. WITHHOLDING TAX

According to Belgian domestic tax law, in principle 25% withholding tax is due on dividend, interest and/or royalty income that is attributed or made payable by the company. However, Belgium tax law is featured by numerous withholding tax exemptions, especially for corporations, banks and non-residents. Also, pursuant to tax treaty rules there may be Belgium dividend, interest and royalty withholding tax mitigation and relief. This includes:

- 0% Belgium dividend withholding tax applies if the shareholder resides in the EU or in a tax treaty country and has a minimum 10% shareholding for at least 1 year in the Belgium subsidiary;
- 0% Belgium interest or royalty withholding tax applies if the beneficiary resides in the EU and has a direct or indirect minimum 25% shareholding for at least 1 year in the Belgium company;
- 0% Belgium royalty withholding tax applies based on many tax treaties concluded by Belgium;
- Etc.

B

G. EXCHANGE CONTROL

There are no exchange controls in Belgium

H. PERSONAL TAX - EXPATRIATE TAX REGIME

An individual resident in Belgium is liable to progressive personal income tax rates (maximum 50%) on his worldwide income.

There is no general capital gains taxation for individuals. Only in very specific circumstances, an individual can be subject to capital gains taxation.

A non-resident individual is liable to progressive personal tax rates on his Belgian-source income only.

Belgium tax law is not featured by asset tax.

However, the Belgium tax practice is featured by a tax-efficient expatriate tax regime since 1983. The main objective of this expatriate tax regime is to both lower the overall payroll cost for the employer and to optimize the net-in–hand salary for the expatriate at hand. If (s)he satisfies all conditions, an expatriate – although temporarily living with his/her family in Belgium – is considered to be a non-resident for Belgium personal tax purposes. The benefits of the Belgium expatriate tax status are twofold:

Each calendar year, the expatriate is entitled to so-called "tax-free allowances". That is, allowances granted by the employer to cover additional expenses incurred as a direct result of the assignment to or employment in Belgium are, within certain limits, tax-free for the expatriate, and ;
Each calendar year, the expatriate is entitled to a so-called "business travel exclusion". That is, the part of the salary that relates to actual business days spent outside Belgium is tax-free in Belgium (and presumably not taxable in the visited jurisdiction neither).

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries	15/25	0/25	25
Treaty countries:			
Albania	5/15	5	5
Algeria	15	0/15	5/15
Argentina	10/15	0/12	3/5/10/15
Armenia	5/15	0/10	8
Australia	15	10	10
Austria	15	0/15	0/10
Azerbaijan	5/10/15	0/10	5/10
Bahrein	0/10	0/5	0
Bangladesh	15	0/15	10
Belarus	5/15	0/10	5
Bosnia-Herzegovina	10/15	15	10
Brazil	10/15	0/10/15	10/20/25
Bulgaria	10	0/10	5
Canada	5/15	0/10	0/10
Chile	0/15	5/15	5/10
China	5/10	0/10	7
Croatia	5/15	0/10	10
Cyprus	10/15	0/10	0
Czech Republic	5/15	0/10	5/10
Democratic Republic of Congo	5/10	0/10	10
Denmark	0/15	0/10	0
Ecuador	15	0/10	10
Egypt	15/20	15	15/25
Estonia	5/15	0/10	5/10
Finland	5/15	0/10	5
France	10/15	15	0
Gabon	15/18	0/15	10
Georgia	5/15	0/10	5/10
Germany	15	0/15	0
Ghana	5/15	0/10	10
Greece	5/15	0/5/10	5
Hong Kong	0/5/15	0/10	5
Hungary	10	0/15	0
Iceland	5/15	0/10	0
India	15	10/15	20
Indonesia	10/15	0/10	10
Ireland	15	0/15	0
Israel	15	0/15	10
Italy	15	0/15	5
Ivory Cost	15/18	16	10
Japan	5/15	10	10
Kazakhstan	5/15	0/10	10
Korea	15	0/10	10/15
Kosovo	10/15	15	10
Kyrgyzstan	15	0/15	0

	Dividends (%)	Interest (%)	Royalties (%)
Kuwait	0/10	0	10
Latvia	5/15	0/10	5/10
Lithuania	5/15	0/10	5/10
Luxembourg	10/15	0/15	0
Macedonia	10/15	15	10
Malaysia	15	10	10
Malta	15	0/10	10
Mauritius	5/10	0/10	0
Mexico	5/15	0/10/15	10
Moldova	15	0/15	0
Mongolia	5/15	0/10	5
Montenegro	10/15	15	10
Morocco	6.5/10	0/10	10
Netherlands	5/15	0/10	0
New Zealand	15	10	10
Nigeria	12.5/15	0/12.5	12.5
Norway	5/15	0/15	0
Pakistan	15	0/15	0/15/20
Philippines	15/20	0/10	15
Poland	5/15	0/5	5
Portugal	15	0/15	5
Romania	5/15	0/10	5
Russia	10	0/10	0
Rwanda	0/15	0/10	10
San Marino	0/5/15	0/10	5
Senegal	15	15	10
Serbia	10/15	15	10
Singapore	0/5/15	0/5	5
Slovak Republic	5/15	0/10	5
Slovenia	5/15	0/10	5
South Africa	5/15	0/10	0
Spain	0/15	0/10	5
Sri Lanka	15	0/10	10
Sweden	5/15	0/10	0
Switzerland	10/15	0/10	0
Taiwan	10	0/10	10
Tajikistan	15	0/15	0
Thailand	0/15/20	0/10/25	5/15
Tunisia	5/15	0/5/10	11
Turkey	15/20	0/15	10
Turkmenistan	15	0/15	0
Ukraine	5/15	0/2/10	0/10
United Arab Emirates	0/5/10	0/5	5
United Kingdom	5/10	15	0
United States	0/5/15	0/15	0
Uzbekistan	5/15	0/10	5
Venezuela	5/15	0/10	5
Vietnam	5/10/15	0/10	5/10/15

BELIZE

MEMBER FIRM

City	Name	Contact Information
Belize City	Jose A Bautista	+501 227 7428 jbautista@pkfbelize.com

BASIC FACTS

Full name:	Belize
Population:	326,000 (PRB 2012)
Capital:	Belmopan
Major languages:	English (official), Spanish, Mayan, Garifuna (Carib), Creole
Major religion:	Christianity
Monetary unit:	Belize dollar (BZD)
Internet domain:	.bz
International dialling code:	+501
Belize Ministry of Finance website:	www.mof.gov.bz

KEY TAX POINTS

- Income tax is levied on the gross revenue receipts (sales) of companies at rates set out from time to time in the Ninth Schedule to the Income and Business Tax Act.
- A general sales tax (GST) applies to the supply of goods and services at a standard rate of 12.5%. Certain supplies are exempted or zero-rated. Registered businesses can set off their input GST (GST paid to suppliers) against their output GST (GST charged to customers).
- Other local taxes apply including stamp duty, land and property taxes, customs duties, excise duties, environmental tax, vehicle licenses, and trade license.
- Personal income tax is chargeable at a flat rate of 25% on persons employed in Belize.
- Residents are entitled to a personal allowance of between BZD 19,600 and BZD 25,600 before being chargeable to the flat rate.
- Belize has double taxation agreements with the United Kingdom, Austria, and the countries of the Caribbean Community (CARICOM).

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

On 1 July 1998, income tax on the profits or net earnings of companies and self-employed persons was replaced by a new tax, named 'business tax', which is a tax on gross receipts. The tax is charged as a percentage of gross receipts, without any deductions, and is declared and paid each month to the Tax Department. The rates vary according to the source of the income and range from 0.75% in respect of receipts from radio, on-air television and newspaper business to 25% in respect of management fees, rental of plant and equipment, and charges for technical services paid to a non-resident.

Effective 1 January 1999, income tax on business profits was reintroduced but revised so that it could co-exist with the business tax regime introduced in 1998. The corporate income tax rate was reduced from its former level of 35% to 25%. The business tax paid is now considered to be a credit towards income tax payable with any excess paid being carried forward as an expense to the next basis (tax) year, provided that an income tax return is duly filed with the Commissioner of Income Tax.

Where the business tax paid is less than the income tax payable, the excess is to be treated as taxes forgone by the Commissioner, provided that an income tax return is duly filed. Tax returns are to be filed with the Belize Tax Administration (Income Tax Department) within three months after the close of the taxpayer's fiscal year.

When filing an income tax return, the taxpayer (other than a company engaged in petroleum operations) has an option to 'accept the business tax assessed'. This choice is made by ticking a window on the income tax return form. The business tax paid for the year is then considered to be the tax payable for the year. The tax return is completed by signing the Certification section.

There is no need to provide financial statements or any additional supporting schedules

to support the tax return submitted. Where losses are incurred and the taxpayer elects not to accept the business tax as a final tax, the taxpayer must submit a complete tax return which would include an income tax computation, financial statements and supporting schedules in order to have the trading losses agreed and relief obtained in the form of tax credits against future business taxes payable.

With effect from 1 January 2006, the rate of income tax for companies engaged in petroleum operations was increased from 25% to 40%. These companies must file income tax returns and pay income tax; they cannot elect to be chargeable to tax under the business tax regime.

Subsequent amendments made to date to the Income and Business Tax includes the addition of the following provisions:

- To introduce a petroleum surcharge on revenues derived from petroleum operations;
- To facilitate tax information exchange agreements with other countries;
- To abolish the withholding tax on royalties and commissions paid to non-residents;
- To vary the rates of business tax on casinos, commissions, real estate business and utilities that provide telecommunication and electricity services.

GENERAL SALES TAX

Effective 1 July 2006, the ‘sales tax’ which was in force was repealed and replaced by a general sales tax (GST). GST is effectively a value added tax, with tax becoming payable at each stage in the supply chain and with tax incurred on inputs being recoverable by offset against out GST (the tax charged by a business to customers on taxable supplies).

For GST purposes, “business” has a very wide meaning and can include activities on which no profit is made. “Taxable supply” is a supply of goods and/or services made in the course or furtherance of any business. Therefore, where a supply is not specifically exempted, it will be considered a taxable supply.

Effective 1 April 2010, the rate of GST was increased from 10% to 12.5%. Exempt supplies of goods and services include:
- Some financial services and gambling supply;
- Some supply of goods and services by an educational institution within the meaning of the Education Act;
- Medical, dental, hospital, optical and paramedical services, other than veterinary services and cosmetic surgery;
- Supply of residential accommodation or accommodation in a hotel or similar establishment;
- Public postal services, domestic public transport of passengers, lease of aircraft and maintenance services in connection with the supply of public air transport;
- International transport of passengers or goods;
- Some supplies of services provided to diplomatic missions, international and regional organizations; and,
- Goods and services provided to the Government of Belize.

Providers of exempt goods and services are not allowed to charge GST to customers and cannot recover any GST paid on inputs.

Taxable supplies may zero-rated - chargeable to tax at 0% - or standard-rated - chargeable to tax at 12.5%.

Zero-rated items include:
- Exported goods and services;
- Some food items for human consumption, water supply (other than bottled water) and some medicines and medical supplies for human use;
- Some items and supplies for use in education; and,
- Some supplies connected with agriculture, livestock, birds and fish, crustaceans and molluscs.

Items not specifically exempted or zero-rated are considered to be standard-rated.

OTHER LOCAL TAXES

These include:
- Stamp duty on certain transactions, including the transfer of property;
- Land and property taxes;
- Trade licence, motor vehicle licence and other taxes charged by local authorities; and,
- Customs, excise, environmental tax and other taxes charged by the Customs and

Excise Department.

B. WITHHOLDING TAXES

*Dividends paid to non-residents	15%
Gross contract payments in connection with contracts exceeding BZD 3,000	3%
Interest paid to non-residents	15%
Management fees, rental of plant and equipment and charges for technical services paid to non-residents	25%

*Effective 1 January 2011, dividends paid to shareholders by entities licensed to provide telecommunication services that offer real time voice services are exempt from tax.

C. EXCHANGE CONTROL

The Foreign Exchange Control Act provides that only the Central Bank of Belize and authorised dealers may deal in foreign currencies. A foreign exchange permit must first be obtained from the Central Bank for all remittances of foreign exchange, including the payment of goods and services procured outside Belize. Central Bank approval is also required to secure and repay a loan outside Belize denominated in a foreign currency.

D. PERSONAL TAX

Effective 1 January 2010, employed persons, resident in Belize, are allowed a basic deduction of:

(a) BZD 25,600 in the case of an employed person whose total income, from all sources in a basis year, does not exceed BZD 26,000;

(b) BZD 24,600 in the case of an employed person whose total income, from all sources in a basis year, exceeds BZD 26,000 but does not exceed BZD 27,000;

(c) BZD 22,600 in the case of an employed person whose total income, from all sources in a basis year, exceeds BZD 27,000 but does not exceed BZD 29,000; and,

(d) BZD 19,600 in the case of all other employed persons. There are no other deductions in ascertaining chargeable income except for allowable charitable donations which is restricted to one-sixth part of the chargeable income.

The rate of tax on chargeable income is a flat rate of 25%, with a standard tax credit deduction of BZD 100 available to all residents.

TAX TREATIES

Belize has double taxation agreements with the United Kingdom, Austria, and the countries of the Caribbean Community (CARICOM).

BERMUDA

MEMBER FIRM

City	Name	Contact Information
Hamilton	Mike Harvey	+1441 292 7478 mharvey@amc.bm

BASIC FACTS

Full name:	Bermuda (British overseas territory)
Population:	69,467 (2013 est. Index Mundi)
Capital:	Hamilton
Major languages:	English, Portuguese
Major religion:	Christianity
Monetary unit:	Bermudian dollar (BMD)
Internet domain:	.bm
International dialling code:	+1441
Bermuda Ministry of Finance website:	www.gov.bm

KEY TAX POINTS

- Companies incorporated in Bermuda are categorised as either local companies or exempted companies.
- No corporate income tax is payable but all companies are required to pay annual

company fees based on the level of share capital. Local companies and exempted companies pay fees at different rates.

- There is no branch profits tax in Bermuda. Non-Bermudian companies must pay an annual company fee to carry out business in Bermuda; this is BMD 1,995 (although higher amounts apply for certain activities).
- There are no sales taxes in Bermuda.
- No income or capital gains taxes apply to individuals in Bermuda. However, both employers and employees are subject to a payroll tax if they carry on a business or profession in, or from, Bermuda. Employee contributions are deducted at source from employees' salaries by their employers.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies incorporated in Bermuda are either local companies, of which 60% of ownership and directors must be Bermudian, or exempted companies which can be entirely owned by non-Bermudians and which companies are also exempt from any exchange controls. Exempted companies conduct international business and are not permitted to conduct local business.

Bermuda companies pay no tax on income or capital gains.

All companies are subject to annual company fees, based on share capital levels as follows:

Exempted companies USD Equivalent	Fee USD
Up to 12,000	1,995
12,001–120,000	4,070
120,001–1,200,000	6,275
1,200,001–12,000,000	8,360
12,000,001–100,000,000	10,455
100,000,001–500,000,000	18,670
500,000,001 and above	31,120

Where the exempted company's business includes the management of any unit trust scheme, the fee will be USD 2,905 in respect of each unit trust scheme managed by the company. Where the exempted company is one limited by guarantee, but is not a mutual company, the fee will be USD 1,995.

Local companies BMD	Fee BMD
Up to 50,000	650
50,000–250,000	970
250,000–500,000	1,620
500,000–1,000,000	3,225
1,000,000–5,000,000	6,445
5,000,000–10,000,000	12,275
500,000,001 and above	18,410

CAPITAL GAINS TAX

There is no capital gains tax in Bermuda.

BRANCH PROFITS TAX

There is no branch profits tax in Bermuda. Non-Bermudian companies who wish to establish a place of business in Bermuda will require a permit to do so and the company will then be subject to an annual company fee which is currently USD 1,995 for general companies.

Where the company's principal business is raising money from the public by the issue of bonds or other securities or insurance business or open-ended mutual fund business, the fee is USD 4,125. If the business of the company includes the management of any unit trust scheme, the fee is USD 2,905 in respect of each unit

trust scheme managed by the company.

SALES TAX / VALUE ADDED TAX

There are no sales taxes or value added taxes in Bermuda. Certain goods are subject to a Customs Duty which is payable upon entry in Bermuda

B. DETERMINATION OF TAXABLE INCOME

This is not applicable as there are no taxes on income.

C. FOREIGN TAX RELIEF

This is not applicable as there are no double taxation arrangements because there is no taxation on income in Bermuda.

D. COROPORATE GROUPS

There is no group tax relief legislation as there are no taxes on income or capital gains.

E. RELATED PARTY TRANSACTIONS

There is no transfer pricing or related party legislation in Bermuda.

F. WITHHOLDING TAX

There are no withholding taxes in Bermuda.

G. EXCHANGE CONTROL

Exempted companies which can be entirely beneficially owned by non-Bermudians and who trade or operate from Bermuda, but not in Bermuda, are entirely exempt from any exchange controls. Exchange control regulations which have applied for some time to Bermudian local and/or Bermudian owned companies, are now being dismantled.

H. PERSONAL TAX

There are no income taxes or capital gains taxes on individuals in Bermuda.

PAYROLL TAX

Both employers and employees are subject to payroll tax if they carry on a business or profession in or from Bermuda. Employers deduct the employee's contributions from their salary.

With some exceptions, the rates are as follows:

Employer's Annual Payroll of:	Tax Rate
BMD 0 to 200,000	7.25%
BMD 200,000-500,000	10.75%
BMD 500,001-1,000,000	12.75%
Over BMD 1,000,000	14.50%
Exempt undertakings	14.50%

Provided an employee is on the payroll at the end of the tax period and worked for the employer for at least 180 hours during the quarter, a special relief is available in respect of that employee, equal to BMD 600 per employee per quarter. The payroll tax payable in respect of that employee must not be less than 5.75% of their gross remuneration.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

No withholding tax is payable in Bermuda.

BOSNIA AND HERZEGOVINA

MEMBER FIRM

City	Name	Contact Information
Beograd	Petar Grubor	+ 381 11 30 18 445 petar.grubor@pkf.rs

BASIC FACTS

Full name:	Bosnia and Herzegovina
Capital:	Sarajevo
Main languages:	Bosnian, Croatian and Serbian
Population:	3,871,643 (2014 census)
Major religion:	Islam, Christianity
Monetary units:	Convertible Mark (BAM)
Internet domain:	.ba
Int. dialling code:	+387

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Bosnia and Herzegovina consists of two entities: Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), with a third region, the Broko District (BD), being administered by both. Direct taxes are imposed at the entity/district level, while indirect tax regulations are imposed at the state level. CIT systems in Bosnia and Herzegovina have been partially harmonized in the past few years, but significant differences remain. The Federation of Bosnia and Herzegovina, Republika Srpska, and the Broko District tax resident corporations on a worldwide basis. Non-residents are taxed on income realized in the FBiH, RS, and BD territories.

FBiH CIT

A CIT payer in the Federation of Bosnia and Herzegovina is a resident business association or other legal entity performing independent and permanent business activity through the sales of products and providing services on the market for the purpose of generating profit.

A CIT payer in the Federation of Bosnia and Herzegovina is also a non-resident who generates profits through business activity from a business unit in the territory of the Federation of Bosnia and Herzegovina. A non-resident whose registered seat or management is not in the Federation of Bosnia and Herzegovina and who does not have a business unit in the Federation of Bosnia and Herzegovina is subject to withholding tax (WHT) for income generated in the Federation of Bosnia and Herzegovina.

The CIT rate in the Federation of Bosnia and Herzegovina is 10%.

RS CIT

A CIT payer in Republika Srpska is:

- A legal entity from Republika Srpska that generates income from any source in Republika Srpska or abroad.
- A business unit of a legal entity that generates income in the territory of Republika Srpska.
- A non-resident legal entity that conducts business activity and has a permanent establishment (PE) in Republika Srpska, for income that is related to that PE.
- A non-resident legal entity that generates income from immovable property in Republika Srpska, for the income generated in Republika Srpska.
- A non-resident legal entity that generates income in Republika Srpska, not mentioned above, and is subject to WHT in accordance with the CIT law of Republika Srpska.

The CIT rate in Republika Srpska is 10%.

BD CIT

A CIT payer in Broko District is:

- A legal entity from Broko District that generates income from any source in Bosnia and Herzegovina or abroad.
- A business unit of a legal entity with headquarters in the Federation of Bosnia and Herzegovina or Republika Srpska, for income generated in Broko District.

- A non-resident legal entity that conducts business activity and has a PE in Broko District, for income that is related to that PE.
- A non-resident legal entity that generates income from immovable property in Broko District, for the income generated in Broko District.
- A non-resident legal entity that generates income in Broko District, not mentioned above, and is subject to WHT in accordance with the CIT law of Broko District.

The CIT rate in Broko District is 10%.

FBiH residency
Under FBiH CIT law, a resident is a legal entity whose headquarters (registration) is entered into a court registry or whose management and supervision over the business activities is located in the Federation of Bosnia and Herzegovina.

FBiH permanent establishment
A PE of a non-resident is a permanent place of business through which the non-resident performs activity in whole or partially throughout the territory of the Federation of Bosnia and Herzegovina.
A PE under FBiH CIT law is considered to be one of the following:

- Management headquarters.
- Branch office.
- Business office.
- Factory.
- Workshop.
- Location of natural resources extraction.
- Construction site (construction or mounting project) when the work is performed during a period exceeding six months.
- Providing consulting or business services lasting for a period exceeding three months consecutively over a 12-month period.
- A representative acting independently on behalf of a non-resident related to the activities of signing a contract or keeping supplies of products delivered on behalf of a non-resident.

RS residency
Under RS CIT law, a resident is a legal entity registered in Republika Srpska.

RS permanent establishment
A PE is considered to be a place of business of a non-resident in Republika Srpska (i.e. construction works, installation and assembly works, infrastructure used for research or exploitation of natural resources or supervisory of the same). A PE shall also be considered to be a place of business where an individual or legal person has the authorisation to conclude contracts for a foreign legal entity.

BD residency
The BD CIT law prescribes that a resident is a legal entity registered in Broko District.

BD permanent establishment

A PE of a non-resident in Broko District is considered to be:

- Construction works, installation and assembly works, infrastructure used for research or exploitation of natural resources, or supervisory of the same, or
- a place of business where an individual or legal person has the authorisation to conclude contracts for a foreign legal entity.

CAPITAL GAINS TAX
Capital gains are generally taxed as profits at a rate of 10%.

BRANCH PROFITS TAX
Representative offices of foreign companies can be registered in all three administrative units.
A branch of a foreign legal entity can only be registered in Republika Srpska. The tax treatment of the branch of a foreign legal entity is still quite unclear from the local perspective, so we recommend contacting a tax and accounting specialist. Amendments to the Company Law of the Federation of Bosnia and Herzegovina introduced the possibility for foreign companies to establish one or more branch offices. However, registration of a branch office of a foreign legal entity is still not enabled in practice. BD regulations do not allow registration of branch of a foreign legal entity.

VALUE ADDED TAX
The standard VAT rate is 17%, and the VAT regime applies equally throughout the country of Bosnia and Herzegovina. There is no reduced VAT rate in Bosnia and Herzegovina. Taxable persons are all individuals and legal entities registered, or

required to be registered for VAT. Any person making taxable supplies of goods and services that exceeds or is likely to exceed a threshold of 50,000 konvertibilna marka (convertible mark or BAM) (25,000 euros [EUR]) is required to register as a VAT payer. The export of goods is zero-rated.

Taxable transactions include the supply of goods and services in Bosnia and Herzegovina by a taxable person, as well as the importation of goods to Bosnia and Herzegovina by any person. The following transactions are also taxable:

- Transactions for no consideration or for a consideration less than the market value.
- The private use of taxable goods by a taxable person (self-supply).
  The following services are exempt from VAT in Bosnia and Herzegovina:
- The leasing and subletting of residential houses, apartments, and residential premises
  for a period of longer than 60 days.
- The supply of immovable property, except for the first transfer of the ownership rights
  or the rights to dispose of newly constructed immovable property.
- Financial services.
- Insurance and reinsurance services.
- Educational services provided by private or public educational institutions.
- Postal services.

The VAT period is one calendar month.

Any tax credit that has not been used after a period of six months shall be refunded. Registered exporters are to be refunded within 30 days.

FRINGE BENEFITS TAX

FBiH social security contributions

Mandatory social security contributions in the Federation of Bosnia and Herzegovina are due by the following rates:

Type of contribution	Employee's contributions (%)	Employer's contributions (%)
Contribution for pension and invalid insurance	17.0	6.0
Contribution for health insurance	12.5	4.0
Contribution for unemployment insurance	1.5	0.5

The base for calculation of social security contributions is the gross salary. In the Federation of Bosnia and Herzegovina, the employer also pays 0.5% of contribution for protection from natural and other disasters, as well as 0.5% of the water protection charge, calculated on net salary. Personal income tax (PIT) of 10% and social security contributions has to be calculated and withheld by an employer with the salary payment.

RS social security contributions

In Republika Srpska, the following rates of mandatory social security contributions have to be applied:

Type of contribution	% of gross salary
Contribution for pension and invalid insurance	18.5
Contribution for health insurance	12.0
Contribution for unemployment insurance	1.0
Contribution for child protection	1.5

In Republika Srpska, mandatory social security contributions are calculated on gross salary and have to be withheld by the employer, as an income payer.

BD social security contributions

Persons who are working in Broko District can opt to which fund of pension insurance, either the fund of Republika Srpska or fund of the Federation of Bosnia and Herzegovina, they would like to pay pension and invalid insurance contributions. Health insurance contributions are calculated in the amount of 12% on gross salary.

LOCAL TAXES
There are no local taxes.

OTHER TAXES
CUSTOMS DUTIES
The customs policy law and the rates of customs tariffs to be applied exist and are largely based on European Union (EU) standards. Bosnia and Herzegovina has signed the Stabilisation and association Agreement (SAA) and the Central European Free Trade Agreement (CEFTA).

EXCISE DUTIES
There is a single excise regime throughout Bosnia and Herzegovina, which levies excise tax on the following products:
- Petroleum products: BAM 0.3 to BAM 0.4 per litre.
- Tobacco products: 42% on retail price and an additional BAM 0.75 per pack of 20 cigarettes. If the calculated excise duty is lower than the minimally prescribed excise duty, then the minimal excise duty should be paid (the minimal duty is determined every year by the indirect tax authorities by special regulation).
- Non-alcoholic drinks: BAM 0.1 per litre.
- Alcohol and alcoholic drinks: BAM 8 to BAM 15 per litre of absolute alcohol.
- Beer and wine: BAM 0.2 to BAM 0.25 per litre.
- Coffee (unroasted, roasted, and ground coffee and coffee extracts): BAM 1.5 to BAM 3.5 per kilogram.

Property taxes (real estate)
FBiH property taxes

FBiH property taxes are imposed at the cantonal level (ten cantons in total), and the rates as well as the taxpayers are different between the cantons. The taxes are paid in the range of BAM 0.5 to BAM 3 per square metre.

RS property taxes
RS property taxes are imposed at the entity level. The annual tax rate is between 0.05% and 0.5% of the market value of the property. The applicable tax rate is determined every year by the municipalities.

BD property taxes
BD property taxes are imposed by the BD assembly. The annual tax rate is between 0.05% and 1% of the market value of the property. The rate is adopted by the assembly for every year based on the proposed annual budget.
Tax on transfer of land and real estate
FBiH transfer taxes

The FBIH tax on transfer of land and real estate is imposed at the cantonal level. The rate differs by canton; however, it cannot be higher than 5%.

RS transfer taxes
There is no tax on transfer of land and real estate in Republika Srpska.

BD transfer taxes
There is no tax on transfer of land and real estate in Broko District.

B. DETERMINATION OF TAXABLE INCOME

Taxable profit is profit determined by adjusting the accounting profit as stated in the profit and loss statement and determined in accordance with International Financial Reporting Standards, International Accounting Standards (IFRS/IAS), and accounting legislation and in accordance with the provisions of the CIT law.

CAPITAL ALLOWANCES
FBiH investment incentive

A taxpayer who invested in production within the territory of the Federation of Bosnia and Herzegovina for five consecutive years for a minimum fee of BAM 20 million will be relieved from taxation for a period of five years, starting with the first year in which it has invested at least BAM 4 million.

RS investment incentive for production companies
For a taxpayer who invests in property, plant, and equipment (PPE) for performing its own registered business activity in the territory of Republika Srpska, a deduction is allowed for the amount of the investment. Only companies registered for production activity in accordance with special Ministry decision can use this tax incentive. If the taxpayer disposes of the PPE within three years of the year for which the tax incentive

was used, the taxpayer will have to pay the additional tax as if they never used the incentive, as well as penalty interest for late payments.

BD investment incentive
For a taxpayer who invests in machines and equipment for performing its own registered business activity on the territory of Broko District, a deduction is allowed for the amount of the investment.

DEPRECIATION
FBiH depreciation
Depreciation cost is deductible only if it relates to the property subject to depreciation and being used.
Depreciation of fixed assets is deductible up to the amount established by proportionate application of the highest annual depreciation rates using the linear method, prescribed by the FBiH government, as follows:

Assets	Rate (%)
Buildings, except:	10
Management, administration, office, and other buildings for providing service activities	3
Apartment houses, hotels, restaurants	14.3
Roads, communal objects, upper railway rails machine	14.3
Equipment, vehicles, mechanicals except:	20
Equipment for water management, water-supply, and canalization	14.3
Computers and equipment for environment protection	33.3
Crops	14.4
Livestock units	40
Intangible non-current assets	20

Property being depreciated with a value of less than BAM 1,000 may be fully deducted in the purchase year, on condition that that the property was put in service. The purchase value of computer hardware and software may be deducted fully in the year the purchase was made. Depreciated assets, once depreciated, shall not be re-included in the depreciation calculation for the purposes of the tax balance. Depreciation is allowed for increases in the value of fixed assets due to revalorization in accordance with IFRS/IAS, up to the amount of calculated depreciation on the revalorization base and by using the proportion method prescribed by law.

RS depreciation
Depreciation deductions are allowed only with respect to depreciable assets that are being used. A depreciable asset is any tangible or intangible asset that is held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. Land or any other asset that does not decrease in value through wear and tear or obsolescence is not considered a depreciable asset. Assets are depreciated using the linear method of depreciation, except for machines and equipment, which can be depreciated with acceleration (first year at 40%, second year at 30%, and third year at 30%). The CIT Rulebook prescribes a wide range of accepted depreciation rates, depending on type of assets, ranging from 1% to 50% annually.

BD depreciation
Depreciation deductions are allowed only with respect to depreciable assets that are being used. A depreciable asset is any tangible or intangible asset that is held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. Land or any other asset that does not decrease in value through wear and tear or obsolescence is not considered a depreciable asset. Assets are depreciated using the linear method of depreciation, except for machines and equipment, which can be depreciated with acceleration (first year at 40%, second year at 30%, and third year at 30%). The CIT Rulebook prescribes a wide range of accepted depreciation rates, depending on type of assets. The calculation of depreciation for newly purchased property starts the following month on the day when it was put to use. The calculation of depreciation for newly constructed buildings starts from the first day of the following year in which it was put to use.

STOCK/INVENTORY
FBiH inventory valuation
Expenses of production in accordance with accounting regulations and IFRS/IAS shall be recognized in the value of stocks of unfinished production, semi products, and finished products for the calculation of taxable profit. The inventory is valued by using the average price method.

RS inventory valuation

Inventory includes goods used for resale, final goods produced by the taxpayer, semifinal goods used for further production, as well as main and auxiliary materials for production. Purchase value of inventories at the beginning and end of a fiscal year has to be expressed using the same method for determination of purchase value of inventories. The purchase value of inventories can be determined by using the first in first out (FIFO) method or the weighted average cost method.

BD inventory valuation

The purchase value of inventories can be determined by using the first in first out (FIFO) method or the average cost method.

CAPITAL GAINS AND LOSSES

FBiH capital gains

The taxable base shall include profit from liquidation and capital gain from the balance sheet.

RS capital gains

Capital gain is realized through the sale or other type of transfer of capital or investment assets and represents a difference between the sales price and adjusted base of an asset. The sales price is the contracted price (i.e. the market price established by the competent tax authority in case it finds the contracted price to be lower than the market price). Capital gains or losses realized during the fiscal year can be offset, and the realized net gain or loss is added or subtracted from the taxable base, if they are not already included in the income or expense.

BD capital gains

Capital gain is realized by sale or transfer of capital and investment goods and represents positive difference between the sales price and adjusted property base.

DIVIDENDS

Taxation of dividends – In the FBiH, dividends are not taxable. In the RS, only dividends paid to individuals are subject to tax.

FBiH dividend income

Dividends realized based on participation in the capital of other taxpayers shall not be included in the tax base. Shares in the profit of a business association will be considered dividends.

RS dividend income

Income from dividends is not included in the taxable base.

BD dividend income

Income from dividends is not included in the taxable base.

INTEREST DEDUCTIONS

FBiH interest expenses

Interest expense is generally tax deductible, except for interest that is not calculated at arm's length and interest on taxes, social security contributions, and other public revenue.

RS interest expenses

Interest on loans used for business purposes are tax deductible. The exceptions are interest that is not at arm's length, interest on loans for private use, and interest on overdue tax payments.

BD interest expense

Interest on loans used for business purposes are tax deductible. The exceptions are interest that is not at arm's length, interest on loans for private use, and interest on overdue tax payments.

LOSSES

Losses – Tax losses may be carried forward for up to five years. Tax losses carried forward from the current year are utilized in the first year in which taxable profits are available for offset, so that the tax base is always reduced by the oldest losses. The carryback of losses is not permitted.

FOREIGN SOURCED INCOME

FBiH foreign income

The Federation of Bosnia and Herzegovina taxes resident corporations on a worldwide basis. There are no deferral or anti-deferral provisions in the Federation of Bosnia and Herzegovina.

RS foreign income

Republika Srpska taxes resident corporations on a worldwide basis. There are no deferral or anti-deferral provisions in Republika Srpska.

BD foreign income

Broko District taxes resident corporations on a worldwide basis. There are no deferral or anti-deferral provisions in Broko District.

INCENTIVES

FBiH special needs employment incentive

A taxpayer who employs more than 50% of handicap or special needs individuals within its company for a period of time longer than one year is relieved from CIT for the year in which more than 50% of handicap or special needs individuals are employed within the company.

FBiH export incentive

A taxpayer who realizes more than 30% of annual income by export will be relieved from CIT for that year.

RS employment incentive

For a taxpayer who employs 30 new employees (which were registered in the RS unemployment agency) for an indefinite period of time during the tax period, a deduction is allowed for the paid personal income tax and social security contributions for those employees. If the taxpayer lets go of employees within three years for whom the tax incentive was used, the taxpayer will have to pay the additional tax as if they never used the incentive, as well as penalty interest for late payments.

BD employment incentive

For a taxpayer who employs new employees for an indefinite period of time during the tax period, a second deduction is allowed for the total amount of paid gross salaries for the new employees.

C. FOREIGN TAX RELIEF

FBiH foreign tax credit

When a taxpayer generates income or profit through business activities outside of the Federation of Bosnia and Herzegovina (directly or through a business unit) and pays the profit tax on such activities, the tax paid abroad shall be credited, up to the amount of the profit tax that would have been paid for the income or profit generated by the same activities in the Federation of Bosnia and Herzegovina.

RS foreign tax credit

If a legal entity from Republika Srpska obtains revenue from a foreign state and the revenue is taxed both in Republika Srpska and in the foreign state, then the tax paid to the foreign state, whether paid directly or withheld and remitted by another person, is to be credited from RS CIT, unless such legal entity from Republika Srpska elects to treat the foreign tax as a deductible expenditure in determining the fiscal year tax base.

BD foreign tax credit

If a legal entity from Broko District obtains revenue from a foreign state and the revenue is taxed both in Broko District and in the foreign state, then the tax paid to the foreign state, whether paid directly or withheld and remitted by another person, is to be credited from the BD CIT, unless such legal entity from Broko District elects to treat the foreign tax as a deductible expenditure in determining the fiscal year tax base.

D. CORPORATE GROUPS

FBiH group taxation

A business association has the right to request tax consolidation on the condition that all businesses in the group are residents of the Federation of Bosnia and Herzegovina. A headquarters company and its branches may form a business association when there is direct or indirect control between them with no less than 90% share. A request for tax consolidation must be filed to the authorized branch office of the tax authorities by a headquarters company. Each group member is required to file its tax balance, and the headquarters of the business association may file a consolidated tax balance for the group. The consolidated tax balance may offset losses of one or more businesses against the profit of other businesses in the association.

Individual group members are liable for the tax calculated on the consolidated balance proportionately to the profit from the individual tax balance, and the headquarters is the payer of the tax calculated on the consolidated balance.

Once approved, tax consolidation shall be applied for the consecutive period of no less than five years. When one, several, or all the businesses in the association later

opt for individual taxation, all group members shall be obligated to pay the difference proportionately on behalf of the tax privilege they have used.

RS group taxation
An affiliated group of legal persons located within Republika Srpska may elect to file a consolidated annual tax declaration. An affiliated group of legal persons is a group of one or more legal entities from Republika Srpska that are connected through the ownership of stock with a common parent, provided that the common parent owns at least 80% of the stock in a legal person that is included in the affiliated group. If the common parent does not own at least 80% of the stock in a legal person that is included in the affiliated group, then the parent may file a consolidated tax declaration if one or more other legal persons in the affiliated group own at least 80% of the stock in such legal person.

BD group taxation
An affiliated group of legal persons located within Broko District may elect to file a consolidated annual tax declaration.

An affiliated group of legal persons is a group of one or more legal entities from Broko District that are connected through the ownership of stock with a common parent, provided that the common parent owns at least 80% of the stock in a legal person that is included in the affiliated group.

E. RELATED PARTY TRANSACTIONS

Transfer pricing requirements are imposed at the entity level. The Federation of Bosnia and Herzegovina, Republika Srpska, and Broko District have different regulations in place, including different rules in regard to applicable methods, related parties, and documentation. The regulations in place do not differ if the transactions are within one entity, cross-border, or international. Basically, this means that all transactions can fall under the transfer pricing scope. With Bosnia and Herzegovina not being an EU or an OECD member, the local legislation does not have the same requirements with respect to transfer pricing documentation as in EU countries nor does the legislation refer to the OECD guidelines.

FBiH related parties
In the Federation of Bosnia and Herzegovina, a related party is considered to be an individual or legal person who has the possibility of control or significant influence on the business decisions of the taxpayer. Owning more than half or individually the most stocks or shares in a company is considered to be enabled control.

Significant influence is considered to be mutually high sales turnover, technical dependence, or otherwise gained control over the management.

FBiH prescribed methods
The FBiH CIT law recognizes only two methods:
- Comparable uncontrolled price (CUP) method (primary method).
- Cost plus method.

RS and BD related parties
As per the applicable RS and BD legislation, related parties of a legal person are considered to be physical or legal persons if those persons possess more than 10% of active shares with voting rights. A legal person can be a related party if it possesses more than 10% active shares in the other person indirectly or directly. Indirect ownership is considered to be:
- If a legal person possesses more than 10% of a dependent company, and that dependent company possesses more than 10% in the other legal person.
- If both legal persons have a common shareholder who possesses more than 10% active shares with voting rights in both legal persons.

RS and BD prescribed methods
The RS and BD regulations prescribe the following five methods that can be used in order to establish whether the prices are in accordance with the arm's-length principle:
- CUP method (primary method).
- Cost plus method.
- Resale price method.
- Profit split method.
- Transactional net margin method.

F. EXCHANGE CONTROL

There are not exchange controls.

G. PERSONAL INCOME TAX

Basis – The FBIH and the RS tax residents on their worldwide income; nonresidents are taxed on the FBiH/RS source income only.

Residence – An individual is considered resident for income tax purposes if he/she has a residence or center of business and/or vital interests in the FBiH/RS, or stays in the FBiH/RS for at least 183 days in aggregate during the tax year.

Filing status – In both the FBiH and the RS, each taxpayer must file a return; joint filing is not permitted.

Taxable income – The tax base in the FBiH is total gross taxable income paid by the employer less employee contributions and deductible allowances (the monthly basic personal allowance, less dependent family member allowance(s)). In the RS, the tax base is total gross taxable income paid by the employer less social security contributions and deductible allowances (less dependent family member allowance(s), interest paid on housing loans, and pension contributions paid for voluntary pension insurance up to a ceiling, where applicable).

Capital gains – In the RS, capital gains are taxed at a rate of 10%. Capital gains in the FBiH are not subject to tax.

Deductions and allowances – Personal deductions in the FBiH are BAM 3,600 per calendar year. Additional deductions include the dependent family member allowance, interest paid on housing loans, life insurance up to BAM 2,520 per annum and certain payments for health services. In the RS, deductions include the dependent family member allowance, interest paid on housing loans and pension contributions paid for voluntary pension insurance up to BAM 1,200 per annum.

Rates – The rate is 10% in both the FBiH and the RS.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

FBiH WHT

WHT in the Federation of Bosnia and Herzegovina is calculated on non-resident income generated throughout the territory of the Federation of Bosnia and Herzegovina. The base for calculation of WHT is the gross amount paid by a resident of the Federation of Bosnia and Herzegovina to a non-resident for dividends, interest, royalties and other intellectual property rights, compensations for market research, tax consulting services, auditors' services, fun and sports events, premium insurance for insurance or reinsurance of risk in the Federation of Bosnia and Herzegovina, telecommunication services between the Federation of Bosnia and Herzegovina and other countries, as well as all other services performed on the territory of the Federation of Bosnia and Herzegovina.

WHT shall be paid at the rate of 5% on dividend payments and 10% for interest, royalties, and other, if not reduced under a tax treaty.

RS WHT

Any legal or physical person from Republika Srpska, as well as any non-resident legal or physical person with PE in Republika Srpska, who pays revenue to a non-resident legal person is to withhold tax from the total payment of revenue and is to remit the withheld tax to the Public Revenues Account of Republika Srpska.

The WHT applies to the following revenue payments, regardless of whether the revenue is received in Republika Srpska or abroad:

- Payment of interest or its functional equivalent under financial instruments and arrangements from a resident.
- Payment for entertainment or sporting activities carried out in Republika Srpska, regardless of whether the revenue is received by the entertainer or sportsman or by another person.
- Payment for the performance of management, consulting, financial, technical, or administrative services, if the revenue is from a resident or if the revenue is paid by or included in the books and records of a PE in Republika Srpska or if such payment is deducted for the purpose of determining the tax base.
- Payment in the form of insurance premiums for the insuring or reinsuring of risks in Republika Srpska.
- Payment for telecommunication services between Republika Srpska and a foreign state.
- Payment of royalties.
- Payment of lease for movable property.
- Payment for the performance of other services in Republika Srpska.

WHT is not due on dividend payments.
The WHT rate in Republika Srpska is 10%.

BD WHT
Any legal or physical person from Broko District, as well as any non-resident legal or physical person with PE in Broko District, who pays revenue to a non-resident legal person is to withhold tax from the total payment of revenue and is to remit the withheld tax to the Public Revenues Account of Broko District.
The WHT applies to the following revenue payments, regardless of whether the revenue is received in Broko District or abroad:

- Payment of interest or its functional equivalent under financial instruments and arrangements from a resident.
- Payment for entertainment or sporting activities carried out in Broko District, regardless of whether the revenue is received by the entertainer or sportsman or by another person.
- Payment for the performance of management, consulting, financial, technical, or administrative services, if the revenue is from a resident or if the revenue is paid by or included in the books and records of a PE in Broko District or if such payment is deducted for the purpose of determining the tax base.
- Payment in the form of insurance premiums for the insuring or reinsuring of risks in Broko District.
- Payment for telecommunication services between Broko District and a foreign state.
- Payment of royalties.
- Payment of lease for movable property.
- Payment for the performance of other services in Broko District.

WHT is not due on dividend payments.
The WHT rate in Broko District is 10%.

WHT rates based on available double taxation treaties (DTTs)

Recipient	Dividends (%)	Interest (%)	Royalties (%)
Finland	5/15 (1)	0	10
France	5/15 (1)	0	0
Germany	15	0	10
Greece	5/15 (1)	10	10
Hungary	10	0	10
Iran	10	10	15
Ireland	0	0	0
Italy	10	10	10
Jordan	5/10 (1)	10	10
Kuwait	5	5	10
Malaysia	5/10 (2)	10	8
Moldova	5/10 (1)	10	10
Netherlands	5/15 (1)	0	10
Norway	15	0	10
Pakistan	10	20	15
Poland	5/15 (1)	10	10
Qatar	5/10 (2)	7	7
Romania	5	7.5	10
Serbia and Montenegro	5/10 (1)	10	10
Slovakia	5/15 (1)	0	10
Slovenia	5/10 (1)	7	5
Spain	5/10 (2)	7	7
Sri Lanka	12.5	10	10
Sweden	5/15 (1)	0	0
Turkey	5/15 (1)	10	10
United Arab Emirates	0/5/10 (3)	10	10
United Kingdom	5/15 (1)	10	10

Notes

1. The lower rate applies if the beneficial owner is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends.
2. The lower rate applies if the beneficial owner is a company (other than a partnership) that directly holds at least 20% of the capital of the company paying the dividends.
3. The lower rates apply if the beneficial owner is a company (other than a partnership) that directly holds at least 10% of the capital of the company paying the dividends. The competent authorities of the contracting state shall, by mutual agreement, settle the mode of application of these concessions.

BOTSWANA

MEMBER FIRM

City	Name	Contact Information
Gaborone	Tim Roddy	+267 71349866 tim@pkfbotswana.co.bw

BASIC FACTS

Full name:	Republic of Botswana
Capital:	Gaborone
Main languages:	English, Setswana
Population:	2,155,784 (2014 estimate)
Major religion:	Christianity
Monetary units:	Botswana Pula (BWP)
Internet domain:	.bw
Int. dialling code:	+267

KEY TAX POINTS

- Income from, or deemed to be from, a source within Botswana is taxable in Botswana
- Normal business expenses wholly, exclusively and necessarily incurred in the production of assessable income are allowed as deductions for tax purposes, and include approved citizen training expenditure (conditions apply) and approved pension fund contributions, bad debt provisions, capital allowances and contributions to an approved mine rehabilitation fund.
- Assessed losses relating to farming, mining and prospecting can be carried forward indefinitely and utilised against future taxable profits. Assessed losses from other businesses have a carry forward period of five years and must be utilised within that time. Capital losses are available to be carried forward for one year.
- Value Added Tax (VAT) is levied at a rate of 12% on standard rated supplies. Certain specified supplies are zero rated or exempt from VAT.
- Capital gains tax applies to companies and individuals. The capital gains tax rate for companies is the same as their income tax rates (22%). Individuals are liable based on a progressive tax rate scale up to a maximum rate (taxable gains over BWP 144,000) of BWP 13,950 + 25% of excess over 144,000.
- Employment remuneration, which includes salaries, wages, bonuses, commissions, allowances, and the value of taxable benefits, is taxed under the PAYE system and employers are obliged to withhold the respective tax from an employee's remuneration each month. Please note, there are certain exemptions and tax free benefits available for Individuals.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Approved manufacturing taxable income 15%
Capital gains 22%
Foreign dividends 15%
Mining taxable income (excluding diamonds) 22%-55%
Other taxable income 22%
Accredited Innovation Hub business taxable income 15%
IFSC company – approved services income 15%
IFSC – other taxable income 22%
Corporate tax rate - non-resident company Standard rate 30%
Income tax returns are due 4 months after a company's financial year end.

Companies with a final tax liability greater than BWP50 000 must pay quarterly self assessment tax payments. Your total quarterly SAT payments but exceed 80% of your final tax liability.

CAPITAL GAINS TAX

Applies to companies and individuals
CGT rate for companies is the same as their income tax rates
Individuals pay tax on chargeable gains as follows:
18000 – BWP 0
18 001 - 72 000 – BWP 0 + 5% of excess over 18 000
72 001 - 108 000 - BWP 2700 12.5.7% of excess over P72 000
108 000 - 144 000 - BWP7 200 + 18. 7 5 % of excess over P108 000
Over 144 000 and above BWP 13 950 + 25% of excess over 144 000

Capital gain on moveable properties is calculated on the proceeds less the indexed cost and any costs relating to the disposal.
If a company or individual sells shares they pay CGT on 75% of the gain.

SALES TAX / VALUE ADDED TAX

VAT is imposed comprehensively on an end-user basis at the rate of 12% on standard rated supplies. Certain specified supplies are either zero rated or exempt from VAT.
Registration is mandatory where 12 months turnover is expected to be P 500 000 or more.
VAT is payable by the importer of services not utilised in the making of taxable supplies
Input tax includes: – Transfer duty payable under the Transfer Duty Act – Any tax deemed to have been paid in respect of supplies of second hand goods.
Input tax claims should be made within the following time limits: – For those who file monthly returns, within a period of four months – For those who file returns every two months, within two tax periods – For tax paid in respect of imports, within two tax periods.
Late VAT returns penalty - the greater of P 50 per day or 10% per month or part thereof of the tax due.
Late payment of VAT - compound interest at 1.5% per month or part thereof on both outstanding tax, penalties and interest charged.
VAT refunds - Interest at 1% per month or part of a month is payable if the refund is not made within two calendar months of the due date of the return (1 month for IFSC companies, approved manufacturers and exporters).

ZERO-RATED SUPPLIES

Exports of goods and services
International transport services
Supplies of going concerns
Sorghum, maize meal, millet, wheat, sugar and flour for human consumption
Fertilizers for farming purposes, some pesticides and farming tractors
Supplies to the Head of State
First 5,000ltrs of water per month supplied to a residential dwelling by the Water Utilities Corporation (with exceptions)

EXEMPT SUPPLIES

Prescription drugs and condoms
Residential accommodation
Education at approved institutions
Public medical services
Non-fee based financial services
Passenger transport (excluding the transportation of tourists)
Farm implements

FILING DEADLINE

The VAT Tax returns must be filed on or before the 25th of the month following the end of the tax period.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

Capital Allowances Straight Line
(The rates of straight line annual allowances on plant or machinery range between 10% and 25% as fixed by the Commissioner General)
Heavy plant or machinery used in construction 25%
Motor vehicles and aircraft (for passenger motor vehicles, limited to expenditure of P 175 000) 25%
Plant or machinery used directly in manufacturing or production 25%
Other plant or machinery including farming equipment 15%
Computer hardware 25%

Computer software - off the shelf 100%
Furniture and fittings including soft furnishings 10%

Statutory Straight Line Allowances:

Industrial buildings - initial allowance, annual allowances 25% 2.5%

Commercial buildings - annual allowances 2.5%

Farm buildings, improvements, water supplies and other farm capital works 100%

LOSSES
Company tax losses fall away after five years.
Farm losses never fall away.

C. FOREIGN SOURCED INCOME

Botswana citizens are taxed on their world wide income.
Non citizens are only taxed on income generated in Botswana.

D. EXCHANGE CONTROL

There are no exchange control restrictions.

E. PERSONAL INCOME TAX

EMPLOYMENT INCOME
Includes salaries, wages, terminal payments, directors and other fees, bonuses, commissions, allowances and the value of benefits.
Employment income from, or deemed to be from a source within Botswana is taxable in Botswana. All employment income, including benefits in kind, is subject to monthly withholding tax (PAYE).

EXEMPTION AND TAX FREE BENEFITS FOR INDIVIDUALS
The value of contractual travel benefits for employees and their families.
Medical fund contributions and medical attention paid for by the employer.
Contractual terminal gratuities payable to expatriate employees are exempt to the extent of one-third. Bank and building society interest of P7,800 per annum, for resident individuals.
Severance pay and certain gratuities payable to citizen employees are exempt to the extent of one third.
Investment of such payments directly into an approved pension or retirement annuity fund results in 100% exemption.
Retrenchment package: one third or P36,000 whichever is greater is exempt.

BENEFITS VALUATION
Housing
- 10% of municipal valuation or
- 8% of current capital valuation, (P 250 × floor area).

Use of employer's furniture
10% of the excess over P 15 000 of the cost to the employer
Loans
The difference between the interest at concessionary rate and prime lending rate announced by Bank of Botswana on 1 July of the tax year.

Other benefits
Such as school fees and utilities
Cost to the employer or market value, whichever is the greater.

BUSINESS AND EMPLOYMENT INCOME RATES

Earnings	Rate
0 - 36 000	0
36 001 - 72 000	0 + 5% over 36 000
72 001 - 108 000	1 800 + 12.5% over 72 000
108 001 - 144 000	6 300 + 18.75% over 108 000
144 001 and over	13 050 + 25% over 144 000

BRAZIL

MEMBER FIRM

City	Name	Contact Information
Sao Paulo	Marcelo Couceiro	+11 9 9385 3894 marcelo.couceiro@pkf-brazil.com

BASIC FACTS

Full name:	Federative Republic of Brazil
Population:	195.5 million (PRB 2013)
Capital:	Brasilia
Largest city:	Sao Paulo
Major language:	Portuguese
Major religion:	Christianity
Monetary unit:	1 real = 100 centavos
Internet domain:	.br
International dialling code:	+55
Ministry of Finance website:	www.fazenda.gov.br

KEY TAX POINTS

- Corporate income tax (CIT) is charged at a set rate of 15% plus a surcharge of 10% on profits over a set level, and there is also a social contribution tax on profits charged at a rate of 9%.
- Most companies with prior year revenues below a proscribed amount can, under certain circumstances, choose to pay income tax and social contributions calculated under the 'presumed profit method'.
- Other federal taxes include fringe benefits tax; social security contributions (COFINS); social integration program contribution (PIS); payroll tax including employer social security contributions (INSS); value added tax on sales and transfers of products manufactured in or imported into Brazil (IPI); financial operations tax (IOF); and rural real estate tax (ITR).
- Municipal taxes include Services Tax (ISS or ISSQN), and estate transfer tax (ITBI) payable at a rate of up to 4% on inheritances and donations of properties and rights, and a services tax is imposed by many cities, with rates varying substantially between municipalities.
- Profits and gains from foreign sources are taxable in Brazil. Tax credits are available to relieve double taxation subject to a maximum of the Brazilian tax payable on the income.
- Almost all remittances (except dividends) to companies or persons domiciled abroad are subject to income tax at source. The remittance of capital gains or returns of capital is not subject to withholding tax. The treaty withholding tax rate is, in most cases, 15% (25% in special situations).
- Taxes payable by individuals include personal income tax, social security tax and gift and inheritance tax.
- Brazilian resident individuals are taxable on their worldwide earnings, as well as gains on the disposal of worldwide assets and rights.
- Personal income tax is withheld at source (at progressive rates from 7.5% to 27.5%).
- Capital gains arising other than out of financial instruments are subject to income tax at 15%.

A. CORPORATE INCOME TAX - CIT

There are three different methods to calculate corporate income tax: the actual profit method (Lucro Real), the presumed method (Lucro Presumido) and the arbitrated method (Lucro Arbitrado).

ACTUAL PROFIT METHOD

Actual Profit Method called "Lucro Real" is the method where the taxpayer pays CIT called "IRPJ" based on its actual taxable income, after computing all income, gains and tax deductible costs and expenses, including net operating losses of prior years.

The taxpayer is required to maintain current and accurate accounting and tax books and records, and also corresponding supporting documentation. Failure to maintain accurate accounting and supporting documentation may lead to disallowance of an expense requiring it to be added back to taxable income.

In general, taxable income must be recognised monthly following the accrual basis criteria and subject to IRPJ. The tax return must be filed annually. Corporate taxable income is taxed under a unitary system whereby a single tax rate is applied. This rate is 25%, being 15% plus 10% on profits pre-tax over R$ 240,000 annually. Corporate income tax is generally computed on a calendar year basis. However, payments are made monthly on estimated advance taxes. Social Contribution on Net Profit called “CSL” is another federal tax and is calculated on profits pre-tax. The rate is 9% computed on an annual or quarterly basis. Calculations and payments are made monthly as estimated advance taxes. Both taxes on profits add up to 34% (25% plus 9%).

PRESUMED PROFIT METHOD

Presumed Profit Method called “Lucro Presumido” is a simpler IRPJ calculation method that allows the taxpayer to pay income tax and CSL based only its quartely gross revenues. That means that costs and expenses are irrelevant to determine IRPJ and CSL liability at the end of quarter. Due to its simplicity Lucro Presumido is more suitable for small and middle-sized businesses not to mention the method’s limitations and restrictions of use by large companies.

Companies with prior year revenues of up to R$ 78 million can choose, under certain circumstances, to pay income tax and social contributions by the Presumed Profit Method, which is calculated through a percentage of the quarterly gross revenue on the cash basis.

Under Lucro Presumido IRPJ is calculated quarterly and, for most activities the presumed profit margin is 8% of monthly gross income corresponding to sales operational activities and 32% to services revenues and depending on the specific industry other rates apply.

Based on the presumed net income resulting from the application of the profit margins over gross income, 15% IRPJ, rate applies; net income in excess of BRL 60,000 per quarter is subject to an IRPJ surtax of 10%, similar to that “estimated” calculation for Lucro Real.

ARBITRATED PROFIT METHOD

Lucro Arbitrado applies to very few circumstances, most of them related to inaccuracy or unreliability of the taxpayer’s accounting records (under Lucro Real). It is an extreme tool used by the tax administration to determine unilaterally and ex officio the taxpayer’s taxable income and IRPJ due. Lucro Arbitrado has also consequences to other federal taxes, namely CSL, P.I.S. and COFINS because they are determined based on taxpayer’s accurate gross income.

TRANSFER PRICING

Since 1997 Brazil has transfer-pricing rules in place to prevent undue allocation of income in international transactions between related parties. The system adopted is one of determining the maximum amounts of deductible expenses, and the minimum amount of taxable income, for Brazilian companies engaged in transactions with related parties outside of Brazil or foreign parties domiciled in a listed low-tax jurisdiction or under a listed favorable tax regime. No domestic transaction is subject to transfer pricing rules. On the domestic transaction we have another rules to control and avoid.

Different from other countries, where the arms’-length principle and comparable prices are the rule, the Brazilian rules go another direction by basically establishing fixed formulas to determine the accepted transfer price. But Brazil does not ignore completely comparable prices or the arms’-length principle; notwithstanding it limits its application by setting accepted standards for their application.

Brazil established a transfer pricing system for imports with affiliated companies of goods, services and rights acquired abroad. The prices are based on three methods: Comparative Independent Price (PIC), Resale Price Less Profit (PRL), or Production Cost Plus Profit (CPL) and Commodities Price Method (PCI). The same system applies for exports to foreign related parties, with the following methods: Export Revenues Method - PVEx, Country Destiny Price of exports revenue Method - PVA and PW, Cost Acquisition or Manufacture plus Tax and Profit - CAP also Method of Price Under Quotation on Export (PECEX”), which is briefly defined as the average amounts of the quotation of assets or rights subject to public prices in internationally recognised commodities and future exchanges.

Since the end of 2012, Brazil has been changing some of the methods applicable to Transfer Pricing on imports and also creating additional methods. Basically, PRL presumed profit margin was changed from 60% to 40%, 30% and 20% depending on the business sector in which companies operate.

According to the Federal Law 12.715/2012, two new methods were established, one applicable to imports and other applicable to exports. In accordance with the method called, price is defined as the average daily amount of assets or rights subject to public prices in internationally recognised commodities and future exchanges.

The taxpayer must disclose transfer pricing method in its annual tax return and eventually prove that the corresponding costs, expenses and charges that exceed the elected transfer pricing method must be added back as taxable income and subject to the IRPJ and CSL.

THIN CAPITALIZATION

Brazil has thin capitalization rules force by Law 12.249 since 2010 that limits the ability for corporate taxpayers under "Lucro Real" to fully deduct interest expenses associated with loans contracted with foreign related parties or parties domiciled in low tax jurisdictions and/or under a favourable tax regime in a foreign location. Such law states a limitation for corporate income tax purposes related to deductible interest, accrued or paid, in favour of a foreigner not resident in a tax haven. Under the rules, interest paid to related parties that are not located in a tax haven jurisdiction or that do not benefit from a preferential tax regime may be deducted on an accrual basis for corporate income tax purpose only:

- If the expenses are necessary for the company's activities, and
- Both of the following thresholds are met:

(a) The related party debt-to-equity ratio does not exceed 2:1 calculated on the proportion of related party debt to direct equity investment made by related parties; and

(b) The overall debt-to-equity ratio does not exceed 2:1 based on the proportion of total debt to total direct in investment made by related parties.

Interest paid to an entity or individual located in a tax haven or that benefits from a preferential tax regime (regardless of whether the parties are related) may be deducted only if the expenses:

- Are necessary for the company's activities, and
- Both of the following thresholds are met:

For interest paid to foreign parties domiciled in low - tax jurisdictions or cannot exceed 30% of the net equity of the Brazilian company. The same thin capitalization rules, limits and restrictions also apply to debt with a foreign company where the guarantor legal representative, or any intervening party in the relevant transaction is resident in a low-tax jurisdiction or is under favourable tax regime.

The thin capitalization rules and limits also apply in transactions in which a financial institution is merely an intermediary between the Brazilian borrower and a foreign related party.

Any excess interest will be treated as a non-deductible expense for IRPJ and CSL.

FRINGE BENEFITS TAXATION

Companies participate mandatorily in different forms of social security obligations to federal agencies. These either directly or indirectly benefit pension programs, working time compensation, social work assistance and health programs, among others. All contributions are deductible for corporate income tax purposes.

PROGRAM FOR SOCIAL INTEGRATION CONTRIBUTION (PIS)

PIS is a federal social contribution levied on taxpayers' monthly gross income. PIS has been subject to several changes, many of them creating separate PIS regimes depending on the taxpayer's business or income tax calculation method.

There are two basic PIS regimes dependent on the corporate income tax method elected by the taxpayer (Lucro Presumido or Lucro Real): the cumulative regime and the non-cumulative regime.

These contributions are payable each month as a fund to employees. This is calculated based on 1.65% of monthly gross revenue. The PIS rate is generally 1.65% of the monthly sale, in a non-cumulative way. It means, deductions are allowed in respect of services and material costs applied in companies' operating activities.

For the companies that choose to be taxed by the Presumed Profit Method, PIS will be 0.65% of the monthly sale in a cumulative way, without such allowed deductions above mentioned.

CONTRIBUTION FOR THE FINANCING OF SOCIAL SECURITY (COFINS)

COFINS is also a federal social contribution levied on the corporate taxpayer's monthly gross income. COFINS also has three basic tax regimes: the cumulative, the non cumulative regime (created in 2004), and the single-phase regime.

The COFINS tax rate under the cumulative regime is 3%, while the rate is 7,6% under the non-cumulative regime. Rates under the single-phase regime vary from business to business.

Although regulated by different laws, PIS and COFINS regimes, whether cumulative or non-cumulative, are basically identical. For cumulative COFINS the difference is basically the rate (3% for cumulative COFINS and 0.65% for cumulative PIS) Companies under the Lucro Presumido pays COFINS according to the cumulative regime, i.e., at the rate of 3% with no COFINS tax credit available.

PAYROLL TAX

This is a monthly obligation for social security and other funds levied on payroll.

Tax	Rate (%)
Social Security (INSS)	20
Accident Insurance (SAT)	1 to 3
Employee Indemnity Guarantee Fund (FGTS)	8
Education Fund (SE)	2.5
Other	3.3

Employees contribute monthly to the social security system at rates from 8% to 11 % on a progressive-scale base salary considering a maximum base salary of BRL 4,663,75.

Federal law obliges companies to distribute part of their annual net income to employees. Participation is negotiated by each company and disputes are settled by arbitration. Amounts distributed are deductible for corporate income tax purposes and not subject to social security.

Brazilian Government changed the criteria for companies in some business sectors to calculate the collection of INSS. Basically, law changed the basis for calculation of INSS from 20% under payroll salary to apply 2% or 1 % under the revenues generated monthly by the companies which are subject to the new rules.

According to Law 12.546/2011, companies that render IT services, technologies, call centres and hotels will be subject to pay 2% of their monthly gross revenues. Companies that manufacture fluids for hydraulic brakes, plastic, clothing and accessories, fur, leather, silk, wool, rugs and other coatings to floors, hats and artefacts of similar use, machinery and appliances, pressure reducing valves, among others will be subject to pay 1 % of their monthly gross revenue.

In 2013 other sectors was include on this new rule subject to pay INSS under revenue not more under payroll.

LOCAL TAXES

STATE VALUE - ADDED TAX (ICMS)

ICMS is an almost-true value-added tax on sales of most goods and certain services. It is payable to state governments upon imports of goods into Brazil and sales or transfers of goods within Brazil; it is also payable upon supply of electricity and certain communication intra-and interstate transportation services.

ICMS is levied on the sale or physical movement of goods, freight, transportation, communications services and electric energy. Intrastate transactions are taxed at 18%, interstate transactions are taxed at 7% or 12%, and most imports are taxed at a rate between 18% and 25%. The lower rates normally are charged on transfers to less developed states. Some states offer rate reductions or later payment dates as a fiscal incentive for the installation of factories. Communication services are taxed at a rate between 13% and 25%.

As of January 1, 2013, the ICMS rate for interstate transactions involving imported goods 4% (instead of the standard 7% or 12%) under conditions. The new tax rate, established by Senate Resolution no 13/2012, aims to eliminate unfair competition among Brazilian states to encourage customs clearance (and, thus, ICMS revenues) of

imported goods even when the goods are destined for another state.

REAL ESTATE TRANSFER TAX (ITBI)

ITBI is the municipal real estate transfer tax that applies on most onerous transfers of real estate. The tax is payable upon each and every taxable transfer or real estate property.

Rates vary according to the actual value of the relevant transaction, or the recipient party value of property (as determined by the municipal tax administration) whichever is higher. The Constitution allows ITBI rates to be progressive according to the value of the property. It also allows application of different rates according to the location and destination of the relevant property average, the ITBI rate is 2% in most municipalities.

SERVICES TAX (ISS OR ISSQN)

ISS is the municipal tax levied on provision of services of any kind by taxpayers located within the jurisdiction of a given municipality. ISS can also reach services rendered within the boundaries of a given municipality even though the services provider is located in another municipality.

The ISS rates vary from municipality to municipality, but rates cannot be lower than 2% and ardly exceed 5%. The minimum 2% tax rate for ISS was established businesses to their jurisdictions. But some municipalities bypass this minimum 2% rate by granting other incentives that reduce the ISS overall tax burden, such as tax base reductions. The tax applies on the taxpayer's monthly services gross income and the tax is also payable on a monthly basis. The ISS also applies on imported services.

OTHER TAXES

Tax on Manufactured Products (IPI)

IPI is a federal excise tax levied on manufactures products as they leave the plant where they have been manufactured. It also applies on imported products at the time of importation and the first resale of the imported product by the importer. IPI is not levied on exports.

B

IPI tax rates vary depending on the product's the more essential the lower the rates. The rates are listed per tariff code in the IPI Table called "TIPI", which uses the Mercosur Common Tariff, NCM, as basis.

The exports (export of manufactured products) are exempt from IPI. Imports of goods (raw material and products) are normally taxed at the same rate as Brazilian-made products. Rates change frequently.

For imported goods or products, the IPI (and other taxes due) must be collected upon the customs clearance of the goods or products.

IMPORT TAX (II)

The import tax is a federal tax due upon customs clearance of the imported products, usually pursuant to an ad valorem tax rate. The tax rate varies according to the tariff classification of the imported good under the Mercosur Common Tariff (NCM), as described in section IPI (Tax on Manufactured Products) above.

The tax base is the sales price shown in the commercial invoice issued in the country or origin. However, during customs clearance procedures, the administration has discretionary powers to reject the transaction price if there is evidence that it is not market value. Review of sales price is usually based on international customs valuation rules.

FINANCIAL OPERATIONS TAX (IOF)

IOF is a federal tax that generally applies to different types of transactions such as loans and credit operations, insurance policies, and foreign exchange operations for certain services rendered.

IOF regulations are extensive and change constantly. The tax is mainly used as an instrument of economic policy to regulate the credit, currency exchange, insurance and securities markets rather than to generate tax revenues.

CONTRIBUTION FOR INTERVENTION IN THE ECONOMIC DOMAIN (CIDE)

The government introduced a special contribution in 2000. Brazilian legal entities that license, purchase or otherwise acquire technological knowledge must pay a special contribution of 10% on activities such as: trademark, technical services assistance, administrative services and any royalty payments. Based on the law in force, CIDE must even be paid on activities that do not involve the transfer of technology.

TAX ON FUEL (CIDE)
The CIDE will be paid monthly on the import and export of petroleum, derived and natural gas, and fuel alcohol. The rate will be based on the value in Reals of the cubic meters or tons of fuel.

RURAL REAL ESTATE TAX (ITR)
Property taxation of rural and urban land receives different tax treatment. Urban land is subject to the municipal real estate ownership tax called IPTU and rural land is taxable by ITR. The definition of land as rural or urban is then relevant because it determines the competent power to impose taxation on property ownership. Classification comes for exclusion when such land is recognized as urban and them subject to pay IPTU others that is not recognized as urban will be treat as rural for tax purpose, consequently subject to ITR.

The basic rate is annually calculated based on certain premises on assessed property values and depending on the stage of use and exploration of the property. Very small properties are exempt and the maximum rate applied corresponds to 20% of the land value without any improvements.

B. DETERMINATION OF TAXABLE INCOME

IFRS - INTERNATIONAL FINANCIAL REPORTING STANDARDS Brazil adopted the IASB's International Accounting Standards in 2008 on a gradual basis and the full IFRS since 2010. As a consequence, there are several important changes to the Brazilian accounting practices, the most important of which is that these new accounting practices are required not only in consolidated financial statements but also in the individual financial statements (Law 11638/07). These include the recognition of leasing transactions, depreciation treatment, the recognition of intangible assets, impairment concept etc.

RTT was optional for the 2008 and 2009 calendar years (mandatory as of 2010) and shall remain in force during 2011 up to 2014. A new tax law 12.973/2014 was approved by Brazilian Government that setting forth the tax affects that will change significantly Brazilian Income tax Code for 2015 them, finally elimination RTT. Now Income Tax Code is align with main IFRS procedures with certain exceptions state by law 12.973 that should be addback to the basis in order to determine corporate income tax.

B

DEPRECIATION
Fixed assets shall be depreciated over their estimated useful lives for accounting purposes (IFRS). For fiscal purposes, the straight-line method is usually adopted, using the following annual rates: buildings 4%; machinery and equipment 10%; vehicles 20%; IT equipment 25% etc. Assets subject to depletion (mines, quarries, etc.) may be amortised proportionately to the units extracted in each period. In some cases, such as for assets used in R&D activities, the taxpayer may opt for accelerated depreciation.

STOCK/INVENTORY
The cost of goods sold for production is generally valued using the weighted average cost method, although the FIFO (first in, first out) basis may be elected. The method adopted determines the basis for the valuation of closing inventory.

DIVIDENDS
Brazil follows a dividend exemption system. Amounts distributed to shareholders resident in Brazil or abroad (since the investment is registered at the Brazilian Central Bank (BCB)) are not subject to withholding tax.

INTEREST DEDUCTIONS
There is a limitation of interest expenses to be deductible:
(i) Loan from foreigner companies (thin capitalisation), and
(ii) Loan from abroad must be registered at Central Bank of Brazil (transfer pricing).

Interest due must be at fair market value and necessary to business activities and will be subject to withholding tax (WHT) following the accrual basis.

The calculation of interest on a partner's or shareholder's capital (JCP) is allowed, however, for remittances if it is considered as dividends (it means the Brazilian Co needs to be profitable). The interest is deductible for income tax and social contribution up to the limit of the official long-term interest rate (TJLP). Profits for the current period or previous periods must be at least double the value of the interest to be distributed. Interest is subject to a 15% withholding tax at source. Interest should be paid or maybe capitalized.

TAX LOSSES CARRIED FORWARD
Tax losses can be carried forward to offset against future profits up to 30% of the real profits arising in each period (year). Losses that are offset may be carried forward indefinitely. There are restrictions on losses transferred as a result of a company merger or where there is a change in the control and activity of the loss generating company.

INCENTIVES
Brazil offers incentives through the reduction of domestic taxes or exemption from withholding tax in the forwarding of royalties or commissions on international financing. In addition to incentives for exports, there are incentives for the implementation of industrial units in specific regional areas.

There are also some programs linked to research activities or technological and cultural activities.

The most important of these are:
- special basis of taxation for the export of technological information services
- special tax incentives for exporting companies in the acquisition of fixed assets and equipament
- special tax incentives for computer manufacturing companies investing in new technology
- fiscal incentives for new projects in Brazil North and North East
- fiscal incentives for development and new technologies - R&D projects
- fiscal incentives for new projects in Brazil (Petroleum- Repenec, Aviation Retaero).

RIO'S 2016 SUMMER OLYMPIC GAMES
Brazil has created series of tax incentives connected with The Summer Olympic and Paralympics Games (Games) to be hosted in Rio de Janeiro. The incentives include tax breaks for local purchases and imports of goods and services associated with the organization of the Games and other related activities.

The law allows to form tax-exempt subsidiaries in Brazil in connection with the organization and the Rio Organizer Committee (RIO 2016), licensed media companies and broadcasters, the Game's sponsors, and service providers.

ROYALTIES AND TECHNICAL ASSISTANCE EXPENDITURES
Royalties are deductible expenses but are restricted to between 1 % and 5% of sales revenues for companies that make cross-border trademark and patent royalty payments. Expenditure incurred in the creation of patents and manufacturing formulas and processes are considered capital intangible assets and are amortised over the life of the asset. This is also true for trademarks, whereas copyright, software, and franchising are generally deductible from operational results if they are related to the activities of the company.

Technical, scientific and administrative expenditures and royalties paid to foreign companies which have direct or indirect control of the Brazilian company are deductible if the contracts are duly registered with the Brazilian Institute of Industrial Property (INPI) and with the Brazilian Central Bank (BCB). There are no restrictions for the remittance of these monies abroad. However, some remittances of funds to abroad are subject to 15% WHT and 10% of CIDE or only 25% WHT, depending on the case.

C. FOREIGN TAX RELIEF

Profits and gains from foreign sources are taxable in Brazil. Tax credits are available to relieve double taxation subject to a maximum of the Brazilian tax payable on the income.

D. CORPORATE GROUPS

For tax purposes, consolidation of affiliated companies is not allowed. Losses can only be offset against profits of the same company. Some changes on this matter was process to be approved by Brazilian Government via a Provisional measure n. 627 that will was convert into law 12.973/2014. Such provision state possibility now since 2015 to offset such losses recognized outside Brazil with profits from Brazilian companies.

E. WITHHOLDING TAX

Almost all remittances (except dividends) to companies or persons domiciled abroad are subject to income tax at source. The remittance of capital gains or returns of capital is not subject to withholding tax. The overall withholding tax rate is 15% (25%

in special situations).

All personal income in general is subject to withholding tax at progressive rates from 15% to 27.5%. Payments are made monthly and a personal income tax return is filed annually. Capital gains that do not arise from financial investments are subject to income tax at 15%.

F. EXCHANGE CONTROLS

The Central Bank allows the official exchange rate to float freely within periodically established bands but participation is restricted to authorised dealers. The bank intervenes when there are signs of speculative operations. There is an official tourist rate that ranges normally close to the commercial rate.

G. PERSONAL TAX

Brazilian resident individuals are taxable on their worldwide earnings, as well as gains on the disposal of worldwide assets and rights.

An individual is resident in Brazil if he or she:
- has a habitual residence in Brazil
- works for a Brazilian government department or agency outside Brazil
- enters Brazil under a permanent visa
- enters Brazil under a temporary visa to work and remains in Brazil for more than 184 days within a 12-month period.

H. TREATY AND NON-TREATY WITHHOLDING RATES

The overall rate of withholding tax at source used in the remittance of interest and royalties is 15%, except for Japan with a rate of 12.5%. There is no tax on the remittance of dividends. Any remittances to tax haven countries (blacklist) are subject to withholding tax at the rate of 25%.

Brazil has signed treaties to avoid double taxation with several countries including:

Argentina, Austria, Belgium, Canada, Chile, People's Republic of China, Czech Republic, Denmark, Ecuador, Filipinas, Finland, France, Hungary, India, Italy, Israel, Japan, Luxembourg, Mexico, Netherlands, Norway, Peru, Philippines, Portugal, Slovakia, Spain, Sweden, South Africa, Venezuela, Trinidad e Tobago, Turquia, and Ukraine.

BULGARIA

MEMBER FIRM

City	Name	Contact Information
Sofia	Venzi Vassilev	+359 887 854 668 venzi.vassilev@pkf.bg

BASIC FACTS

Full name:	Bulgaria
Population:	7.2 million (2013 PRB)
Capital:	Sofia
Major language:	Bulgarian
Major religion:	Bulgarian Orthodox (Christian)
Monetary unit:	Bulgarian Lev (BGN)
Internet domain:	.bg
International dialling code:	359
Ministry of Finance website:	www.minfin.bg/en/

KEY TAX POINTS
- Corporate Income tax in Bulgaria is a 10% flat rate on the taxable profit.
- The standard VAT rate is 20%. There is a reduced rate of 9% for hotel accommodation services.
- Withholding tax is due on dividends, interest, royalties and various other types of income, when distributed to a non-resident entity
- Bulgarian tax residents are taxed on their worldwide income. Non-residents are taxed only on their Bulgarian-sourced income.
- An inheritance received by their spouse, children and their descendants are exempt. Various rates of inheritance tax apply for other relatives.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Corporate income tax in Bulgaria is levied at a 10% flat rate on taxable profits. The taxable entities are:

- Companies and partnerships established under Bulgarian law; and,
- Permanent establishments of non-resident entities in Bulgaria.

The taxable profit is the financial result adjusted for tax purposes. Accounting and reporting rules usually apply IFRS or use local Bulgarian GAAP (for small and medium-sized enterprises).

The annual corporate tax return has to be submitted by 31 March of the following year. The tax year is the calendar year. The corporate tax has to be paid also by 31 March.

Quarterly or monthly advance corporation tax instalments are due during the year.

ONE-OFF TAX ON CERTAIN EXPENSES

Certain expenses paid to employees, or on the behalf of employees, are subject to a one-off tax. Expenses subject to the one-off tax are "representative" expenses; social expenses provided in-kind to the employees (e.g., fringe benefits) except for food vouchers and voluntary insurance contributions (social, health and life insurance) up to BGN 60 each per employee per month; expenses related to the use of vehicles for management purposes.

The one-off tax rate is 10% on the above expenses. Both the respective expense and the one-off tax applicable to it are deductible for corporate income tax purposes. The taxes are due by 31 March of the following year.

B

CAPITAL GAINS TAX

Capital gains of companies are treated as ordinary trading income and are taxed with the corporation tax rate of 10%.

BRANCH PROFITS TAX

Branch offices of foreign registered companies are taxed as domestic entities.

VALUE ADDED TAX (VAT)

The Bulgarian VAT legislation is based on the EU VAT rules and Directive 2006/112/EC. The VAT rates are:

- 20% for domestic supplies, intra-community acquisitions and importation from non-EU countries; and,
- 9% for hotel accommodation services

EXEMPTIONS:

- With the right to deduct input VAT - intra-community supplies, exportation to non-EU countries, international transport of goods and passengers, certain supplies related to international transport, sale of duty free goods under certain conditions, certain transactions related to international trade, specific supplies under international treaties, etc.
- No right to deduct input VAT - transfer or rental of land or rights over land (except for building land and land adjacent to new buildings), the transfer of old buildings or parts thereof, rental for residential purposes to individuals (an option to tax these transactions is available); financial and insurance services; gambling; certain services related to health, education, religion, culture, etc.; other specific supplies (e.g., importation of certain goods and up to a limit).

VAT REGISTRATION:

Entities are obliged to register for Bulgarian VAT purposes if they have performed:

- Transactions with a place of supply in Bulgaria for which the VAT should be charged by the supplier exceeding BGN 50 thousand (approximately EUR 25.6 thousand) for the last 12 months;
- Intra-community acquisitions exceeding BGN 20 thousand (approximately EUR 10.2 thousand) during the calendar year; or,
- Distance sales in Bulgaria exceeding BGN 70 thousand (approximately EUR 35.8 thousand) during the calendar year; or
- businesses that are providing telecommunications, broadcasting and electronic services have to register for local VAT purposes if their customers are established in Bulgaria, subject to certain conditions. This is in accordance with the provisions of Directive 2008/8/EC which establishes the rules concerning the place of supply of telecommunications, broadcasting and electronic services rendered to non-taxable persons within the EU;

Entities established in an EU Member State performing supply of goods with installation in Bulgaria to customers non-registered for VAT purposes are obliged to register irrespective of their taxable turnover. Foreign entities which receive services with a place of supply in Bulgaria for which the recipient has to self-charge Bulgarian VAT are also obliged to register irrespective of their taxable turnover.

Any entity may apply for voluntary VAT registration. However, if voluntarily registered, such entity will not be able to deregister for two years following the year of registration.

VAT RETURNS AND PAYMENT:

Monthly VAT returns are filed and the tax is due by the 14th of the following month. The tax period is a calendar month.

European sales list (VIES) returns have to be filed monthly by the same deadline if intra-community supplies of goods or certain services have been performed during the respective month.

VAT REFUND:

VAT can be refunded through a VAT return within:

- 2 months (period for carry forward and offsetting of the claimable VAT against VAT payable) and 30 days of filing the last VAT return (period for effective refund); or,
- 30 days of filing the VAT return for entities which have performed certain zero rated supplies exceeding 30% of the total turnover from taxable supplies for the last 12 months.

An investor in a large investment project which has received authorization by the Ministry of Finance can receive a refund within 30 days. The investor can also apply reverse charge for VAT on importation of goods (without effective cash outflow). EU based foreign entities which are not registered and established for VAT purposes in Bulgaria can receive a refund of the local input VAT incurred for goods and services used for supplies with a place of supply outside Bulgaria. A specific procedure before the authorities of the EU Member State of establishment has to be followed.

Non-EU based entities may be entitled to a refund on a reciprocal basis (i.e., if their country of tax residence provides the right to refund of VAT to Bulgarian entities).

LOCAL TAXES

REAL ESTATE TAX

Real estate tax is levied between 0.01% - 0.45% annually on the higher of the gross book value and the tax value of the immovable property (on the tax value for residential property). The exact rate is determined by the municipality in which the real estate is situated.

TRANSFER TAX

Transfer tax is levied between 0.1% - 3% on the higher of the sales price and the tax value of the transferred real estate / the insurance value of cars. The exact rate is determined by each municipality.

VEHICLE TAX

Vehicle tax is levied depending on the type and characteristics of the vehicle. It applies to cars, ships and airplanes. The tax rate is determined by each municipality within the ranges stipulated in the law.

DONATION TAX

Donation tax is levied between 3.3% - 6.6% on the value of the donation.

The exact rate is determined by each municipality. Lower rates and exemptions apply to donations between relatives.

INHERITANCE TAX

An inheritance received by a spouse, their children and their descendants are exempt.

The tax is between 0.4% - 0.8% on an inheritance exceeding BGN 250 thousand (approximately EUR 128 thousand) in favor of brothers, sisters and their descendants (between 3.3% - 6.6% for other heirs). The exact rate is determined by each municipality.

TOURIST TAX

Tourist tax is levied between BGN 0.2 - 3 (approximately EUR 0.1 - 1.5) per night. The exact rate is determined by the municipality in which the accommodation facilities are located.

B. DETERMINATION OF TAXABLE INCOME

Profits include all income and capital gains. The taxable basis is the accounting profit adjusted for prescribed items. Broadly, expenses incurred wholly and exclusively for business purposes are deductible. The accounting profit is adjusted in accordance with the rules of the corporate income tax legislation, the most important of which are listed below.

DEPRECIATION

For tax purposes, the straight-line method is normally adopted. Assets purchased during the year should have depreciation time apportioned.

Asset	Annual rate of depreciation (%)
Buildings, industrial facilities, communication devices and lines, electricity grid	4
Machinery, fittings and manufacturing equipment	30/50*
Vehicles, excluding automobiles; roads and airplane runways	10
Computers, software and rights of using software	50
Automobiles	25
Assets with limited term of use under contract or under legal obligations	100/years of use; not more than 33 1/3
All other depreciative assets	15

* Possibility to be 50% when new investment is made and the equipment is brand new.

INVENTORY

Inventories are generally valued at the lower of cost and market value. Cost may be determined on the basis of FIFO or average cost method.

CAPITAL GAINS AND LOSSES

In general, capital gains and losses are included in the trading income for companies, and as normal income for individuals, and taxed accordingly with the normal rates of corporation or personal income tax.

DIVIDENDS

Subject to 5% withholding tax when distributed to individuals, resident non-profit entities and non-residents (except for EU/EEA entities). Dividends distributed to resident companies are not included in their taxable income except for dividends distributed by:

- Special purpose investment companies; and,
- Non-EU/EEA foreign entities.

INTEREST DEDUCTIONS

Interest paid by a company is treated as an ordinary business expense unless it falls under the provision of thin capitalisation. Under the thin capitalization rules, if the debt to equity ratio of the company exceeds 3:1 (some of) the interest expense may not be tax deductible in the current year. However it may become tax deductible in the following five consecutive years under certain conditions.

LOSSES

Corporate tax losses can be carried forward over the next five consecutive years. Losses can not be carried back against profits of previous years.

FOREIGN SOURCED INCOME

Bulgarian authorities levy taxes on resident companies on all profits arising from foreign sources in the same way as income from local sources.

INCENTIVES - TAX HOLIDAY

The amount of the annual corporate income tax due by entities on their profits from manufacturing, including toll manufacturing, may be partly or fully reduced. The application of the tax holiday is subject to certain limitations and conditions, including the EU state aid restrictions.

EXEMPTIONS FROM CORPORATE TAX

Special purpose investment companies, collective investment schemes authorized for public offering in Bulgaria and national investment funds are not subject to corporate income tax.

C. FOREIGN TAX RELIEF

Bulgaria has some 70 international treaties for avoiding double taxation (see table below and comments in the "Withholding Tax" section below). Foreigners may also be exempt from social security contributions in Bulgaria or the contributions they make can be recognized in their home country under an applicable bilateral or multilateral social security agreement.

D. CORPORATE GROUPS

There is no group taxation for corporate income tax or for VAT purposes in Bulgaria.

E. RELATED PARTY TRANSACTIONS

The Bulgarian transfer pricing rules require that taxpayers apply arm's length prices in their related party transactions. This requirement is imposed both to cross-border and domestic transactions. Largely based on the 1995 OECD Guidelines, the Bulgarian transfer pricing rules envisage five methods for determining arm's length prices:

- The Resale Minus Method;
- The Comparable Uncontrolled Price Method;
- The Cost Plus Method;
- The Transactional Net Margin Method; and,
- The Profit Split Method

A taxpayer is obliged to prove the arm's length character of its related party transactions during a tax audit by applying one of the above methods. A transfer pricing manual released by the Bulgarian Revenue Administration in February 2010 mentions the items that would appear appropriate to include in the documentation. The manual contains a set of other useful guidelines relating to different transfer pricing topics. For instance, with respect to intra-group services, the manual suggests specific profit mark-up ranges that have proved customary for Bulgaria.

F. WITHHOLDING TAX

Withholding tax is due on the following types of income when distributed to a non-resident entity:

- Dividends and liquidation quotas;
- Interest, royalties, franchising and factoring fees; exemptions apply for interest on bonds issued by EU/EEA entities, traded on regulated markets, and loan interests for loans provided by EU/EEA entities to local entities, where the EU/EEA entity has issued bonds in order to provide the loan, and these bonds are traded on a EU/EEA regulated market.
- Technical (including consultancy) and management services fees;
- Income from hiring out movable or immovable property
- Capital gains from transfer of real estate;
- Capital gains from disposal of financial assets issued by resident entities or the State and municipalities (exemption for capital gains from disposal of shares on a regulated Bulgarian/EU/EEA market)
- Penalty or damages payments (except for insurance compensation) distributed to entities tax resident in low tax jurisdictions

WITHHOLDING TAX RATES:

- 5% on the gross amount of dividends and liquidation quotas (0% for distributions to EU/EEA entities)
- 5% on interest and royalties distributed to related party legal entities resident in the EU (under certain conditions)
- 10% on the gross amount for all other taxable income.

The withholding tax rates may be reduced under an applicable tax treaty.

REFUND OPPORTUNITIES:

Entities resident in the EU/EEA may declare tax deductible expenses and claim a corresponding refund of the withholding tax paid on a gross basis. The claim is annual and should be filed by 31 December of the following year.

PAYMENT:

The tax should be withheld by the resident payer and remitted to the budget within one month following the quarter of accrual of the income. In case of capital gains, it is their recipient which should remit the withholding tax due within the term indicated above.

TAX TREATY APPLICATION:

If available, double tax treaty relief may be applied by the income recipient directly if the income accrued for the calendar year does not exceed BGN 500 thousand

(approximately EUR 255 thousand). In all other cases a non-resident can benefit from tax treaty relief if an advance clearance is obtained from the Bulgarian revenue authorities under a specific procedure.

G. EXCHANGE CONTROLS

There are no exchange controls in Bulgaria.

H. PERSONAL TAX

The personal income tax rate is a flat rate of 10% on the taxable income for individuals and 15% for the taxable income of sole traders.

In general, individuals are considered Bulgarian tax residents if:

- They have stayed in Bulgaria for more than 183 days in any 12-month period;
- The center of their vital interests is in Bulgaria (determined in view of their personal and economic ties to the country, e.g., factors like permanent address in Bulgaria, family, employment, possession of property, etc).

Generally, taxable income includes monetary income, as well as benefits received in-kind (except non-taxable items and "in kind social expenses"). Bulgarian tax residents are taxed on their worldwide income, while non-residents are taxed only on their Bulgarian-sourced income.

EXEMPT INCOME
Certain types of income are exempt from taxation, including capital gains from the disposal of shares on a regulated Bulgarian/EU/EEA market, interest on deposits in non-EU/EEA based banks, income from disposal of certain real estate, etc.

DEDUCTIONS
Tax deductions apply in some cases, including:
- Mandatory social security and health insurance contributions;
- Statutory deductions for freelancers, for rental income, etc;
- Voluntary personal insurance up to certain limits;
- Certain donations and other specific situations (e.g. disabilities)

LUMP-SUM TAXATION
Lump sum taxation is applicable to certain sole proprietorships with annual turnover less than BGN 50 thousand (approximately EUR 25 thousand). The annual personal income tax return has to be submitted by 30 April of the following year (the tax year coincides with the calendar year). The tax has to be paid by the same deadline. A 5% reduction of the outstanding tax can be applied if:
- The annual tax return is filed and the tax is paid before 10 February of the following year; or,
- The annual tax return is submitted electronically and the tax is paid by 31 March of the following year. Individuals are generally not obliged to file annual tax returns if they have received only employment income for which the full tax due has been withheld, non-taxable income and/or income subject to one-off tax.

ONE-OFF TAXATION OF CERTAIN INCOME
One-off tax is due on income received by non-resident individuals from:
- Dividends and liquidation quotas distributed by a Bulgarian resident company;
- Management and technical services fees;
- Interest, royalties, franchising and factoring fees;
- Income from hiring out movable and immovable property;
- Capital gains from disposal of real estate and financial assets; and,
- Certain other income.

One-off tax is due on dividends and liquidation quotas distributed to a Bulgarian resident by a Bulgarian or by a non-resident entity. EU resident individuals may declare deductible expenses and claim a corresponding refund of the one-off tax paid on a gross basis under certain conditions.

ONE-OFF TAX RATES
- 0% for capital gains from the disposal of shares on a regulated Bulgarian/EU/EEA market by EU/EEA residents;
- 5% for dividends and liquidation quotas;
- 7% for income from voluntary life insurance received after the termination of the insurance policy (if the policy term is more than 15 years);
- Interest income from all types of bank accounts is taxed without exceptions as of 1 January 2015. The reduction of the applicable rate is repealed and it remains 8% for 2015.

- 10% for all other income.

The one-off tax rates may be reduced under an applicable tax treaty.

SOCIAL SECURITY AND HEALTH INSURANCE MANDATORY INSURANCE CONTRIBUTIONS

Between 30.7% and 31.4% paid by both the employer and the employee in a certain ratio. This includes:

- 12.8% - pensions fund;
- 5% - universal pensions fund;
- 0.4% - 1.1 % - occupational accident and professional disease fund (rate depending on the field of activity);
- 3.5% - general illness and maternity fund;
- 1 % - unemployment fund; and,
- 8% - health insurance fund.

The social security base is the gross remuneration less statutory deductions in some cases and is capped at BGN 2,400 (approximately EUR 1,220) monthly.

I. BULGARIA DOUBLE TAX TREATIES AND RATES

Treaty countries:	Dividends (%)	Interest (%)	Royalties (%)
Albania	5	10	10
Algeria	5	10	10
Armenia	5	10	10
Austria	0	0	0
Azerbaijan	8	7	5/10
Bahrain	5	5	5
Belarus	5	10	10
Belgium	0	10	5
Canada	5	10	10
China	5	10	7/10
Croatia	5	5	0
Cyprus	0	7	10
Czech Republic	0	10	10
Denmark	0	0	0
Egypt	5	10	10
Estonia	0/5	5	5
Finland	0	0	0/5
France	0	0	5
Georgia	5	10	10
Germany	0	0	5
Greece	0	10	10
Hungary	0	10	10
India	5	10	10
Indonesia	5	10	10
Iran	5	5	5
Ireland	0	5	10
Israel	5	5/10	7.5
Italy	0	0	5
Japan	5	10	10
Jordan	10	10	10
Kazakhstan	5	10	10
Korea (D.P.R.K.)	5	10	10
Korea (R.O.K.)	5	10	5
Kuwait	0/5	5	10

	Dividends (%)	Interest (%)	Royalties (%)
Latvia	0	5	5/7
Lebanon	5	7	5
Lithuania	0	10	10
Luxembourg	0	10	5
Macedonia	5	10	10
Malta	0	0	10
Moldova	5	10	10
Mongolia	5	10	10
Morocco	5	10	10
Netherlands	0	0	0
Norway	0	0	0
Poland	0	10	5
Portugal	0	10	10
Qatar	0	3	5
Romania	0	10	10
Russia	5	10	10
Serbia	5	10	10
Singapore	5	5	5
Slovakia	0	10	10
Slovenia	0	5	5/10
South Africa	5	5	5/10
Spain	0	0	0
Sweden	0	0	5
Switzerland	0	10	0
Syria	5	10	10
Thailand	5	10	5/10
Turkey	5	10	10
Ukraine	5	10	10
United Arab Emirates	0/5	2	5
United Kingdom	0	0	0
United States	5	0/5/10	5
Uzbekistan	5	10	10
Vietnam	5	10	10
Zimbabwe	5	10	10

BURUNDI

MEMBER FIRM

City	Name	Contact Information
Kigali	Gurmit Santokh	+254 57 250 5787 gsantok@rw.pkfea.com

BASIC FACTS

Full name:	Republic of Burundi
Capital:	Bujumbura
Main languages:	Kirundi, French
Population:	10,395,931 (2014 estimate)
Major religion:	Christianity
Monetary units:	Burundian Franc (BIF)
Internet domain:	.bi
Int. dialling code:	+257

A. FISCAL YEAR END

Residents	Non-residents
Calendar year end	Calendar year end

B. TAXES PAYABLE

COMPANY TAX

	Residents	Non-residents
Income tax	30% 35%	
Tax on capital gain tax	30% (taxed as ordinary profit)	30%
Value added tax (VAT)	18%, 10%, 0% and Exempt	18%, 10%, 0% and Exempt

INDIVIDUAL TAXATION

Residents	Non-residents
Progressive tax rate up to 30%	Progressive tax rate up to 30%
Capital income taxed at a proportional rate of 15%	Capital income taxed at a proportional rate of 15%
Basis of taxation is worldwide	Basis of taxation is at source

STATUTORY DEDUCTIONS

- Social security contributions of 6 % of gross salaries
- Accident risks fund of 3% of gross salaries

WITHHOLDING TAX

The relevant rates are as follows:	Resident	Non-Resident
Dividends	15%	15%
Interest	15%	15%
Royalties	15%	15%
Rent	N/A	N/A
Management service fee	30%	30%
Contractors fees	30%	30%
Importation of goods	18-10%	

STAMP AND TRANSFER DUTY

There is no stamp duty.

DOUBLE TAX TREATIES

Burundi has not yet signed a treaty against double taxation.

INVESTMENT INFORMATION

Burundi has put in place API (Agence de Promotion pour l'Investissement) the national body responsible for development and investment promotion in Burundi in order to assist and support investors in obtaining required documents and formalities required by law.

TRANSFER PRICING AND THIN CAPITALISATION RULES

Transactions between related parties must be at arm's length. Guidelines for transfer pricing are still under development.

Interest expenses paid to related entities are non-deductible for tax purposes if the debt-to-equity ratio exceeds 30%. This excludes reserves and retained earnings.

EXCHANGE CONTROLS

Some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency but restrictions are imposed on export of foreign currencies by the Burundi Reserve Bank (BRB).

CANADA

MEMBER FIRM

City	Name	Contact Information
Calgary	Carl Scholz	+1 403 296 0082 carls@thecatalystgroup.ca
Montreal	Scott Grafton	+1 514 729 3221 scott.grafton@fbbl.ca
Regina	Laurie Hudema	+1 306 522 6500 lhudema@virtusgroup.ca
Saskatoon	Kelly Lutz	+1 306 653 6100 klutz@virtusgroup.ca
Toronto	Jerry Dykopf	+1 416 494 7311 jdykopf@pkfkb.ca
Vancouver	Bill Macaulay	+1 604 687 1231 bmacaulay@smytheratcliffe.com

BASIC FACTS

Full name:	Canada
Population:	32.2 million (PRB, 2013)
Capital:	Ottawa
Largest city:	Toronto
Area:	9.9 million sq km (3.8 million sq miles)
Major languages:	English, French (both official)
Major religion:	Christianity
Monetary unit:	1 Canadian dollar = 100 cents
Internet domain:	.ca
International dialling code:	+1
Canada Revenue Agency websites:	Revenue: www.cra-arc.gc.ca Customs: www.cbsa-asfc.gc.ca

KEY TAX POINTS

- Companies resident in Canada pay income taxes on their worldwide income. Non-resident companies are subject to income tax on Canadian source business income, 50% of the capital gains from the disposition of certain specified Canadian assets and 100% of gains on dispositions of certain other property such as Canadian resource property.
- Companies pay federal, provincial and municipal taxes. The combined federal and provincial or territorial corporate tax rates vary depending upon the province or territory where a corporation conducts business and the nature of its operations.
- There is a 25% branch tax on non-resident companies carrying on business in Canada, payable on notional distributions of branch profits to the foreign head office. The rate of tax is subject to reduction by treaty.
- The federal government imposes a Goods and Services Tax (GST) of 5% on a wide range of goods and services. Exemptions are provided for basic foods, health care and education.
- Taxable capital gains are included in taxable income and taxed at normal rates. However, only 50% of the gain arising is brought into the total income chargeable to tax. Similarly, where a capital loss arises, only 50% of that loss is recognised.
- No provision is made for filing consolidated tax returns for corporate groups. However, loss utilisation among members of a corporate group is often effected by amalgamation or merger of group members.
- Non-resident withholding tax applies to many types of income paid or credited to non-residents including dividends, interest, royalties, management fees, pension payments and rents. The statutory rate of withholding is 25% but this may be reduced or eliminated by treaty provisions.
- Individuals resident in Canada for tax purposes are subject to tax on their worldwide income. Non-residents are subject to tax in Canada on Canadian-sourced employment income and business income; 50% of the capital gains from the disposition of certain specified Canadian assets; and 100% of gains on dispositions of certain property such as resource property or certain life insurance policies.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

A corporation is resident in Canada if it is incorporated in Canada under federal

or provincial law. A corporation may also be considered resident in Canada under common law if its central management and control is located in Canada.

Corporations resident in Canada pay income taxes on their worldwide income. Non-resident corporations are subject to income tax on Canadian-source business income, 50% of the capital gains from the disposition of certain specified Canadian assets and 100% of gains on dispositions of certain other property such as Canadian resource property. The various properties on which Canada taxes non-residents' gains are included in the definition of 'taxable Canadian property'. Non-resident corporations are also subject to a 25% tax on the notional distribution of branch profits and a 25% withholding tax on certain types of Canadian source income that would generally be regarded as passive income.

A treaty may restrict Canada's ability to tax non-resident corporations or reduce the withholding tax rate. The federal government and eight provinces have entered into tax collection agreements whereby the federal government administers federal and provincial taxes on corporate income. The federal government also administers the tax system for the three territories. Currently, the provinces of Alberta and Quebec administer their own corporate tax system. Corporations earning income through permanent establishments in more than one province must allocate taxable income earned to the particular provinces using a specified formula. The factors for the allocation of taxable income between provinces are:

(a) gross revenues
(a) salaries and wages
attributable to a permanent establishment therein.

Combined federal and provincial or territorial corporate tax rates vary depending upon the province or territory where a corporation conducts business and the nature of its operations. In 2015, manufacturing companies are taxed at combined federal and provincial rates ranging from 17.5% to 31% (2014: 17.5% to 31%). Other corporations are subject to combined tax rates ranging from 25% to 31% (2014: 25% to 31%). Depending on the province where the income is taxed, a Canadian-controlled private corporation (CCPC) is entitled to lower tax rates ranging from 11% to 27% (2014: 11% to 27%) on the first $350,000 to $500,000 of active business income.

Corporate income taxes are payable in monthly instalments, with balances owing due two months after the corporation's taxation year-end or, in the case of an eligible CCPC, three months after the year-end. Returns must be filed no later than six months after the year-end, with no extensions available. Even if there is no tax liability, a non-resident corporation is required to file a return and is subject to a penalty if the filing deadline is not met. Generally, a refund will not be issued if the income tax return is not filed within three years of the end of the year (four years for a Quebec income tax return filed by a non-CCPC).

INVESTMENT TAX CREDITS (ITC)

Qualified expenditures in respect of scientific research and experimental development (SR&ED) in Canada qualify for a 15% federal ITC. Certain qualifying CCPCs are entitled to a 35% federal ITC on SR&ED up to specified maximums.
The ITCs may be used to offset federal income taxes payable in the current year, the preceding three years, or the 20 succeeding years. CCPCs may qualify to receive a cash refund when ITCs claimed exceed tax payable for the year. Nine provinces (all but Prince Edward Island) and the territory of Yukon offer provincial or territorial tax credits as an incentive for conducting qualifying SR&ED activities in their jurisdiction. The amount of federal ITC claimed is included in taxable income in the year following the claim. Provincial credits are generally included in taxable income in the year of entitlement.

The acquisition of qualified property for use in Atlantic Canada, the Gaspé Peninsula or prescribed offshore regions (other than qualified resource property) may qualify for a federal ITC of 10%. Qualified property encompasses a wide range of assets related to manufacturing and processing operations as well as assets used in specific industries. The acquisition of qualified resource property used mainly in Atlantic Canada, the Gaspé Peninsula or prescribed offshore regions and used primarily for oil and gas, and mining activities, if acquired after March 28, 2012, and before January 1, 2016 may qualify for a 5% federal ITC. In 2016, a transitional relief rate will apply for certain qualified resource property.

Corporations resident in Canada are eligible for a 5% to 10% federal ITC on certain pre-production mining exploration and development expenditures; however, federal ITCs were eliminated for exploration expenditures incurred after 2013, while the rate for development expenditures incurred in 2015 is 4%, but the ITC for development expenditures will be eliminated after 2015.

BRANCH PROFITS TAX

The federal government imposes a 25% branch tax on non-resident corporations carrying on business in Canada. The tax is payable on notional distributions of branch profits to the foreign head office. A treaty may reduce the rate of tax and may provide a cumulative exemption amount (e.g., $500,000 under the Canada-US Treaty).

SALES TAX/VALUE ADDED TAX (VAT)

The federal government imposes a goods and services tax (GST) of 5% on a wide range of goods and services. Exemptions are provided for basic foods, health care and education.

All businesses providing taxable services or selling taxable goods in excess of $30,000 in a single calendar quarter or in the last four consecutive calendar quarters must register for and collect the GST. All taxable purchases from a GST registrant bear the GST. GST paid on purchases made by a registrant is credited against its GST collections on its GST return. A net credit is refunded.
With the exception of the three territories and Alberta, all provinces impose a provincial sales tax on a wide variety of goods. The application of sales tax to services will vary depending on the province. General provincial sales tax rates vary from 5% to 8%.

The federal government and the provinces of Newfoundland, New Brunswick, Nova Scotia, Prince Edward Island, and Ontario are parties to a sales tax harmonisation agreement. Under the harmonised sales tax (HST) agreement, the participating provinces have ceased to collect provincial sales tax. In its place, the federal government collects HST under the GST rules. The HST is generally 13% but is 15% in Nova Scotia, and 14% in Prince Edward Island.

British Columbia was party to the sales tax harmonization agreement, but as a result of a British Columbia referendum in 2011, British Columbia removed the HST and reinstated the former 7% British Columbia provincial sales tax (PST) and 5% GST effective 1 April 2013.

In Quebec, the GST and Quebec sales tax (QST) systems are essentially harmonised and administered by Quebec. As of January 1 2013, QST was increased to 9.975% but was levied on the price before GST. Therefore, the effective rate will remain unchanged at 14.975% (GST of 5% and Quebec sales tax of 9.975%).

FRINGE BENEFITS TAX (FBT)

The Northwest Territories and the provinces of Newfoundland, Quebec, Ontario and Manitoba levy a tax on payroll costs to support provincial health care and other programs. Rates and exemptions vary from province to province. The territory of Nunavut levies a payroll tax on high income employees. The federal government does not impose FBT on employers but requires employer (and employee) contributions to Employment Insurance (EI) and the Canada Pension Plan (CPP) based on payroll costs. Employers are required to remit EI, CPP and income tax with respect to their employees who are in regular and continuous employment in Canada, regardless of whether the employees (or employer) are resident in Canada. Certain fringe benefits are taxable to employees and are required to be reported on their personal income tax returns.

LOCAL TAXES

Provincial, territorial and municipal governments impose various taxes that need to be confirmed in each particular situation. These taxes include real property taxes, real property transfer taxes, business licences and a number of industry-specific taxes such as mining and petroleum resource taxes, logging tax and hotel tax.

OTHER TAXES

The federal government also imposes certain industry-specific taxes in addition to customs and excise duties. The federal large corporations tax, which was a minimum tax based on capital, was repealed effective 1 January 2006. As of 1 January 2011, only Nova Scotia imposed a general capital tax on corporations with taxable capital in excess of a specified minimum. It was eliminated effective 1 July 2012.

The federal government and several provinces still have capital taxes that apply to certain types of financial institutions. The exceptions are Alberta, British Columbia, Ontario, Quebec, the Northwest Territories, Nunavut, and the Yukon.

For corporations with a permanent establishment in Ontario, Ontario imposes a corporate minimum tax on corporations with total assets or gross revenues above certain threshold amounts in certain circumstances.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a corporation is determined using the accrual method of

accounting. Certain professional, agricultural or fishing businesses are permitted to follow a cash or modified cash method of accounting. For a corporation resident in Canada, taxable income is based on its worldwide income less allowable deductions. For a non-resident corporation, taxable income earned in Canada is essentially defined to include:

- income from carrying on business in Canada
- 50% of capital gains from the disposition of certain specified Canadian assets or specified foreign assets with significant values attributable to underlying specified Canadian assets included in the definition of 'taxable Canadian property',
- income from the disposition of resource property and certain other assets included in the definition of 'taxable Canadian property'
- income from the disposition of certain other assets with a connection to Canada included in the definition of 'taxable Canadian property'
- recaptured Canadian tax depreciation.

The scope of the definition of 'taxable Canadian property' was significantly narrowed effective March 4, 2010 to exclude shares of corporations and certain other interests (such as an interest in certain partnerships and trusts) that have not derived their fair market value principally from real property situated in Canada, Canadian resource property or timber resource property, at any time within the 60 months immediately preceding the disposition.

A treaty may limit Canada's ability to tax a non-resident on the various components of taxable income earned in Canada listed above.

DEPRECIATION

Canada has a complex system of determining the tax depreciation in respect of capital assets. Depreciable property is subject to a number of detailed regulations that specify the amount that may be written off in any particular year. There are also a number of detailed restrictions that have the effect of limiting write-offs for depreciable property.

Expenditures for exploration, development and maintenance of resource properties are subject to rules that categorise the expenditures and specify the amounts which may be deducted in a year. Qualifying Canadian exploration costs may be deducted at 100% against any type of income if desired. Canadian development expenses can be deducted at a rate of 30% per year or 100% against the sale of resource properties. Other expenditures are subject to less generous deductions.

Capital assets used for SR&ED are subject to regular tax depreciation rules rather than a 100% deduction if they were acquired after 2013.

STOCK/INVENTORY

Inventory must be valued at the lower of cost or fair market value unless the taxpayer elects to value all inventory at fair market value. Special rules apply for the valuation of animals.

CAPITAL GAINS AND LOSSES

Taxable capital gains are included in taxable income and taxed at normal rates. A capital gain is essentially the proceeds of disposition for a capital property less the aggregate of the cost of the property and costs of disposition. However, only 50% of the gain is taxable. Capital losses may only be used to offset capital gains but may be carried back three years and forward indefinitely, subject to change of control rules (discussed under the 'Losses" heading below). As noted above, under 'Determination of Taxable Income', non-residents are only taxed on certain specified capital gains.

DIVIDENDS

Dividends received by a private Canadian corporation from another resident corporation are subject to a refundable tax of 33.33% of the amounts received. In the event that the recipient corporation holds 10% or more of the payor corporation (measured by votes and value), taxes payable are based on the amount of tax refunded to the payor corporation as a result of the dividend. Dividends received by most public corporations from another Canadian corporation are effectively excluded from income. Dividends received from non-resident corporations are subject to tax unless received from a subsidiary out of its active business profits from a designated treaty country (a country with which Canada has entered into a comprehensive agreement or convention for the elimination of double taxation on income, or a comprehensive tax information exchange agreement). Other dividends from foreign affiliates are netted against a grossed-up adjustment for the underlying foreign affiliate tax and withholding tax. Portfolio dividends from foreign corporations are included in taxable income but the recipient is entitled to a foreign tax credit for the foreign withholding tax.

INTEREST DEDUCTIONS

Interest paid on funds borrowed to finance business operations or the acquisition of income-producing assets is generally fully deductible. In certain cases, interest payable

relating to the acquisition of bare land is only deductible to the extent the property generates income. The deductibility of interest incurred during the construction of real property is also restricted. Interest payable on funds borrowed to pay dividends is deductible as long as the corporation has taxed retained earnings at least equal to the amount of the dividend.

Statutory 'thin capitalization' rules restrict the deductibility of interest paid to a non-resident shareholder or group that owns 25% or more of the shares of a Canadian corporation. Essentially, these rules prevent the deduction of interest paid to these particular non-residents (or non-residents not dealing at arm's length with them) where the ratio of outstanding debt to shareholders' equity exceeds 1.5-to-1 for taxation years beginning after 2012. A ratio of 2-to-1 applies for taxation years that begin prior to 2013. The equity is measured by taking the aggregate of the retained earnings at the beginning of the year and the average paid-up capital of shares owned by certain non-resident shareholders and related contributed surplus computed on a monthly-average basis. Effective March 29, 2012, the disallowed interest will be treated as a deemed dividend paid to the non-resident and will be subject to withholding tax of 25%, unless reduced by a treaty.

For taxation years beginning on or after March 29, 2012, the thin capitalization rules apply to partnerships which have a Canadian-resident corporation partner and for taxation years that begin after 2013, the thin capitalization rules apply to Canadian resident trusts, and non-resident corporations and trusts that operate in Canada.

LOSSES

Losses arising from business operations may be carried back three years and forward 20 years. The carry-forward period increased from seven to ten years and from ten to 20 years for losses arising in taxation years ending after 23 March 2004 and after 31 December 2005, respectively. Capital losses are discussed separately above.

In the event of a change of control of a corporation, there is a deemed year-end. Business losses incurred prior to the change of control may only be deducted in subsequent years from income from the same or similar business but only if the business which generated the losses continues to be carried on with a reasonable expectation of profit. A similar restriction applies to the carry-back of subsequent business losses to the three years preceding a change of control.

On a change of control, a number of complementary rules come into play that have the effect of deeming most types of assets to be disposed of at fair market value if fair market value is less than that particular asset's tax carrying value. The purpose of these rules is to crystallise any unrealised losses that may exist at the time of the change of control. These deemed losses are added to the existing losses and are subject to the carry-forward restrictions mentioned above.

Unclaimed capital losses expire on a change of control. A special election to trigger unrealized capital gains to use expiring capital losses should be considered when filing a change of control tax return. Post-change capital losses cannot be carried back to pre-change taxation years.

FOREIGN SOURCED INCOME

Canadian corporations are taxable on worldwide income regardless of source. Income earned by foreign affiliates in active businesses is generally not subject to taxation in the Canadian parent until the profits are repatriated (refer to the discussion on Dividends above). Corporations having an investment in a controlled foreign affiliate earning passive income, or deemed passive income, are subject to tax on that income in the year it is earned by the foreign corporation.

C. FOREIGN TAX RELIEF

Foreign income earned by a Canadian corporation is generally subject to tax in the year received or receivable. Credit is given for foreign income taxes paid including withholding taxes. Depending upon the tax rate of the foreign country, foreign tax credits may or may not provide full relief for the foreign taxes paid.

The amount of the foreign tax credits are effectively limited to the amount of Canadian tax paid. Foreign business income taxes not utilized in a particular year may be carried forward ten years and back three years. Excess foreign non-business income tax paid cannot be carried over but may be available as a deduction in computing income.

Dividends arising from active business income received from foreign affiliates residing in treaty countries are not subject to further tax in Canada if the business is carried on in Canada or a designated treaty country. No credit is given for foreign withholding taxes in these cases. Dividends arising from other business income received from

foreign affiliates are netted against a grossed-up adjustment for the underlying foreign tax and withholding tax.

Dividends arising from passive income received from controlled foreign affiliates residing in treaty countries or arising from all sources in non-treaty countries are subject to tax as ordinary income. Credits will be given for underlying foreign tax and withholding tax, as well as Canadian tax which may have been payable at the time the income was earned.

D. CORPORATE GROUPS

No provision is made for filing consolidated tax returns for corporate groups. Certain tax provisions require the aggregation of amounts for members of related groups for purposes of determining access to certain tax incentives and benefits. Loss utilisation among members of a corporate group is often effected by amalgamation or merger of group members.

E. RELATED PARTY TRANSACTIONS

Domestic transactions between related parties are subject to rules that require such parties to transfer property at fair market value. Failure to effect transfers at fair market value may result in one-sided adjustments to income or cost basis. Charges between domestic group members are also subject to reasonableness and income earning tests. Transactions with related non-residents are subject to both transfer pricing and foreign reporting rules. Contemporaneous documentation of transfer pricing methodologies is required to avoid exposure to transfer pricing penalties on adjustments. Substantial penalties may be levied where transactions with related non-residents are not in compliance with prescribed procedures.

F. WITHHOLDING TAXES

Canada imposes non-resident withholding tax on many types of income paid or credited to non-residents including dividends, interest, royalties, management fees, pension payments and rents. The statutory rate of withholding is 25% but may be reduced or eliminated by treaty provisions. Section I Treaty and Non-Treaty Withholding Tax Rates summarises the rates of withholding under Canada's present income tax treaties. As of 1 January 2008, withholding tax is not payable under Canada's domestic legislation on most interest payments made by Canadian borrowers to arm's length non-resident lenders.

Canada also has a clearance certificate procedure that requires a purchaser to withhold from the proceeds paid to a non-resident seller on the sale of certain Canadian properties. The amount of withholding is generally 25% (50% for certain types of properties) of the net gain on disposition if proper notice is given to the tax authorities and a clearance certificate is provided to the purchaser. If a clearance certificate is not obtained, the amount of withholding increases to 25% (or 50%) of the gross proceeds instead of the net gain. Amounts withheld are creditable against Canadian taxes payable by the non-resident seller. In the event that the amount withheld exceeds the Canadian taxes payable by the non-resident seller, a refund will be given on filing a Canadian federal tax return. The March 2010 changes to the definition of 'taxable Canadian property' have streamlined the withholding and compliance procedures impacting non-residents and those that acquire property from them.

In addition to the federal withholding tax, Quebec has a similar withholding tax regime on sales of taxable Quebec property. The general rate of withholding is 12% and can be higher for certain types of property.

Non-residents are also subject to a 15% withholding on amounts received for services rendered in Canada. This particular withholding is credited on the non-resident's Canadian income tax return and will reduce the tax due or result in a refund. A refund due to a corporation will not be processed if the particular return is not filed within three years of the end of the taxation year. In addition to the federal withholding tax, Quebec has a 9% withholding tax on services rendered in Quebec by non-residents of Canada.

G. EXCHANGE CONTROLS

Canada imposes no currency or exchange controls.

H. PERSONAL TAX

Individuals resident in Canada for tax purposes are subject to tax on their worldwide income. Non-residents are subject to tax in Canada on Canadian-sourced employment

income and business income; 50% of the capital gains from the disposition of certain specified Canadian assets; and 100% of gains on dispositions of certain property such as resource property or certain life insurance policies.

Investment or passive income earned by non-residents is subject to withholding tax as discussed above.

Residency is determined based on common law tests of residency relating to social and economic ties. Individuals who stay in Canada for 183 days or more may be deemed to be resident in Canada. Canada's tax treaties may contain further provisions regarding determination of residency.

Tax returns are filed based on the calendar year and generally are due by 30 April of the following year. An extended deadline of 15 June of the following year is available for business proprietors and partners of most partnerships, as well as their spouses. There is no provision for joint spousal tax returns. Certain pension benefits may be allocated between two spouses by election.
Virtually all income earned is subject to taxation. Employment income (including certain employment benefits) and some forms of investment income are included in taxable income on a cash basis. Business income and some investment income, notably interest, are included in income on an accrual basis. Income earned from farming, fishing and certain professions is subject to a cash or modified cash method of accounting. Taxable Canadian dividends received by an individual resident in Canada are subject to a gross-up and dividend tax credit mechanism.

Employees are subject to withholding on their earnings from employment in respect of income tax and contributions for Canada Pension Plan and Employment Insurance. Self-employed individuals and those with income from other non-employment sources are required to make quarterly instalments of estimated taxes due for the year. The balance of taxes and Canada Pension Plan owing for a calendar year is due by 30 April of the following year for all individuals.

Individuals are permitted various deductions including contributions to Registered Pension Plans and Registered Retirement Savings Plans, interest paid on funds borrowed to earn income, and qualifying alimony or spousal support payments. Child maintenance payments are neither deductible by the payor nor taxable to the recipient if paid pursuant to an agreement entered into after 30 April 1997 or if an agreement or Court Order made before that date is modified after 30 April 1997. There are also tax credits available for personal exemptions, donations, medical and education expenses and Canada Pension Plan and Employment Insurance contributions.

Personal income tax rates are progressive with the maximum federal rate being reached at approximately $138,500 of taxable income in 2015 (2014 - $136,000). The thresholds for the maximum provincial rate vary between the provinces but are below the federal threshold.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Due to space limitations, the following summary does not reflect detailed information on the statutory or treaty provisions relating to withholding tax rates. Rates shown are in effect on 1 January 2015 subject to the notes at the end of the table below. The reader should ensure careful reviews of the statutory rules and treaty provisions are undertaken when considering a particular cross-border transaction. For example, refer to note 1 pertaining to the elimination of Canadian withholding tax on arm's length interest payments. The domestic rate may be lower than the treaty rate. Special care should also be taken to review the effective date of changes for new treaties and protocols. Particular care should be taken with respect to Canada-US payments involving fiscally transparent entities with changes effective in 2009 and 2010 (see note 14). The Canada Revenue Agency (CRA) has provided declaration forms that are recommended for use by non-residents of Canada to provide the CRA and Canadian resident payers with information regarding their residency status and eligibility for treaty benefits.

	Dividends (%)	Interest[1] (%)	Royalties (%)
Corporations and individuals resident in Canada:	Nil	Nil	Nil
Non-resident corporations and individuals of non-treaty countries:	25	25	25
Treaty countries:			
Algeria	15	15	15[6]

	Dividends (%)	Interest[1] (%)	Royalties (%)
Argentina	10/15[2]	12.5	15[6]
Armenia	5/15[2]	10	10
Australia[11]	5/15[2]	10	10
Austria	5/15[2]	10	10[6]
Azerbaijan	10/15[2]	10	10[6]
Bangladesh	15	15	10
Barbados	15	15	10[6]
Belgium	5/15[2]	10	10[6]
Brazil	15/25[2]	15	25[6]
Bulgaria	10/15[2]	10	10[6]
Cameroon	15/20[4]	15/20[4]	15/20[4]
Chile	10/15[2]	15	15
China (PRC)[9, 11]	10/15[2]	10	10
Colombia	5/15[2]	10	10
Croatia	5/15[2]	10	10
Cyprus	0/15[16]	15	10[6]
Czech Republic	5/15[2]	10	10
Denmark	5/15[2]	10	10[6]
Dominican Republic	18	18	18[6]
Ecuador	5/15[2]	15	15[6]
Egypt	15	15	15
Estonia	5/15[2]	10	10
Finland	5/15[2]	10	10[6]
France	5/15[2]	10	10[6]
Gabon	15	10	10
Germany	5/15[2]	10	10[6]
Greece	5/15[2]	10	10
Guyana	15	15/25[4]	10
Hong Kong	5/15[2]	10	10[6]
Hungary	5/15[2]	10	10[6]
Iceland	5/15[2]	10	10[6]
India	15/25[2]	15	20[6]
Indonesia	10/15[2]	10	10
Ireland, Republic of	5/15[2]	10	10[6]
Israel[11]	15	15	15[6]
Italy	5/15[2]	10	10[6]
Ivory Coast	15	15	10
Jamaica	15	15	10
Japan	5/15[2]	10	10
Jordan	10/15[2]	10	10
Kazakhstan	5/15[2]	10	10
Kenya	15/25[2]	15	15
Korea	5/15[2]	10	10
Kuwait	5/15[2]	10	10
Kyrgyzstan	15	15	10[6]
Latvia	5/15[2]	10	10
Lebanon[10]	5/15[2]	10	10[6]
Lithuania	5/15[2]	10[7]	10
Luxembourg	5/10/15[2]	10	10[6]

	Dividends (%)	Interest[1] (%)	Royalties (%)
Malaysia[11]	15	15	15[6]
Malta	15	15[7]	10[6]
Mexico	5/15[2]	10	10[6]
Moldova	5/15[2]	10	10
Mongolia	5/15[2]	10	10[6]
Morocco	15	15	10[6]
Namibia[10]	5/15[2]	10	10
Netherlands[11]	5/15[2]	10	10[6]
New Zealand[8]	15	15	15
Nigeria	12.5/15[2]	12.5	12.5
Norway	5/15[2]	10	10[6]
Oman	5/15[2]	10	10[6]
Pakistan	15/20[5]	15/25[4]	15/20[4, 6]
Papua New Guinea	15/25[4]	10	10
Peru	10/15[2]	15	15
Philippines	15/25[4]	15	10/25[4]
Poland	5/15[2]	10	5/10[6]
Portugal	10/15[2]	10	10
Romania	5/15[2]	10	10[6]
Russia	10/15[2]	10[7]	10[6]
Senegal	15/16[4]	15/16/20[4]	15
Serbia	5/15[2]	10	10
Singapore	15	15	15
Slovak Republic	5/15[2]	10	10[6]
Slovenia	5/15[2]	10	10
South Africa	5/15[2]	10	10[6]
Spain[8]	15	15	10[6]
Sri Lanka	15	15	10[6]
Sweden	5/15[2]	10	10[6]
Switzerland	5/15[2]	10	10[6]
Tanzania	20/25[2]	15[7]	20
Thailand	15/20[5]	15/25[4, 7]	15[6]
Trinidad and Tobago	5/15[2]	10	10[6]
Tunisia	15	15	20[6]
Turkey	15/20[2]	15	10
Ukraine	5/15[2]	10	10[6]
United Arab Emirates	5/15[2]	10	10[6]
United Kingdom	5/15[2]	10	10[6]
United States[14, 15]	5/15[2]	0[13]	10[6]
Uzbekistan	5/15[2]	10	10[6]
Venezuela	10/15[2]	10	10[6]
Vietnam	5/10/15[3]	10	10[6]
Zambia	15	15	15
Zimbabwe	10/15[2]	15	10

1 Effective 1 January 2008, Canada's Income Tax Act eliminates the Canadian withholding tax on arm's length payments of interest (other than participating debt interest) to all non-residents of Canada.

2 Depending upon the particular treaty, the lower rate applies where a corporate recipient of a dividend (beneficial owner) holds, at least, 10% to 25% of the voting control or at least 10% to 25% of the share capital of the company paying the

dividend.

3 The 5% rate applies if at least 70% of the voting power is controlled by the recipient corporation. The 10% rate applies if between 25% and 70% of the voting power is controlled by the recipient corporation.
4 The lower rate only applies if the payment arises in Canada.
5 The 15% rate is applicable where the payment arises in Canada or if paid from a company engaged in an industrial undertaking.
6 Maximum withholding rate. Lower rates may apply depending on the nature of the royalty.
7 Lower rates apply to banks, insurance companies and lending institutions.
8 Treaty or protocol signed but treaty or new withholding rates not in force as of 31 December 2014. Lower rates may apply when implemented.
9 See separate listing for treaty with Hong Kong, signed on 11 November 2012 (entry into force on 29 October 2013).
10 Initial treaty which is not in force as of 31 December 2014. Table shows rates which will be in force when implemented. General rates are in effect until that time.
11 Canada is presently renegotiating a treaty with this country.
12 Canada is presently negotiating an initial treaty with Madagascar.
13 The withholding rate for non-arm's length interest paid to the US was reduced to 0% effective 1 January 2010. The rate for arm's length interest payments was reduced to 0% effective 2008. Interest on participating debt is excluded from these exemptions, but the withholding rate on such interest is limited to a 15% withholding rate.
14 Effective 1 January 2010, changes to the Canada – US Tax Treaty eliminated treaty benefits for payments from an entity which is treated as a corporation by Canada but as a fiscally transparent entity in the US and certain other conditions are met. For example, a payment from a Canadian unlimited liability company to its US owner will not be eligible for a treaty rate reduction where the tax treatment of the transaction under US rules differs from the treatment it would have received if the payer was not fiscally transparent for US purposes. Effective 1 February 2009, payments from Canada to a US fiscally transparent entity such as a US limited liability company, or a US partnership require consideration of the US treaty status of the individual members of the recipient entity. A US S Corporation will also generally be a fiscally transparent entity subject to the same look-through rules but Canada has indicated that it will give an S Corporation a reduced treaty rate where it qualifies for such rate as a recognized entity under the treaty. Specific tax advice should be sought to establish the withholding rate for Canada – US cross-border payments involving fiscally transparent entities. In April 2011, the CRA issued forms NR302 and NR303 for declaring the eligibility for treaty benefits for a partnership and other fiscally transparent or hybrid entities. The applicable withholding rate is calculated on worksheets included with these forms.
15 Effective 1 February 2009, the limitation of benefits clause in the Canada-US Tax Treaty became effective for Canadian withholding taxes, and may in certain circumstances deny treaty benefits on payments to US entities with non-US owners.
16 Dividends paid by a company resident in Cyprus to a Canadian owner are not subject to withholding tax. Dividends paid by a company resident in Canada to an owner in Cyprus are subject to a withholding tax of 15%.

CAPE VERDE

MEMBER FIRM

City	Name	Contact Information
Santa Maria	Nuno Justo	+238 242 2716 nuno.justo@pkf.pt

BASIC FACTS

Full name:	Republic of Cabo Verde
Capital:	Praia
Main languages:	Portuguese, Cape Verdean Creole
Population:	512,096 (2013 estimate)
Major religion:	Christianity
Monetary units:	Cape Verdean Escudo (CVE)
Internet domain:	.cv
Int. dialling code:	+238

KEY TAX POINTS

- Resident corporations are subject to Cape Verde corporate income tax (IUR) on their worldwide income.
- The standard rate of VAT is 15%.
- Payments between resident companies are generally subject to withholding tax.
- Income tax is payable by individuals on employment income. Resident individuals are subject to income tax on their worldwide income whilst non-residents are liable to income tax only on income sourced in Cape Verde.

A. TAXES PAYABLE

COMPANY TAX: GENERAL REGIME

Resident corporations are subject to Cape Verde corporate income tax (CIT) on their worldwide income. Resident companies are those which have their head office, or place of effective management, in Cape Verde.
Companies, not having their head office or place of effective management in Cape Verde territory, are subject to IUR only on income obtained in Cape Verde.
The IUR is charged on the profits of companies or other similar entities, and individuals treated as companies, and individual enterprises, engaged in a commercial, industrial, agricultural, fishing or service benefits, profit attributable to a permanent establishment located in Cape Verdean territory in comparison to non-resident individuals, the income received by entities that do not have a permanent establishment in Cape Verdean territory, or that, having it, not attributable to him and capital income.
Taxable profit is taxed at 25%.
The tax year usually coincides with the calendar year (1 January to 31 December).
Tax is payable as follows:

Taxable Persons	Tax Payment
Resident entities whose main activity is commercial, industrial or agricultural and non-residents with a permanent establishment in Cape Verde	Payments on account in January. The balance is due by the date when the tax return is filed – generally 31 May.
Non-profitable entities.	Tax is payable by the end of the fifth month following the end of the tax year – generally 31 May.
Non-resident entities without a permanent establishment.	Tax is payable by the end of the fifth month following the end of the tax year – generally 31 May.

VALUE ADDED TAX (VAT)

Cape Verde has adopted VAT which is a sales tax levied on the supply of goods and services as well as on the import of goods into Cape Verde. The standard rate is 15,5%, with the exception for water and electricity – 15% VAT tax rate.
VAT exemptions are laid down in particular to medical services, services related to education and social support and vocational training, banking and financial transactions, insurance and reinsurance operations, as well as exemptions for the importation of certain goods.

OTHER TAXES

MUNICIPAL TAX ON REAL ESTATE (IUP)

The IUP is a municipal tax levied on the value of properties in the territory of each municipality, dividing, in accordance with the classification of buildings in rustic and urban, the value of free transmissions or expensive real estate, the value of corporate transactions subject to public deed, such as social pacts changes, transfer of shares and other like nature, value in use or enjoyment of motor vehicles subject to registration and, finally, capital gains arising from the valuation of land for building, broadcasts of buildings or other real estate.
The IUP is payable by the owner of the building at 31 December of the year in the same respect.
The standard rate is 1,5%.

STAMP DUTY

The Stamp Duty (IS) focuses on different tax events, and in particular on financial transactions, corporate transactions, capital transfers and documented legal acts.
Applied different tax rates, depending on the applicable amount, with the up to 15%.

B. DETERMINATION OF TAXABLE INCOME (IRC)

General regime:
Net income, or taxable income, is arrived at by adjusting the accounting profits tor non-taxed income and non-deductible expenses. As a general principle, costs are only

deductible when necessarily incurred tor the purpose of producing income.

DEPRECIATION

Fixed and intangible assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation and include 4% for buildings. No depreciation is allowed on land. The normal method of calculation is the straight-line basis but declining-balance method may be used except for items such as buildings, cars and office furniture. Intangible assets with a limited period of exclusive use may be depreciated for that period, otherwise for 20 years.

STOCKS / INVENTORY

Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:

- The standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles;
- The sale price method, based on the market value less a normal profit margin.

LOSSES

Operating losses incurred by resident companies, may be carried forward to be set off against taxable profits for three years.

FOREIGN SOURCED INCOME

Resident companies are taxed on their worldwide income.

C. WITHHOLDING TAX

Payments between resident companies are generally subject to withholding tax. The rates vary between 10% and 20%.

D. PERSONAL TAX

Personnel Income Tax will be due by natural persons residing in Cape Verdean territory and, also, by those that do not reside in Cape Verde, but obtain income in Cape Verde. Non-resident taxpayers in Cape Verdean territory are subject to IUR solely by income earned in Cape Verde.

The income of an individual is taxed by different categories. Regulation of the Personnel Income Tax provides for the following categories: property income, commercial and industrial income, including capital gains and the provision of services, and income agricultural, livestock and fishing, capital income and other income, such as from the game, lottery and betting, and finally, income from work, dependent and independent, including pensions and annuities or temporary.

Taxable income results from the aggregation of the various categories of income, although exempt, earned each year, after the deductions and rebates defined in Regulation IUR.

Realized capital gains and net realised losses on the transfer of shares and other securities are subject to a withholding tax. In determining the tax base, the gains must be subject to aggregation and are considered in relation to 50% of their value.

There are specific deductions for each category of income, using as criteria the costs or charges necessary to attain them.
Thus, spending on health and education, pensions, housing rents permanent, the housing debt interest, construction and improvement of real estate, the premiums of illness or personal accident insurance, as well as some life insurance, and the amounts invested annually in government bonds and contributions to social security or single social tax for the taxable person or their dependents may be deducted from the taxable income. Donations of public interest can also be deducted from the total income, net of deductions.

The workers, are subject to the payment a tax of 8% - contribution to Social Security. The self-employed are, in turn, subject to the payment of fees by 11% in restricted scheme, and in the order of 19.5% in extended scheme. The payment of contributions shall take place by the 15th of the month following that to which they relate.

Tax returns submitted in paper form are due until 31 March of the subsequent tax year

The following progressive tax rates apply in tax year 2015 to the aggregate net results of employment income, business income, investment income (except interest on bonds and deposits), income from land, capital gains and income from pensions:

Level	Levels	Amounts	Taxes normal	Average
1	Until	408.843$	11,67%	11,67%
2	From 408.843$ until	860.163$	15,56%	13,71%
3	From 860.163$ until	1.720.327$	21,39%	17,55%
4	From 1.720.327$ until	2.580.490$	27,22%	20,77%
5	From 2.580.490$		35,00%	

E. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Cape Verde signed agreements to avoid double taxation with Portugal and Macau. Cape Verde is currently negotiating a double tax agreement with Spain.

CAYMAN ISLANDS

MEMBER FIRM

City	Name	Contact Information
George Town	Ben Leung	945 5889 bleung@pkfcayman.com

BASIC FACTS

Population:	53,737 (July 2013 est. index mundi)
Capital:	George Town (Grand Cayman)
Major language:	English
Major religion:	Christianity
Currency:	Cayman Island Dollar
Internet domain:	.ky
International dialling code:	+1345
Government website:	www.gov.ky

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KEY TAX POINTS

- The Cayman Islands levies no tax on income or capital gains.
- Government revenue derives mainly from stamp duties, customs duties, business licenses and fees.
- Individuals are not subject to any inheritance tax or gift tax.
- The Cayman Islands has no tax treaty with any other country.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

The Cayman Islands levies no taxes on income. Companies incorporated in the Cayman Islands are governed by the Companies Law and its amendments. This also regulates foreign corporations with a place of business in the islands.

An ordinary resident company is used for doing business locally and to own local land, ships or aeroplanes registered locally. Ordinary non-resident or exempt companies are used for conducting offshore or international business. The main differences between these two types of company are that an exempt company is allowed to issue bearer shares, use foreign terms in its name, and has fewer filing formalities.

Foreign companies may register a place of business in the Cayman Islands and conduct offshore business. In the case of Banks, a foreign Bank may set up a branch operation by this method. All banks registered in the Cayman Islands must have a physical presence there.

Guarantees against the future taxation of exempted companies, exempted limited partnerships and exempted trusts are available. The Governor in council gives an undertaking that no future law imposing any tax on profits, capital assets, gain, or appreciations will apply to the entity or its operations for a period of 20 to 30 years for an exempted company, and up to 50 years for exempted partnerships and trusts.

CAPITAL GAINS TAX
There is no capital gains tax in the Cayman Islands.

OTHER TAXES
The principal indirect taxes from which the government derives its income are stamp duties, customs duties, business licences and fees.

STAMP DUTIES
The Stamp Duty Law provides for the payment of tax on various documents including:

Real estate in all areas within the Cayman Islands	7.5% of the consideration or market value, whichever is higher
Conveyance or transfer of immovable property	4% of the consideration if the transferee is a Caymanian 6% of the consideration in any other case
Mortgage of property	1% to 1.5% of sum secured

Bills of exchange:	
Cheques	CI$0.25 each
Others	CI$0.25 not exceeding $100 CI$0.25 each for every extra $100 or part thereof up to a maximum of $250
Lease of land:	
Term over 30 years	Same duty as on a conveyance on sale upon the full value of the property of interest therein
With premium and term of less than 30 years	Same duty as on a conveyance on sale upon the premium or other consideration
Term is less than 30 years:	
but does not exceed five years	5% of the average annual rent
exceeds five years but not ten years	10% of the average annual rent
exceeds ten years	20% of the average annual rent

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CUSTOMS DUTIES
Duties on imported goods average 22% with certain items duty free. These include certain agricultural products, certain textiles and luxury items such as perfumes, cameras, fine china and crystal.

BUSINESS LICENCES AND FEES
An annual fee is levied on all companies based on its share capital. In addition, licensed financial services companies pay annual licence fees, dependent on the type of business.

Class A Bank	CI$ 200,000 to $1,000,000
Class B Bank (unrestricted)	CI $ 60,000 to $100,000
Class B Bank (restricted)	CI $ 37,000 to CI $ 40,000
Trust Company	CI$ 6,000 to CI$ 90,000
Class A Insurers Licence	CI $ 75,000
Class B Insurers Licence	CI $ 8,500 to $10,500
Class C Insurers Licence	CI$ 5,000
Class D Insurance Licence	CI$ 84,000
Mutual Fund – Licenced, Administered or Registered	CI $ 3,500
Mutual Fund – Master Fund	CI$ 2,500
Mutual Fund Administrator	CI$ 5,000 to CI$35,000

All local businesses require a licence and an annual payment is made dependent on the type and size of the business. These fees would not normally affect offshore companies and businesses.

H. PERSONAL TAX

There are no taxes on income, capital gains or sales of real estate. Neither are there any death duties nor inheritance or gift taxes.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Cayman Islands does not have a tax treaty with any country. Income received in

the Cayman Islands from abroad may be subject to taxation in the country of origin.
The Cayman Islands have signed a Tax Information Exchange Agreement (TIEA) with the following countries:
Argentina, Aruba, Australia, Austria+, Belgium*, Brazil*, Canada, Chile+, China, Colombia+, Curacao*, Czech Republic, Denmark, Faroe Islands, Finland, France, Germany, Greece+, Greenland, Guernsey, Iceland, India, Indonesia+, Ireland, Italy*, Japan, Kenya+, Malta, Mexico, Netherlands, New Zealand, Norway , Philippines+, Poland, Portugal, Qatar*, Samoa+, Seychelles*, Singapore+, Saint Marteen*, Slovak Republic+, Slovenia+, South Africa, South Korea+, Spain+, Sweden, Turkey+, Ukraine+, United Kingdom, and United States of America .

- Not yet in force
+ - indicates a country with which the Cayman Islands entered into TIEA negotiations under the 15 July 2010 letter of entrustment provided by the United Kingdom

NOTE: The Cayman Islands has signed an Inter-Governmental Agreement (IGA) with both the United Kingdom and the United States of America as it relates to FATCA

CHILE

MEMBER FIRM

City	Name	Contact Information
Santiago	Antonio Melys	+56 2 26504332 amelys@pkfchile.cl

BASIC FACTS

Full name:	Republic of Chile
Population:	17.5 million (2013 PRB)
Capital:	Santiago
Major language:	Spanish
Major religion:	Christianity
Currency:	Chilean peso (CLP)
Internet domain:	.cl
International dialling code:	+56
Chile Ministry of Finance website:	www.hacienda.cl

KEY TAX POINTS

- The Chilean income tax system applies to all individuals and entities domiciled or resident in Chile in respect of their worldwide income. Non-residents are subject to tax on Chilean source income.
- Six categories of income tax apply in relation to different types of income. The rules for calculating tax under each category are different.
- In general, profits from commercial activities (including relevant capital gains) are taxed at 21% under 'First Category tax'.
- Gross taxable income arising from wages, salaries, overtime payments, bonuses, fees, gratuities, profit sharing and any other form of remuneration is taxed under the Second Category which is a progressive tax, the highest rate of which is 40%.
- Profits remitted or withdrawn from Chile (such as by payment of dividends to non-residents) are subject to a 35% 'additional tax', although relief is given for any First Category tax paid on the relevant profits.
- Transfers and other operations regarded as sales, as well as services other than those rendered by employees and consultants, are subject to a 19% value added tax. Exports of all products are exempt for purposes of VAT. VAT paid on imports and on local sales and services may be deducted from VAT surcharged on sales or services rendered.
- There are other various types of payments to non-residents which are subject to withholding tax. Chile has signed double tax agreements with a number of countries under which the rate of withholding tax may be reduced.
- Credits are available for overseas taxes paid on foreign source income. Where the income consists of dividends or overseas profits, the credit is capped at a maximum of 32% of the gross dividends or profits. Any further unrelieved foreign taxes are generally relievable as a deduction against taxable income.
- Although individuals resident in Chile generally pay income tax on their worldwide income, foreigners who establish domicile or residence in Chile only pay income tax on their Chilean source income for the first three years of residence.

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX

The income tax legislation provides for a scheduler system divided as follows:

FIRST CATEGORY TAX

First Category tax is due on income derived from commercial, industrial and agricultural activities; mining, fishing and other extractive activities; investment; and real estate. All income not specifically taxed under another category and not tax exempt is included. The tax rate is 21% and affects all taxpayers which carry out these activities. Capital gains are included in gross income subject to First Category tax with certain exceptions which include:

(a) gains on the sale of shares in corporations and rights in other type of companies, provided that the shares have been held at least one year. In such case the gain is subject to the First Category as a sole tax instead and require the fulfilment of certain conditions (that the sales do not represent customary operations of the taxpayer, are carried out with a non-related party and made by a taxpayer which line of business is different from the trading with shares). See paragraph J.
(b) gains from the sale of publicly traded Chilean corporations stock acquired and sold under certain conditions such as to be carried out in the Stock Exchange
(c) sale of mining rights up to the amount represented by the variation in the cost of living index between the date of purchase and that of sale, provided that such transactions do not form part of the taxpayers' normal activities
(d) sale of real estate other than that included in the assets of a taxpayer subject to First Category tax.

SECOND CATEGORY TAX

Second Category gross taxable income refers to that arising from wages, salaries, overtime payments, bonuses, fees, gratuities, profit sharing and any other form of remuneration. It is a progressive tax, the highest of which is 40%, applicable on a monthly basis to the excess of 150 monthly tax units (US$ 10.600 .

C

COMPLEMENTARY TAX (IMPUESTO GLOBAL COMPLEMENTARIO)

This is a progressive tax assessed on individuals resident or domiciled in Chile with respect to income received or withdrawn in the preceding year. Its highest rate is 40%, applicable to the excess of 150 yearly tax units (US$ 127.200).

ADDITIONAL TAX (IMPUESTO ADICIONAL)

This tax affects, among others, the Chilean-source income withdrawn or remitted abroad to non-residents or non-domiciled individuals and of companies or juridical entities organised abroad with or without a permanent establishment in Chile in the form of branches, offices, agents or representatives. This tax also affects foreign payments such as royalties, technical assistance and others at different rates.

SPECIAL TAX OF ARTICLE 21° OF THE INCOME TAX LAW

This tax affects almost all entities regardless the legal structure they have (individuals, corporations, permanent establishments of non-resident entities, etc.). It is applied with a 35% rate on all the amounts that are disallowed as an expense, when they represent disallowed actual disbursements or withdrawals of assets, regardless of the way in which they may have been accounted for. Under some circumstances this kind of disallowed expense must be included in the income tax return of the correspondent shareholder, partner or individual owner which has to pay an additional surcharge of a 10% on such amounts.

SPECIFIC TAX ON OPERATIONAL MINING INCOME

Since 2006, there is a specific tax on the operational income of the mining activity obtained by a mining operator. This progressive tax rate ranges from 0.5%, if the value of the annual sales exceeds the amount equivalent of over 12,000 metric tons of fine copper, to 4.5% if the annual sales exceed the value of 40,000 metric tons up to the value of 50,000 metric tons. If the sales exceed the value of 50,000 metric tons, the tax is applied on the mining operational margin and the progressive tax rate ranges from 5% on the operational margin not exceeding 35, to 14% if the operational margin exceeds 85. The operational taxable income on which this tax is applied is determined in a special way. Certain expenses such as losses from past periods, accelerated depreciation of fixed assets, etc are not allowed for this purpose. The mining operational margin is determined as a ratio of the operational taxable income to the mining operational turnover.

CLASSES OF TAXPAYERS

Any person or entity domiciled or resident in Chile must pay tax on income, whatever its origin, whether its source is located in Chile or abroad. Non-residents are subject to

tax on income, the source of which is located within Chile. An individual is considered resident when remaining in Chile for more than six consecutive months in the calendar year or for more than a total of six months within two consecutive calendar years. Foreigners working in Chile are only subject to tax on their Chilean-source income during the first three years of domicile or residence period which may be extended. After this period, they are subject to tax on their worldwide income.

Thus the income tax system covers individuals and juridical persons, resident or non-resident, foreign or national, whose income source is located in Chile and also, in the case of resident's income, from abroad. For example, partnerships and corporations are subject to a 21% First Category tax on an accrued basis.

The amounts distributed or remitted to non-resident or non-domiciled partners or shareholders are subject to a 35% additional tax payable on distribution or remittance with a credit of a 21% First Category tax.

If partners or shareholders are domiciled or resident in Chile, the amounts distributed by the entity are subject to complementary tax, which is a progressive tax. These shareholders also have 21% credit.

VALUE ADDED TAX (VAT)

Transfers and other operations regarded as sales, as well as services other than those rendered by employees and consultants, are subject to a 19% value added tax. In addition, certain items are subject to sales tax.

For imports, the taxable basis is the customs value or CIF value, including customs duties. Certain capital goods forming part of capital contributions may be exempt from tax. Import of raw materials used in the production, processing or manufacturing of goods for export may be exempt from VAT, subject to approval by the Internal Revenue Service.

The value of services rendered plus finance charges, etc are generally subject to VAT. Exports of all products are exempt for purposes of VAT. VAT paid on imports and on local sales and services may be deducted from VAT surcharged on sales or services rendered.

VAT paid on importation and on acquisition or services received, when accessory to operations exempt from VAT (unless they are exports) or not related directly to the activities of the seller, is not recoverable.

LOCAL SALES

The tax applies on the sale of all movable physical assets sold by a person who is a customary seller. Tax also applies on immovable physical assets, sold by the manufacturer, either totally or partially. The tax basis is the sales price, including monetary correction, interest, finance charges and penalty interest. The tax itself is excluded from the basis.

Raw materials used for the manufacturing of products for export may be exempt from VAT, subject to Internal Revenue Service approval.

LOCAL TAXES

No local income taxes are payable in addition to central government taxes. However, Chile imposes taxes on real estate and a stamp tax on documents that contain loans and credit operations (bill of exchange, promissory notes, etc).

Enterprises have to pay an annual municipal licence, calculated on the taxpayer's equity at a minimum rate of 0.25% and a maximum of 0.5%, set by each municipality. The total amount cannot exceed 8,000 monthly tax units (about US $ 565.000), which is allocated among the municipalities in which the taxpayer has an office, factory or other establishment.

B. DETERMINATION OF TAXABLE INCOME

Gross income is arrived at by deducting from gross receipts the direct cost of goods and services required to produce such receipts. The direct cost of locally acquired goods will be the purchase price, to which may be added the cost of freight and insurance to deliver to the taxpayers' premises. For imported goods, it will include CIF value, duties and customs charges as well as local freight and insurance costs as above. For manufactured or processed goods, direct cost will include raw material, costs in the manner described, and labour charges.

Business income is determined on the accrual basis, whereas the dividend income on corporate shares is assessed on a cash basis. In the case of long-term projects, the

tax authorities are empowered to issue rulings regarding the determination of income for tax purposes.

Business expenses are deductible from gross income provided that they have not already been deducted in arriving at such gross income and that the expenses are required for the income to be obtained. Expenses incurred in the acquisition, maintenance or exploitation of assets not used in the regular course of business are not deductible.
The accounting period in Chile coincides with the calendar year.

DEPRECIATION

Depreciation on fixed assets, except for land, is tax deductible by the straight-line method based on their useful lives in accordance with the guidelines of the Internal Revenue Service (IRS), computed on the restated value of the assets. A shorter lifespan has been set by the Internal Revenue Service to apply to fixed assets purchased since 2003.

However, the taxpayer may opt for accelerated depreciation for new assets when acquired locally, or new or used assets when imported, with useful lives of over five years. For this purpose, the assets will be assigned useful lives equivalent to one-third of the normal, eliminating fractions of months. There is an alternative according the amount of turnover of the taxpayers, which allows them to accelerate the depreciation to 1/10th of the normal lifespan of the fixed assets. The lifetime thus obtained cannot be less than one year. Taxpayers may discontinue the use of the accelerated method at any time but may not return again to the accelerated method. The difference between accelerated and straight-line method will not deduct the taxable profit that can be withdrawn by partners or distributed to shareholders.
No allowance is made for amortisation of intangible assets such as l, patents, trademarks, etc. Goodwill in mergers and acquisitions that cannot be allocated to non-monetary assets, is considered as a expense only at the winding up of the enterprise. Depletion of ore in mining properties is not tax deductible.

STOCK/INVENTORY

The costing of goods sold or production materials and supplies consumed is based on the first-in, first-out (FIFO) basis, although the ‘average’ method may be elected. The method adopted determines the basis for the valuation of the closing inventory. The valuation so determined is, however, adjusted for the manner stipulated for the annual monetary correction procedures.

DIVIDENDS

Dividends received from Chilean corporations are exempt from First Category tax. There is no distinction in Chile between dividends and inter-company dividends. A dividend in kind as such does not exist. Dividends are necessarily expressed in cash, notwithstanding the fact that the company may distribute certain assets corresponding in value to the dividend amount.

Stock dividends in the form of bonus shares or increases in the par value of existing shares are not considered income for tax purposes.

INTEREST DEDUCTIONS

Generally, interest accrued or paid in the financial year is a deductible expense, provided that it has been incurred in connection with loans related to the business. Regarding the interests and other amounts, when originating in acts or contracts concluded with related parties abroad, the deduction as an expense will only be deductible in the year such amounts are paid, credited to account or placed at the disposal of the beneficiary. It is also required that the correspondent additional tax is paid unless such amounts are tax exempt

LOSSES

Losses incurred in the fiscal year are deductible. Furthermore, there is no limit on carry forward of losses. If the enterprise has taxable retained profit, losses must be carried back first. There are no loss carry-back provisions, nor is it possible to group profitable and unprofitable affiliates for tax purposes.

FOREIGN SOURCED INCOME

Non-domiciled or non-resident corporations are only subject to income taxes on their Chilean-sourced income.

If the domestic corporation receives amounts in excess of the book value of an investment when a foreign subsidiary is liquidated, these monies are considered income subject to regular taxes.

From 2012 on the income received or accrued from derivatives such as forwards,

futures, swaps and options, by persons or entities without domicile or residence in the country, will not be affected to income tax, except those arising from derivatives that are settled by physical delivery of shares or rights in companies incorporated in Chile.

INCENTIVES

Foreigners may remit their earnings or be paid abroad. Remittances have to be reported to the Central Bank of Chile.

Non-domiciled or non-resident individuals in Chile are subject to a sole additional income tax, at a rate of 35%. However, if the foreign activities are scientific, cultural or sports, the tax rate is only 20%, provided the period of service is less than six months. This tax is also applicable to engineering or technical jobs and professional or technical services rendered by a related party, in Chile or abroad, at a 15% rate. This rate will be 20% in the cases pointed out in the summary showed below.

ROYALTIES

Royalties are deductible expenses:
(a) provided they are necessary to produce income
(b) regarding their nature, the rates are those normally paid in similar circumstances
(c) as a result of the relationship existing between the parties. In this case, the royalty is deductible when it is paid, credited to account or placed at the disposal of the beneficiary, and the Additional income tax is paid unless the royalty is tax exempt.

Deduction of outbound royalties is limited to 4% of receipts from sales and services effected in the tax year. The 4% limit is not applied if in the tax year there is no capital, control or administration relationship, whether direct or indirect, between the taxpayer and the recipient of the royalties. Likewise, the 4% limit is not applied if the royalties are taxed in the recipient's country at a rate of at least 30%. In calculating the 4% limit, it is necessary to compute first the royalties not subject to the limit and then the royalties subject to the limit.

EMPLOYEE REMUNERATION

A deduction is allowed for wages, salaries and remuneration paid for personal services, including bonuses paid in accordance with law or a contract. Voluntary participations and profit sharing granted to employees and workers are deductible, provided that they are distributed in proportion to wages, salaries, seniority, number of dependants or other general rules applicable to all employees or workers of the enterprise.

A deduction is also allowed for that part of remuneration on which social security contributions have been paid for actual and permanent work to owners of sole proprietorships, partners of companies of persons and managing partners of partnerships limited by shares. Such remuneration is subject to the withholding.

With respect to other remuneration paid to persons who, due to their controlling position in the enterprise, are able to influence the fixing of their remuneration, the deduction is limited to that part which, in the opinion of the tax administration, is proportionate to the importance of the enterprise, its reported income, services rendered by the recipient and capital profitability.

A deduction is allowed for remuneration paid for services rendered abroad, provided that it is substantiated by reliable documents and provided that, in the opinion of the tax administration, the remuneration is necessary or convenient for the production of income in Chile. In practice, taxpayers tend to limit these expenses because of the tax cost involved.

Compensation for length of service and provisions to cover such compensation are deductible even before the end of services, provided that the employee has acquired a right thereto which is unconditional and is established in a collective or individual contract.

C. FOREIGN TAX RELIEF

Foreign tax credits are allowed in Chile. A resident taxpayer who is taxed in Chile on dividends or profits received from enterprises set up abroad which has already been taxed in the source country may be entitled to have the foreign tax levied on that income credited against his liability, with a cap equivalent to 32 % of the gross dividends or profits. This credit must be computed into the tax basis. Foreign taxes paid in excess of the cap, which cannot be used as a tax credit, are allowed as a deduction from taxable income. The foreign tax is credited against First Category tax (21%) and the balance against the Additional or Complementary taxes.

Foreign tax on income from agencies or permanent establishments that Chilean enterprises have set up abroad, or other income such as those produced for trademarks, patents and technical assistance, will only be able to be credited against First Category tax up to the 21% on the foreign income. In these last cases, the remainder of the credit can be used in next exercises.

The credit will be up to a 35% rate on any kind of income subject to First Category tax from countries that have a double taxation treaty with Chile in which a credit has been agreed. This means that 21% is creditable against the 21% First Category tax and the balance against the Additional or Complementary taxes. The part of the foreign income taxes that cannot be used as a tax credit is allowed as a deduction from taxable income.
Law 19.840, published in the Official Gazette on 23 November 2002, allows foreign investors to establish Chile as a base for their investments into third countries.

That law states special regulations (Article 41 D) to publicly traded corporations and closely held corporations ruled by the regulations of the former, constituted in Chile and in accordance with Chilean laws, incorporated with foreign capital permanently owned by partners or shareholders not domiciled nor resident in Chile, nor in countries or territories that are considered tax haven jurisdictions, or harmful preferential tax regimes. The same tax treatment will be applicable to non-domiciled or resident shareholders of said companies for remittances and distribution of profits or dividends obtained from them and from partial or total repatriations of capital, as well as for the capital gains obtained from the disposal of shares in companies ruled by the abovementioned Article 41D.

According to that article, such companies are not considered as domiciled in Chile for the purposes of the Chilean Income Tax Law and, therefore, they will only pay taxes in the country on their Chilean source income.

The line of business of the aforementioned companies must be the investment in Chile and abroad and the capital contributed by the foreign investor must have a foreign source. The regulations related to the bank secrecy will not be applied to them.

Expenses incurred in approved training plans for personnel, up to 1% of the yearly payroll, is allowed as credit against the First Category income tax.

Immovable property tax will be creditable against the First Category tax only if paid by the owner or usufructuary of agricultural land or if the entire property was leased for an annual rent exceeding 11% of the cadastral value. That restriction is not applicable to corporations. Construction companies and real estate companies may credit property tax paid on immovable property they have built to be sold.

D. CORPORATE GROUPS

For tax purposes, consolidation of affiliated companies is not allowed. Losses can only be offset against profits of the same company.

E. RELATED PARTY TRANSACTIONS

Charges from foreign affiliates or head offices are only allowable for specific items related to the local company or branch. A pro-rata allocation of the foreign entity's expenses is not generally acceptable for tax purposes (see under 'Royalties' above).

F. WITHHOLDING TAXES

PROFIT REMITTANCES, WITHDRAWALS OR DISTRIBUTIONS

Profit remitted, withdrawn or distributed to investors not domiciled or resident in Chile is subject to a withholding tax. Dividends paid to the shareholders not domiciled or resident in Chile are subject to Additional tax on distribution at a rate of 35%. However, if the distributed amounts had been subject to First Category tax, a 21% credit is given against the Additional tax. The additional tax must be withheld by the corporation. The same tax procedure is applicable on remittances of profit to partners or profit withdrawn by individuals not domiciled or resident in Chile.

THE 42% ALTERNATIVE

Foreign investors that have a Decree Law 600 contract subscribed with the State of Chile and have chosen the 42% rate are subject to the 21% First Category tax (payable by the branch or subsidiary) and a 21% additional tax on the same tax base when profits or dividends are remitted. Thus, the total theoretical tax burden is 42% on pre-tax income instead of the 35% currently paid under normal taxation. The investor who has opted for the 42% invariable rate can elect at any time to be taxed at the normal rates. This election is irrevocable. Decree Law 600 has been abrogated with effect

beginning 2016, and it will be replaced with a new regulation.

PAYMENTS ABROAD

Other payments to a non-resident not domiciled in Chile are subject to an Additional withholding tax as follows:

Royalties	30%
Royalties paid abroad for patents of invention, industrial designs, new vegetal varieties, software and other specific cases	15%[1]
Engineering and technical jobs	15%[2]
Professional and technical services	15%[2]
Other services paid abroad	35%
Interest to foreign entities	35%
Interest to foreign banks	4%
Interest to foreign related banks, on the part of the loans that exceeds three times the equity	35%
Marine freight (exemptions on the basis of reciprocity)	5%
Insurance premiums to foreign insurers	22%
Reinsurance premiums to foreign insurers	2%
Individuals who carry out scientific, cultural or sports activities in Chile	20%

1 The rate is 30% when the creditor or beneficiary of the remuneration is incorporated, domiciled or resident in a country considered as tax havens or negative preferential fiscal regimes by the OECD and included in a list by the Chilean Government. This rate is also applicable when the beneficiary owns or participates 10% or more of the capital or profits of the debtor, or beneficiary and debtor of the remuneration are, directly or indirectly, under a common owner that owns 10% or more of the capital or profits of both.

2 The rate is 20% in the same situations described in note 1 above.

G. PERSONAL TAX

All individuals, domiciled or resident in Chile, are subject to taxes on income whatever its source. Non-domiciled or non-resident individuals in Chile are subject to taxes on their Chilean-source income. For tax purposes, a person is deemed to be non-resident when staying in Chile less than six months in two consecutive tax years.

During the first three years of residence in the country, foreigners who establish domicile or residence in Chile pay income taxes only on their Chilean-source income. This term may be extended by the tax authorities for an additional three years after which they are taxed on their worldwide income.

All remuneration for personal services as well as income derived from other services is included in gross income. All forms of remuneration are included in taxable salary. The only deduction is for social security contributions.

Such items as reimbursement of travel expenses, housing provided for the sole interest of the employer, moving expenses, and reasonable relocation allowances are considered non taxable income and are excluded from the tax calculation. Such items as cost of living allowance, area allowance, car allowance, vacation travel, and utilities are taxable.

Capital gains of individuals are treated as any normal income, subject to First Category tax and Complementary Tax. However, certain capital gains, when they do not represent customary operations, or, in other terms, when they are occasional, and provided that the goods or rights have been held at least one-year, are exempt from all taxes up to the restated acquisition price. As an example, if shares were acquired at 100 and, between the acquisition date and the date of selling, there has been 6% inflation up to 106, there is no tax whatsoever. Nevertheless, any excess over the restated acquisition price is taxed with the 21% First Category tax as a sole tax (see conditions in paragraph "First Category Tax" letter a)).. No Complementary Tax or Additional tax is applicable in this case.

Necessary business expenses incurred on behalf of others are reimbursable and exempt from taxes, provided that they are duly proven. Professionals can deduct their effective expenses or standard deduction.

The only deductible non-business expenses are social security contributions, on a

voluntary basis where maximum amounts are determined in the same way as it is applicable to employees. (Employees must pay a variable percentage for pension plans of around 12% and 7% for health insurance, applicable on a maximum of up to 73,2 Development Units (US $ 3,000.) On a voluntary basis, employees are allowed to make additional contributions to the pension fund of up to 50 Development Units (US $ 2,100), also deductible from salaries for tax purposes.

Tax computation for individuals varies depending on the type of income. Basically, the following categories exist:

(1) Professionals – working as independent consultants must compute all their yearly income less the expenses necessary to produce such income or presumed expense of up to 30% of the annual gross income with a top limit equivalent to 15 yearly tax units (US $ 12.800). They can also deduct the social security contributions with equal caps applicable to employees.
(2) Employees – taxable income is the salary minus social security contributions either mandatory or voluntary (see 'H. Personal tax' above). No other deductions from taxable income are allowed. The tax applicable is the Sole Second Category income tax, mandatorily withheld by the employer on a monthly basis.
(3) Combined income – income received by individuals such as dividends, profits in partnerships or derived from personal business is subject to complementary tax. In the case of dividends and profits distributed by a First Category taxpayer, the individual has a 21% credit originated in the payment of the First Category tax. In the case of employment income, the individual has a credit for the payment of the Sole Second Category income tax.
(4) Professionals and employees domiciled or resident in Chile subject to Sole Second Category tax or Complementary Tax have a credit equivalent to foreign tax levied on their income they have made from countries that have a double taxation treaty with Chile as professionals or employees. There is a cap of 35% on the gross foreign income.

H. TREATY AND NON-TREATY WITHHOLDING TAX

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Chile has signed treaties to avoid double taxation with Mexico, Canada, Republic of Korea, Norway, Brazil, Ecuador, Peru, Spain, Poland, United Kingdom, Denmark, Croatia, Sweden, New Zealand, France, Malaysia, Ireland, Paraguay, Portugal, Colombia, Belgium, Switzerland, Thailand, Russia and Australia. Chile has also signed treaties with the United States of America, South Africa and Austria although they are not yet effective at the time of publication.
Chile has signed several agreements for the avoidance of double taxation of income from international shipping and/or air transport. Some of the agreements were concluded by means of an exchange of diplomatic notes. The agreements are the following:

Country	Signed	Effective
Argentina (air and shipping)	25 January 1949	Yes
Costa Rica (air transport)	06 April 1999	Yes
France (air transport)	21 July 1978	Yes
Germany (shipping transport)	23 June1953	Yes
Germany (air transport)	11 September 1978	Yes
Panama (air transport)	25 April 2001	Yes
Singapore (shipping)	25 November 1993	Yes
Switzerland (air transport)	1 June 2007	Yes
United States (air transport)	04 February 1994	Yes
Uruguay (air transport)	27 February 1997	Yes
Venezuela (air and shipping transport)	10 October 1990	Yes

I. TAX REFORM

On September 29, 2014 the Income Tax Law was deeply changed affecting the regulations applicable to taxpayers, which it will be in force gradually from 2014 on. Following are some of the main changes and the year they will be applicable:

a) Changes will affect mainly enterprises determining the income tax considering the results of financial statements based on full accounting records. One of the main changes is the co- existence of two tax systems affecting profits make by the enterprises from January 1th, 2017 on, for which they will have the opportunity to choose. These systems will affect the owners as well, that is, stockholders, partners

and individual entrepreneurs subject to personal income tax on such profits (Global Complementary Tax or Additional Tax, as the case may be). Following are the new tax systems:

- The owners can fully use the corporative tax (First Category) paid on the annual profits as a credit against their personal income tax. The owners must include such profits in their own income tax return, regardless they have been distributed by the company (Attributed income system).
- The owners can partially use (65%) the corporative tax (First Category) paid on the annual profits as a credit against their personal income tax. They must include in their own income tax return only the profits distributed by the companies and the correspondent credit (Partially integrated system). The restriction in the use of the corporative tax as a credit will not be applicable to investors domiciled or resident in those countries that have subscribed a convention to avoid the double taxation on the income with Chile, granting a tax credit equivalent to the First Category tax to avoid or reduce the double taxation, or the convention has other clause producing the same effect.

b) First Category Income Tax Rates

Year	%
2014	21
2015	22,5
2016	24

Attributed Income System

2017 on	25%

Partially Integrated System

2017	25,5%
2018 on	27

c) Article 21 Sole Tax on disallowed expenses and other items
The rate of this tax increases from 35% to 40% from 2017 on.

d) First Category Sole Tax
This sole tax on income has been abrogated with effects since 2017, and the capital gains and other profits will be subject to general tax regime

e) Some foreign income is taxable in Chile not only when it is received but also accrued. Profit consisting in passive income (interests, dividends, etc.) received or accrued by foreign entities controlled by Chilean taxpayers o patrimonies, must be considered by the Chilean taxpayers either the profit is received or is only accrued. The taxable profit of the foreign entity is determined applying the Chilean tax regulations (in force since 2016)

f) Value Added Tax
The customary sales of real states (except the ground) will be subject to VAT from 2016.

CHINA

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BASIC FACTS

Full name:	People’s Republic of China
Population:	1.36 billion (2013, PRB)
Capital:	Beijing
Largest city:	Shanghai

Major language:	Mandarin Chinese
Major religions:	Buddhism, Christianity, Islam, Taoism
Monetary unit:	1 Renminbi (yen) = 10 jiao = 100 fen
Internet domain:	.cn
International dialling code:	+86
State Administration of Taxation website:	www.chinatax.gov.cn

KEY TAX POINTS

- Domestic and foreign enterprises (foreign invested enterprises or FIE's) are taxed at a rate of 25% (subject to a small profits rate of 20%).
- There is no separate tax on capital gains.
- A land value appreciation tax applies to transfers of land use rights.
- Business Tax (BT) is levied at rates from 3% to 20%. Various industries are transitioning from BT to Value Added Tax (VAT) under the VAT Pilot Program. BT is generally levied on gross turnover and no tax credit is allowed for taxes paid on business inputs.
- The VAT rate is 17% for most taxable goods. A reduced tax rate of 13% is available for specified goods that are mainly agricultural and utility items. For general VAT payers, input VAT incurred can be utilized to offset the output VAT. Taxpayers engaged in small scale business are subject to VAT at a special rate of 3%.
- Stamp tax is levied on a variety of contracts.
- Foreign enterprises may claim tax credits for corporate income taxes suffered in other countries, but restricted to the Chinese tax payable on the foreign income.
- Individuals are taxed on wages/salaries and business income at progressive rates.
- Subject to any double taxation treaty, dividend, interest, rent and royalty payments are liable to withholding tax at 10%.

A. TAXES PAYABLE

ENTERPRISE INCOME TAX (EIT)

The passage of the Enterprise Income Tax Law ('the New Law') on 16 March 2007 unified the income tax rate for domestic enterprises and foreign invested enterprises (FIEs) and streamlined tax incentives effective from 1 January 2008. All FIEs (i.e. Sino-foreign joint ventures and wholly owned foreign enterprises) and foreign enterprises (FEs) with or without establishments in China are now taxed at the same rate as domestic enterprises. EIT is charged at the rate 25% on taxable profits in a calendar year.

Subject to a preferential tax rate of 20% for qualified enterprises with small profits, both domestic companies and FIEs will be assessed at a unified tax rate of 25%.

All FIEs (and those FEs having their effective management in China) are subject to EIT on their worldwide profits. FEs with permanent establishments (PEs) in China are subject to EIT on profits derived from the PEs. FEs without PEs in China are subject to EIT on China-source income only.

The New Law introduces a wider concept of management in determining tax residency. A company will be recognised as a Chinese tax resident if it is incorporated in China or its place of effective control and management is in China.

The tax year in China is the calendar year (ie year ended 31 December).

Anti-tax avoidance has been stressed since 2008. China's State Administration of Taxation (SAT) issued the circular Guoshuihan [2009] No. 698 (Circular 698) in 2009, a transfer of a foreign company that holds the equity interest in an underlying China Tax Resident Enterprises (TREs) ('offshore indirect equity transfer') may be subject to China EIT, if the arrangement is considered as an abusive use of company structure without reasonable commercial purpose.

In September 2014, SAT formally announced that the Base Erosion and Profit Shifting (BEPS) project was a "worldwide campaign on tax-substance alignment" and set forth their general positions and action plans to address BEPS issues in China.

BRANCH PROFITS TAX

There is no separate branch profits tax.

CAPITAL GAINS TAX

There is no separate tax levied on capital gains. Capital gains are subject to EIT as ordinary income. In addition to EIT, any gain realised on the transfer of immovable

properties or land use rights is subject to land value appreciation tax (LVAT).

LAND VALUE APPRECIATION TAX

LVAT applies to domestic enterprises, FIEs, FEs and individuals realising gains from the transfer of land use rights, buildings and premises and associated structures. LVAT is charged at progressive rates ranging from 30% to 60% depending on the percentage gain realised from the transfer of land use rights, buildings or associated structures.

TURNOVER TAXES

VALUE ADDED TAX (VAT)

VAT is levied on the invoiced amount in respect of selling, transferring or importing of commodities, provision of repairs and processing services in China. The VAT rate is 17% for most taxable goods. A reduced tax rate of 13% is available for specified goods that are mainly agricultural and utility items. For general VAT payers, input VAT incurred can be utilized to offset the output VAT. Taxpayers engaged in small scale business are subject to VAT at a special rate of 3%.

A small scale business is broadly defined as one with an annual turnover of less than RMB 0.5m or a retailer or wholesaler whose annual turnover does not exceed RMB 0.8m. However, businesses taxed at these rates are not entitled to claim any input VAT paid to set off against the output VAT.

Generally, export goods are exempt from VAT. Commodities sellers, service providers and importers are the tax collection agents.

A VAT refund may be available in an export situation. Exports generally attract a zero rate of VAT (i.e. zero output VAT on export with a refund of input VAT incurred on goods purchased locally for export of goods. However, as the VAT refund rate ranges from 0% to 17%, generally taxpayers could not enjoy a full refund of input VAT

Under the VAT Pilot Program (which will be mentioned below), the zero rate may be applied to research, development and design services provided to foreign entities and international transportation services, while qualifying cross border services may be VAT exempt. Input VAT incurred in the zero-rated services may be refunded, while it is unrecoverable for VAT-exempt services.

VAT PILOT PROGRAM

In order to mitigate the multiple taxation issue associated with goods and services and to support the development of “modern service industries” in China, the State Council has introduced a series of VAT Pilot Program to expand the scope of VAT to cover certain kinds of industries and services that were originally chargeable under Business Tax (BT).

The VAT Pilot Program launched in Shanghai in 2012 and has been introduced in other cities and provinces progressively. The State Council has been implementing the VAT Pilot Program nationwide in line with the targets set out within China’s 12th Five Year Plan.

The industries covered in the VAT Pilot Program are: transportation services; Research, development, and technical services; Information technology services; cultural creative services; logistic auxiliary services; certification and consulting services; railway transportation services; postal services; telecommunication services and tangible movable property leasing services. The applicable VAT rates range from 6% to 17%. Small scale business in the above industries is subject to a VAT rate of 3%.

The reform is expected to be rolled out to more service sectors (e.g. financial services, etc.) by the anticipated completion of the reform (end of 2015).

BUSINESS TAX (BT)

BT ranging from 3% to 20%. With various industries transitioning from liability to BT to liability to VAT under the VAT Pilot Program, BT is only imposed on the sales of immovable property and land use rights and a few service income (e.g. construction, financial, hoteling and catering, insurance, entertainment, etc.) taking place within China. BT is generally levied on gross turnover and no tax credit is allowed for taxes paid on business inputs.

As above, the State Council introduced the VAT pilot program to reform the indirect tax. Those industries listed in previous session are subject to VAT instead of BT. The VAT pilot program has been extended throughout China since 1 August 2013.

CONSUMPTION TAX (CT)

CT is imposed on 16 categories of consumable or luxury goods (e.g. cigarettes, alcohol, petrol and motor vehicles). CT rates range from 1% to 56%. Certain products

are taxed at a fixed amount based on quantity. Part collection of this tax has been shifted to the retailer and is levied by the tax authorities of the retailer's site. Battery and paint has been levied CT from 1 February 2015.

FRINGE BENEFITS TAX
No separate fringe benefits tax is levied in China.

REAL ESTATE TAX (RET)
RET is imposed on owners, users or custodians of houses and buildings. RET is imposed at a flat rate of 12% on rental income of the leased property or at the rate of 1.2% on the purchase cost of self-used property. A discount of 10% to 30% on the purchase cost is often offered by some local governments in determining the RET. The tax also applies to FIEs, FEs and foreign individuals. RET is deductible for EIT purposes.

SOCIAL INSURANCE CONTRIBUTIONS
FIEs are required to contribute to social security insurance (including pension, medical, unemployment, work-related injury, child bearing) and housing funds (in certain cities) every month for their employees in China.

STAMP TAX (ST)
ST is levied on various contracts including purchase and sale contracts, property leasing, loan contracts, documents for the transfer of property rights, engineering and design contracts, construction and installation, commodity transportation, storage and property insurance contracts. Tax rates range from 0.005% to 0.1%. A fixed amount of RMB 5 is charged on certificates evidencing rights, patents, trademarks, and licenses.

DEED TAX (DT)
DT is imposed on the transferee or assignee to which land use rights or building ownership rights are transferred (sales, exchange or gifts). The tax rate ranges from 3% to 5% depending on the location of the property. The transferee or the assignee is the taxpayer.

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B. DETERMINATION OF TAXABLE PROFIT

The taxable profit of a FIE is calculated as 'taxable gross income less deductible costs, expenses and losses incurred in a tax year'. It is normally calculated in accordance with audited accounts prepared on an accrual basis subject to tax adjustments by reference to the prevailing tax regulations.

DEPRECIATION
Fixed assets under the New Law mean the non-monetary assets owned and used by FIEs for over 12 months in production or business operations. Fixed assets are depreciable on a straight-line basis over their useful lives. In exceptional circumstances, accelerated depreciation method may be granted to the enterprise upon approval from the Chinese tax authorities. Under the New Law, enterprises shall, in terms of the nature and operating conditions of the fixed assets, reasonably evaluate the new residual value of the fixed assets.

The minimum depreciation periods for various kinds of assets are as follows:		Years
(a)	For houses and buildings	20
(b)	For airplanes, trains, ships, machinery and other production facilities	10
(c)	For apparatus, tools and furniture and fittings in connection with production / business operations	5
(d)	For transportation facilities other than airplanes, trains and ships	4
(e)	For electric equipment	3
(f)	For production-nature biological assets in the nature of forestry	10
(g)	For production-nature biological assets in the nature of livestock	3
(h)	For acquired software (subject to approval)	2

Amortisation of intangible assets
Intangible assets, including technical know-how, patents and trademarks, can be amortised using the straight-line method over a period of not less than ten years or the stipulated time limit as set out in the acquisition agreement. Formation expenses can be deducted on a lump sum basis in the year in which the enterprise commences business operations or amortised as a long term prepaid expenditure stipulated under the New Law.

RESEARCH AND DEVELOPMENT (R&D)
R&D expenses incurred for new and high technology, new products or new

craftsmanship can enjoy an extra 50% super-deduction of the actual expenses incurred as a tax incentive after approval by the relevant tax bureau.

STOCK/INVENTORY

Inventory is to be valued at cost and the acceptable allocation methods include first-in, first-out (FIFO), weighted average, or specific identification basis. The last-in, first-out (LIFO) basis is not acceptable for tax purposes. The method chosen must be applied consistently.

MANAGEMENT FEES

Management fees paid by an FIE to its associated enterprises overseas are generally not tax deductible. However, fees paid to an overseas head office in the course of production and business charged at arm's length basis may be allowed for tax deduction subject to the approval of the Chinese tax authorities. Other payments to associates, such as royalties, are also tax-deductible on the condition that they are charged at arm's length and approved by the Chinese tax authorities. Withholding tax is applicable on these payments.

Under the New Law, there is a Cost Sharing Agreement (CSA) for joint development of intangible assets and sharing of services. Under the CSA, the principle of matching costs with expected benefits shall be followed. The required information as specified by the tax authorities shall be filed with the tax authorities within the prescribed period.

LOSSES CARRYOVERS

Operating losses cannot be carried back but they can be carried forward for up to five years.

TAX INCENTIVES

China currently offers different forms of tax incentives at different levels to attract foreign investments. The major types of incentives offered to FIEs are outlined below.

Production enterprises

Under the old law, FIEs engaged in manufacturing businesses with an operating period of not less than ten years were entitled to tax holidays from EIT. The tax holidays normally covered a period of two years of full exemption followed by three years at half the EIT rate. The tax holidays commenced from the first profit-making year (ie the year in which a profit is shown after all prior years' allowable tax losses have been utilised). Many cities would also waive the 3% local surtax.
The New Law repeals this type of tax holiday for production enterprises. The remaining holiday will be grandfathered.

TECHNOLOGICALLY ADVANCED ENTERPRISES (TAE)

Under the old law, a TAE with an operating period of not less than ten years and located in a Hi-Tech Industry Development Zone designated by the State Council could apply for two years of full exemption from EIT starting from the first profit-making year.
A FIE which remains as a TAE upon the expiration of the normal tax holiday as described above could further enjoy (subject to approval) the half EIT rate for the next three years. The minimum reduced tax rate was 10%.

The New Law repeals the extended three-year tax rate reduction. The remaining holiday will be grandfathered provided that the enterprise qualifies as a New / High Technology Enterprise (NHTE) under the new introduction of application requirements set in Guokefahuo No. 172 and Guokefahuo No. 362 issued in 2008.

For new applications, if the enterprise is qualified as NHTE, it can enjoy a reduced EIT rate of 15%. For the NHTE newly established after 1 January 2008 and located in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong, it can also enjoy an exemption from EIT for the first two years, followed by three years of 50% reduction of EIT starting from the first income generating year.

SPECIFIED BASIC INFRASTRUCTURE

Enterprises engaged in basic infrastructure such as harbours, wharfs, airports, railways, highways, city public transportation, electric power and water resources utilisation projects can enjoy a '3+3 years' tax holiday which means, starting from the first income generating year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

ENVIRONMENTAL PROTECTION PROJECTS

Enterprises engaged in environmental protection projects and energy/water conservation projects such as public sewage treatment, public refuse treatment, comprehensive development and utilisation of methane, technologies alteration for energy-saving and emission reduction and seawater desalination projects can also enjoy a '3+3 years' tax holiday. This means, starting from the first income generating

year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

QUALIFIED TECHNOLOGY-ADVANCED SERVICE ENTERPRISES ESTABLISHED IN 21 CITIES

From 1 January 2014 to 31 December 2018, qualified technology-advanced service enterprises in 21 cities (such as Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen) qualify for a reduced EIT rate of 15%.

SOFTWARE PRODUCTION ENTERPRISES

Software production enterprises can enjoy a reduced EIT rate of 15% and '2+3 years' tax holiday which means, starting from the first profit-making year, two years of exemption from EIT followed by three years of 50% reduction of EIT.

SMALL-SCALE ENTERPRISE

EIT rate shall be reduced to 20% for small-scale enterprises if they meet the following criteria:

- For industrial enterprises, the annual taxable income does not exceed RMB 300,000; the number of staff does not exceed 100; and the total assets do not exceed RMB 30,000,000.
- For other enterprises, the annual taxable income does not exceed RMB 300,000; the number of staff does not exceed 80; and the total assets do not exceed RMB10,000,000.
- For the period from 1 January 2015 to 31 December 2017, enterprises having annual taxable income not exceed RMB 200,000 can enjoy a 50% deduction on calculating the taxable income and subject to a 20% of EIT rate.

C. FOREIGN TAX RELIEF

FIEs can claim tax credits for corporate income taxes paid by them or their branches in other countries. However, the amount of tax credit is restricted to the Chinese tax payable on the foreign income as calculated according to the EIT law.

D. CORPORATE GROUPS

There are no group relief provisions in Chinese tax law.

E. RELATED PARTY TRANSACTIONS

All companies should conduct business with their associated companies on an arm's length basis. The Chinese tax authorities are empowered to disregard, vary or make any necessary adjustments to the arrangements that are carried out for tax avoidance purposes.

TRANSFER PRICING

Guoshuifa[2009] No. 2 imposes transfer pricing documentation requirements. Specific information must be submitted to the tax bureau together with the enterprise's annual income tax returns or subsequently in the course of a transfer pricing audit. Interest will be payable in respect of any late tax payments arising from a transfer pricing adjustment.

China adopts stringent requirements on the related party transactions disclosure and taxpayers have to disclose related party transactions in Related Party Transaction Forms. The acceptable transfer pricing methods are Comparable uncontrolled price (CUP); Resale price method (RPM); Cost-plus method (CPM); Transactional net margin method (TNMM); Profits split method (PSM); and other methods that are consistent with the arm's length principle approved by the in charge tax authorities.

Enterprises with aggregate related party transactions exceeding (1) RMB 200 million of related party purchase or sale transactions or (2) RMB 40 million of other kinds of transactions such as intangibles, services and interest from financing transactions must prepare contemporaneous documentation on an entity level on or before 31 May of the year following the year in which the related party transactions took place and within 20 days on tax authorities' request.

F. WITHHOLDING TAXES

The withholding tax rate for the payment of dividends, interest, royalties and rent from a Chinese source to a non-resident recipient is 10% (subject to treaty rate).

G. EXCHANGE CONTROL

Foreign currency transactions are controlled by the State Administration of Foreign

Exchange Control and its branch offices. Financial institutions cannot engage in foreign exchange business without prior approval.

H. PERSONAL TAX

Under the Individual Income Tax (IIT) Law, IIT is assessed as follows.
Wages and salaries
With effect from 1 September 2011, IIT rates for wages and salaries are taxed at progressive rates from 3% to 45% as follows:

Monthly taxable income[a]	Tax rate	Quick calculation deduction
(Applicable to the employee whose IIT is borne by themselves)		(QCD)
(RMB)	(%)	(RMB)
0–1,500	3	0
1,501–4,500	10	105
4,501–9,000	20	555
9,001–35,000	25	1,005
35,001–55,000	30	2,755
55,001–80,000	35	5,505
80,001 or above	45	13,505

(a) Monthly taxable income = salaries/wages/allowances – fixed monthly deduction.

Notes
(a) Monthly tax payable = [(taxable income × tax rate) – quick calculation deduction].
(b) Personal fixed monthly deduction to individual Chinese taxpayer is RMB 3,500.
(c) Those taxpayers who are not domiciled in China but derive wages and salaries from sources in China are entitled to a total statutory deduction of RMB 4,800 per month.

BUSINESS INCOME

Net income derived from production and business operations by individuals (i.e. annual gross income less business costs, expenses and losses) shall be taxable at the following rates:

Annual taxable income	Tax rate	QCD
(RMB)	(%)	
0–15,000	5	0
15,001–30,000	10	750
30,001–60,000	20	3,150
60,001–100,000	30	9,750
100,001 or above	35	14,750

OTHER TAXABLE INCOME FOR IIT PURPOSE

(a) Net income derived from remuneration for labour services will be taxed as follows:

Taxable income	Tax rate	QCD
Less than 20,000	20	0
20,000 to 50,000	30	2,000
50,001 or above	40	7,000

(b) Gross income derived from interest, dividends and bonuses, or contingency income and other income.
Such income is taxed at a flat rate of 20%.

I. TREATY WITHHOLDING TAX RATES

The Mainland Chinese Government has signed tax treaties with more than 100 countries / regions. The following table summarises the withholding tax rates applicable to dividends, interest and royalties as provided by the double taxation agreements concluded by Mainland China government with some major countries and regions.

	Dividend[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Non-treaty countries:	10	10	10	10
Treaty countries:				
Albania	10	0/10	10	10
Algeria	5/10	0/7	10	10
Armenia	5/10	0/10	10	10
Australia	15	10	10	10
Austria	7/10	0/7/10	10	6
Azerbaijan	10	0/10	10	10
Bahrain	5	0/10	10	10
Bangladesh	10	0/10	10	10
Barbados	5/10	0/10	10	10
Belarus	10	0/10	10	10
Belgium	5	0/10	7	7
Bosnia and Herzegovina	10	10	10	10
Brazil	15	0/15	15/25	15/25
Brunei	5	0/10	10	10
Bulgaria	10	0/10	10	7
Canada	10/15	0/10	10	10
Croatia	5	0/10	10	10
Cuba	5/10	0/7.5	5	5
Cyprus	10	10	10	10
Czech Republic	5/10	0/7.5	10	10
Denmark	5/10	0/10	10	7
Ecuador	5	0/10	10	10
Egypt	8	0/10	8	8
Ethiopia	5	0/7	5	5
Estonia	5/10	0/10	10	10
Finland	10	0/10	10	7
France	5/10	0/10	10	10
Georgia	0/5/10	0/10	5	5
Germany4	10	0/10	10	7
Greece	5/10	0/10	10	10
Hong Kong	5/10	0/7	7	7
Hungary	10	0/10	10	10
Iceland	5/10	0/10	10	7
India	10	0/10	10	10
Indonesia	10	0/10	10	10
Iran	10	0/10	10	10
Ireland	5/10	0/10	10	6
Israel	10	7/10	10	7
Italy	10	0/10	10	7
Jamaica	5	0/7.5	10	10
Japan	10	0/10	10	10
Kazakhstan	10	0/10	10	10
Korea	5/10	0/10	10	10
Kuwait	0/5	0/5	10	10
Kyrgyzstan	10	0/10	10	10
Laos	5	0/5/10	5/10	5/10
Latvia	5/10	0/10	10	7

	Dividend[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Lithuania	5/10	0/10	10	10
Luxembourg	5/10	0/10	10	6
Macau	5/10	0/7/10	7	7
Macedonia	5	0/10	10	10
Malaysia	10	0/10	10/15	10
Malta	5/10	0/10	10	7
Mauritius	5	0/10	10	10
Mexico	5	0/10	10	10
Moldova	5/10	0/10	10	10
Mongolia	5	0/10	10	10
Morocco	10	0/10	10	10
Nepal	10	0/10	15	15
Netherlands	5/10	0/10	10	6
New Zealand	15	0/10	10	10
Nigeria	7.5	7.5	7.5	7.5
Norway	15	0/10	10	10
Oman	5	0/10	10	10
Pakistan	10	0/10	12.5	12.5
Papua New Guinea	10/15	0/10	10	10
Philippines	10/15	0/10	10/15	10
Poland	10	0/10	10	7
Portugal	10	0/10	10	10
Qatar	10	0/10	10	10
Romania	10	0/10	7	7
Russia[5]	10	0/10	10	10
Saudi Arabia	5	0/10	10	10
Serbia	5	0/10	10	10
Seychelles	5	0/10	10	10
Singapore	5/10	0/7/10	10	10
Slovakia	10	0/10	10	10
Slovenia	5	10	10	10
South Africa	5	0/10	10	7
Spain	10	10	10	6
Sri Lanka	10	0/10	10	10
Sudan	5	0/10	0/10	10
Sweden	5/10	0/10	10	6
Switzerland	5/10	0/10	9	9
Syria	5/10	0/10	10	10
Tajikistan	5/10	0/8	8	8
Thailand	15/20	0/10	15	15
Trinidad and Tobago	5/10	0/10	10	10
Tunisia	8	0/10	5/10	10
Turkey	10	0/10	10	10
Turkmenistan	5/10	0/10	10	10
Ukraine	5/10	0/10	10	10
United Arab Emirates	0/7	0/7	10	10
United Kingdom	5/10/15	0/10	10	6
United States of America	10	0/10	10	7
Uzbekistan	10	0/10	10	10

	Dividend[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Venezuela	5/10	0/5/10	10	10
Vietnam	10	0/10	10	10
Zambia	5	0/10	5	5

1 There are certain shareholding requirements for enjoying reduced withholding tax rates in China.
2 Exemption of interest from withholding tax generally applies in the following situations:
(i) interest on loans made by international financial organisations at a preferential rate to the Chinese government or resident enterprises; or
(ii) interest on loans made by foreign governments to Chinese government.
A lower withholding tax rate may apply to interest paid by an enterprise in China to a foreign enterprise without establishments in China.

3 The rates of withholding tax on royalties for the use of industrial, commercial or scientific equipment is 10% and the taxable income is generally taken to be 60% or 70% of the gross amount of remittance depending on the location of the FIEs. Accordingly, the effective withholding tax rate is 6% or 7% as shown above.

4. A new comprehensive double taxation agreement between Germany and the People's Republic of China was signed in Beijing on 28 March 2014 but is not yet in force until both countries have completed their legislative procedures. Once the provisions of the agreement are in force, the rates of withholding tax on royalties for the use of industrial, commercial or scientific equipment is 10% and the taxable income is generally taken to be 60%. Accordingly, the effective withholding tax rate will be 6%.

Withholding tax on dividends may also be reduced to 5% if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends.

5. A new comprehensive double taxation agreement between Russia and the People's Republic of China was signed in Beijing on 13 October 2014 but is not yet in force until both countries have completed their legislative procedures. Once the provisions of the agreement are in force, the rates of withholding tax on interest is 5% and royalties is 6%.

Withholding tax on dividends may be reduced to 5% if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends and this holding amounts to at least Euro 80,000 or its equivalent in any other currency.

COLOMBIA

MEMBER FIRM

City	Name	Contact Information
Bogotá	Cristóbal Uribe	+571 2087500 ucristobal@amezquita.com.co

BASIC FACTS

Full name:	Republic of Colombia
Capital:	Bogotá
Main languages:	English, Spanish and 68 ethnic languages and dialects.
Population:	47,938,081 (Jan 2015 estimate)
Major religion:	Christianity
Monetary units:	Colombia Peso (COP)
Internet domain:	.co
Int. dialling code:	+57

KEY TAX POINTS

- Companies resident in Colombia are subject to corporate income tax at a rate of 25% on their worldwide income (a reduced 15% rate applies in the 'free-trade zone' areas).
- Capital gains are taxed as ordinary income (there are some exemptions however,

such as gains from lotteries and similar sources that may be subject to special taxation).

- Value Added Tax (VAT) is levied at a standard rate of 16% on taxable supplies of goods and services by a taxable person within Colombia and on the importation of goods into Colombia by any person. 5% VAY applies to staples products and 0% is applied to exempt services and goods.
- There is no concept of group relief for Colombian tax purposes.
- Special tax incentives are provided to investors in certain specified industries such as agricultural plantations, creation of hotels (new and remodeled), and national production of software.
- There are a number of 'free-trade zones' and 'special import-export systems' which provide duty-free entry of capital goods and materials to be used in the production goods for exportation.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The following are the most important taxes that apply in Colombia.

INCOME TAX

Companies resident in Colombia are subject to corporate income tax on their worldwide income. Resident corporations are those organised under Colombian law and those foreign companies that have a branch in Colombia. Permanent establishments are also submitted to income tax. The tax rate is 25%. A reduced 15% rate applies in the 'free-trade zone' areas.

A minimum presumptive base of 3% on fiscal equity is applied.

Latest tax Law 1739 of 2014 (tax reform from December 23, 2014) increased the rate to foreign entities not domiciled which develop activities in Colombia and the income is not attributable to branch or permanent establishment to 39%; 40%; 42% and 43% for the years 2015 to 2018, respectively.

CAPITAL GAINS

Capital gains are taxed as ordinary income except for a few types of capital gains that may be subject to special taxation (eg. gains from lotteries and similar sources) or exempt from income taxation.

TAX ON DIVIDENDS

Dividends distributed out of profits that have been previously taxed at the corporate level would be submitted to taxes. They are subject to a withholding tax at the rate of 20% when paid to resident persons and 33% for non-residents.

WITHHOLDING TAX

The following domestic withholding tax rates apply in respect of payments to non-residents on years 2015, 2016, 2017, 2018.

Dividends	39%, 40%, 42%, 43%
Interest	39%, 40%, 42%, 43%
Royalties	39%, 40%, 42%, 43%
Fees and commissions	39%, 40%, 42%, 43%
Consultancy	39%, 40%, 42%, 43%
Technical services and assistance	10%

INCOME TAX FOR EQUITY – CREE

Income tax for Equity – CREE is applied to Resident companies and foreign companies that are income tax payers. The general rate is 9%.
CREE does not apply in free trade zones or for non-profit entities.

SURCHARGE ON INCOME TAX FOR EQUITY – CREE

This surcharge is created for the years 2015, 2016, 2017 and 2018. The tax payers of the surcharge are the same tax payer's of income tax for Equity- CREE, whit a tax base equals or greater than $ 800 million pesos.

The surcharge rate is: 2015 5,0%; 2016 6,0%; 2017 8,0% and 9,0% by 2018.

The surcharge shall be subject to an advance of 100 %, which is calculated on the taxable base of the tax determined in the previous year.

WEALTH TAX

With the enactment of Law 1739 of 2014 this new tax is applied on the possession of

wealth to January 1, 2015, at or above $ 1,000 million pesos.

A new tax called Wealth tax is created; it is an extraordinary tax with a similar previous estate tax structure, considering marginal rates and escalation with progressive reduction.

Applies to legal persons during the years 2015, 2016 and 2017, and for individuals during the years 2015, 2016, 2017 and 2018.

TAX FOR FISCAL NORMALIZATION

Tax for fiscal normalization was created for the years 2015, 2016 and 2017 and it is applied to wealth tax payers who omitted assets and included non-existent liabilities.

The overall rate for 2015 is 10%, for the year 2016 will be 11.5% and for 2017 will be 13%.

VALUE ADDED TAX (VAT)

VAT is applicable on taxable supplies of goods and services by a taxable person within Colombia and on the importation of goods into Colombia by any person.
The general rate of VAT is 16%.
Currently in Colombian there are only three VAT rates as follows: 16%, 5% for staples products and 0% for exempt services and goods.

PROPERTY TAX

Real estate property is subject to municipal taxation.
The tax is usually levied at rates within a band of 1 to 16 per thousand, with reference to the cadastral value of each property. Undeveloped plots of land may be subject to increased tax rates.

VEHICLE TAX

Vehicle possession is subject to municipal taxation. The tax base is the commercial value.

FINANCIAL TRANSACTIONS CONTRIBUTION

A 4 per mil contribution on financial transactions amount is applied. The rate would be reduced since 2019 in 1 per mil each year. In 2022 the contribution would disappear.

CONSUMPTION TAX

This tax is applied on restaurants and bars consumption and some small familiar vehicles. The rate is 8%. Other vehicles apply 16%.

Also is applied on cellular telephony at a 4% rate.

INDUSTRY AND COMMERCE TAX

This is a municipal tax applied for developing commercial, industrial and service activities in a municipality. The tax rate goes from 4.14 per mil to 11.04 per mil, and it is settled according with the activity of the company.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION

Tax deductions are available for reasonable depreciation rates which reflect the normal wear and tear or obsolescence of the property concerned. The straight-line and the declining-balance methods may be used, along with any other method of recognised technical value authorised by the Auditing Assistant Director of the General Direction of National Taxes.

STOCK/INVENTORY

The average, LIFO, FIFO, retail and specific identification methods may be used in order to value inventories and all are accepted for tax purposes as long as the relevant method is recorded in the accounting books.

LOSSES

Losses incurred by a company in a tax year can be carried forward and deducted against ‘liquid income’ in subsequent tax years without time or amount limit.

INTEREST DEDUCTION

Interest is not deductible in full. Income tax payers may deduct an amount not exceeding the average result of a threefold increase in net worth of the previous year end.

FOREIGN SOURCE INCOME

Foreign source income for non-residents is not subject to income tax.

EXPENSES ABROAD
Expenses abroad Colombia that are necessary and related to the activity that generate fiscal income are deductible with a limitation of 15% of taxable base.

DEDUCTION OF TAXES
Only are deductible Industry and commerce tax, property tax and 50% of financial transactions tax.

INCENTIVES
Special tax incentives are provided to investors in certain specified industries such as agricultural plantations, creation of hotels (new and remodeled), and national production of software. There are also a number of 'free-trade zones' and 'special import-export systems' which provide duty-free entry of capital goods and materials to be used in the production goods for exportation.

The law 1429 of 2010 gave the following income tax benefits for new small businesses (natural or legal person), and for inactive enterprises that are reactivated as a result of this law:

a) They do not have presumptive income tax in their first 10 years;
b) They calculate the income tax at reduced rates (progressive rates - starting at 0%,6.25%, 12.5%, 19%, 25%).

C. FOREIGN TAX RELIEF

In most cases, double taxation is relieved unilaterally by granting a foreign tax credit (FTC) against Colombian corporate income tax.
Taxpayers may credit the amount of foreign tax paid on income from abroad, up to a maximum of the Colombian tax applied on the income received from abroad.

D. CORPORATE GROUPS

There is no concept of group relief for Colombian tax purposes.

E. RELATED PARTY TRANSACTIONS

As a general rule, transactions between related parties must be carried out on arm's length principles, i.e. the prices should be the same as those that would be arrived at in comparable transactions with independent parties. The tax authorities may adjust the prices at which the taxpayer acquires or sells goods, as well as the consideration of other transactions, and modify the taxable base or the relevant loss of a taxpayer for income tax purposes.
None of the double taxation agreements between Colombia and other countries reduce the withholding tax rates below the domestic rates.

F. EXCHANGE CONTROLS

Certain foreign currency transactions must be channelled through exchange intermediaries authorised:

- Import of property
- Export of property
- External indebtedness
- Foreign investment in Colombia
- Colombian investment in foreign countries
- Financial investments and fixed assets based in foreign countries
- Endorsements and guarantees
- Derivative transactions

G. TREATY AND NON TREATY WITHHOLDING RATES

Colombia has signed Double Taxation Agreements with Canada, Chile, Spain, Mexico, Switzerland, India, South Korea, Portugal and the countries of the Andean Community. Currently being negotiated treaties to avoid double taxation with Belgium, Holland, France, Germany, Japan and the USA.

H. TAX BENEFITS

With the enactment of Law 1739 of 2014 established a series of tax benefits for all those who for one reason or another have not faced against their tax obligations to the tax authorities essentially have been awarded three benefits:

1. Reconciliation administrative contentious tax, customs and exchange
2. Termination by mutual agreement of tax administrative, customs and exchange
3. Special Conciliation for payment of taxes and contributions, customs duties and penalties

The conditions and requirements for access to each of the benefits are referred to in Articles 55, 56 and 57 of law 1739 of 2014.

COSTA RICA

MEMBER FIRM

City	Name	Contact Information
Costa Rica	Fernando Murillo Marchini	+506 2253-0304 fermur@pkfcostarica.com

BASIC FACTS

Full name:	Republic of Costa Rica
Capital:	San José
Main languages:	Spanish, Mekatelyu, Bribri, Patois
Population:	4,586,353 (2011 census)
Major religion:	Christianity
Monetary units:	Costa Rican Colón (CRC)
Internet domain:	.cr
Int. dialling code:	+506

KEY TAX POINTS

- Companies are taxed at a rate of 10%, 20% or 30% depending on their respective gross revenue. The applicable tax rate is applied to the company's total net income.
- There is no separate capital gains tax in Costa Rica, Gains of a company in certain circumstances are however taxed as part of its income subject to tax.
- There is no Value Added Tax (VAT) in Costa Rica. There is however a Sales Tax of 13% applied to certain goods and service specified under the law, which is paid monthly.
- All the salaries, commissions, bonus and fringe benefits received by an employee are subject to tax at a progressive tax rate (maximum 15%).

C

A. TAXES PAYABLE

COMPANY TAX

Costa Rica's income tax law affects annual revenue from business activities conducted in Costa Rica when any of the causes of such revenue occur within the national territory

Based on the gross income of the period, the taxpayer must select the percentage of tax to be applied to the total net income in the table below.

	Year 2015	Rate(Applies to total net income)
Gross revenue up	¢52.710.000	10%
Gross revenue up	¢106.026.000	20%
Gross income of more than	=¢106.026.000	30%

In Costa Rica, the fiscal year start on October 1 and ends at September 30 of each year, but the subsidiaries of foreign companies can change the fiscal year to the calendar year at the Dirección General de Tributación Directa after their first year of operations.

Also, the companies have to make partial payments of the income tax throughout the year.

CAPITAL GAINS TAX

In Costa Rica we don't have this tax with two exceptions:

If it is not considered a regular activity of the company; for example on the cases of sale of land deemed taxable only if it is the usual activity of the company. If so, then the gain must be reported as income and pay tax according to the previous frame.

When the company sell a depreciable asset: if a building has been subject to depreciation every year is sold, then consider a taxable gain is the difference between the historical value and the sale price.

BRANCH PROFITS TAX

In Costa Rica the branches of foreign companies are subject to the same tax rate

according to the previous frame

SALES TAX / VALUE ADDED TAX
In Costa Rica we have the sales tax but not the value added tax. Our sales tax goes to services and goods established by law that has to pay 13%, this percentage is charged to the final consumer of the goods or services. This sales tax has to be paid by month

FRINGE BENEFITS TAX
All the salaries, commissions, bonus and fringe benefits received forthe employee has to pay taxes in Costa Rica according with this:

	2015	Rate
Up to	¢793.000	Exento
Gross revenue up	¢793.000 hasta ¢1.190.000	10%
Gross income of more than	¢1.190.000	15%

LOCAL TAXES
Costa Rica's income taxes affects the whole national territory equally.

OTHER TAXES
- Municipal Office Taxes: Taxes are paid according to a table and total assets of the company but are the local government (Municipalidades) who impose the payment depending on several factors.
- Corporation Tax: All the mercantile companies has to paid in January this tax. The rates are:
  - a) Active companies at Dirección General de Tributación Directa: ¢201.700 per year ($400 aprox)
  - b) Inactive companies at Dirección General de Tributación Directa: $100.850 (US$200 apox)
- Social Security Tax: These payments that are made monthly by employees and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system and retirement benefits at the national level
- Consumption tax: imposed on the import or domestic manufacture of the goods. The rates are variable and selective, affecting only certain types of goods.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
In Costa Rica we don't have for the time been capital allowances.

DEPRECIATION
According with Dirección General de Tributacion Directa's regulation

STOCK/INVENTORY
In Costa Rica is not taxable

CAPITAL GAINS AND LOSSES
In Costa Rica is not taxable

DIVIDENDS

In Costa Rica is not taxable for corporations.

INTEREST DEDUCTIONS
If a loan made to a Costa Rican company by a foreign bank the rate are of 15% for the total payment. If the foreign bank becomes register by the Consejo Nacional de Supervisión del Sistema Financiero has to pay 5.5% only at 2015, at 2016 has to pay 9%, at 2017 has to pay 13% and after this year, has to pay 15%.

LOSSES
Losses incurred in any given year can be taken as a valid deduction only for the current year. There is no carry forward of losses.

FOREIGN SOURCED INCOME
In Costa Rica is not taxable

INCENTIVES
Companies operating in a Free Zone enjoy a number of exemptions which are valued according to the conditions of each company that wants to be at these zones.

C. CORPORATE GROUPS

Have to pay according with the law.

D. RELATED PARTY TRANSACTIONS

Those transactions have to be duly formalized according with the circumstances.

E. EXCHANGE CONTROL

In Costa Rica the Banco Central follows relation between dollars and national currency floating at the market.

F. PERSONAL INCOME TAX

All the salaries, commissions, bonus and fringe benefits received for the employee has to pay taxes in Costa Rica according with this:

	2015	Rate
Up to	¢793.000	Exento
Gross revenue up	¢793.000 hasta ¢1.190.000	10%
Gross income of more than	¢1.190.000	15%

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Costa Rica has Free Commerce Treaty with the USA, Central America and the Dominican Republic

CYPRUS

MEMBER FIRM

City	Name	Contact Information
Limassol	Nicholas Stavrinides	+357 25 868000 nicholas.s@pkf.com.cy

BASIC FACTS

Full name:	Republic of Cyprus
Population:	1.135 million (2013 PRB)
Capital:	Nicosia (Lefkosia to Greek Cypriots, Lefkosa to Turkish Cypriots)
Major languages:	Greek, Turkish
Major religions:	Christianity, Islam
Monetary unit:	1 euro = 100 cents; Turkish lira used in north
Internet domain:	.cy
International dialling code:	+357
Ministry of Finance website:	www.mof.gov.cy

KEY TAX POINTS

- Companies resident in Cyprus are subject to corporation tax on all their income: non-resident companies only on profits derived from Cyprus. Branches managed and controlled from Cyprus are taxed as resident companies.
- A controlled foreign company system applies which is designed to tax foreign source income in a low tax territory.
- Capital gains tax applies to residents and non-residents disposing of immovable property situated in Cyprus, and shares in companies owning such assets.
- VAT is charged on taxable supplies and imports at a standard rate of 19%. A reduced rate, zero rate and exemption regime applies to the supply of certain goods and services.
- Resident companies must withhold tax on certain interest and royalty payments, as well as dividends paid to resident individuals.
- In the absence of a tax treaty, the tax paid on overseas income in a non-treaty country is normally allowed as a deductible expense. Credit relief is only available where a similar concession is given to Cyprus companies in the overseas territory concerned (but the credit may not exceed the Cyprus corporation tax on the overseas income).
- Resident individuals are subject to income tax on worldwide income, non-residents are subject to income tax on Cyprus-sourced income only.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A Cyprus resident company is subject to corporation tax on its worldwide income. Non-resident companies are subject to corporation tax only on profits derived in the Republic. Resident companies are those companies whose management and control is exercised from Cyprus.
The corporation tax rate is 12.50%. Taxes are paid by two instalments in advance based on a provisional assessment, which should be at least 75% of the final tax charge. A fiscal year is the calendar year.

CAPITAL GAINS TAX

Gains in respect of the sale of immovable property situated in Cyprus (including shares of a company whose assets include such immovable property) are subject to Capital Gains Tax. Both residents and non residents are subject to capital gains tax if they own immovable property in Cyprus. The applicable rate on the taxable income is 20%. No tax is levied in respect of immovable property situated abroad. No tax is levied on capital gains in respect of profits on disposal of shares of companies (other the ones which own immovable property).

BRANCH PROFITS TAX

Branches of foreign companies managed and controlled from Cyprus are taxed as if they were Cyprus resident companies. Foreign branch profits of Cyprus companies are relieved from Cyprus tax to the extent that their activities are not investment related or corporate tax of at least 6.25% has been levied on its profits (one of the two criteria needs to be satisfied).

SALES TAX/VALUE ADDED TAX (VAT)

VAT is generally imposed on taxable supplies of goods and services at the standard rate of 19%.

Certain supplies of goods and services are charged at the reduced rates of 5% - 9%; others are zero-rated, notably ship management services. Some supplies of goods and services are exempt from VAT: specifically, financial services, health and welfare, insurance, and education.

The annual VAT registration threshold is EUR 15,600.

Cyprus has adopted the provisions of the EU Directive 2008/8/EC effective from 1 January 2010. Exports of goods or provision of services to non-EU or to EU VAT registered persons are subject to 0%.

FRINGE BENEFITS TAX (FBT)

Certain benefits such as use of cars for private purposes, rent, school fees etc are considered as benefits in kind and taxed accordingly.

LOCAL TAXES

Local taxes include transfer fees on sale and purchase of property, stamp duty (only in respect of assets situated in Cyprus or agreements executed in Cyprus), and immovable property tax.

OTHER TAXES

Contributions to the social insurance fund are paid on the salaries of resident employees. The total amount paid by an employer can vary from 11.5-13.5% of the gross salary. The employee pays a further 7.8%. The maximum salary on which contributions are paid is currently EUR 4.533 per month.

B. DETERMINATION OF TAXABLE INCOME

TRADING PROFITS

Resident companies pay taxes on their net taxable profits. These are determined by pooling their worldwide income and deducting allowable expenses, charges and capital allowances. Non-resident companies pay taxes on their Cyprus-sourced income only.

CAPITAL ALLOWANCES

Annual wear and tear allowances are allowed on various assets including plant and machinery; fixtures and fittings; commercial vehicles; hotels; commercial buildings; industrial buildings; computer hardware and software; and loose tools. Allowances range from 3% to 33% per annum. No capital allowances are given for saloon cars.

DEPRECIATION

Depreciation included in the financial statements of entities is disallowed for tax

purposes, as capital allowances are given instead. For accounting purposes, depreciation rates applied are those which write-off the assets over their useful life.

STOCK/INVENTORY

Opening and closing stocks are normally stated at the lower of cost and net realizable value on a FIFO basis.

CAPITAL GAINS AND LOSSES

Capital gains are computed separately and do not form part of the annual taxable income for corporation tax purposes. Indexation allowance is available for the determination of the taxable gains and losses. Capital losses can be offset against capital gains for the same fiscal year.

DIVIDENDS

Dividends receivable are exempt from corporation tax,
Resident companies withhold contributions to the defence fund of the Republic on dividends paid to resident individuals at the rate of 17%.

INTEREST DEDUCTION

Interest expense is deductible if the borrowing is wholly and exclusively for the purposes of producing income. Interest paid to a connected party is a deductible expense. Interest deductibility restrictions exist to the extent that a company has non-business assets. There are no thin capitalisation rules.

INTEREST INCOME

Interest income is subject to a withholding contribution to the defence fund of 30%. If interest is received from abroad, such income is assessed as above.
Where interest is considered as profit close to the ordinary activities of the company, then such type of income is considered as trading profit and not interest. Hence it is not subject to defence contribution. Examples include financing and insurance companies, interest from trade receivables etc.

INCOME FROM INTANGIBLE ASSETS

Tax benefits include:

- The cost of acquisition or development of the Intellectual Property will be amortized equally for a period of 5 years, giving a 20% taxable allowance each year
- 80% of the profit deriving from either royalty income Including compensation for improper use), or sale of intellectual property is deducted as a tax expense, leaving only 20% of the net profit being taxed.
- The above profit is calculated after deduction of any relevant expense in deriving such income.

LOSSES

Trading losses may be carried forward for a period of 5 years. Losses from overseas activities can be set off against chargeable income for the year and can be carried forward subject to the 5 year period.
If, within any period of three years, there is both a change in the beneficial ownership of a company and a major change in the nature of trade and, at any time before the change of ownership the activities in the trade become small or negligible, then no trading losses incurred prior to the change in ownership are allowed.

FOREIGN SOURCE INCOME

Cyprus has controlled foreign company legislation (CFC) legislation. Profits from a permanent establishment abroad or dividends from an overseas company are taxed if the nature of their activities amounts to more than 50% investment income and their country of residence imposes corporation tax which is less than 6.25% p.a. Both criteria must apply in order for the tax to be charged.

INCENTIVES

Some of the main incentives are as follows:

(a) low corporation tax of rates at 12.50%
(b) non-resident entities are only taxed on their Cyprus-sourced income
(c) no withholding tax on payments of dividend and interest to non-residents
(d) profits and dividends from abroad are tax-free free subject to CFC rules stated above
(e) restructuring legislation in line with the EU Merger Directive extending to companies in non-EU countries.
(f) 80% deduction from income from intangible assets (royalties etc.)
(g) a Cyprus holding company can pay virtually no tax on its profits.

C. FOREIGN TAX RELIEF

Foreign tax paid on income of a Cyprus resident company is credited against the corporation tax, subject to Double Tax treaty conditions. In the absence of a tax treaty, the tax paid in a non-treaty country is normally allowed as a deductible expense. Tax paid is credited only if a similar concession is given to Cyprus companies in that particular country. The foreign tax relief cannot exceed the Cyprus corporation tax on these profits.

D. CORPORATE GROUPS

Group loss relief is available to a group of Cyprus resident companies in relation to current year losses. Two companies will be considered as part of a group if one company holds 75% of the voting share capital or distributable profits of the other, or both companies are 75% subsidiaries of a third company. The group must be in existence within the whole fiscal year unless a company was incorporated in the year.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties do not need to be adjusted for tax purposes as long as they are on 'an arm's length' basis.

F. WITHHOLDING TAX

Resident companies must withhold taxes on certain royalty payments depending on the rates provided in any tax treaty. Cyprus has entered into double tax treaties with over 40 countries. Non-resident companies have no obligation to withhold taxes on any payments they make.
Dividends paid to (directly or indirectly) non-resident shareholders and interest to non residents are not subject to withholding tax.

G. EXCHANGE CONTROLS

There are no exchange controls in Cyprus.

H. PERSONAL TAX

A person who is resident for 183 days or more in aggregate during the tax year is deemed to be tax resident. All individuals who are residents of the Republic are taxed on their worldwide income. Non-resident individuals are taxed on income emanating from Cyprus only.

Income tax is payable on assessable income less allowable deductions. Assessable income includes income from employment, rent, interest and profits from trade and business or professions. Allowable expenses include mortgage interest, certain subscriptions, social insurance contributions and pension contributions.
The current tax rates are as follows:

Taxable income	Normal tax rate
(EUR)	(%)
0–19,500	0
19,501- 28,000	20
28,001- 36,300	25
36,301- 60,000	30
Over 60,000	35

Pensions receivable from abroad by a resident in respect of services rendered outside Cyprus are still taxed at 5%, after deduction of the first EUR 3,417 if the individual elects to do so.

Individuals taking up employment in the Republic, who were non-resident prior to employment are entitled to an allowance of 20% of remuneration up to a maximum of EUR 8,543 for a period of three years. From 2012 onwards, individuals with annual remuneration in excess of EUR 100,000 are entitled to an increased allowance of up to 50% for a period of five years.

Salaried services rendered abroad for a total period of more than 90 days to a non-resident employer or at a PE abroad of a resident employer are exempt from income tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Royalties (%)	Interest (%)
Non-treaty countries:	0[1]	10[2]	0[3]
Treaty countries:			
Armenia	0[1]/0[22]	5	0[3]/5
Austria	0[1]/10	0	0
Azerbaijan	0	0	0
Belarus	0[1]/10[20]	5	0[3]/5
Belgium	0[1]/10[8]	0	0[3]/10[10]
Bulgaria	0[1]/5[12]	10	0[3]/10[6]
Canada	0[1]/15	10[5]	0[3]/15[4]
China	0[1]/10	10	0[3]/10
Czech Republic	0[1]/0[21]	10	0
Denmark	0[1]/0[9]	0	0
Egypt	0[1]/15	10	0[3]/15
Estonia	0	0	0
Finland	0[1]/5[9]	0	0
France	0[1]/10[9]	0[2]	0[3]/10[6]
Germany	0[1]/5[9]	0	0
Greece	0[1]/25	0[2]	0[3]/10
Hungary	0[1]/5[8]	0	0[3]/10[6]
Iceland	0[1]/5[25]	5	0
India	0[1]/10[9]	10[19]/15	0[3]/10[6]
Ireland	0	0[2]	0
Italy	0[1]/15	0	0[3]/10
Kuwait	0	5	0
Kyrgyzstan	0	0	0
Lebanon	0[1]/5	0	0[3]/5
Lithuania	0[1]/0[21]	5	0
Malta	0[1]/15	10	0[3]/10[6]
Mauritius	0	0	0
Moldova	0[1]/5[12]	5	0[3]/5
Montenegro	0[1]/10	10	0[3]/10
Norway	0[1]/0[9]	0	0
Poland	0[1]/0[21]	5	0[3]/5
Portugal	0[1]/10	10	0[3]/10
Qatar	0	0	0
Romania	0[1]/10	5[7]	0[3]/10[6]
Russia	0[1]/5[14]	0	0
San Marino	0	0	0
Serbia	0[1]/10	10	0[3]/10
Seychelles	0	0	0[3]/5
Singapore	0	10	0[3]/10[17]
Slovakia	0[1]/10	10	0[3]/5
Slovenia	0[1]/5	5	0[3]/5
South Africa	0	0	0
Spain	0[1]/0[21]	0	0
Sweden	0[1]/5[8]	0	0[3]/10[6]
Syria	0[1]/0[8]	10[11]	0[3]/10[6]
Tajikistan	0	0	0

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	Dividends (%)	Royalties (%)	Interest (%)
Thailand	0[1]/10	10[19]/15[15]	0[3]/10[19]/15[16]
Ukraine	0[1]/5[23]	5[24]	2
United Arab Emirates	0	0	0
United Kingdom	0	0[2]	0[3]/10
United States	0[1]/15[18]	0	0[3]/10[10]
Uzbekistan	0	0	0

1 Under Cyprus legislation there is no withholding tax on dividends paid to a non-resident shareholder.
2 5% on motion picture films royalties.
3 Under Cyprus legislation there is no withholding tax on interest.
4 Nil if paid to a government or for export guarantee.
5 Nil on literary, dramatic, musical or artistic work.
6 Nil if paid to the government of the other state.
7 Nil on literary, artistic or scientific work, film and TV royalties.
8 15% if controlling less than 25% of the capital.
9 15% if controlling less than 10% of the capital.
10 Nil if paid to a government, bank or financial institution.
11 15% for patent, trademark, design or model, plan, secret formula or process, copyright, scientific work, industrial, commercial equipment or information.
12 10% if controlling less than 25% of the voting power.
13 Nil if received by a company controlling 50% or more of the voting power.
14 10% if the beneficial owner invested less than EUR100.000
15 5% for literary, dramatic, musical artistic or scientific work; 10% for industrial, commercial or scientific equipment use.
16 10% for interest received from financial institution, for interest paid in connection with the sale on credit of any industrial, commercial or scientific equipment or sale of any merchandise from one enterprise to another enterprise.
17 7% if paid to a bank or a financial institution.
18 5% if the recipient is a corporation holding more than 10% of the voting stock and not more than 25% of the gross income of the dividend-paying corporation consists of interest and dividends receivable from non-subsidiary (>50%) parties.
19 Under Cyprus legislation there is a 10% withholding tax on royalties.
20 15% if controlling less than 25% of the capital. If investment is more than EUR 200,000, withholding tax is at 5%, irrespective of the voting power.
21 5% if controlling less than 10% of the capital.
22 5% if the beneficial owner invested less than EUR150.000
23 15% if controlling less than 20% of the capital and if investment is less than EUR 100,000
24 10% for literary, dramatic, musical artistic or scientific work
25 10% if controlling less than 10% of the capital

CZECH REPUBLIC

MEMBER FIRM

For further advice or information please contact Oliver Grosse-Brauckmann, PKFI EMEI Regional Director on +44 203 691 2523 or email oliver.grosse-brauckmann@pkf.com

BASIC FACTS

Full name:	Czech Republic
Population:	10.52 million (2013 PRB)
Capital:	Prague
Major language:	Czech
Monetary unit:	1 koruna (CZK) = 100 halers
Internet domain:	.cz
International dialling code:	+420
Ministry of Finance website:	www.mfcr.cz

KEY TAX POINTS

- Czech resident companies are subject to tax on all their worldwide income. Non-resident companies are subject to tax on Czech-source income.
- Capital gains are not taxed separately but included within ordinary income.
- Value added tax is applied to the provision of goods, transfer of real estate,

provision of services and imports. The basic rate is 21% although there is a lower rate of 15% and from 1 January 2015 a second lower rate of 10%.
- Transfer pricing rules apply to non-arm's length profit-sharing arrangements agreed between related parties.
- A real estate tax is levied on land and buildings.
- Ordinary credits for foreign income tax on overseas income are available to Czech resident taxpayers where a relevant double tax agreement exists. If there is no tax treaty, the overseas tax is included in the tax expenses for the following period.
- Czech resident individuals are subject to income tax on worldwide income, whereas non-resident Individuals are only required to pay tax on Czech-sourced income. For 2015, the personal income tax rate is 15%, An additional 7 % "solidarity surcharge" applies to the part of the gross employment income (including taxable benefits) and tax base from business income which exceeds 48 times annual average salary (for 2015 CZK 1,277,328)
- In addition to income tax, employees also pay social security and medical insurance contributions at the rate of 11% withheld by their employers from their gross wages. Employer´s part of social security and medical insurance represents additional cost of 34 %.
- Withholding tax applies to dividends, licence fees, interest and related income and royalties.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Company tax is payable by Czech resident companies on income derived from worldwide sources. Non-resident companies are required to pay the tax on income sourced in the Czech Republic. Resident companies are those which have their registered office, or place of management located, in the Czech Republic.

The corporate income tax rate is 19% for 2015 and this is applied to all taxable profits of a business, including capital gains from the sale of shares (if not exempt under the participation exemption regime). A 5% and 0% tax rate applies to income from defined investments and pension funds respectively. A special tax rate of 15% applies to dividend income received by Czech tax resident entities from non-resident entities (unless a participation exemption applies).

A company may choose either a calendar year or an accounting year as its tax year. Tax returns are due within three months of the end of the tax period (or within six months for audited entities or entities represented by recognized tax advisor). Tax is required to be paid within three months of the end of the tax period (or within six months for audited entities or represented by recognized tax advisor). Estimated company tax payments (advance tax payments) are paid semi-annually or quarterly.

There is no CFC legislation in the Czech Republic.

CAPITAL GAINS TAX

Capital gains such as dividends, interest from owed securities, deposit accounts and deeds are subject to 15% withholding tax. Where capital gains are paid to residents of non-treaty countries the rate of withholding tax is 35%. Dividends income is exempt from withholding tax if paid to a resident of an EU territory in accordance with the EU Parent-Subsidiary Directive No 90/435/ EU.
The Parent company must have a minimum of a 10% holding in the subsidiary's registered capital for an uninterrupted period of at least 12 months. The subsidiary company must have the form of the company indicated in the Parent-Subsidiary directive, be tax resident in EU Member State and be subject to corporate income tax in these States. Exemption applies under the same conditions also to dividends distributed by subsidiaries with their seats in Switzerland, Norway, Island or Lichtenstein.

Moreover the similar exemption applies to the income arising from transfer of shareholdings by a parent company in its subsidiaries within the EU.

The scope of exemption is extended to dividends distributed by qualified subsidiaries with their seats outside the EU where relevant DTT is applicable and that are subject to a rate of tax at a minimum of 12% the year of payment of distribution of dividends and previous year. The exemption applies also to income from the transfer of shareholdings by parent companies in subsidiaries outside the EU under the same conditions.

Interest and royalties are tax exempt when transferred from a Czech company to a parent company in another state in EU or EEA (which is a shareholder of the Czech company and has held the shares for a period of at least 24 months). It is necessary to apply for this tax exemption with the Czech tax authority. The following documents

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must be generally provided: tax domicile certificate of the parent company, extract of the commercial register of the parent company, extract of commercial register of the Czech company, the title of the licence fees, and confirmation from the tax authority of parent company, that the parent company has its tax domicile in EU or EEA state.

For companies, capital gains are included within ordinary income in the year they arise and taxed as part of their respective taxable profits for the period. Capital gains are not taxed separately in the Czech Republic except of those with their source abroad.

BRANCH PROFITS TAX

There is no separate branch profits tax in the Czech Republic. The income of a Czech branch of a foreign company is subject to taxation at the generally applicable, 19% rate for 2015. Attribution of profits to a branch if it does not result from its separately held bookkeeping is generally determined on the basis of the margins that are generally realised by resident companies undertaking similar activities.

VALUE ADDED TAX (VAT)

Value Added Tax (VAT) is imposed on the domestic provision of goods, transfer of real estate, provision of services, including the transfer or use of rights and importation of goods. There are three rates of VAT; basic rate 21% and lower rate 15% and from 2015 10 %. The 21% rate applies generally to supplies of goods and most services with some exceptions while the 15% rate applies to selected services and some goods such as foodstuffs accommodation, restaurant, and transport services. The 10 % rate applies namely to pharmaceutical products, printed books, to certain children nutrition and to qualified mill products.

With effect from 1 January 2015, changes in the Value Added Tax (VAT) legislation were made which:

(1) Implemented a ‘mini one-stop shop regulation’ for companies providing electronic, telecommunication and broadcasting services to private customers;
(2) Provided for additional categories of goods to be subject to the reverse charge mechanism; and,
(3) Provided changes to the VAT treatment of a transfer of immovable property.

Goods and services exported from the Czech Republic to non-EU countries are exempt from VAT.

The principles of the Sixth Directive – VAT (771388/EU), have applied since 1 May 2004 to goods and services exported from the Czech Republic to EU countries. A group of related parties may register as a single VAT taxpayer.

OTHER TAXES

Tax on real estate property is levied on buildings, structures and land situated within the Czech Republic. The taxpayer is the actual owner or in limited cases the user of the property. The rate depends on size, quality, type and location of the property. This tax is deductible for corporate income tax purposes.

Income from inheritance and gifts are not subject to a specific tax but are included within the income tax regime and subject to tax at a rate of 15% for individuals and 19 % for companies (broad exemptions apply to donations for individuals while income from inheritance is exempt for all taxpayers).

From 2014 a separate law was introduced for real estate transfer tax which was broadly in line with the previous system. Property transfers are liable to real estate transfer tax at the rate of 4% on the official valuation or actual price, whichever is the higher. This tax is deductible for income tax purposes.The taxpayer is the seller or if agreed in the transfer agreement the acquirer.

The employers’ payment on behalf of their employees towards the workers’ social security and medical insurance is at the rate of 34% of the gross payroll (social security premium payments are capped by CZK 1,277,328 in 2015).

There is no Stamp Duty in the Czech Republic although the operation of a notarial fee may apply for certain documents. There is no net wealth/worth tax in the Czech Republic.

B. DETERMINATION OF TAXABLE INCOME

The company’s taxable income is determined by ascertaining assessable income and then subtracting all allowable expenses. In general, to be tax deductible, all expenses must be related to the gaining or producing of assessable income and are not exempt pursuant to the law on income tax.

DEPRECIATION

The tax law prescribes six groups of tangible assets for tax depreciation purposes using depreciation periods ranging from three to 50 years. Either straight-line or accelerated depreciation methods are available. The choice of a method is made by the taxpayer and, once selected, cannot be changed for the remaining life of the asset.

Assets	Depreciation group	Depreciation period (minimum years)
Office machines and computers, tools	1	3
Engines, motor vehicles, machines, audio-visual equipment	2	5
Elevators, escalators, turbines, air conditioning equipment, electric motors, and generators	3	10
Buildings made of wood and plastic, long-distance lines, and pipes	4	20
Buildings (except for those listed in groups 4 and 6), roads, bridges, tunnels	5	30
Administrative buildings, department stores, historical buildings, and hotels	6	50

Tangible assets with economic useful lives of longer than one year and acquisition prices higher than CZK 40,000 are subject to tax depreciation. Buildings are always considered as tangible assets.

Intangible assets which are acquired for CZK 60,000 or more, have a useful life of longer than one year and were acquired from a third party or developed internally for the purpose of trading are also subject to tax depreciation. It includes software, valuable rights or the intangible results of research and development.

For tax purposes, intangible assets are depreciated over the life of the license held by the taxpayer (if the licence is for a limited number of years) otherwise it depends on the category of intangible asset, for example, research and development and software are depreciated over 36 months and audio-visual works are depreciated over 18 months.

STOCK / INVENTORY

All trading stock is valued at purchase price, including ancillary costs incurred. Stock produced by the company's own operation is valued at internal costs. If a temporary reduction of stock value is non-tax deductible, corrective provisions are applied. Accepted valuation methods include the use of the arithmetical average cost and first in first out (FIFO) methods but not last in first out (LIFO) or the replacement-cost methods (except for livestock).

DIVIDENDS

If dividends are not tax exempt under the participation exemption regime, they are subject to a final withholding tax of 15% or the rate agreed in an applicable double taxation treaty if paid to tax non-resident. Tax exemption does not apply to a profit share paid out on the liquidation of a company.

A withholding of 35% applies to dividends paid to resident entities of countries which are not part of the European Union or European Economic Area and do not have an enforceable double taxation treaty or tax information exchange agreement with the Czech Republic.

INTEREST DEDUCTIONS

Interest incurred for business purposes is broadly tax deductible, however, thin capitalisation rules apply which can restrict its deduction. Notably, financial costs (e.g. interest plus other related costs, such as bank fees) of credits and loans for the relevant tax period shall be considered non-deductible expenses for the proportion of related-party loans which exceed four times the accounting equity (based on Czech GAAP) of the borrower.

The non-deductible expense is the amount of the interest connected to the part of the sum of credits and loans (including financing costs) from related parties by which it exceeds a 4:1 debt to equity ratio (6:1 for banks and insurance companies) in the period for which the tax return is submitted.

LOSSES

Tax losses may be carried forward for five years following the year when the tax loss has been declared. Losses may not be carried back. Losses arising (after 2004) may be transferred within the framework of common taxation of parent and daughter companies within the EU territory (transfers of enterprises, mergers and demerger of

enterprises) under limited conditions.

INCENTIVES

Investment incentives including tax relief are governed by the Investment Incentives Act and apply only to Czech entities (including Czech subsidiaries of foreign companies). A variety of incentives are available including financial support for training or retraining of employees or the creation of new jobs, capital expenditure grants and income tax relief. There are also incentives to support technology centres, strategic services and the manufacturing industry of the Czech Republic.

C. FOREIGN TAX RELIEF

Ordinary credits for foreign income tax are available to resident taxpayers under Czech law where an international double taxation treaty exists and indicates tax credit as method of avoidance of double taxation. The clearance or exemption method is available, according to the particular double tax treaty. If there is no tax treaty, the legal entity will include the foreign tax paid as tax expense for the following period provided it was imposed on income which has been included within the Czech entities taxable income.

D. CORPORATE GROUPS

There is no group taxation in the Czech Republic. Each company is taxed as a standalone entity regardless of its ownership or control relationships.

E. RELATED PARTY TRANSACTIONS

Non-arm's length pricing arrangements between related parties are addressed by transfer pricing legislation which allows the tax authority to adjust the prices to reflect third party arm's length values.
Where such adjustment are made by the tax authority, which can be the result of an audit, additional tax liabilities and penalties can arise which can also affect a company's ability to claim investment incentives. As of the tax period 2014 qualified companies are obliged to file a special form describing arrangements between related parties together with the corporate income tax return.

The Czech Republic tax authorities follow OECD pricing guidelines and an Advance Pricing Agreement (APA) between a company and its related parties can be agreed.

F. WITHHOLDING TAX

Certain types of income of companies are subject to withholding tax at source. In the case of resident taxpayers, dividends from Czech sources are subject to final withholding tax at 15% whereas interest and royalties are not subject to withholding tax and are included in the general tax base.
In the case of non-residents, dividends, interest and royalties are all subject to 15% withholding tax if exemption does not apply – see more precisely chapter Capital Gains Tax. Residents of countries outside the European Union or European Economic Area which do not have an enforceable double taxation treaty or tax information exchange agreement with the Czech Republic are subject to 35% withholding tax).

G. EXCHANGE CONTROL

The Foreign Exchange Act allows the Czech currency to be used freely to pay for business and other costs, for direct investment and reinvestment and for purchase of real estate property abroad.
Capital transfers have been deregulated but the reporting duty has been retained. Sales of foreign currency and gold are permitted where one of the parties is an entity holding a licence or foreign currency permit.

H. PERSONAL TAX

Income tax is payable by Czech resident individuals on income derived from worldwide sources. Non-resident individuals are only required to pay tax on Czech-sourced income. Tax residence is determined by reference to permanent home or where the individual has spent at least 183 days of the relevant calendar year in the Czech Republic.

Income tax is payable on total tax base from different kinds of income. Taxable income of individuals includes employment income, business income, certain capital gains, dividend income, rental income, interest income; annuities and other income including benefits in kind related to such income.

Generally the tax base is calculated as difference between assessable income and expenses and tax deductible expenses allowable deductions. Expenses cannot be claimed for employment income or capital gains (most of which are subject to withholding tax). Employment income cannot be reduced by losses of any other categories of income. Tax base for employment income is increased by the amount of social security and health insurance contributions to be paid by the employer (34 %, so called supergoss wage). Income from business or rental operations can be reduced by losses deriving from other categories. Income from employment is taxable individually and is reduced for some deductible items and personal allowances.

For 2015, the personal income tax rate is 15%. However income from employment and business income are also subject to “solidarity surcharge that represents additional 7 % applied to the amount which in total exceeds 48 times annual average salary (for 2015 CZK 1,277,328).

Employees hired under an employment contract under Czech law pay social security and medical insurance contributions at the rate of 11% withheld by their employers from their gross wages. This represents 6.5% for social security and 4.5% for health insurance. The contribution rates for the employer are 25% for social security and 9% for health insurance.

Medical insurance and social security contributions are also paid by the self-employed individuals.

The maximum annual social security contributions cap which applies to both employees and entrepreneurs is 48 times the average monthly wage per year (for 2015 this is CZK 1,277,328).

- A deduction of up to CZK 12,000 per year is available for under certain conditions for private contributions paid on private life insurance. A deduction is also available for up to CZK 12,000 per year (under certain conditions) for private contributions paid to a private pension insurance fund.
- A deduction is available for up to CZK 300,000 per year for interest paid on a mortgage for taxpayer´s permanent home, although several strict conditions apply.
- Income from sale of shares represents part of an individual’s total income tax base subject to a 15% tax rate. For a taxable period, shares sold below CZK 100,000 are exempt from taxation. Similarly, if an individual has owned property for longer than a certain time (depends on property), gain arising from the sale of that property is exempt from tax.

Tax returns are due on 31 March, or 30 June if prepared by a recognised tax advisor. Advances to income tax from employment income are paid monthly. Payments on account of tax on income from business operations, rental income, etc are made half yearly and quarterly, as for corporations, based on the last known tax liability.

Inheritance and Gift Taxes have been abolished. From 2014 any income from inheritance and from gift is part of the personal income tax (so subject to the flat rate of 15%). Any income from inheritance is exempt from the income tax, the exemption of the income from the gift depends on the level of next of kin of the beneficiary of the gift with the donator. . Real estate property and property transfer taxes are deductible.

I. TREATY AND NON· TREATY WITHHOLDING TAX RATES

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Non-treaty countries:	15/35	15/35	15/35
Treaty countries:			
Albania	5/15	0/5	10
Armenia	10	5/10	5/10
Australia	5/15	10	10
Austria	0/10	0	5
Azerbaijan	8	5/10	10
Bahrain	5	0	10
Barbados	5/15	5	5/10
Belarus	10	0/5	5
Belgium	5/15	10	0/5
Bosnia	5	0	0/10

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Brazil	15	10/15	15/25
Bulgaria	10	0/10	10
Canada	5/15	0/10	10
China, People's Republic of	5/10	0/7.5	10
Croatia	5	0	10
Cyprus	0/5	0	0/10
Democratic People's Republic of Korea	10	0/10	10
Denmark	0/15	0	0/10
Egypt	5/15	0/15	15
Estonia	5/15	0/10	10
Ethiopia	10	0/10	10
Finland	5/15	0	0/1/5/10
France	0/10	0	0/5/10
Georgia	5/10	0/8	0/5/10
Germany	5/15	0	5
Greece	Local rates	0/10	0/10
Hong Kong	5	0	10
Hungary	5/15	0	10
Iceland	5/15	0	10
India	10	0/10	10
Indonesia	10/15	0/12.5	12.5
Ireland, Republic of	5/15	0	10
Israel	5/15	0/10	5
Italy	15	0	0/5
Japan	10/15	0/10	0/10
Jordan	10	0/10	10
Kazakhstan	10	0/10	10
Korea, Republic of	5/10	0/10	0/10
Kuwait	0/5	0	10
Latvia	5/15	0/10	10
Lebanon	5	0	5/10
Lithuania	5/15	0/10	10
Luxembourg	0/10	0	0/10
Macedonia	5/15	0	/10
Malaysia	0/10	0/12	12
Malta	5	0	5
Mexico	10	0/10	10
Moldova	5/15	5	10
Mongolia	10	0/10	10
Morocco	10	0/10	10
Netherlands	0/10	0	5
New Zealand	15	0/10	10
Nigeria	12.5/15	0/15	15
Norway	0/15	0	0/5/10
Panama	10	0/5/10	10
Philippines	10/15	0/10	10/15
Poland	5	0/5	10
Portugal	10/15	0/10	10
Romania	10	0/7	10

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Russia	10	0	10
Saudi Arabia	5	0	10
Serbia and Montenegro	10	0/10	5/10
Singapore	5	0	10
Slovak Republic	5/15	0	0/10
Slovenia	5/15	0/5	10
South Africa	5/15	0	10
Spain	5/15	0	0/5
Sri Lanka	15	0/10	0/10
Sweden	0/10	0	0/5
Switzerland	0/15	0	5/10
Syria	10	0/10	12
Tajikistan	5	0/7	10
Thailand	10	0/10	5/10/15
Tunisia	10/15	0/12	5/15
Turkey	/10	0/10	10
Ukraine	5/15	0/5	10
United Arab Emirates	0/15	0	10
United Kingdom	5/15	0	0/10
United States	5/15	0	0/10
Uzbekistan	5/10	0/5	10
Venezuela	5/10	0/10	12
Vietnam	10	0/10	10

Notes:
1. If the recipient is a company that owns at least a certain amount of the capital, or a certain amount of the voting shares of the company paying the dividend directly, then the lower rate applies.
   Dividends paid to residents of countries outside of the European Union and the European Economic Area which do not have an enforceable double taxation treaty or tax information exchange agreement with the Czech Republic are subject to 35% withholding tax.
2. When interest is received by the government or a state-owned institution or is paid by the government then the lower rate applies.
   Interest paid to residents of countries outside of the European Union and the European Economic Area which do not have an enforceable double taxation treaty or tax information exchange agreement with the Czech Republic are subject to 35% withholding tax.
3. Cultural royalties are generally subject to the lower rate.
   Royalties paid to residents of countries outside of the European Union and the European Economic Area which do not have an enforceable double taxation treaty or tax information exchange agreement with the Czech Republic are subject to 35% withholding tax.

DENMARK

MEMBER FIRM

City	Name	Contact Information
Copenhagen	Kasper Vindelev	+45 43 96 06 56 k.vindelev@pkf.dk

BASIC FACTS

Full name:	Kingdom of Denmark
Population:	5.6 million (2013 PRB)
Capital:	Copenhagen
Major language:	Danish
Major religion:	Christianity

Monetary unit:	1 krone = 100 ore
Internet domain:	.dk
International dialling code:	+45
Central Customs and Tax Administration website:	www.skat.dk

KEY TAX POINTS

- Danish resident companies are subject to corporate income tax on Danish profits (including gains) and to some extent on foreign-source income. Non-resident companies pay tax on income sourced in Denmark.
- Branches of foreign companies are subject to tax on income derived from activities in Denmark.
- Danish companies within a group, along with Danish permanent establishments and real properties of foreign subsidiaries are subject to compulsory Danish joint taxation.
- Value added tax is applied at a standard rate, but subject to zero-rating and exemption. Danish legislation generally follows EC Directives.
- A property tax is levied locally.
- A controlled foreign company system operates to attribute profits of a foreign subsidiary to a Danish parent where the activities of the subsidiary are mainly financial.
- Unilateral and treaty relief are available for foreign tax suffered on profits subject to Danish corporate income tax.
- Dividends, interest and royalty payments are subject to withholding tax, unless exempted under the relevant tax treaty.
- Individuals resident in Denmark are taxable on worldwide income, non-residents on Danish-source income.
- A special basis of assessment is available to some expatriates employed temporarily in Denmark for a maximum of 36 or 48 months.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Resident corporations are subject to Danish corporate income tax on their profits in Denmark and, to some extent, on income sourced abroad. Non-resident companies are required to pay tax on income sourced in Denmark.

Resident corporations include all Danish companies registered with the Danish Commerce and Companies Agency, as well as certain non-registered companies that are treated as residents. Companies incorporated under the laws of another country may be considered to be resident in Denmark if their central management and control is exercised in Denmark.

Corporate income tax is charged at 23.5%. Tax is paid on account on a current year basis in two instalments on 20 March and 20 November during the tax year, with a final instalment due on 20 November following the end of the tax year.

CAPITAL GAINS TAX

Capital gains/losses on disposals of assets are, in general, included in taxable income and subject to tax at the normal corporate tax rate.

Capital gains on disposals of shares are exempt unless the shareholding is less than 10% in a listed company. Capital losses on disposals of other shares are deductible, if they can be offset against gains on other shares in a listed company.

Capital gains on disposals of assets and liabilities of a Danish permanent establishment are taxable in Denmark. This applies also to Danish real estate.

BRANCH PROFITS TAX

Branches of foreign companies are taxed on income derived from their activities in Denmark. Tax is calculated at the corporate tax rate of 23.5%.

VALUE ADDED TAX (VAT)

Danish value added tax (VAT) is levied at a standard rate of 25% of the sale price of most goods and services and the legislation generally follows EC Directives. No graduated rates exist.

Certain services are exempt, including most banking and medical services. Instead, a pay-roll tax of between 3.54% and 11.4% (increases to 12.3% in 2021) is charged on the actual pay-roll or, in certain cases, on the result before interest and capital gains. Exports are zero rated.

FRINGE BENEFITS TAX (FBT)

The tax value of most benefits in kind is, in principle, the fair market value. Employees are taxed on benefits in kind received. The cost of benefits in kind is deductible for tax purposes by the company.

LOCAL TAXES

PROPERTY TAX

Owners of real estate are subject to a local property tax based on the value of the land. The tax is levied at various local rates ranging from 1.8% to 3.4%.

OTHER TAXES

Transfer tax is levied on registration only. A change in ownership of real estate is charged at the rate of 0.6% + DKK 1,660 and on mortgages at 1.5% + DKK 1,660. Different rates apply to registrations of ships and aircraft.

Stamp Duty only applies to certain insurance policies.

SOCIAL SECURITY TAXES

Social security is funded almost entirely through income taxes. The only exceptions are the ATP and Health Contribution. ATP is a supplementary State pension scheme. The employer pays DKK 2,160 (2015) annually and employees pay DKK 1,080 (2015) annually.

Health Contribution is collected from employees and self-employed persons. The contribution is levied on gross salary and business income respectively at the rate of 8%. The employer withholds the contribution for the employee and the amount of contribution is deductible when computing the employee's personal income.

B. DETERMINATION OF TAXABLE INCOME

Net or taxable income is arrived at by adjusting the accounting profits for non-taxable income and non-deductible items.

DEPRECIATION

Assets which cost less than DKK 12,800 (2015) or have an estimated useful life of less than three years can be written off immediately.

Ships less than 20 tons, machinery, furniture and other equipment are generally depreciated collectively using the declining-balance method. The balance may be written off at a maximum rate of 25%.

Buildings for manufacturing etc. are depreciated under the straight-line method according to the useful life. The normal rate is 4% per annum. If the useful life is less than 25 years, the rate will be increased accordingly. Depreciation of office buildings and dwelling houses is not allowable for tax purposes.

The cost of goodwill, know-how, etc., may be depreciated over seven years using the straight-line method.

STOCK / INVENTORY

Inventory may be valued at cost or market value.

CAPITAL GAINS AND LOSSES

See discussion above.

DIVIDENDS

Dividends received from a subsidiary are basically exempt from tax if the parent company owns 10% or more of the share capital throughout a 12-month period in which the dividend is received. It is a requirement that the dividend-paying company is resident within the EC or in a tax treaty country and that it is not a 'flow-through' entity. Specific rules apply to dividends received from a subsidiary in a non-EC and non-treaty country.

Withheld tax will be considered as a tax payment on account.

INTEREST

Interest income, except interest on overpaid corporate tax, is included in taxable income. Companies must compute this income on an accruals basis.

In general, interest paid is deductible whether due to foreign or resident creditors and regardless of the purpose of the debt. However, limitations may apply due to Danish thin capitalisation rules and limitations apply if net financial expenses exceed DKK 21.3 million (2015).

Interest on overdue tax is not deductible.

LOSSES

Losses may normally be carried forward indefinitely. It is possible to deduct DKK 7.5 million. If the profit exceeds DKK 7.5 million, it is possible to deduct 60% of the remaining profit. However, losses may not be offset against interest and other capital income, net of interest paid, if more than 50% of the shares in the company have changed ownership since the loss was incurred. If a company enters into a settlement with creditors, losses carried forward are reduced by the nominal amount of debt cancelled.

In cases where the company receives a capital contribution in connection with a reconstruction from a principal creditor and the company subsequently repays its debts to the creditor, tax losses from income years up to and including the year of the capital contribution will be reduced by an amount equal to the capital reduction.

Furthermore, tax losses cannot be offset against future taxable income if the company has no activity at the time the transfer was agreed.

Losses cannot be carried back.

CONTROLLED FINANCIAL COMPANY (CFC) INCOME

Profits made by Danish financial companies or foreign subsidiaries will be taxed in Denmark if the Danish parent company (directly/indirectly) controls the company (votes/decisive influence) and if:

- The business of the company is mainly of a financial nature (i.e. more than half of its gross income is derived from certain financial activities), and;
- The business of the company is mainly of a financial nature (i.e. more than half of its gross income is derived from certain financial activities).

Credit is given for foreign taxes paid on foreign income. Losses resulting from activities in foreign countries cannot generally be deducted from the Danish source income unless voluntary global joint taxation has been chosen.

D

C. FOREIGN TAX RELIEF

Danish tax law provides for unilateral relief for foreign taxes paid on some types of income (dividends, royalties, etc). Such relief may not exceed the Danish tax liability that relates to the foreign income concerned. If a tax treaty is in force, relief may be restricted to the tax that the foreign state is entitled to levy under the treaty.

If income is earned in a country with which Denmark has no treaty, any foreign tax is relieved by the credit method under domestic tax rules.

No Danish tax credit is given for foreign permanent establishment profit or real estate profit unless voluntary global joint taxation is elected for. Thus, Denmark has adopted the principle of territoriality for Danish companies.

D. CORPORATE GROUPS

Danish companies within a group, along with Danish permanent establishments and real estate of foreign subsidiaries are subject to compulsory Danish joint taxation. Such companies must have the same financial year.

The group taxation allows the pooling of profits and losses. Losses of one company can be offset against profits of another company.

Such a group may elect to enter into a voluntary global joint taxation arrangement with foreign group companies and foreign permanent establishments and real estate. If voluntary global joint taxation is opted for, all foreign group companies, permanent establishments and real estate ‘above’ and ‘below’ Denmark must be included in the joint taxation (cf ‘global’). In this case, capital gains derived by non-residents from disposals of Danish shares or bonds may be subject to tax in Denmark.

The foreign entities’ income, assessed according to Danish rules, is then included in the Danish taxable income of the group, but normally no additional Danish tax is imposed because a tax credit for foreign corporate tax paid is allowed. The inclusion may allow foreign tax losses to be offset against Danish taxable profits. Special rules apply with respect to exemption/credit for foreign taxes and claw back provisions respectively.

E. RELATED PARTY TRANSACTIONS

Related party transactions must be in accordance with the arm's length principle.

F. WITHHOLDING TAX

Danish outward dividends are generally subject to a 27% withholding tax. Outward interest payments are generally subject to a 30% Danish withholding tax. However, several modifications apply, and under most tax treaties this withholding tax is reduced or refunded. Outward royalty payments under industrial, commercial or scientific agreements are subject to a 30% withholding tax. Under most tax treaties, this withholding tax is reduced or refunded.

G. EXCHANGE CONTROLS

In general, Denmark does not impose exchange controls on business activities.

H. PERSONAL TAX

Individuals are deemed to be residents of Denmark for tax purposes if they occupy accommodation in Denmark as their permanent place of abode or remain in the country for a period of six months or more. Tax residency is normally terminated on emigration. Some assets will be deemed to be taxed as sold at market value on the date of departure. Any profit will be taxed in Denmark.

Residents are subject to Danish taxation on their worldwide income.

Non-resident individuals are subject to tax on Danish-sourced income, including dividends, royalties, profits from Danish permanent establishments; profits from real estate; and salaries earned from work performed in Denmark.

Profits made by more than 50% held (shares/votes) financial companies established in low tax countries are taxable in Denmark at 23.5% (CFC). The CFC taxation generally only applies if the company's financial income is more than 50% of its total income but may not apply if the company is established in an EC or a tax treaty country.

Dividends and gains and losses on the disposals of shares are taxed jointly. The tax rate on this income is 27% on amounts up to DKK 49,900 and 42% on the surplus (2015).

Personal income includes all remuneration received from the taxpayer's employer, whether in cash or kind, such as free lodging; free use of a car, free use of the telephone etc.

Pension payments, unemployment benefits etc. are also included in personal income.

After deduction of Labour Market Contributions of 8% (for 2015) on gross salary and business income, tax due on the total taxable income and its components is determined as follows:

- A basic charge of 25.6% (average) on taxable income is due to the municipality and church, in which the taxpayer lives;
- Health Contributions of 8% on taxable income (2015);
- The basic State tax rate is 8.08% on taxable personal and positive interest income (2015); and,
- Additional higher rate of 15% is levied on income exceeding DKK 459,200 (2015).

Some expatriates who are employed in Denmark for a maximum period of 36/48 months can, under certain conditions, choose to be taxed on their gross salary by a final tax instead of ordinary income tax. The tax rate is 26% plus Labour Market Contributions of 8%.

Maximum tax rates (including local and national taxes)	
2015	**(%)**
Personal income	51.95
Net capital expenses[1]	30.6
Deductions[2]	30.6

NOTES:
1 Tax value of interest expenses and capital losses if deductible.
2 Tax value of other tax deductions such as car allowance etc.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest[1] (%)	Royalties (%)
Treaty countries:			
Argentina	15/[1]02	12	3/5/10/15
Armenia	15/0	0	0
Australia	15	10	10
Austria	0/[1]53	0	0
Bangladesh	10/15[3]	10	10
Belarus	15	0	0
Belgium	0/[1]52	10	0
Brazil	25	15	15/25
Bulgaria	15/52	0	0
Canada	15/52	10	0/10
Chile	15/52	15	5/15
China	10	10	10
Croatia	10/52	5	10
Cyprus	15/[0]15	0	0
Czech Republic	0/15	0	10
Egypt	20/[15]12	15	20
Estonia	15/52	10	5/10
Faroe Islands	0/15[4]	0	0
Finland	0/15[4]	0	0
Fran[c]e5	N/A	N/A	N/A
Georgia	0/5/[103,] 6	0	0
Germany	5/15[3]	0	0
Greece	18	8	5
Greenland	0/[1]52	0	10
Hungary	0/15	0	0
Iceland	0/15[4]	0	0
India	25/[1]52	10/15	20
Indonesia	20/[1]02	10	15
Ireland	0/[1]52	0	0
Israel	15/58	25	10
Italy	0/[1]52	10	5
Jamaica	15/[1]02	12.5	10
Japan	15/[1]02	10	10
Kenya	30/[2]02	20	20
Korea (Rep.)	15	15	10/15
Kyrgyzstan	15	0	0
Latvia	15/52	10	5/10
Lithuania	15/52	10/0	5/10
Luxembou[r]g9	15/52	0	0
Macedonia	15/52	0	10
Malaysia	0	25	10
Malta	0/[1]52	0	0
Mexico	15/02	5/15	10
Morocco	10/[2]52	10	10
Netherlands	0/15[3]	0	0
New Zealand	15	10	10

	Dividends (%)	Interest[1] (%)	Royalties (%)
Norway	0/15[3]	0	0
Pakistan	15	15	12
Philippines	15/[1]02	10	15
Poland	15/0[/52,]10	5	5
Portugal	0/[1]07	10	10
Romania	15/[1]02	10	10
Russia	10	0	0
Serbia	15[/]52	10	10
Singapore	10/0[/52,]10	10	10
Slovak Republic	15	0	5
Slovenia	15[/52,]10	5	5
South Africa	15[/]52	0	0
Spa[i]n5	N/A	N/A	N/A
Sri Lanka	15	10	10
Sweden	0/15[3]	0	0
Switzerland	0/[1]53	0	0
Taiwan	10	10	10
Tanzania	15	12.5	20
Thailand	10	10/15	5/15
Trinidad and Tobago	20/[10]14	15	15
Tunisia	15	12	15
Turkey	20/[1]52	15	10
Uganda	10/[1]52	10	10
Ukraine	15[/]52	0/10	10
United Kingdom	15/0[7]	0	0
United States	0/15/5[3,11]	0	0
Venezuela	15[/]52	0/5	5/10
Vietnam	15/5/[1010,]12	10	5/15
Yugoslavia	5/[1]52	0	0
Zambia	15	0/10	15

NOTES:

1 Denmark imposes withholding taxes on outward interest payments at a rate of 30%. However, Danish withholding tax does not generally apply to interest payments to a foreign group company in an EC Member State or protected by a tax treaty.
2 The lower rate applies at 25% ownership.
3 The lover rate applies at 10% ownership.
4 The zero rate applies at 10% ownership.
5 The treaty was terminated on 1 January 2009.
6 The zero rate applies at 50% ownership.
7 The zero rate applies if the EU Parent/subsidiary Directive applies.
8 The lower rate applies at 50% of the votes.
9 The treaty does not apply to 1929 Luxembourg holding companies.
10 The 5% rate applies if paid to an approved entity.
11 The zero rate applies at 80% of the votes.
12 The 5% rate applies at 70% ownership or an investment of at least 12 million USD.
13 The 10% rate applies between 25% and 70% ownership.
14 The 10% rate applies at 25% of the votes.
15 0% rate applies where recipient of the dividend holds at least 10% of the capital of the company paying the dividend, or is the Central bank, a Government agency or a pension fund in Cyprus.

DOMINICAN REPUBLIC

MEMBER FIRM

City	Name	Contact Information
Santo Domingo	Hector Guzman	+1809 567 2946 hguzman@guzmantapiapkf.com.do

BASIC FACTS

Full name:	Dominican Republic
Population:	10.26 million (2013 PRB)
Capital:	Santo Domingo
Major languages:	Spanish
Major religion:	Christianity
Monetary unit:	Dominican pesos (DOP)
Internet domain:	.do
International dialling code:	+1809
Dominican Republic Ministry of Finance website:	www.hacienda.gov.do

KEY TAX POINTS

- Corporate income tax is only due on business income generated by enterprises operating in the Dominican Republic. Certain types of investment income derived by Dominican residents from sources outside the Dominican Republic are also subject to Dominican taxation.
- Non-resident companies operating through a permanent establishment in the Dominican Republic are taxed on income attributable to the permanent establishment as well as on Dominican-source income. Non-residents without a permanent establishment in the Dominican Republic are taxed on Dominican source income only.
- Corporate income tax is charged at a flat rate of 28% or 1% of the company's total assets (after deducting depreciation).
- Capital gains (or loss) is calculated on the difference between the sale of assets proceeds and cost, which may be adjusted for the effects of inflation. Gains realised by qualifying holding companies on the disposal of shares are not subject to taxation.
- The standard rate of VAT is 18%.
- Withholding tax is applied to payments of dividends, interest and royalties to non-residents at a rate of 25%.
- Resident individuals are liable to income tax in respect of their Dominican-source income and certain overseas investment income. Non-resident individuals are liable to income tax only

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX: General Regime: Resident or branch corporations are subject to Dominican Corporate income tax (ISR) on their local income (only) or income coming from activities within the country.

Non-resident companies also pay ISR on income sourced in Dominican territories where an absence of a permanent business. The Resident Corporation in the Dominican Republic will withhold 28% of the payment, includes publicity, royalties, interest (from overseas banks is 10%), etc.

The general IRC rate is 28% for tax or 1% of the company's total assets (after deducting depreciation). Companies will pay a monthly advance taxes (1/12th) of the equivalent of the amount paid as taxes from the prior year, and, at the end of the year it should match the already mentioned 28% or 1% calculated taxes. When the taxes for the current year are calculated, the monthly payment is compensated in the following period. If the monthly payment was below, then the corporation completes the payment.

Tax is payable as follows:

Payments on account are estimated on the basis of the previous tax year's IRC liability, less any tax withheld at source, and are subject to the following limits:

- Twelve installments of (Total 100%) – taxpayers with turnover or 1 percent of their total assets (whichever is higher when calculate

CAPITAL GAINS TAX: The gain (or loss) is calculated on the difference between the sale of assets proceeds and cost, which may be adjusted for the effects of inflation. The gains realized on the disposal of shares by qualified holding companies (SGPS) are not subject to taxation. However, capital losses with the sale of shares, as well

as interest on loans to purchase shares, are not deductible for ISR purposes at the SGPS level.

BRANCH PROFITS TAX: Only the income attributable to the Dominican branch (permanent establishment) is subject to corporation tax.

SALES TAX/VALUE ADDED TAX (VAT): The standard rate is 18% and 8% (except some products sold in supermarkets).

FRINGE BENEFITS TAX (FBT): No tax applies.

LOCAL TAXES: No tax applies.

OTHER TAXES: Municipal tax: owners of real estate properties are subject to tax at 1%. For rural properties, no tax applies.

B. DETERMINATION OF TAXABLE INCOME (ISR)

General Regime: Net income or taxable income is arrived at by adjusting the accounting profits for non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

Simplified Scheme: Companies who a) during the previous year had a total turnover under RD$6 million; and b) have not elected to be assessed under the General Regime referred to above, are subject to the simplified taxation scheme. Under this scheme, taxable income is computed as follows:

- 28% of the turnover from sale of goods and merchandise.

DEPRECIATION: All the items of fixed assets, except land, can be depreciated or amortized for tax purposes. The depreciation rates are set by specific legislation and includes 5% for office buildings, 25% for cars and furniture, and 15% for other assets.

STOCKS/INVENTORY: Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:

- the standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles;
- the sale price method, based on the market value less a normal profit margin.

CAPITAL GAINS AND LOSSES: Gains realized by resident entities from the disposal of shares are exempt from tax.

DIVIDENDS: Dividends are normally subject to withholding tax at 10% (when it is paid in cash).

INTEREST DEDUCTIONS: Interest is deductible on an accrual basis. The Fiscal Administration is entitled to disregard expenses with interest where related parties are involved.

LOSSES: Operating losses incurred by ordinary corporate taxpayers may be carried forward for 5 years to set off against taxable profits, but only 20 percent of the amount each year.

FOREIGN SOURCED INCOME: Taxation of resident companies takes into account only their Dominican sourced income.

INCENTIVES: Incentives under Dominican tax legislation include the free-trade zones, investment in tourism, and companies established in the border between Dominican Republic and Haiti.

C. FOREIGN TAX RELIEF

None

D. CORPORATE GROUPS

None

E. RELATED PARTY TRANSACTIONS

None

F. WITHHOLDING TAXES

The income paid to non-residents, namely interest, royalties and dividends, is subject to withholding tax of 25%.

G. EXCHANGE CONTROL

Capital movements are freely transferable.

H. PERSONAL TAX

Income tax is payable by individuals on income obtained from employment, from a business, from an independent profession, from investment income, from immovable property, capital gains, pensions, and betting and gambling profits. Resident and non-resident individuals are subject to income tax on Dominican sourced income only.
When determining the taxable income, besides some specific deductions concerning each category of income, other deductions may be allowed, such as expenses on health and education.

Tax returns are due on 15 March of the subsequent tax year for taxpayers with income derived solely from employment or pension.

The following rate table applies in tax year 2013 to the aggregate net results of employment income, business income, investment income (except interest on bonds and deposits), income from land, capital gains and income from pensions.

Taxable Income (DR)	Rate on Excess (%)
Below to 399,923.00	0
399,923.01 – 599,884.00	15 over de RD$399,923.01
599,884.01 – 833,171.00	20 over de RD$599,884.01
Over 833,171.010	25 over de RD$833,171.01

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

None

ECUADOR

MEMBER FIRM

City	Name	Contact Information
Guayaquil	Edgar Naranjo	+593 4 2453 883 enaranjo@pkfecuador.com pkf@pkfecuador.com

BASIC FACTS

Full name:	Republic of Ecuador
Population:	15.7 million (2013 PRB)
Capital:	Quito
Major languages:	Spanish, indigenous languages
Major religion:	Christianity
Monetary unit:	Dollar (USD)
Internet domain:	.ec
International dialling code:	+593
Ecuador Ministry of Finance website:	www.finanzas.gob.ec

KEY TAX POINTS

- Company tax is payable by Ecuadorian resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in Ecuador.
- The company tax rate for year 2015 is 22%. Capitalised profits have a 15% tax rate.
- Value Added Tax (VAT) is applied at a standard rate of 12% to all transactions including imports. There is a 0% rate on food items, agricultural inputs, medical goods, books and government purchases, and some professional services.
- No provisions exist for filing consolidated returns or relieving losses within a group.
- Dividends paid to non-residents are subject to 22% withholding tax (for year 2015) with a tax credit for company tax paid (ordinarily at 22%) being allowed against this withholding tax. Royalties, service and rental fees attract the same 22% withholding tax (for year 2015). Interest payments are exempt from such a withholding tax.
- Income tax is payable by Ecuadorian resident individuals on non-exempt income derived from all sources. Non-resident individuals are required only to pay tax on

Ecuadorian-source income.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Company tax is payable by Ecuadorian resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in Ecuador.

Resident companies are those that are incorporated in Ecuador, or carry on business in Ecuador and have either central management and control in Ecuador or voting power controlled by shareholders who are Ecuadorian residents.

The company tax rate for year 2015 is 22%. Capitalised profits have a 15% tax rate. The tax year runs from 1 January to 31 December. Tax is payable from 2–28 April, depending on the tax identification number. Taxpayers are required to pay tax advances which will be equal to 50% of the previous year's income tax, less tax withholdings for that period. This tax advance is made in two payments, according to the following chart:

9th RUC digit	Expiry date (1st portion)	Expiry date (2nd portion)
1	July 10th	September 10th
2	July 12th	September 12th
3	July 14th	September 14th
4	July 16th	September 16th
5	July 18th	September 18th
6	July 20th	September 20th
7	July 22nd	September 22nd
8	July 24th	September 24th
9	July 26th	September 26th
0	July 28th	September 28th

These tax advances constitute tax credit for income tax purposes. Exonerations and reductions for the payment of tax advances apply when there is evidence of (1) losses, (2) decrease in current year's operating activities in relation with prior years, or (3) withholdings are greater than income tax liability for current year.

The tax rate tables for the year 2015 are:

Taxable income (US$)	Fixed tax on lower limit (US$)	Marginal Rate on excess %
Up to 10,800	-	0%
10,800 to 13,770	0	5%
13,770 to 17,210	149	10%
17,210 to 20,670	493	12%
20,670 to 41,330	908	15%
41,330 to 61,980	4,007	20%
61,980 to 82,660	8,137	25%
82,660 to 110,190	13,307	30%
Over 110,190	21,566	35%

All payments or register of purchase of merchandise and service are subject to withholding tax at the following rates:

- 1% - electricity, private/public transport of passengers and private freight
- 1% - purchase of all type of goods (except oil products)
- 1% - all construction activities
- 1% - over the 10% of the premium billed
- 1% - over the quotes and option purchasing in leasing
- 1% - those carried out by media services and advertising agency
- 1% - interest and commissions caused in the operations of credit between institutions of the financial system. The financial institution that paid or charge financial returns will act as withholding agent
- 2% - those realized by individuals for services in which workforce is over the

intellectual work
- 2% - payments by credit card issuers to their merchants
- 2% - income generated from loans and investments
- 2% - those interests that any public entity recognized on behalf of tax payers
- 2% - Any other payments
- 8% - Fees, commissions and other payments to professionals or other persons who are present in Ecuador for more than six months for services that are predominantly intellectual or for sport or artistic services, always when such service is not related to the professional title of the person who provides the service; royalties paid to resident individuals or Ecuadorian branches of non-residents; payments for letting of immovable property.
- 10% - Fees, commissions and other payments to professionals or other persons who are present in Ecuador for more than six months for services that are predominantly intellectual, always when those services are related to their professional title. Payments and credits not included in withholding rates. Amounts paid to non-resident individuals for services rendered from time to time in Ecuador and that constitute taxable income, and other payments different to earnings or dividends that are sent, paid or credited to the abroad. (Fees for professional activities).
- 22% for year 2015 - Payments to non-resident foreign individuals for subject-to-tax services occasionally performed in Ecuador and other payments other than dividends or profit distributions.

The amounts paid become credits available for income tax purposes at the end of the period.
Interests paid to financial institutions are not subject to withholding tax. Employment income is subject to a specific withholding regime.

CAPITAL GAINS TAX
In general, capital gains are taxed as ordinary income.

BRANCH PROFITS TAX
There is no specific income tax for branches. Income made by branches is taxed according to general income tax rules. A very important exception is the treatment of foreign oil companies involved in state contracts.

SALES TAX/VALUE ADDED TAX (VAT)
There is a 12% value added tax applied to all transactions including imports. There is a 0% rate on food items, agricultural inputs, medical goods, books and government purchases, and some professional services.
This tax is payable one month following the transaction from the 6th to the 28th depending on the firm's tax identification numbers.

FOREIGN MONEY TRANSFER TAX (ISD)
This tax is charged on the foreign currency value of all monetary transactions and operations carried out abroad with or without the intervention of the institutions of the financial system or over the value of payments made from accounts abroad for any reason. The rate of ISD tax is 5%.

The ISD should be paid by all individuals, foreign banks and private companies, local and foreign. Financial Institutions (IFIs) are constituted as withholding agents when transferring foreign currency abroad by its clients.

Withholding agents and officers of perception must collect from their customers, at the time they request the transfer abroad of foreign currency subject to this tax, in a Form of "Information Statement of Foreign Money Transfer Tax" through financial institutions or couriers.

FRINGE BENEFITS TAX
No fringe benefits are deductible as expenses in income tax liquidation. The only exception is that the company is allowed to pay and expense its employee income tax and social security contribution if the company has contracted to do so.

LOCAL TAXES
There are many and diverse taxes which are applied at local or regional levels. These include: urban property, rain water drainage, fire insurance, individual and corporate net worth, state university funds, fire department, transfer of property, etc. Nominally, there are no stamp duties.

OTHER TAXES
Other taxes imposed by the Ecuadorian Government include excise duties and oil and gas resources revenue taxes.
Likewise, the Superintendents of Companies, Banks, Financial Institutions and

Insurance Companies charge annual fees to the companies they supervise.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION
Business assets are subject to depreciation.
Costs are recovered in accordance of the goods involved based on their useful life and accounting techniques. In general, it is taken over five to 20 years.

STOCK/INVENTORY
Inventories are valued at cost in accordance with general accounting principles and standards established in regulations to the law.

CAPITAL GAINS AND LOSSES
Net capital gains and losses generally are included in the determination of assessable income.

DIVIDENDS
Dividends received by resident companies from other resident companies are tax free. Dividends received from non-resident companies are tax free.

INTEREST DEDUCTIONS
Interest is deductible. The deduction of both interest and the cost of foreign financing are allowed only if the loan has been registered with the Central Bank of Ecuador considering that, to be deductible from income tax, 22% for year 2015 withholding is required.

LOSSES
Companies which have sustained operating losses in a tax year may carry such losses forward to subsequent tax years and set them off over five years at the rate of 20% per annum, provided that not more than 22% (for year 2015) of the profits obtained in each fiscal year are allotted for such purposes. The carry back of losses is not permitted.

FOREIGN SOURCED INCOME
Domestic corporations are subject to taxes on their worldwide income with tax credits allowed for income taxes paid abroad.

INCENTIVES
Specific write-offs are provided for the mining and oil primary production industries. Expenditure on research and development also qualifies for special treatment.

New investments in basic industries (cooper and aluminium treatment, steel foundry, oil refining, petrochemical industry, cellulose industry, construction and repair of naval vessels) are exempted from income tax for five years and an additional deduction of 100% applies for the depreciation expense.
New investments agreements will include tax stabilization incentives.

C. FOREIGN TAX RELIEF

A general income tax exemption was introduced from December 30, 2007 related to income derived abroad that has been subject to income tax in another state and, accordingly, the ordinary tax credit method has been terminated.

D. CORPORATE GROUPS

No provisions exist for filing consolidated returns or relieving losses within a group.

E. RELATED PARTY TRANSACTIONS

Prior to administrative service fees being deductible when paid to foreign affiliates, the appropriate government authority must grant approval. Such payments are exempt from withholding tax. Other payments to foreign affiliates will only be deductible where income tax at 22% has been withheld.

F. WITHHOLDING TAX

Dividends paid to non-residents are subject to a 22% (for year 2015) withholding tax with a tax credit for company tax paid (ordinarily at 22%) being allowed against this withholding tax.
Royalties, service and rental fees attract the same 22% (for year 2015) withholding tax. However, interest payments are exempt from such a withholding tax (see 'Interest Deductions' in Section B above).

G. EXCHANGE CONTROL

Limited control is exercised. Direct foreign loans generally must be registered.

H. PERSONAL TAX

Income tax is payable by Ecuadorian resident individuals on non-exempt income derived from all sources. Non-resident individuals are required only to pay tax on Ecuadorian-source income. Residence is determined by reference to common law or to domicile or where the individual has spent more than one-half of the relevant income year in Ecuador unless, he or she has a usual place of abode outside Ecuador and does not intend to take up residence in Ecuador.
Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, certain capital gains, rent and interest. Allowable deductions include interest and certain other outgoings paid in gaining the assessable income and gifts to specified bodies.
Most individual taxpayers have tax instalments deducted from each salary and wage payment made by their employers. Self-employed individuals and those with non-salary and wage income ordinarily pay a provisional tax which is an interim payment during the year in anticipation of the assessment of tax after the end of the income year.

RESIDENT INDIVIDUALS

Individual income tax (IIT)	Progressive from 5% to 35%.
Real estate tax	From 0.025% to 0.3% for rural property and 0.025% to 0.5% for urban property; surtaxes and surcharges apply.
Inheritance/gift tax	Up to 35% tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Decision 578 of the Cartagena Agreement has been adopted by Ecuador. This broadly means that relief from double taxation is provided for natural and juridical persons located in any of the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela). Ecuador has similar tax treaties with Belgium, Brazil, Chile, Mexico, France, Germany, Italy, Spain, Romania, Switzerland, Canada, Korea, China and Uruguay.
The final status of the Sweden tax treaty was uncertain at the time of writing.

EGYPT

MEMBER FIRM

City	Name	Contact Information
Cairo	Hany Rashed	+202 2354 7340 rashed@pkf.com.eg

BASIC FACTS

Full name:	Arab Republic of Egypt
Population:	84.6 million (2013 PRB)
Capital:	Cairo
Major languages:	Arabic
Major religion:	Islam, Christianity
Monetary unit:	Egyptian pound (EGP)
Internet domain:	.eg
International dialling code:	+20
Egypt Ministry of Finance website:	www.mof.gov.eg

KEY TAX POINTS

- Egyptian resident companies are taxable on their worldwide income, except for profits derived from permanent establishments abroad. Non-residents are only taxed on Egyptian sourced income.
- Dividends paid to residents and non-residents are not subject to withholding tax. Companies and individuals are not taxed on dividends received from resident companies but are taxed on dividends and other payments from non-residents.
- A credit system is available to relieve double taxation on foreign source income. The credit is subject to a maximum of the Egyptian tax paid on the overseas income concerned.
- There are provisions which limit the tax deductibility of interest based on the rate of interest charged and the debt to equity ratio of the company concerned.

- Transfer pricing rules are based on arm's length principles. An advance pricing arrangement is available.
- Domestic tax law provides for a 20% withholding tax applicable to the payment of interest and royalties to non-residents. Treaties with various countries reduce the rate of withholding tax applying.
- General sales tax is payable on the supply of goods and services and imports. The standard rate of tax is 10% although rates vary from 0% to 30%.
- Resident individuals are subject to income tax on their worldwide income whereas non-residents on taxed on Egyptian sourced income.

A. TAXES PAYABLE

CORPORATE INCOME AND GAINS TAX

Egyptian corporations are subject to corporate profits tax on their profits derived from Egypt, as well as on profits derived from abroad, unless the foreign activities are performed through a permanent establishment located abroad. Foreign companies resident in Egypt are subject to tax only on their profits derived from Egypt.

Oil prospecting and production companies are subject to tax on their profits at a rate of 40.55%. The Suez Canal Company, Egyptian General Petroleum Company (EGPC) and Central Bank of Egypt are subject to tax on their profits at a rate of 40%.

ADMINISTRATION

Companies must file their annual tax returns, together with all supporting schedules and the original financial statements, before 1 May each year or four months from the financial year end. The tax return should be signed by the taxpayer. Taxpayers can file a request to extend the due date of filing the tax return provided they pay an estimated amount of tax. The request must be filed at least 15 days before the due date and the estimated tax due must also be paid before the due date. The extended period can be up to 60 days.

An amended tax return can be filed within 30 days from the due date. Any tax due must be paid when the tax return is filed. A late penalty is applied at the rate of 2% plus the credit and discount rate issued by the Central Bank of Egypt as of January each year.

The law has set up appeals committees at two levels - the Internal Committee and the Appeal Committee. The Appeal Committee's decision is final and binding on the taxpayer and the tax department unless a case is appealed to the court within 30 days of receiving the decision, which is usually in the form of an assessment.

DIVIDENDS

Dividends distributed by an Egyptian company are not subject to withholding tax because they are paid out of corporate profits that are taxed under the normal rules. Dividends received by residents from foreign sources are not taxed in Egypt. Dividends are exempt from tax. Interest on bonds listed on the Egyptian stock exchange is exempt from tax if certain conditions are satisfied. Certain exemptions may be provided in some cases.

CORPORATE TAX RATES

Nature of Tax	Rate
Corporate income tax	25%
Capital gains tax	20%
Branch tax	20%
Withholding tax:	
Dividends	0%
Interest	20%[1]
Royalties from patents, know-how, etc.	20%[1]
Certain services provided from non-resident entities	20%[1]
Branch remittance tax	0%
Net operating losses (years)	
Carry back	3 years
Losses incurred in long-term projects can be carried back within the same project with no limits.	
Carry forward	5 years

NOTES:
Final tax imposed on gross payments. The rate may be reduced under a tax treaty.

OTHER TAXES

The table below summarises other significant taxes.

Nature of Tax	Rate
General sales tax	0% to 30%
Customs Duties:	
General, ad valorem	Various
On value of machinery needed for investments by companies	5%
Stamp duties on bills, promissory notes and letters of guarantee as well as most types of documents, contracts, checks and receipts (shares and bonds listed on the Egyptian Stock Exchange are exempt)	Various

The amounts paid become credits available for income tax purposes at the end of the period.

SOCIAL INSURANCE

On monthly base salary, up to EGP 987.5 paid by:

Employer	26%
Employee	14%

On amount in excess of EGP 987.5 of the base salary, with a maximum excess amount of EGP 1,520 a month, paid by:

Employer	24%
Employee	11%

B. DETERMINATION OF TAXABLE INCOME

Corporate income tax is based on taxable profits computed in accordance with generally accepted accounting and commercial principles, modified for tax purposes by certain statutory provisions primarily concerning depreciation, provisions, inventory valuation, inter-company transactions and expenses. Start-up and formation expenses may be capitalised and amortised in the first year.

The deductibility of a branch's share of head office overhead expenses is limited to approximately 3% to 5% (according to practice) of turnover. Head office expenses other than overhead and general administration expenses are subject to negotiation with the tax authorities. They are fully deductible if they are directly incurred by the branch and are necessary for the performance of the branch's activity in Egypt.

Such expenses must be supported by original documents and approved by the head office auditors.

DEBIT INTEREST

Debit interest of loans/overdraft used in the company's activity is a deductible item after offsetting the interest income. Interest expense paid to individuals who are not subject to tax or exempted from tax is not deductible.
Interest expense is limited to the interest rate which will not exceed twice the discount rate determined by the central bank of Egypt.

DEBT-TO-EQUITY RULES

The tax law has determined the maximum debt to equity ratio to be 4:1. In the event the debt exceeds such ratio, the excess interest is not considered by the Tax Authority to be a deductible expense.

INVENTORIES

Inventories are normally valued for tax purposes at the lower cost or market value. Cost is defined as purchase price plus direct and indirect production costs. Inventory reserves are not permissible deductions for tax purposes. For accounting purposes, companies may elect to use any acceptable method of inventory valuation such as first-in, first-out (FIFO) or average cost. The method should be applied consistently and the reasons for such change should be stated if the method is changed.

PROVISIONS

Provisions are not considered as deductible costs except for the following:
- 80% of loan provisions made by banks (required by the Central Bank of Egypt);
- Insurance companies provision determined by Law No 10 of 1981.

BAD DEBTS

Bad debts are a deductible cost if the company provides a report from an external auditor certifying the following:

- The company is maintaining regular accounting records;
- The debt is related to the company's activity;
- The debt appears in the company's records; and,
- The company has taken the necessary actions to collect the debt.

DEPRECIATION AND AMORTISATION ALLOWANCES

Depreciation is deductible for tax purposes and may be calculated using either the straight-line or declining-balance method. Depreciation rates are as follows:

Type of Asset	Rate	Method of Depreciation
Buildings	5%	Straight-line
Intangible assets	10%	Straight-line
Computers	50%	Declining-balance
Heavy machinery and equipment	25%	Declining-balance
Small machinery and equipment	25%	Declining-balance
Vehicles	25%	Declining-balance
Furniture	25%	Declining-balance
Other tangible assets	25%	Declining-balance

Accelerated depreciation is allowable only once at a rate of 30% on new machines and equipment in the year they are placed into service.
Normal depreciation is calculated after considering the accelerated 30% depreciation on the net value of new assets, provided that proper books of account are maintained.
Tax losses may be carried forward for five years. Losses incurred in long-term projects can be also carried back within the same project.

REAL ESTATE TAX

Egypt introduced a new tax law No 196 of 2008 with effect from 23 June 2008 to be applied with effect from 1 January 2009.
Tax Rate: 10% of the annual rental value after excluding the following representing an assumed maintenance expenses:

- 30% of the rental value for properties used for living accommodation;
- 32% of the rental for properties used for other purposes.

E

C. FOREIGN TAX RELIEF

Foreign tax paid by a resident entity outside Egypt can be deducted provided there is supporting documentation. Losses generated outside Egypt cannot be offset against the taxable amount in Egypt. Treaties concluded between Egypt and other countries regulate the credit for taxes paid abroad on income subject to corporate income tax in Egypt.

D. CORPORATE GROUPS

Associated or related companies in a group are taxed separately for corporate income tax purposes. Egyptian law does not contain a concept of group assessment under which group losses may be offset against profits within a group of companies.

E. RELATED PARTY TRANSACTIONS

The Egyptian tax law contains provisions for transfer pricing. The transfer pricing provisions are based on the arm's length principle. Under these provisions, the tax authorities may adjust the income of an enterprise if its taxable income in Egypt is reduced as a result of contractual provisions that differ from those that would be agreed to by unrelated parties.

However, it is now possible to enter into arrangements with the tax department to agree a transfer pricing policy in advance (Advance Pricing Arrangement). This provides assurances that transfer prices will not be challenged after the tax return is submitted, with the consequent exposure to penalties and interest on late paid taxes.

F. WITHHOLDING TAX

No withholding tax is levied on dividends distributed by resident companies, regardless of the residence status of the recipient. Interest derived by non-resident legal persons is subject to a final withholding tax at the rate of 20% on the gross amount, unless a lower treaty rate applies. Royalties derived by non-resident legal persons are subject

to a final withholding tax at the rate of 20% on the gross amount, unless a lower treaty rate applies.

G. EXCHANGE CONTROL

Egypt has a free market exchange system. Exchange rates are determined by supply and demand without interference from the central bank or the Ministry of the Economy.

H. PERSONAL TAX

Income tax is imposed on the worldwide income of Egyptian residents. Non-residents are subject to tax on income earned or realised in Egypt.

An individual is deemed to be a resident of Egypt if:
- The individual is present in Egypt for more than 183 days in a fiscal year;
- The individual's principal place of residence is Egypt. Article 2 of the Executive Regulations states that an individual is considered to have a permanent residence in Egypt if:

(a) The taxpayer stays in Egypt for the majority of the year, either in his own property, in a rented property or in any other place;
(b) The taxpayer has a local commercial presence, professional office, industrial site or any other place where he carries on his activities in Egypt;
(c) The individual is an employee who performs his duties abroad and receives a salary from an Egyptian public or private source.

Income tax is assessed each year on the aggregate of the net amounts from each category of income realised during the preceding year. There are four recognised categories of income, namely:
(1) Employment income;
(2) Business income (which includes income from commercial and industrial activities);
(3) Non-commercial income;
(4) Income from real estate assets.

Graduated rates apply with effect from 1 July 2005 to the aggregate of the four categories of income, as follows:

Income (EGP)	Rate
Up to 5,000	0%
5,001 to 30,000	10%
30,001 to 45,000	15%
45,001 to 25,000,000	20%
Over 25,000,000	25%

Individuals are not subject to a tax on capital gains except in the case of the disposal of real estate or building sites within the boundaries of Egyptian cities. Such gains are not subject to income tax but are taxed at the rate of 2.5% on the value of the property.

I. TREATY WITHHOLDING TAX RATES

Dividends paid to non-residents are not subject to withholding tax under Egyptian domestic law. Consequently, the following table sets forth maximum withholding rates provided in Egypt's tax treaties for interest and royalties only.

Egypt has signed double tax treaties with Armenia, Bangladesh, Greece, Ireland, Kazakhstan, Mongolia, Norway, Oman, Senegal, Seychelles, the Slovak Republic, Spain, Sri Lanka, Tanzania, Thailand, Uganda and Vietnam but these treaties have not yet been ratified.

Tax treaty negotiations are underway with Congo, Macedonia and North Korea.

	Interest (%)	Royalties (%)
Non-treaty countries	20	20
Treaty countries:		
Albania	10	10

	Interest (%)	Royalties (%)
Algeria	5	10
Austria	15	0
Bahrain	–[1]	–[1]
Belarus	10	15
Belgium	15	15/20
Bulgaria	12.5	12.5
Canada	15	15
China	10	8
Cyprus	15	10
Czech Republic	0	10
Denmark	15	20
Finland[1]		
- From Finland	0	20
- From Egypt	20	20
France	20	15/20[3]
Germany	15	15/20[3]
Hungary	15	15
India	20	–[1]
Indonesia	15	15
Iraq:		
- From Iraq	10	15
- From Egypt	20	15
Italy	20	15
Japan	20	15
Jordan	15	20
Korea (South)	10/15	15
Kuwait	10	10
Lebanon	10	5
Libya	20	20
Malaysia	15	15
Malta	10	12
Morocco	20	10
Netherlands	12	12
Norway:		
- From Norway	0	0
- From Egypt	20	15
Pakistan	15	15
Palestine	15	15
Poland	12	12
Romania[4]	15	15
Russia	15	15
Singapore	15	15
South Africa	12	15
Sudan	20	10/3[5]
Sweden	15	14
Switzerland	15	12.5
Syria	15	20
Tunisia	10	15
Turkey	10	10

	Interest (%)	Royalties (%)
Ukraine	12	12
United Arab Emirates	10	10
United Kingdom	15	15
United States	15	15
Yemen	10	10
Yugoslavia[6]	15	15

NOTES:
1 According to domestic law in each country.
2 A final draft of a new tax treaty with Finland was initialled on 17 September 1997, but the new treaty has not yet been ratified.
3 The higher rate applies to trademarks.
4 The treaty with Romania is being renegotiated.
5 Films, otherwise 10%.
6 The treaty with Yugoslavia applies to the republics that formerly comprised Yugoslavia.

EL SALVADOR

MEMBER FIRM

City	Name	Contact Information
San Salvador	Horacio A Castellanos Ch.	+503 2273 2555 ha.castellanos@pkfelsalvador.com

BASIC FACTS

Full name:	Republic of El Salvador
Population:	6.3 million (2013 PRB)
Capital:	San Salvador
Major languages:	Spanish
Major religion:	Christianity
Monetary unit:	Salvadoran Colon
Internet domain:	.sv
International dialling code:	+503
El Salvador Ministry of Finance website:	www.mh.gob.sv

KEY TAX POINTS

- An income tax rate of 25% is applied to the net profit for companies that sell up to USD 150,000. For all others it is 30%.
- A corporation is required to prepay its estimated tax liability on a monthly basis of 1.75% of gross revenue.
- Capital gains are taxed at a rate of 10% applied to the net profit of a transaction, calculated as the sales price less the cost of the property plus any related sales expenses.
- Services and goods are subject to a 13% Value Added Tax (VAT).
- Interest, commissions, royalties and technical assistance fees paid to foreign recipients are subject to a 20% withholding tax.

TAXES PAYABLE
COMPANY INCOME TAX

El Salvador's income tax law affects annual revenue from business activities conducted in El Salvador when any of the causes of such revenue occur within the national territory.

Income Tax - A tax rate of 25% is applied to the net profit for companies that sell up to US$150,000.00. For all others is 30%.

El Salvador has implemented a minimum income tax payable. First, a comparison has to be done between the total net assets and the taxable revenue. The 1% tax is applied to the lowest one. Then, this 1%, is compared with the 30% income tax on profit. The highest one is paid. If the 1% on total net assets is higher than the 30% income on profit, the difference will be a credit for future tax payments, for the next 3 years. This means that income tax is paid even if the company has a loss.

A corporation is required to prepay its estimated tax liability on a monthly basis of

1.75% of gross revenue. This is deducted as credit in the annual income tax return.

Corporate tax returns are due by the end of the fourth month following the end of the fiscal year. An extension of six months may be granted if requested for the payment only.

The fiscal year of companies corresponds to the calendar year.

CAPITAL GAINS TAX

The tax involved is a 10% income tax on the net profit.

The 10% income tax is calculated on the net profit of the transaction. Net profit is calculated by deducting the cost of the property plus any related expenses from the sales price.

Income from the sale of securities is taxable as follows: the buyer will withhold 10% of the profit and remit it to the Tax Department.

BRANCH PROFITS TAX

Branches of foreign companies are subject to the same tax rates as Salvadoran companies.

SALES TAX/VALUE ADDED TAX (VAT)

Services and goods are subject to a 13% value added tax. The following items are exempt from VAT: Public health, home rentals, education, state titles, public water, public transportation, pension funds and public lottery.

AD VALOREM/ SPECIFIC TAXES

Two taxes are paid for alcoholic beverages:
Ad Valorem taxes at a 5% tax rate
A specific tax on the alcoholic grade per litre ranging from 0.04 to 0.16 cents.

Cigarettes pay a specific tax of $0.0225 per cigarette.

TAX ON FINANCIAL TRANSFERS

1)TAX ON CHECKS

Check payments over US$1,000.00 pay 0.25% on the operation base. This is tax is non refundable, and bank will charge it to the company bank account.

2)TAX ON LIQUIDITY CONTROL

A tax of 0.25% will be paid on cash payments and deposits, if the accumulated sum is more than US$5,000.00 in the month. This tax is a credit for any future payment of VAT, Income Tax, or Ad valorem Tax. The bank will charge it to the company bank account.

LOCAL TAXES

El Salvador's income tax law affects the whole national territory equally.

OTHER TAXES

Other taxes that are applicable in their various manifestations include:

Municipal Office Taxes: Taxes are paid according to a table and total assets. There are different tables for every city in El Salvador. In San Salvador, the table varies depending if the company is industrial, commercial or other.

National Registration Tax: All industrial or commercial businesses are required to have an annual licence to operate. This tax is paid according to the total assets and according to the following rates:

- From $ 2,000.00 to $ 57,150.00 pays $ 91.43
- From $ 57,151.00 to $114,286.00 pays $137.14
- From $114,287.00 to $228,572.00 pays $228.57.

If the asset is more than $228,572.00, $11.43 will be added for every $100,000.00 dollars, up to a limit of $ 11,428.57 dollars.

Social Security Tax: These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system benefits at the national level.

The table is as follows:

Company	7.50% of salary
Employee	3.00% of salary

Maximum salary of $685.71 per employee.

Social Security has a special education tax called INSAFORP which is 1% of the total amount that the company pays (this applies to companies with more than 10 employees).

Pension Tax: These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the employee pension system and retirement benefits at the national level.

The table is as follows:

Company	6.75% of salary
Employee	6.25% of salary

Maximum salary of $6,377.15 per employee.

B. DETERMINATION OF TAXABLE INCOME

The net taxable income of a corporation or partnership is determined by subtracting all allowable deductions from gross taxable income. Generally, expenditures and/or losses are deductible provided they are incurred in gaining or producing taxable income, or preserving the source of income. Special rules apply in respect of certain expenditures.

DEPRECIATION

Depreciation is normally calculated by the straight-line method over the estimated useful life of the asset.

STOCKS/INVENTORY

The Income Tax regulations only allow the use average-cost method according to the normal course of operations. No other method is allowed.

DIVIDENDS

Dividends pay 5% of income tax. If the stockholder is located in a country of low or null tax tributes (fiscal paradises), the dividends will pay 25% income tax.

Dividends for profits earned before 2011 are exempt.

Decrease in stockholder´s equity pays 5% of income tax, if the equity originated from capitalisation of profits.

INTEREST INCOME

Banks will withhold 10% income tax on interest income.

Loans given by local companies to its stockholders, related parties, headquarters, or residents/companies located in fiscal paradises are subject to a 5% income tax withholding.

INTEREST EXPENSE

If a loan is made to a Salvadoran company by a foreign bank that was registered by the Central Bank of El Salvador before 2009, the interest expense is exempt of income tax. If the foreign bank is registered by the Central Bank from 2010 onwards, a 10% income tax will be withheld. If the loan is made by a foreign company or a bank that is not registered by the Central Bank, income tax will be withheld at the rate of 20%.

LOSSES

Losses incurred in any given year can be taken as a valid deduction only for the current year. There is no carry forward of losses.

SOURCE OF THE INCOME

Foreign sourced income is not subject to income tax. Only income earned in the territory of El Salvador is subject to El Salvador income tax. Interest income and gains on market values are the exception.

Foreign sourced income is not subject to VAT tax.

Income received by persons or companies domiciled outside El Salvador will be considered as being from an El Salvadoran source if it arises from services or actions that benefit persons or companies located in El Salvador, including fees, interests and royalties.

INCENTIVES

The following incentives are available to these qualifying industries and corporations:

Companies operating in Free Zones or under the Law of International Services are tax-exempt on profit derived from sales to foreign countries, for the next 15 years after the companies have been approved by the Ministry of Economy.

Income tax will be free for 15 years, from 15 to 25 years, 12% income tax, and from 25 onwards, 18% income tax.

The 5% payment on dividends will be effective after 12 years.

Dividends paid to stockholders of companies located in Free Zones pay 5% after 12 years.

C. RELATED PARTY TRANSACTIONS

Transfer Pricing (TP) policies are applicable in El Salvador. If the Company does not have a TP Study, the government is entitled to determine differences between related party transactions, and a transaction done by independent parties. If a difference is detected, this would not be deductible for income tax purposes and a 25% or 30% tax would be paid on the difference.

D. WITHHOLDING TAX

Services (not in payroll) and fees paid to local individuals are subject to a 10% withholding income tax.

Services and fees paid to foreign corporations for work done in El Salvador are subject to a 20% income tax withholding rate.

Services and fees paid or accrued to non-resident individuals for work done in El Salvador are subject to income tax withholding at a 20% flat rate.

Interest, commissions, royalties or technical assistance fees paid to foreign recipients are subject to a 20% withholding tax.

International transportation services are subject to 5% withholding tax.

Purchases of intangible assets are subject to 20% withholding tax.

Any payment done to non-resident individuals or non-resident companies located in fiscal paradises is subject to a 25% withholding tax.

A list of fiscal paradises may be seen in the Tax Ministry web page: www.mh.gob.sv

E. PERSONAL TAX

The monthly withholding income tax rates set out below are applicable to any individuals included in payroll for permanent service:

Taxable Monthly Income (in US Dollars)

From	To	Tax withheld	
0.00	487.60	Exempt	
487.61	642.85	$ 17.48	plus 10% over $487.60
642.86	915.81	$ 32.70	plus 10% over $642.85
915.82	2,058.67	$ 60.00	plus 20% over $915.81
2,058.68	Over	$288.57	plus 30% over $2,058.67

The annual income tax rates set out below are applicable to any individuals included in payroll for permanent service:

Taxable Annual Income (in US Dollars)

From	To	Tax payable	
0.00	4,064.00	Exempt	
4,064.01	9,142.86	$ 212.12	plus 10% over $ 4,064.00
9,142.87	22,857.14	$ 720.00	plus 20% over $ 9,142.86
22,857.15	Over	$3,462.86	plus 30% over $22,857.14

F. TREATY AND NON-TREATY WITHHOLDING TAX RATES

El Salvador has a Free Commerce Treaty with the USA, Chile, Mexico and the Dominican Republic.

ESTONIA

MEMBER FIRM

City	Name	Contact Information
Tallinn	Rein Ruusalu	+372 66 30 829 Rein.Ruusalu@pkf.ee

BASIC FACTS

Full name:	Republic of Estonia
Population:	1.3 million (2013 PRB)
Capital:	Tallinn
Major languages:	Estonian, Russian
Major religion:	Christianity
Monetary unit:	1 kroon = 100 sents
Internet domain:	.ee
International dialling code:	+372
Ministry of Finance website:	www.fin.ee

KEY TAX POINTS

- Estonian resident companies do not pay tax on their profits until they are distributed to shareholders. The taxable period is the calendar month.
- There is no separate capital gains tax. Gains derived by resident companies or branches of foreign companies are exempt until a distribution is made.
- Value added tax applies to most goods and services.
- Local taxes are imposed by only a few municipalities.
- Foreign tax is mostly relieved by exemption by virtue of the provisions of the double tax agreements with most overseas jurisdictions.
- Withholding taxes apply to interest, royalties and dividends paid to non-resident corporate shareholders. However, withholding tax only applies to interest to the extent that it exceeds the open market rate.
- Income tax applies to individuals at a single, flat rate.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Estonian resident companies are liable for corporate income tax on their worldwide income. Corporate income tax is not levied when the company makes profits but when those profits are distributed to the company's shareholders. The rate is 20% on the gross profits distributed or 20/80 on the net amount of the dividend distributed to the shareholders. Although the tax applies like a withholding tax on the recipient of the dividend it is, strictly speaking, a tax on the company. The taxable period is the calendar month.

CAPITAL GAINS TAX

There is no separate capital gains tax in Estonia. Gains derived by resident companies or branches of foreign companies are exempt until a distribution is made.

BRANCH PROFITS TAX

There is no specific branch profits tax in Estonia. Branches of foreign companies are taxed under the same principles as resident companies, i.e. taxed on the distribution of profits.

VALUE ADDED TAX (VAT)

The supply of most goods and services is subject to VAT. Some goods and services are exempt from VAT. The standard VAT rate is 20%. A lower rate of 9% applies to certain items such as books, medicinal products etc. Exports from Estonia are zero rated.

FRINGE BENEFITS TAX

Fringe benefits are taxed as income. With effect from 1 January 2008, 20% income tax is levied on the gross value of the benefit plus 33% social security contribution.

LOCAL TAXES
Local government has the right to impose local taxes but presently only a few municipalities do so.

B. DETERMINATION OF TAXABLE INCOME

As the income of Estonian-resident companies is exempt from tax, there is no requirement for determining trading income for tax purposes. Tax is levied on the payment of dividends and distributions of profit in other forms such as fringe benefits, gifts and other non-business related payments.

C. FOREIGN TAX RELIEF

Under Estonia's double tax treaties, foreign tax is mostly relieved by exemption.

D. CORPORATE GROUPS

Corporations are taxed separately in Estonia. There is no concept of consolidated tax returns.

E. RELATED PARTY TRANSACTIONS

Related party transactions may be adjusted for tax purposes if the transactions are not at arm's length.

F. WITHHOLDING TAX

Withholding taxes must be deducted from interest, royalties and dividends paid to non-resident corporate shareholders (see table below). Withholding tax applies to the interest payments only if the interest rate is over the market rate and only to the proportion above the market rate.

G. EXCHANGE CONTROL

There are no exchange controls in Estonia.

H. PERSONAL TAX

There is one income tax rate of 20% and it applies to most income over the annual tax-free threshold of EUR 1,848. Employers are obliged to withhold income tax from employees' salaries. In addition, the following social security rates apply:
- Social security tax of 33% of gross salary;
- Unemployment insurance:
  - Employer 0.8% of gross salary;
  - Employee 1.6% of gross salary.

Dividends received from resident companies and interest received from EU credit institutions are tax free.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES (STARTING FROM 1 JANUARY 2013)

There is no withholding tax on dividends in Estonia.

	Interest[1] (%)	Royalties[2] (%)	Royalties[3] (%)
Non-treaty countries	20	10	10
Treaty countries:			
Albania	5	5	5
Armenia	10	10	10
Azerbaijan	10	10	10
Austria	10	5	10
Bahrain[5]	0	0	0
Belarus	10	10	10
Belgium	10	5	10
Bulgaria	5	5	5
Canada	10	10	10
China	10	10	10

	Interest[1] (%)	Royalties[2] (%)	Royalties[3] (%)
Croatia	10	10	10
Czech Republic	10	10	10
Cyprus[5]	0	0	0
Denmark	10	5	10
Finland	10	5	10
France	10	5	10
Georgia	0	0	0
Germany	10	5	10
Greece	10	5	10
Hungary	10	5	10
Iceland	10	5	10
India	10	10	10
Ireland	10	5	10
Isle of Man	0	0	0
Israel	5	0	0
Italy	10	5	10
Jersey	0	0	0
Kazakhstan	10	15	15
Korea	10	5	10
Latvia	10	5	10
Lithuania	10	10	10
Luxembourg	10	5	10
Macedonia	5	5	5
Malta	10	10	10
Moldova	10	10	10
Netherlands	10	5	10
Norway	10	5	10
Poland	10	10	10
Portugal	10	10	10
Romania	10	10	10
Serbia	10	5[4]	10
Singapore	10	7.5	7.5
Slovak Republic	10	10	10
Slovenia	10	10	10
Spain	10	5	10
Sweden	10	5	10
Switzerland	10	5	10
Thailand[5]	10	8	10
Turkey	10	5	10
Turkmenistan[5]	10	10	10
Ukraine	10	10	10
United Arab Emirates	0	0	0
United Kingdom	10	5	10
United Mexican States	4,9[6]/10	10	10
United States	10	5	10
Uzbekistan[5]	5	10	10

NOTES:
1 Withholding tax applies to the interest payments only if the interest rate is over

the market rate and only to the proportion above the market rate.
2 Generally, rate applicable to royalties for equipment rental (but see additional notes below).
3 Royalties other than in note 2 above.
4 Rate applicable to copyright royalties.
5 In effect from 01.01.2014.
6 The interest paid to banks and pension funds or pension schemes.

FINLAND

MEMBER FIRM

Please email Oliver Grosse-Brauckmann, PKFI EMEI Regional Director at oliver.grosse-brauckmann@pkf.com for further information.

BASIC FACTS

Full name:	Republic of Finland
Population:	5.5 million (2013 PRB)
Capital:	Helsinki
Major languages:	Finnish, Swedish
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.fi
International dialling code:	+358
Ministry of Finance website:	www.vn.fi

KEY TAX POINTS

- Finnish resident companies are liable to corporate income tax on worldwide income. Non-resident companies are taxed on their Finnish-sourced income only.
- Capital gains are normally taxed as ordinary income. In specific circumstances, capital gains arising on the disposal of shares in a subsidiary are exempt.
- In principle, all sales of goods and services are subject to value added tax, subject to reduced rates and exemptions.
- A local real estate tax is levied on properties owned by companies.
- The transfer of immovable property attracts a transfer tax.
- A controlled foreign company system applies.
- Under tax treaties, foreign tax is most frequently relieved by way of credit, sometimes exemption method is also applied. Where there is no relevant tax treaty, Finnish domestic tax law grants a credit for foreign tax paid once that foreign tax is final.
- Dividends and royalties paid to non-resident companies are subject to withholding taxes. Tax treaties may provide benefits and exemptions to this.
- Finnish resident individuals are subject to tax in respect of their worldwide income. Non-residents are taxed on their income derived from Finland.

- Individuals are taxed separately on earned income and investment income.

A. TAXES PAYABLE

STATE TAXES AND LEVIES
COMPANY TAX

Finnish resident companies are liable to corporate income tax on their worldwide income. Non-resident companies are taxed on their Finnish-sourced income only.

Corporate residence is not defined in the tax legislation but residency is usually associated with registration.

Corporate income tax rate is 20% of the taxable income. The tax year consists of the financial period (or periods) that end during the calendar year. The final tax assessment for the tax year is determined based on the tax return. Corporate bodies must file the tax return within four months of the end of their accounting period. Tax returns are processed within ten months of the end of the accounting period.

CAPITAL GAINS TAX

Capital gains are normally taxed as ordinary business income. Where shares or land have been held for business purposes, the disposal is subject to normal income tax. In specific circumstances, capital gains from the disposal of shares of a subsidiary are tax exempt. The shares need to be owned for at least one year prior to disposal

and the seller has to have owned at least 10% of the company whose shares are being disposed of. There is more detailed legislation for applying this exemption.

BRANCH PROFITS TAX

There is no specific branch profits tax in Finland. The taxable income for branches of foreign companies in Finland is calculated on the same basis as for Finnish resident companies.

VALUE ADDED TAX (VAT)

VAT is paid on the sale of goods and services, on the importation of goods, on intra-community acquisitions and on the removal of the goods from a fiscal warehousing arrangement when the removal takes place in Finland. In principle, all sales of goods and services are subject to VAT. However, there are some supplies of goods and services which are exempt under the conditions defined in the VAT Act.

The general VAT rate is 24%. Other applicable rates are as follows:

- 14% for individuals' food and animal feed and restaurant services;
- 10% for medicines, books, cultural events, passenger transportation, hotel accommodation and other services;
- Exports outside the European Union are zero rated.

FRINGE BENEFITS TAX (FBT)

There is no specific fringe benefits tax in Finland. However, the employer has a legal responsibility to withhold income taxes and social security contributions from salaries and benefits paid to their employees.

LOCAL TAXES

Basically, there are no local taxes imposed on companies. However, municipal real estate tax is levied on properties owned by companies. It is normally 0.37% to 0.80% (residential buildings) and 0.8% to 1.55% (other buildings) of the taxation value of the immovable property, depending on the municipality where the property is situated, and is deductible, up to certain limits, for income tax purposes.

OTHER TAXES

Employers must make social security contributions to cover the costs of health insurance at the rate of 2.08 % on gross remuneration paid to employees between 16 and 68 years of age. Pension insurance contributions are also payable at 19.00 % (on average), unemployment contributions (0.8% on the first EUR 2,025,000 and 3.15% on the excess) and accidental injury insurance contribution of approximately 1% of annual gross wages and salaries.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined based on financial accounting income adjusted for non-taxable and non-deductible items. In practice, the determination of taxable income is closely connected to the determination of net income for financial statement purposes.

Generally, all expenses incurred in acquiring or maintaining business income are deductible (however, e.g. entertainment expenses are 50 % deductible only).

DEPRECIATION

Buildings and other constructions are for tax purposes depreciated using the declining balance method. Depreciation for each building is calculated separately, with the maximum percentage varying from 4% to 20%, depending on the type of the construction.

Depreciation of machinery and equipment is calculated using the declining balance method with a maximum rate of 25%.

Patents and other intangible rights, such as goodwill, are amortised on a straight-line basis for ten years for tax purposes, unless the taxpayer demonstrates that the asset has a shorter useful life.

Assets with a useful life of less than three years may be written off using the free depreciation method, i.e. deduct up to 100% of the costs of assets in a single tax year where the value for each item is less than EUR 850 and the total value of such assets is no more than EUR 2,500 per tax year.

The allowable annual rates of depreciation are doubled for the tax years 2015 – 2016 for the following:

- New industrial buildings and workshops used for production activities (increase from 7% to 14%);

- New machinery and equipment used for production activities, as specified in the act (increase from 25% to 50%).

STOCK / INVENTORY

In principle, the acquisition costs of inventories are deducted when assets are sold, consumed or lost. Inventories on hand at the end of the tax year are valued at an amount not exceeding the lower of acquisition cost or market value. Acquisition cost is usually calculated on a FIFO basis, other methods may be also possible. Certain overhead costs can be included in the acquisition cost of products.

CAPITAL GAINS AND LOSSES

As discussed above, capital gains are usually taxable as ordinary income. Broadly speaking, gains on the disposal of shares in resident companies in which the seller had at least a 10% interest throughout the year ending on the date of disposal are exempt from tax. There are more prerequisites in the relevant act for this exemption.

DIVIDENDS

Inter-company dividends are tax exempt in most cases, although they are partly (75%) taxable if they are distributed by a quoted company to a non-quoted company that holds less than 10% of the capital in the distributing company, or the recipient company is a financial or insurance company holding the shares as investment assets.

Tax agreements may entitle non-residents either to benefit from a lower withholding tax rate or to receive an imputation credit. Dividends are exempt from withholding tax when paid to a company resident in a European Union country if the company pays national corporate tax and holds at least 10% of the share capital in the distributing company. Tax exemption does not apply if the recipient is entitled to imputation credit. Individual treaty in question must always be verified.

INTEREST DEDUCTIONS

Normally, interest on loans obtained for business purposes are deductible in full on an accruals basis. New thin capitalisation rules have been introduced from tax year 2014 onwards which will apply to interest paid between related parties. Broadly speaking, a company may deduct up to EUR 500,000 of interest expense per year without restriction. Similarly, if a company can demonstrate that the proportion of its net assets represented by equity is at least as high as the group's consolidated equity to net assets ratio, then the thin capitalisation rules will also not apply, as specified in more detail in the relevant legislation.

Where neither of these exemptions apply, the maximum deductible amount of interest paid to related parties is 25 % of EBITDA determined for tax purposes. Any interest restricted under these rules can be carried forward to use in future years, but similar restrictions on e.g. EBITDA apply each tax year.

LOSSES

Losses may be carried forward and set off in the subsequent ten tax years. If more than 50% of the shares of the company are sold during a loss year or thereafter, losses from previous years cannot usually be deducted. There is a dispensation procedure possible to this main rule.

FOREIGN SOURCED INCOME

If a foreign company falls under the Finnish controlled foreign company (CFC) legislation, then the foreign company's undistributed profits can be allocated to the taxable income of a Finnish shareholder. The preconditions for the application of the CFC legislation are as follows:

- One or more Finnish resident shareholders directly or indirectly own at least 50% of the capital or of the voting rights in the CFC or they are entitled to at least 50% of the yield of the net wealth of the CFC;
- The Finnish resident shareholder owns, directly or indirectly, at least 25% of the CFC;
- The effective tax rate of the CFC in its country of residence is less than three-fifths of the tax of an equivalent company resident in Finland (currently 12%).

INCENTIVES

Accelerated depreciation is available to small and medium-sized companies that make investments in certain development areas. The investment must be in assets that will establish or enlarge production facilities or tourist businesses in those areas. The increased rate of depreciation is available for the year of investment and the following two years.

A calculative 100% added deduction is available until 31.12.2015 in respect of salary costs incurred on research and development activities where those costs are

between EUR 15,000 and EUR 400,000.

C. FOREIGN TAX RELIEF

Under tax treaties, foreign tax is most frequently relieved by a tax credit. If a tax treaty does not apply, Finnish domestic law grants a credit for foreign tax paid, as specified in more detail. The credit is granted only if the foreign tax is final.

From 2010, a requirement to calculate available credits on a source country-by-country basis was removed and the ability to carry forward unused credits was extended from one year to five years.

D. CORPORATE GROUPS

Corporations are taxed separately in Finland. There is no concept of consolidated tax returns. However, it is possible to make group contributions if the parent company owns at least 90% of the subsidiary during the whole financial year. The payments will be tax deductible to the payer and taxable on the recipient. There are additional requirements in the relevant act.

E. RELATED PARTY TRANSACTIONS

Related party transactions are usually accepted if they are at arm's length. Arm's length pricing applies to transactions of all types including the purchasing of inventory and the provision of services and financial facilities.

Mandatory transfer pricing documentation requirements apply to foreign-owned subsidiaries and branches in Finland and Finnish Groups with more than 250 employees and an annual turnover of above EUR 50 million or a balance sheet of more than EUR 43 million.

F. WITHHOLDING TAX

Withholding tax is not imposed on dividends paid to resident companies. Dividends paid to non-resident companies are generally subject to a withholding tax of 20% which may be reduced or eliminated under tax treaties. Non-resident shareholders are not entitled to an imputation credit unless a tax treaty provides otherwise. Interest paid to resident companies is not subject to withholding tax. Interest paid to non-residents is generally exempt from tax, however, above mentioned thin capitalisation restrictions may apply.

Withholding tax is not imposed on royalties paid to resident companies. Royalties paid to non-resident companies are generally subject to a withholding tax of 20% which may be reduced or eliminated under a tax treaty. Royalties are, in certain cases, exempted from withholding tax when paid to a company resident in a European Union country.

In certain circumstances, tax must be withheld on payments for work carried on by non-residents.

G. EXCHANGE CONTROL

In principle, there are no exchange controls in Finland.

H. PERSONAL TAX

Finnish resident individuals are subject to tax in respect of their worldwide income. Non-residents are taxed on their income derived from Finland.

The tax year for individuals is the calendar year. Married persons are taxed separately both on earned income and investment income. Interest and insurance deductions may be dependent, in certain circumstances, on the mar1tal status of the taxpayer. In general, married persons will have their own deductions.

Individuals are entitled to deduct from their investment income and earned income all expenses incurred in acquiring and maintaining such income, as regulated in more detail. Individuals have usually a right to deduct interest expenses from investment income.

Interest expenses are deductible if the debt is related to the acquisition of taxable income.

In 2015, 65% of interest on a loan used to purchase the individual's permanent

home is deductible.

An individual is taxed separately on earned income and on investment income. Earned income is subject to national income tax, municipal income tax and church tax. Earned income includes salaries, wages and benefits in kind. Investment income includes dividend income, capital gains, certain interest income and income from rental activities. Capital income up to EUR 30,000 is taxed at 30% whereas amounts over EUR 30,000 are taxed at 33%.

Finnish nationals are, in addition, subject to the three-year rule. According to this rule, a Finnish national is considered to remain resident in Finland for three years after the end of the year in which he left the country, unless he shows that he has not maintained essential ties in Finland during the tax years concerned. However, under the terms of tax treaties, the three-year rule may be excluded if the individual is deemed resident in another country.

Finland imposes both inheritance and gift tax. The minimum taxable amount for inheritance taxation is EUR 20,000 and for gift tax EUR 4,000. Tax rates for both inheritance and gift tax vary from 8 % to 36%, depending on who is the receiver of the inheritance and the value inherited or gifted.

Wages and salaries paid by an employer are subject to an employee withholding tax. The amount withheld is based on the amount of wages or salary as well as on the individual circumstances of the employee.

The national withholding tax rates in 2015 are as follows (always check relevant tax treaty application both source and recipient country before decision making):

	Dividends[1] (%)	Dividends[2] (%)	Royalties (%)	Interest[3] (%)
Non-treaty countries:	20	20	20	N/A
Treaty countries:				
Argentina	15	10	15	15
Armenia	15	5	5	5/10
Australia	15	5	10	5
Austria	10	0	0	5
Azerbaijan	10	5	10	5
Barbados	15	5	5	5
Belarus	15	5	5	5
Belgium	15	0	10	5
Bosnia-Herzegovina	15	5	25	10
Brazil	10	10	15	15
Bulgaria	10	0	0	5
Canada	15	5	10	10
China	10	5	10	10
Croatia	15	5	0	10
Czech Republic	15	0	0	10
Denmark	15	0	0	0
Egypt	10	10	15	25
Estonia	15	0/5	10	10
Faroe Islands	15	0	10	0
France	0	0	0	0
Georgia	10	0/5	0	0
Germany	15	0	0	5
Greece	13	13	10	10
Hungary	15	5	0	5
Iceland	15	0	10	0
India	10	10	10	10
Indonesia	15	10	10	15
Ireland	0	0	0	0

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	Dividends[1] (%)	Dividends[2] (%)	Royalties (%)	Interest[3] (%)
Israel	15	5	10	10
Italy	15	0	15	5
Japan	15	10	10	10
Kazakhstan	15	5	10	10
Korea, Republic of	15	10	10	10
Kyrgyzstan	15	5	10	5
Latvia	15	5	10	10
Lithuania	15	5	10	10
Luxembourg	15	5	0	5
Macedonia	15	0	10	0
Malaysia	15	5	15	5
Malta	15	5	0	0
Mexico	0	0	10/15	10
Moldova	15	5	5	3/7
Morocco	10	7	10	10
New Zealand	15	15	10	10
Norway	15	0	0	0
Pakistan	20	12/15	15	10
Poland	15	5	5	5
Romania	5	0	5	5
Russia	12	5	0	0
Serbia	15	5	0	10
Singapore	10	5	5	5
Slovenia	15	5	5	5
South Africa	15	5	0	0
Spain	15	0	10	5
Sri Lanka	15	15	10	10
Sweden	15	0	0	0
Switzerland	10	0	0	0
Tanzania	20	20	15	20
Thailand	28	20	10/25	15
Turkey	15	5	5/10/15	10
Ukraine	15	5	5/10	10
United Kingdom	0	0	0	0
United States	15	5	0	0
United Arab Emirates	0	0	0	0
Uzbekistan	15	5	5	10
Vietnam	15	10/5	10	10
Zambia	15	5	15	15

NOTES:

1 Tax at source on dividend.

2 The recipient is a company whose share in the company making the payment is at least the percentage indicated in the tax treaty. In some cases, the holding refers to share capital and in others to voting power. The relevant tax treaty should be checked to determine the exact requirements.

3 According to the domestic tax law, interest paid to a non-resident is usually exempt from taxation in Finland.

FRANCE

MEMBER FIRM

City	Name	Contact Information
Paris	François Duhau	+33 1 42 94 42 00 bleung@pkfcayman.com
	Hervé Bidaud	+33 1 77 68 19 61 herve.bidaud@artemtax.fr
Lyon	Christian Laurain	+33 4 72 53 25 50 laurain@pkf.fr
Strasbourg	Jean-Jacques Helle	+33 3 90 40 17 17 helle@pkf.fr
Marseille	Guy Castinel	+33 4 91 03 66 11 castinel@pkfaudit.fr

BASIC FACTS

Full name:	French Republic
Population:	63.8 million (2013 PRB)
Major language:	French
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.fr
International dialling code:	+33
Ministry of Finance website:	www.finances.gouv.fr

KEY TAX POINTS

- Companies are subject to French corporate tax on the profits of any business carried on in France. There is a lower rate for SMEs, but there is also a minimum tax liability for all companies based on turnover which applies even if it does not generate fiscal profits.
- Capital gains are generally deemed to be ordinary income. Under the participation exemption, 88% of the gains derived from the disposal of qualifying shares are exempt from tax. The remaining 12% is taxed in the normal manner.
- The normal system which is territorial and applies to each company individually. Foreign branch profits are exempt from corporate tax. French branches of foreign companies will generally only be taxed in France on French-sourced income.
- In general, all economic activities are subject to Value Added Tax (VAT) at a standard rate of 20%.
- Other significant government levies include: a land tax (based on the rental value of real estate) and residential tax on the occupation of property.
- Credit for foreign tax on dividends, royalties and interest is allowed under double tax treaties. Where no treaty applies relief is by way of deduction.
- Transfer pricing requirements apply to related party transactions with overseas parties.
- Withholding tax applies to dividends, interest and royalty payments to non-residents, the rate being subject to the status of the recipient and the terms of tax treaties. There are significant exceptions for payments to EU parent companies. Permanent establishments are automatically subject to withholding tax unless specified conditions are met.
- Income tax is applied at progressive rates, subject to mitigation by a family quota system.
- There is progressive exemption from tax on capital gains on French property for EU residents. There is an exemption for the principal residence.
- A wealth tax applies, based on worldwide assets for French residents and French assets for non-residents.
- Inheritance tax is paid by the inheritors of a French resident's estate, the French assets of a non-French resident, and also by the French resident inheritors of the estate of a non-French resident.

This WWT Guide takes into account the measures adopted by 1 January 2015.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies are subject to French corporate tax on profits of any business carried on in France. A company is said to be carrying on a business in France if it has a permanent establishment, a dependent agent or a 'complete commercial cycle' in France. The fiscal year usually ends on 31 December although each company can choose its fiscal year end. The company tax rate is currently 33.33%.

There is a special lower rate of 15% for SMEs (turnover under EUR 7,630,000 and at least 75% owned by individuals). The first EUR 38,120 is taxed at the lower amount and the rest is taxed at 33.33%.

Companies whose turnover exceeds EUR 7,630,000 also have to pay 3.3% social security contributions, but only when the corporate tax exceeds 763 000 euros. The 3.3% contribution applies on the amount of the corporate income tax.

Tax is payable in four instalments, the due dates being respectively 15 March, 15 June, 15 September and 15 December for accounting years ending 31 December. The balance must be paid by the 15th of the fourth month after the accounting year end. Instalments amount to 8.33% of the fiscal profits of the last complete accounting period.

Companies with a turnover exceeding EUR 250,000,000 are liable for a special additional contribution representing 10.7% of the amount of their corporate income tax. This contribution cannot be deducted from the taxable result of the company.

CAPITAL GAINS TAX

Capital gains are generally deemed to be ordinary income. Under the participation exemption, 88% of the gains derived from the disposal of qualifying shares are exempt from tax. The remaining 12% is taxed in the normal manner. Shares qualifying for the participation exemption are those in which the parent has held at least 5% of the subsidiary's capital for at least two years.

In addition, proceeds from the licensing of patents, patentable inventions and their improvements and associated manufacturing processes qualify, subject to certain conditions, for a reduced capital gains rate of 15% although they constitute royalty income in the strictest sense. The reduced rate also applies to the disposal of such patents, except between related companies. Such disposals are classed as producing 'long term' gains or losses.

A net long-term loss can generally only be carried forward to offset long term capital gains arising in the following ten years. Net long-term capital losses can no longer be off-set against gains arising on the disposal of qualifying shares.

Capital gains on shares held in subsidiaries established in a non co-operative state or territory will not benefit from the long term gains regime or the participation exemption and will be taxed at the standard corporate rate. Moreover, it will only be possible to offset the capital losses sustained on such securities against capital gains of the same type and not against profits taxed at the standard corporate rate.

BRANCH PROFITS TAX

The normal system which is territorial and applies to each company individually. Foreign branch profits are exempt from corporate tax. French branches of foreign companies will generally only be taxed in France on French-sourced income.

SALES TAX/VALUE ADDED TAX (VAT)

In general, all economic activities conducted in France are subject to VAT (sales of goods, supplies of services and intra-community acquisitions).

The 20% rate applies to all operations other than those that are expressly exempt or subject to the reduced rate (10% since 1 January 2014 except for products that are still specifically subject to the 5.5% reduced VAT rate) or to the special rate (2.1%). The taxpayer is liable for VAT on sales but may offset against this amount any VAT included in the purchase of goods, equipment and services.

VAT returns must be remitted monthly, except for small enterprises subject to the 'official estimation rules'. They produce an annual return or, if subject to the 'simplified tax basis', they only produce a quarterly return.

Specific rules are applicable with respect to real estate.

FRINGE BENEFITS TAX (FBT)
Goods and services provided to employees are considered as salaries paid in kind, liable to social contributions and income tax.

LOCAL TAXES
Various taxes are levied by the Government for the benefit of the local government agencies. The three most important are as follows.

LAND TAX
This is based on 50% of the deemed rental value of real estate owned by the taxpayer.
Territorial Economic Contribution (hereafter CET)
The CET tax consists of two separate contributions which apply in combination:

- Corporate Real Estate Contribution (CFE)
  The CFE is based on the deemed rental value of real estate assets, excluding capital assets and furniture, available to the tax payer for the purposes of its business activity.
- Contribution on corporate added value (CVAE)
  The CVAE is based on turnover, increased by certain income and deductible charges.

RESIDENTIAL TAX
This is a tax on the occupation of property based on the deemed rental value of the property reduced by an allowance for the number of dependants of the occupant.

OTHER TAXES
These include the following minor and indirect taxes:

SALARY TAX
Tax rates vary from 4.25% to 20% based on the level of remuneration paid to employees. This tax is payable by companies which are not subject to VAT on at least 90% of their turnover.

Exceptional tax on high remunerations
The tax is equal to 50% of the part of the remuneration paid to an employee of a company exceeding in 2013 and 2014 € 1M. The amount of such tax is capped to 5% of the company's turnover. This tax is deductible from the benefits of the company. The tax will be paid for the last time in 2015 on remuneration paid in 2014.

APPRENTICESHIP TAX
Payable at the rate of 0.68% on total annual gross wages and salaries (for companies having more than 250 employees, a surplus tax is applicable).

EMPLOYERS' TRAINING TAX
All employers with between 10 and 20 employees pay a contribution of 1.05% of total annual wages and salaries as an investment into vocational training programmes. The rate is 1.60% where there are more than 20 employees. The rate is reduced to 0.55% where there are fewer than ten employees.

CONSTRUCTION PARTICIPATION TAX
All employers with 20 employees or more must pay a minimum of 0.45% of total gross wages and salaries for the construction of social dwellings.

COMPANY CAR TAX
Companies pay a tax based on the number of cars registered in France which they own, rent for more than one month or are used by their employees for their professional needs and who drive more than 15,000 km per year. Non-polluting vehicles are exempt from this tax.

ORGANIC TAX
This tax applies to company which turnover exceeds EUR 760,000. The rate is 0.16% of the annual turnover.

RATES OF STAMP OR TRANSFER DUTIES
The rate of transfer duties on the sale of an ongoing business are subject to a rate of 3% (under EUR 200,000) and 2% (over EUR 200,000).
The rate of transfer duties on shares, such as SAS, SA is a 0.1%, but 3% on shares of SARL, Sociétés civiles.

FINANCIAL TRANSACTION TAX (« TAXE SUR LES TRANSACTIONS FINANCIÈRES »)
A 0.2% tax applies to the acquisition of shares in listed companies which have their head office in France and whose market capitalization exceeds € 1 billion on the 1 December prior to the fiscal year in which the transaction takes place.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of the accounting results. When a tax rule diverges from an accounting principle, adjustments are made to the accounting results.

Business profits are defined as gross trading profits less manufacturing, administrative and selling expenses. All expenses incurred in the conduct of business are deductible if they are directly related to achieving the corporate purpose of the French corporation. Some items such as company car tax are non-deductible. Some items such as the organic tax are deductible in the year they are paid. Special rules apply in respect of the categories listed below.

Income from receivables, royalties and payments for services provided by private individuals and legal entities established or domiciled in a non co-operative state or territory are only deductible if:

- the debtor provides proof of the transactions
- the transactions are not abnormal or exaggerated and
- with effect from 1 January 2011, the transaction has a bona fide commercial purpose.

The payer company will be required to submit a detailed statement of these expenditures with its tax returns.

DEPRECIATION

Fixed assets are generally written off over their normal useful life. The straight-line method is the most commonly used. Companies can choose the declining-balance method to compute depreciation although certain assets are excluded from this. Assets acquired for a cost of less than EUR 500 excluding VAT can be totally written off in the first year.

The cost of cars exceeding EUR 18,300 (EUR 9,900 for the most polluting cars) cannot be depreciated (i.e. only the amount up to EUR 18,300/9,900 is eligible for tax depreciation allowances). Other items can be written off at specified rates, depending on their effective life and their date of purchase. A company can elect not to take all the depreciation to which it is entitled if it so wishes but the depreciation claimed on its assets in total must be at least equal to the depreciation that would have been claimed on the same assets on a straight-line basis.

STOCK/INVENTORY

Stock may be valued at each year end at cost price, market selling value or replacement cost. On the balance sheet, inventories must be shown at cost price. If market value is lower, a reserve for depreciation of inventories must be disclosed separately as a deduction from cost.

Cost is defined as the actual purchase price or actual production cost (excluding financial charges) or, if lower, the price at which the goods may be sold. FIFO or the average cost method must be applied. LIFO is prohibited.

CAPITAL GAINS AND LOSSES

See ‘Capital gains tax’ above.

DIVIDENDS

Only 5% of the value of dividends received by a French parent company from its French or foreign subsidiaries are taxed (including the foreign tax credit), if the parent-subsidiary regime applies. To qualify for this treatment, the parent must have held 5% of the subsidiary’s capital for at least two years.
Dividends from companies established in non cooperative countries or territories, will be excluded from the parent-subsidiary regime.

INTEREST DEDUCTIONS

As from 1 January 2007, interest paid to related entities is tax deductible, subject to the following limitations:

- the interest rate does not exceed the average rate of interest on bonds issued by private French companies or if higher, the rate that would be offered by non-related banks on similar terms and conditions;
- interest paid must not exceed the highest of the following three limits (thin capitalization rule):
  - the average amount of related parties’ loans must not exceed 1.5 times the net equity of the borrowing entity
  - interest paid on related parties loans must not exceed 25% of the borrowing entity’s net income before tax, after adding back depreciation deductions and the interest on such related parties’ debt
  - interest paid on related party loans does not exceed the interest received by the

borrowing entity on loans it has itself made to related parties.

The portion of the interest which exceeds the higher of the above three limits is not deductible from that year's taxable results (except if it does not exceed EUR 150,000) but may be carried forward subject to a 5% discount for each year. For financial years ending after 31 December 2010, the rules applicable to interest paid to related parties are also applicable to non-related parties if the loan is guaranteed by a related party of the borrowing company.

- The deduction of interest on loans taken out to finance share acquisitions may be disallowed if the acquisition involves jointly controlled companies and the acquired company enters into a consolidated tax group with the acquiring company ("Charasse" rule).
- The deduction for interest on loans taken out to finance share acquisitions may also be disallowed if the French borrowing company is unable to demonstrate that decisions on share-related transactions are made in France and that the acquired subsidiary is effectively managed in France ("Carrez" rule).
- Interests paid to a related party and that are not subject to a taxation at least equal to 25% of the CIT ordinary rate, are not deductible.
- As from 1 January 2014, the deduction of financial charges incurred by companies liable to CIT is capped at 75% after application of other more specific restrictive rules. This cap does not apply if the net financial charges do not exceed EUR 3 million (in the case of a tax consolidated group, this threshold applies to the group as a whole).

LOSSES

Losses carried forward are now subject to a restriction whereby the maximum amount that can be utilised in any one year is EUR 1,000,000 plus 50% of the profit exceeding this. The portion of the losses that cannot be offset can be carried forward indefinitely by applying each year the same limitation.

Losses can be carried back against undistributed taxable income for the previous financial year up to the lower of EUR 1,000,000 and the profits of that earlier tax year.

The portion of losses that cannot be carried back may still be carried forward.

The corporation tax paid in the preceding years is not immediately repaid to the company when this option is exercised but the company becomes entitled to a tax credit. It can be used to pay its corporation tax liabilities arising in the following five years. If the credit is not used during the five years, the tax is repaid by the Administration.

FOREIGN SOURCED INCOME

Profits earned by subsidiaries not established in an EU country and paying a low rate of tax are presumed to have been earned in France and are subject to corporate tax in France, if more than 50% of the shares are owned by the parent company. A tax credit is given for the corporate tax paid in the country where the subsidiary is established.

From 1 January 2010, withholding tax suffered on dividends, interest and royalties from such subsidiaries is only creditable if the subsidiary is resident in a territory that has signed a tax treaty with France and that is not on the list of non-cooperative states or territories.

To avoid the application of the aforementioned rule, if the subsidiary is established or set up in a non-cooperative state or territory, the French parent must either:
(i) Demonstrate that the profits of the subsidiary are generated from an effective industrial or commercial activity and do not exceed the ratios for passive income and intra-group services, or
(ii) Provide to the tax authorities all the documents necessary for it to evaluate the activity performed and the ratios as well as to substantiate that the transactions of the subsidiary have a primary purpose other than to divert profits into that country.

INCENTIVES

In certain privileged 'priority zones', companies created to carry out new industrial, commercial or even, under certain terms, non-commercial activities are exempt from corporation tax during the first two years of their operation. They are also exempt from tax on 75%, 50% and 25% of their profits for the next three years respectively. The exemptions also apply to local business taxes, reduced transfer taxes and accelerated depreciation.

Various tax incentives are available to enterprises operating in Corsica, Overseas Departments and specified disadvantaged urban and suburban zones. Expenditure on research, development and training also qualifies for special treatment.

OTHERS

Deferred remunerations paid to directors or managers (such as golden parachutes) are deductible in 2013 for a maximum of € 222 192, for FY 2013.

C. FOREIGN TAX RELIEF

Foreign tax paid on dividends, royalties and interest may be allowed as a credit against the French tax due from a French resident under a double tax treaty (or by way of deduction under domestic law when received from a non-treaty country).

D. CORPORATE GROUPS

Where a French company holds 95% or more of the shares of one or more French companies, the group may elect to be taxed as a single entity, i.e. the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. Therefore, profits and losses of group companies may be offset.

France's Amended Finance Act for 2014, has extended the scope of the French tax consolidation regime to "horizontal" tax consolidated groups (i.e. tax consolidation between sister or cousin companies).

E. RELATED PARTY TRANSACTIONS

Pre-tax income indirectly transferred abroad either through an increase or decrease of purchase or sales price, or by any other means, to an enterprise established outside France which controls or is controlled by the French corporate taxpayer may be added back to taxable income by the Tax Authorities.

Groups of companies may obtain an advance transfer pricing agreement from the French Ministry of Finance.

Transfer pricing documentation for companies of a certain size must be made available to the tax authorities.

F. WITHHOLDING TAX

Withholding tax must be deducted from dividends, interest and royalties paid to non-residents to the extent they are not franked. See section I below for more details.

G. EXCHANGE CONTROL

In principle, inbound non-resident investments in France are free of prior review unless they are in a sensitive economic sector where prior authorisation must be obtained from the French Treasury.

H. PERSONAL TAX

Income tax is payable by French residents on non-exempt income derived from all sources (worldwide income subject to tax treaties). Non-residents are only required to pay tax on French-sourced income.
French law establishes three criteria, any one of which is sufficient to indicate that an individual is resident in France for tax purposes:

- habitual residence of the person or family;
- principal place of residence (more than 183 days in a calendar year);
- professional activity or centre of economic interests.

Income tax is payable on assessable income less allowable deductions.

Assessable income includes property income, industrial or commercial profits, certain directors' remuneration, agricultural profits, wages, salaries, pensions and life annuities, non-commercial profits and investment income. Allowable deductions include expenses incurred in performing the duties of an office of employment, interest on loans and pension contributions. There are other deductions such as an allowance paid to members of the taxpayer's family and investment incentives.

The family quota or coefficient system mitigates the effect of the progressive nature of the tax rate scale. A single person with no dependents has a coefficient of one and pays tax on their actual taxable income. By comparison, a married couple with two children has a coefficient of three and pays tax by dividing their income first by three, calculating an amount due as if they were single, and then multiplying the amount due by three (ceiling constraints).

The tax return due before March (year Y) relates to the income derived in the previous year (year Y-1) and the tax is paid in three instalments in year Y (15 February, 15 May

and 15 September).

The first two instalments are calculated simply as one-third of the tax paid in the previous year and the third represents the balance of the liability. Alternatively, the tax payer can elect to pay his tax monthly.

The following table gives the rates of tax for 2015 assessment of 2014 income:

Bracket of taxable income	Rate (%)
0 – 9,690	0
9,690 to 26,764	14
26,764 to 71 754	30
71,754 to 151,956	41
over 151,956	45

Those individuals earning the highest incomes are subject to an additional extraordinary contribution. This contribution is equal to 3% or 4% depending of the amount of the income.

Interest paid on the mortgage of the taxpayer's principal property can no longer be deducted from his or her personal tax base.

The sale of a French situs property (or of shares in a deemed French real estate investment company) is subject to capital gains taxation as follows:

- French resident: capital gain is taxed at a rate of 19% plus social contributions. A decreasing scale applies if the property is held for more than 5 years. Capital gains are totally exempted if the property concerned has been held for at least 30 years.
- European Union resident: the capital gain is taxed at a rate of 19% plus social contributions .The progressive exemption of capital gain applies.
- All other non-French residents: The capital gain is taxed at a rate of 19% plus social contributions (if the sale of the property is made by a non-French corporate structure, the taxable gain increases by 2% each year). The progressive exemption for capital gains applies. Social contributions may not be due. The rate increases to 75% if the seller is a resident of a non-cooperative state.

In addition, and if greater than € 50,000, the capital gain would suffer a surplus tax ranging from 2% to 6% (depending on the amount of the capital gain).

Capital gains on any immovable property are exempt if the sales price does not exceed EUR 15,000 or the asset concerned is the taxpayer's principal residence (applicable to French tax residents).Wealth tax is assessed on individuals whose net wealth exceeds EUR 1,300,000 (threshold), the tax due is computed on the value of the assets exceeding EUR 800,000. French residents are subject to wealth tax on worldwide assets, while the tax basis for non-residents is limited to assets situated in France. The main categories of taxable assets are as follows: real estate, furniture, other personal property (including jewellery, cars, yachts, aeroplanes and horses), shares and bonds, the redemption value of life insurance contracts, debts owed to the taxpayer and interest accrued thereon.

It is only possible to deduct debts that are related to taxable assets.
The wealth tax return must be filed by 15 June. The tax is payable upon filing of the return. As from 2014, the rates of tax range from 0.5% to 1.5%.

A new cap system applies only to French residents: income tax and wealth tax cannot exceed 75% of the worldwide net income received by the taxpayer in the preceding year.
Inheritance tax is paid by the inheritors of the estate of a French resident or the French assets of a non-French resident. Since 1 January 1999, inheritance tax is also due by the French resident inheritors on all the estate of a non-French resident. The tax is due on all property transferred by will, by intestate succession or donation before death.

If the deceased is a French tax resident, all assets owned are subject to the inheritance, whether the beneficiary is French tax resident or not, and whether the assets are located in France or not.

But, if the deceased and the beneficiary were no French tax residents, only the assets located in France would be subject to French taxation (unless specific case : art 750 ter of the FTC)

Transfer of assets held through a trust or earnings capitalized as such are subject to inheritance tax. A declaration giving a description and valuation of the assets received must be sent to the Administration within six months of the death. A tax allowance is granted. The amount depends on the relationship with the deceased. The rates of tax range from 5% to 60%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

During the last year, France has signed a number of important supplemental clauses modifying some international tax treaties. Notably, these relate to the exchange of information.

TREATY AND NON-TREATY WITHHOLDING TAX RATES

	A Individuals and non-parent companies (%)	Dividends B Parent companies (%)	C Shareholding required to be a parent (%)
Non-Treaty Countries	21	-	-
Treaty Countries*:			
Algeria	15	5	10
Albania	15	5	25
Argentina	15	15	–
Armenia	15	5	10
Australia	15	0/5	10
Austria	15	0	10
Azerbaijan	10	10	–
Bahrain	0	0	–
Bangladesh	15	10	10
Belgium	15	10	10
Belarus	15	15	-
Benin	-[5]	-[5]	-
Bolivia	15	15	10
Botswana	12	5	25
Brazil	15	15	-
Bulgaria	15	5	15
Burkina Faso	-[5]	-[5]	-
Cameroon	15	15	N/A
Canada (except Quebec)	15	5	10
Central African Republic	-[5]	-[5]	-
Chile	15	15	-
China	10	10	-
Congo	20	15	10
Croatia	15	0	10
Cyprus	15	10	10
Czech Republic	10	0	25
Ecuador	15	15	-
Egypt	0	0	N/A
Estonia	15	5	10
Ethiopia	10	10	-
Finland	0	0	N/A
French Polynesia	-[5]	-[5]	-
Gabon	15	15	N/A
Georgia	10	0	50 / 10 depending on the amount invested
Germany	15	0	10
Ghana	15	5	10

	A Individuals and non-parent companies (%)	Dividends B Parent companies (%)	C Shareholding required to be a parent (%)
Greece	- [5]	- [5]	-
Hong Kong	10	10	N/A
Hungary	15	5	25
Iceland	15	5	10
India	15	15	10
Indonesia	15	10	25
Iran	20	15	25
Ireland	15	10	50
Israel	15	5	10
Italy	15	5	10
Ivory Coast	15	15	-
Jamaica	15	10	10
Japan	15	5/0	15
Jordan	15	5	10
Kazakhstan	15	5	10
Kenya	10	10	N/A
Korea	15	10	10
Kuwait	0	0	-
Kyrgyzstan	15	15	-
Latvia	15	5	10
Lebanon	0	0	-
Libya	10	5	10
Lithuania	15	5	10
Luxembourg	15	5	25
Macedonia	15	0	10
Madagascar	25	15	25
Malawi	- [5]	10	50
Malaysia	15	5	10
Mali	- [5]	- [5]	-
Malta	15	0	10
Mauritania	- [5]	- [5]	-
Mauritius	15	5	10
Mayotte	5	- [5]	-
Mexico	15	0	10
Moldova	15	15	-
Monaco	- [5]	- [5]	-
Mongolia	15	5	10
Morocco	0/15	0/15	-
Namibia	15	5	10
Netherlands	15	5	25
New Caledonia	15	5	-
New Zealand	15	15	-
Niger	- [5]	- [5]	-
Nigeria	15	12.5	10
Norway	15	0	10
Oman	0	0	N/A
Pakistan	15	10	10
Panama	15	5	10
Philippines	15	10	10

	A Individuals and non-parent companies (%)	Dividends B Parent companies (%)	C Shareholding required to be a parent (%)
Poland	15	5	10
Portugal	15	15	-
Qatar	0	0	-
Quebec	15	10	10
Romania	10	10	-
Russia	10/15	5	76,225
St. Pierre & Miquelon	15/5	5	-
Saudi Arabia	0	0	-
Senegal	15	15	N/A
Singapore	15	10	10
Slovak Republic	10	10	-
Slovenia	15	0	20
South Africa	15	5	10
Spain	15	0	10
Sri Lanka	- [5]	- [5]	-
Sweden	15	0	10
Switzerland	15	0/15	10
Syria	15	0	10
Tajikistan	15	15	-
Taiwan	10	N/A	N/A
Thailand	- [5]	15/20	25
Togo	- [5]	- [5]	-
Trinidad and Tobago	15	10	10
Tunisia	- [5]	- [5]	-
Turkey	20	15	10
Turkmenistan	15	15	-
Ukraine	15	10	10
United Arab Emirates	0	0	-
United Kingdom	15	0	10
United States	15	10	10
Uzbekistan	10	5	10
Venezuela	5	0	10
Vietnam	15	5	10
Zambia	- [5]	10	50
Zimbabwe	15	10	25

* The withholding tax rate has been increased to 75% (subject to applicable tax treaties) in respect of securities income paid to a Non-Cooperative Country or Territory as of 1 January 2013. This includes payments made through a financial establishment payer established in a Non-Cooperative Country or Territory regardless of the tax residence of the effective beneficiary (including a French resident).

	D Debt Instruments other than borrowing (%)	Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Non-Treaty Countries	24	33.33	30
Treaty Countries:			
Algeria	12	5/10	0
Albania	10	5	0
Armenia	10	5/10	5
Argentina	20	18	5

	D Debt Instruments other than borrowing (%)	Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Australia	10	5	0
Austria	0	0	0
Azerbaijan	10	5/10	0
Bahrain	0	0	25
Bangladesh	-	10	15
Belgium	15	0	10
Belarus	-	0	25
Benin	- [5]	0	30
Bolivia	15	15	0
Botswana	10	10	5
Brazil	15/10	10/15/25	15
Bulgaria	0	5	5
Burkina Faso	- [12]	0	30
Cameroon	-	7.5/15	15
Canada (except Quebec)	10	10/0	5
Central African Republic	- [5]	0	30
Chile	5/15	5/10	0
China	10	6 /10	0
Congo	0	15	15
Croatia	0	0	0
Cyprus	10	0/5	10
Czech Republic	0	0/5/10	0
Ecuador	10/15	15	15
Ethiopia	5	7.5	0
Egypt	15	15/10	0
Estonia	0/10	5/10	0
Finland	0/10	0	0/15
French Polynesia	0	- [5]	25
Gabon	10	10/0	0
Georgia	0	0	0
Germany	0	0	0
Ghana	12.5	10	0
Greece	10	5	0/25
Hong Kong	10	10	0
Hungary	0	0	5
Iceland	0	0	5
India	0	0	0
Indonesia	15/10	10	10
Iran	0/15	0/10	15
Ireland	0	0	0/25
Israel	5/10	0/10	5/10
Italy	10	0/5	0
Ivory Coast	15	10	0
Jamaica	10	10	10
Japan	10	0	0
Jordan	15	5/15/25	5
Kazakhstan	10	10	5
Kenya	12	10	0

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	D Debt Instruments other than borrowing (%)	Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Korea	10	10	5
Kuwait	0	0	25
Kyrgyzstan	10	0	25
Latvia	10	5/10	0
Lebanon	0	33.33/ – [5]	25
Libya	0	10	0
Lithuania	10	5/10	0
Luxembourg	0	33.33/0	0/5
Macedonia	0	0	0
Madagascar	15	10/15	25
Malawi	- [5]	0	10
Malaysia	15	33.33 /10/ - [5]	15
Mali	12 [5]	0	30
Malta	5/10	0/10	10
Mauritania	12 [5]	0	30
Mauritius	- [5]	15/0	15
Mayotte	- [5]	0	30
Mexico	0/5/10	0/10	0
Moldova	10	0	25
Monaco	- [5]	- [5]	25
Mongolia	10	5	0
Morocco	10	5/10	0
Namibia	10	0/10	0
Netherlands	10	0	0
New Caledonia	0	0/10	10
New Zealand	10	10	15
Niger	- [5]	0	30
Nigeria	12.5	12.5	0
Norway	0	0	0
Oman	0	7	25
Pakistan	10	10	0
Panama	5	5	0
Philippines	15	15	10
Poland	0	0/10	25/0
Portugal	12	5	0/15
Qatar	0	0	0
Quebec	10	0	5
Romania	10	10	0/10
Russia	0	0	0
St Pierre & Miquelon	0	0/10	10
Saudi Arabia	0	0	25
Senegal	15	0	0
Serbia/Montenegro	0	0	25
Singapore	10	33.33/- [5]	15
Slovak Republic	0	0/5	0/10
Slovenia	5	0/5	0
South Africa	0	0	0
Spain	10	0/5	0

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	D Debt Instruments other than borrowing (%)	Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Sri Lanka	15	0/10	25
Sweden	0	0	0
Switzerland	0	5	0
Syria	10	15	0 [5]
Tajikistan	10	0	25
Taiwan	10	10	30
Thailand	3/10	0/5/15	25
Togo	- [5]	- [5]	0
Trinidad and Tobago	10	0/10	10
Tunisia	12	0/5/15/20	30
Turkey	15	10	7.5
Turkmenistan	10	0	25
Ukraine	2/10	0/10	25
United Arab Emirates	0	0	0
United Kingdom	0	0	0
United States	0	0/5	5
Uzbekistan	0/5	0	0
Venezuela	5	5	0
Vietnam	0	10	0
Zambia	- [5]	0	10
Zimbabwe	10	10	0

* With effect from 1 January 2013, the withholding tax rate on royalties and other non-salaried income paid to beneficiaries domiciled or established in a Non Cooperative Country or Territory, has been increased to 75% (subject to applicable tax treaties) regardless of the place of payment of these compensations. However, this rate does not apply to payments for services of any kind provided or used in France if the debtor provides proof that the payments relate to actual transactions and have a primary purpose other than to hive off profits into a Non Cooperative Country or Territory.

For loans concluded on or after 1 January 2013, interest paid abroad to a foreign lender established or domiciled in a country classed as a non-cooperative country is subject to a 75% withholding tax.

1 The rates specified apply to individuals and companies who have inadequate control to be classified as parents.
2 The rate specified applies to foreign parent companies. The level of control necessary to be classified a parent varies from treaty to treaty. Accordingly, the relevant treaty should be consulted. Where no percentage is indicated, either no minimum shareholding is required or the relevant treaty does not reduce the withholding tax rate below the standard of 30%.
With effect from 1992, no withholding tax is imposed on dividends paid by a French company liable to corporate tax when the recipient is an EU parent company. The requirements for this rule are as follows:
(a) The recipient has held a minimum of 15% from 2007 to 2009 (10% as from 1 January 2009) of the capital of the distributing company directly and continuously for at least two years or will give an undertaking to hold at least 10% since 1 January 2009 (15% before 2009) of the shares of the distributing company for at least two years.
(b) The recipient is the effective beneficiary of the dividends.
(c) The recipient has its effective seat of management in an EU State and is not deemed to be resident outside the EU under an applicable tax treaty.
(d) The recipient has one of the legal forms dictated under the Directive.
(e) The recipient is subject to corporate income tax in the Member State where it has its effective seat of management.
(f) The recipient company must not have the right, under any double tax treaty, to a payment from the French Treasury of an amount greater than the withholding tax reserved by that treaty.
3 Interest paid by a French company on foreign borrowings is exempt from withholding tax. For other debts, the rate varies from 0% to 19% subject to tax

treaty reduction.
No withholding tax applies on interest paid by a French company or a French permanent establishment liable to corporate tax when the recipient is an EU parent company which has held a minimum of 25% of the shares of the company paying the interest for at least two years.

4 The taxable profits of permanent establishments in France are automatically subject to withholding tax unless specified conditions are met. The rate of tax is 30% or the reduced rate specified in the treaty – shown as[5] in the tables above.

5 There is no withholding tax rate specified in the treaty; the domestic rate applies.

GAMBIA

MEMBER FIRM

City	Name	Contact Information
Banjul	Donald C Kaye	+220 4414419 donald.kaye@pkf.com

BASIC FACTS

Full name:	The Republic of The Gambia
Population:	1.9 million (2013 PRB)
Major language:	English
Capital:	Banjul
Major religion:	Islam
Monetary unit:	The Dalasi
Internet domain:	.gm
International dialling code:	+220
Ministry of Finance website:	www.dosfea.gm

KEY TAX POINTS

- Corporation tax is payable based on the higher of 31% of chargeable profit or 1.5% of total income for the tax year.
- Value Added Tax (VAT) at a standard rate of 15% is payable on taxable supplies made in the Gambia, taxable imports of goods and on taxable supplies of imported services.
- Withholding tax applies in relation to retention of the services of a contractor or subcontractor, a company or partnership paying dividend to a resident individual, and interest paid to resident companies

A. TAX PAYABLE

COMPANY TAX

Corporation tax is payable based on the higher of 31% of chargeable profit or 1.5% of total revenue for the tax year. This implies that even if a company has an adjusted tax loss figure for any particular year, it will still be liable to tax. Note that if for any reason a company is not audited, tax on its total revenue will be 2.5% and not 1.5%.

Income tax is payable in quarterly instalments i.e. the three months period ending on the last day of the third, sixth, ninth and twelfth months of the tax year. This instalment is based on 1.5% of total revenue for a company with audited accounts or 2.5% for a company without audited accounts and is due by the 15th of the following month, failing which a penalty equal to 5% of the unpaid tax per month can be applied. Advance payments during the tax year are credited against income tax assessed.

Corporate Income Tax Return form is mandatory for all taxable entities and is expected to be submitted by 31 March of the year following that to which it relates. The form is used to determine annual tax liability.

CAPITAL GAINS TAX (CGT)

CGT is payable on the disposal of a capital asset.

In the case of a partnership, company or trustee, tax is paid on the greater of:
(i) 25% of the capital gain arising on disposal or
(ii) 10% of the consideration received for the disposal.

In the case of an individual, body of persons or trustee of a deceased estate:
(i) 15% of the capital gain arising on percentage of the disposal or
(ii) 5% of the consideration received on disposal.

Capital gains tax is exempt on the disposal of agricultural land, private residence and if the gain does not exceed GMD 7,500.

BRANCH PROFITS TAX

A branch's profit is taxed at the higher of the two 31% on profit or 1.5% of total revenue as the branch is considered as a permanent establishment meaning a resident company.

VALUE ADDED TAX

Value Added Tax (VAT) is payable on:
(a) a taxable supply made in The Gambia
(b) a taxable import of goods
(c) a taxable supply of imported services.

REGISTRATION REQUIREMENTS

- A person is required to register for VAT at the end of any 12 month or shorter period if, during the period, the total value of supplies of goods or services made by the person equals or exceeds one million dalasis (GMD).
- A person is required to register for VAT at the beginning of any 12-month period if there are reasonable grounds to expect that the total value of supplies of goods or services to be made by the person during that period will equal or exceed one million dalasis (GMD).
- A person who is not required to register for VAT is permitted to register within six months of the end of a 12–month or shorter period in which the total value of supplies made by the person exceeded five hundred thousand dalasis (GMD).

VAT is payable on a taxable supply of goods made in the Gambia. In the case of certain taxable supplies of goods the rate is 0% and in any other case, the rate is 15%.

A registered person shall provide a VAT return for each tax period within 15 days after the end of the period, whether or not tax is payable for the tax period.

AIR TRANSPORT TAX

Air Transport Tax is applicable to all Airlines and Travel Agencies and came into effect on the 1st January 2014. All air ticket sales for flights originating from The Gambia attract a 15% Air Transport Tax.

The tax is due on or before the 15th of the following month. A standard form for submission is prescribed by GRA.

FRINGE BENEFITS TAX

Fringe benefits are specific and direct payments of expenditure for and on behalf of an employee, in addition to his /her salary. The tax levied is at a rate of 35% on the grossed-up taxable value of each benefit provided and is payable by the organisation that provides the benefit to the employee. The total amount of fringe benefit plus tax thereon is an allowable deduction for the purposes of corporate tax calculation

LOCAL TAXES

National Educational Levy: If the total income of a taxable entity exceeds GMD 5 million per annum the levy applied is GMD 50,000 and if below GMD 5 million, a rate of GMD 30,000 is applied.

Expatriate Tax: An annual payment of GMD 40,000 is payable for each employee with citizenship from any country outside the West African region but for employees from West Africa, the rate is GMD 10,000.

Business Registration: An annual payment of GMD 1,000 should be made by all businesses at the start of the year.

Stamp Duty: The duty is levied on juristic acts resulting in a flow of wealth between the parties involved. Thus, stamp tax is applicable inter alia to acts whereby transactions on Real Estate or financial obligations are documented. Rates vary according to the type of transaction involved.

Customs & Excise Duties: This is applied on the importation or exportation of certain goods.

OTHER TAXES

Residential Rent Tax: Tax is imposed for each tax year on a person who has a taxable rental amount at a rate of 10% per annum.

B. DETERMINATION OF TAXABLE INCOME

The calculation of taxable income is arrived at by adjusting the accounting profits/ losses for non-taxed income and disallowed expenses.

CAPITAL ALLOWANCES

The following annual rates are applied against the written down value of assets:

ANNUAL ALLOWANCE:

Building	5%
Motor Vehicle	40%
Plant and machinery	20%
Plant and machinery used in manufacturing, mining	30%
Office furniture and equipment	20%

INITIAL ALLOWANCE

Initial allowance is applied at 20% of the cost of the asset or 10% for buildings, structures or works of permanent nature.

Initial and annual allowance cannot be granted on the same asset in the same year. Therefore, annual allowance is not granted in the year a fixed asset is first put to use only initial allowance is granted.

INTANGIBLE ASSETS

An amortization deduction is allowed. The deduction is computed by using the cost of the asset divided by the useful life of the intangible asset in whole years.

DEPRECIATION

No deduction is allowed in the tax computation but rather capital allowances are allowed.

STOCK/ INVENTORY

A deduction is allowed for the cost of stock in trade disposed of in a tax year in deriving the chargeable income.

CAPITAL GAINS AND LOSSES

If the consideration received exceeds the written down value of the asset, the excess is business income which has to be included in the person's income for that year and, if less, the difference is allowed as a deduction when computing the chargeable income for the year.

DIVIDEND

Withholding tax on dividend is at a rate of 15%.

INTEREST DEDUCTION

A deduction is allowed for any interest incurred in a tax year if the company used the proceeds or benefit of the debt on which the interest is payable. The interest not deducted can be carried forward for a period of six years.

LOSSES

If a company has a business loss for the year, that amount is carried forward to the following year and allowed as a deduction in computing the chargeable income for that year. Losses can only be carried forward for six years after the tax year in which the loss is incurred.

FOREIGN SOURCED INCOME

A foreign sourced income received by a resident company is exempt from income tax. If foreign income tax has been paid, a tax credit is allowed.

INCENTIVES

Expenditure on certain pre-commencement expenditure qualifies for accelerated deductions. A deduction is allowed in the tax year which the expenditure is incurred and in the following three years at a rate of 25% each year.

OTHER

BAD DEBTS

A deduction is allowed for a debt written off if certain conditions are satisfied.

LOSS RESERVE OF BANKS

A bank is allowed a deduction for the addition to its provision for doubtful debts in a tax year provided the addition has been determined in accordance with the prudential requirements specified by the Central Bank of The Gambia. The amount allowed as a

deduction for a tax year shall not exceed a half of one percent of the total outstanding debt claims of the bank as at the end of the tax year.

Granting of investment incentives and tax exemptions can only be obtained from the Gambia Investment and Export Promotion Agency (GIEPA).

C. FOREIGN TAX RELIEF

The Government of The Gambia has a double taxation treaty with Norway, Sweden, Switzerland, Taiwan, the United Kingdom, Republic of China and Qatar.
If a resident person has a foreign tax loss for a tax year, the amount of the loss can be carried forward to the following tax year and allowed as a deduction against the person's foreign sourced business income. The loss can be carried forward for a period of six years.

D. CORPORATE GROUPS

Tax on certain payments to non-resident persons does not apply if the conditions below are met:

(ii) If the holding giving rise to the dividend is connected with a permanent establishment in The Gambia of a non resident company
(ii) Any interest if the debt claim giving rise to the interest is connected with a permanent establishment in The Gambia of a non-resident company
(iii) Any royalty if the property or right giving rise to the royalty is effectively connected with a permanent establishment in The Gambia of a non-resident company
(iv) Any technical service fee is the services giving rise to the fee are rendered through a permanent establishment in The Gambia of a non-resident company.

E. WITHHOLDING TAX

A person who retains the services of a contractor or subcontractor to carry out work or supply labour or materials for the carrying out of work shall withhold tax at the rate of 10% of the gross fees.

A company or partnership paying dividend to a resident individual shall withhold tax at the rate of 15%.

A 15% withholding tax shall be withheld on interest paid to resident companies but it does not apply to interest paid to financial institutions.

F. EXCHANGE CONTROL

There are no exchange controls in place.

G. PERSONAL TAX

Tax is payable on the gross employment income of an employee monthly. Tax is computed using the following rates;

Income range per annum	Tax rate
0 to GMD18,000	0%
GMD 18,001 to GMD 28,000	5%
GMD 28,001 to GMD 38,000	10%
GMD 38,001 to GMD 48,000	15%
GMD 48,001 to GMD 58,000	20%
Above GMD 58,000	30%

GEORGIA

MEMBER FIRM

City	Name	Contact Information
Tbilisi	David Gvetadze	+995 32 2 24 30 30 office +995 599 50 19 75 mobile pkf@pkfgeorgia.com

BASIC FACTS

Full name:	Georgia
Capital:	Tbilisi
Main languages:	Georgian
Population:	4,935,880 (2014 estimate)
Major religion:	Christianity
Monetary units:	Georgian Lari (GEL)
Internet domain:	.ge
Int. dialling code:	+995

KEY TAX POINTS

- There are six main taxes in Georgia; Personal Income Tax (PIT); Corporate Income Tax (CIT); Value Added Tax (VAT); Import Duty; Excise Duty andProperty Tax.
- Companies incorporated and tax resident in Georgia (tax residents) are subject to tax on their worldwide income, whereas, companies incorporated overseas are normally treated as non-resident foreign tax residents and taxable on income from Georgian sources only or income arising from business activities carried on through a permanent establishment in Georgia.
- Georgian and foreign enterprises are subject to Profit Tax on their taxable profits at a flat tax rate of 15% of net taxable income.Companies must file individual tax returns and report their taxes separately. Consolidated tax returns are not permitted.
- Value Added Tax (VAT) applies to a vatable supply of goods or services in Georgia and chargeable on the Customs value of goods imported.The standard VAT rate is 18%.
- Property tax is a local tax administered by local self-government bodies (up to a maximum limit specified within the Tax Code) and comprises land tax and property tax of individuals and enterprises.
- Individuals resident in Georgia are subject to personal income tax (PIT) on their worldwide income, whereas, non-residents are subject to PIT on Georgian source income only, subject to double taxation treaty relief. Unless other rates apply (for example, for interest and dividends), the income of an individual is taxed at the flat rate of 20%.

A. TAXES PAYABLE

The principal source of tax law in Georgia is the Tax Code, with the new Tax Code being adopted by the Parliament of Georgia and effective from 1 January 2011. Tax concessions and exemptions are granted through amendments to the Tax Code.

There are six main taxes in Georgia:
- Personal Income Tax (PIT) – a nationwide tax;
- Corporate Income Tax (CIT)– a nationwide tax;
- Value Added Tax (VAT)– a nationwide tax;
- Import Duty – a nationwide tax;
- Excise Duty – a nationwide tax; and,
- Property Tax – a local tax.

COMPANY TAX

Companies incorporated and tax resident in Georgia (tax residents) are subject to tax on their worldwide income, whereas, companies incorporated overseas are normally treated as non-resident foreign tax residents and taxable on income from Georgian sources only or income arising from business activities carried on through a permanent establishment in Georgia.

Georgian and foreign enterprises are subject to Profit Tax on their taxable profits and the following types of income are treated as received from Georgian sources:
- Dividends income from a resident entity;
- Royalty income received from a resident entity;
- Interest income on debt obligations issued by a permanent establishment of

foreign company or resident entity;
- Income from immovable property i.e. arising from the sale of immovable property located in Georgia;
- Some other types of income.

The profit of a Georgian enterprise, which represents all taxable income from its economic activities less allowable deductions, is taxed at a flat rate of 15 percent.

A foreign enterprise carrying on economic activities through a permanent establishment in Georgia is also subject to profit tax at a flat tax rate of 15% on its net taxable income (gross income received from Georgian sources which relate to the activities performed by its permanent establishment less any deductions allowable under the Tax Code).

The tax period for corporate income tax is a calendar year. Annual profit tax returns must be submitted to the tax authority by 31 March each year.

CAPITAL GAINS TAX
There is no separate capital gains tax legislation in Georgia. Capital gains are subject to regular income tax when they are realized. Unrealized capital gains are not subject to taxation.

BRANCH PROFITS TAX
There is no branch remittance tax in Georgia.

VALUE ADDED TAX
VAT applies to a vatable supply of goods or services in Georgia and chargeable on the Customs value of goods imported (as set by the Customs legislation of Georgia).

The standard VAT rate is 18%, which is applied to most goods/services.

Certain transactions however are exempt from taxation:
- VAT zero-rated transactions: where the export of goods is exempted but VAT input rights remain; and,
- VAT exempt transactions: where the import of certain medicine, passenger cars, publications, mass media and baby products are exempted without input VAT rights.

VAT returns should be submitted to the tax authorities by the 15th day of the following month.

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FRINGE BENEFITS TAX
Broadly, all payments or benefits-in-kind provided by an employer to an employee are taxable unless specifically exempted.

LOCAL TAXES
Property tax is a local tax administered by local self-government bodies (up to a maximum limit specified within the Tax Code) and comprises land tax and property tax of individuals and enterprises.

Land Tax
Physical and legal persons are subject to land tax if they are owners or users of state owned land plots, including land used for agricultural and non-agricultural purposes. The land tax depends on where the land is located and its quality. It is not based on the taxpayer's economic position.

The base maximum annual rate for non-agricultural land is GEL 0.24 per one square meter and the tax is calculated by multiplying the annual base tax rate by the territorial coefficient and the land area.

A (physical) person is required to submit an annual tax return by 1st November each year. A legal entity is required to submit an annual tax return by 1stApril each year.

Property Tax (physical person) Property Tax (Georgian enterprises)
The property tax rate applying to an individual depends on the amount of his or her annual income, regardless of their tax residency status, from sources in and outside Georgia. The tax is levied on fixed assets used for economic activities, immovable property (building or a part thereof) and construction in progress. It does not apply to land.

The property tax rate ranges from 0.05% to 0.2% of the fair market value of the property that is located in Georgia if the individual's family worldwide income is between GEL 40,000 and GEL 100,000 during the reporting calendar year. However if the individual's family worldwide annual income exceeds GEL 100,000, the tax rate

is between 0.8% and 1%.

A tax return must be submitted by the individual before November 1st following the reporting calendar (tax) year and tax must be paid to the tax authority by 15 November.

Property Tax (Georgian enterprises)
Georgian enterprises and foreign enterprises engaged in economic activity in Georgia through permanent establishments, organizations whose property or part of property is used for economic activity may be subject to property tax. For foreign enterprises, property tax is imposed only on property located in Georgia.

Unless specifically exempted, property tax applies at a flat rate of 1% of the average annual net book value of fixed assets, uninstalled equipment and construction in progress (or similar property of an enterprise utilised for economic activity) listed on its Balance Sheet.

OTHER TAXES– CUSTOMS DUTIES
The taxation of the import and export of goods is regulated by the Tax Code. Customs duties include Import Duty and Excise Duty.

IMPORT DUTY
Depending on the type of goods being imported, Customs tax can apply at a rate of 0%, 5% or 12%.

EXCISE TAX
Excise Duty applies to certain goods transferred through Georgian Customs such as alcoholic beverages, tobacco products, oil and gas, cars and mobile communication services.

Excise tax rates are fixed per physical unit of excisable good (litre, cm³, kilogram, ton, etc.) and can vary from product to product.

B. DETERMINATION OF TAXABLE INCOME

Generally, expenses connected with earning gross income are able to be deducted to arrive at the net taxable income. Therefore, expenses not connected with the economic activities of an entity such as personal expenses and entertainment expenses are not deductible (unless entertainment is considered to be the taxpayer's economic activity).

Any limitations or restrictions relating to certain expenses or deductions which otherwise would be deductible in full, are provided within the Tax Code. Restrictions, conditions and limitations can apply, for example, to the deduction of interest, doubtful debts, repairs, insurance payments and reserve funds, scientific research expenses, depreciation of fixed and intangible assets.

CAPITAL ALLOWANCES
The general rules for the operation and deduction of tax depreciation are provided within the Tax Code and they providea taxpayer with the option to either deductingtax depreciation on fixed assets over a period of time or deducting 100% of the purchase (production) cost of the asset immediately. Whatever option is selected by a taxpayer, it should be consistently followed for the following five years and applied to all purchased, produced or leased fixed assets.

Tax depreciation allowances can generally be claimed for all capital assets, including fixed and intangible property, except for land, art (such as paintings, jewellery and antiques), historical objects (except for buildings), biological assets, museum items, and any other assets that are not subject to wear and tear. Fixed assets costing below GEL 1,000 are not subject to tax depreciation but can be deducted in full against the gross income of the accounting year of purchase or production.

Fixed assets are categorised into five groups and the rate of tax depreciation applying to each group is shown below. Please note, tax depreciation is charged individually on buildings and structures as each building or structure is effectively considered as a separate group.

Group	Types of Fixed Assets	Rate
1	Motor cars; motor-and-tractor equipment for the use on roads; office furniture, movable parts of motor transport; trucks, buses, special motor vehicles and trailers; machinery and equipment for all sectors of industry and the foundry industry; black smith and pressing equipment; construction equipment; agricultural vehicles and equipment.	20

2	Special tools, stock and equipment; computers, peripheral devices and equipment for data processing; electronic devices.	20
3	Railway, maritime and river transport vehicles; power vehicles and equipment; thermos-technical equipment turbine-powered equipment; electric engines and diesel generators; electricity transmission and communication facilities; pipelines.	8
4	Building andstructures	5
5	Assets subject to depreciation not included in other groups	15

The expenses of an intangible asset can be written off depreciation (amortization) over their limited useful life and recorded as a separate group for this purpose. If it is not possible to determine the useful life of an intangible asset it should be depreciated at the rate of 15%.

DIVIDENDS

Dividends paid to resident companies are not subject to withholding taxation and are not included within the taxable income of the recipient resident company.

Dividends paid to resident and non-resident individuals, organisations and non-resident companies are subject to withholding tax. Where an entity receives dividends that have been taxed at source they will not be subject to further taxation and will therefore be excluded from the taxable income of the recipient.

Dividends received from free floating securities, an international financial company, an agricultural cooperative (until 1 January 2017) or a free industrial zone companyare not subject to withholding tax and are not included within the taxable income of the recipient.

INTEREST DEDUCTIONS

Where a taxpayer incurs interest in the course of their business activities it is generally deductible, however, there are some limitations that can apply. Where the interest paid and/or payable (using the accruals method) does not exceed 24% of the credit (loan) per annum, it is deductible.

Please note that thin capitalisation rules are expected to come into force on 1 January 2016 and it is expected that a debt to equity ratioof 3:1 will be applied (5:1 for a leasing company). In saying this it is also expected that certain entities will be outside the rules such as financial institutions and entities with gross income below GEL 200,000 as well as others.

LOSSES

Georgian legal entities can carry tax losses forward and utilise them against future taxable profits arising in the following five years. Where the statute of limitation is increased from 5 to 11 years a taxpayer can elect a 10-year loss carry forward period. Losses cannot be carried back.

The carry forward of losses is however not permitted for an international financial company, special trade company or free industrial zone company (for taxation of international financial companies, special trade companies and free industrial zone companies).

C. FOREIGN TAX RELIEF

Where income from a foreign source has been subject to overseas tax a credit for the overseas tax paid is available which is the lower of:

(1) The amount of the foreign tax paid; and,
(2) The amount of Georgian corporate income tax levied on the foreign income.

Therefore, the maximum relief available is only up to the amount of the tax that would be payable on the foreign income in Georgia. Please note, to support the foreign tax relief claim, supporting evidence of the overseas tax paid should be made available to the Georgian Tax Authority.

D. CORPORATE GROUPS

Companies must file individual tax returns and report their taxes separately. Consolidated tax returns are not permitted.

Branches and other units of Georgian companies do not file separate returns or pay CIT independently. They consolidate their taxable profit (or loss) within the main company, which pays corporate income tax on the total taxable profit.

E. RELATED PARTY TRANSACTIONS

Comprehensive transfer-pricing rules are contained within the Georgian tax legislation and specific provisions exist in the Tax Code that are aimed at regulating the taxation of transactions between related parties. Georgian transfer pricing rules generally follow OECD transfer pricing principles and five pricing methods are recognised by the tax authority, namely, the comparable uncontrolled price; cost plus; resale price; profit split; and net profit margin methods.

Income and expenses may be allocated between related parties by the tax authorities to reflect a third party arms-length position with the principle of fair market value being also taken into account. Where possible, the tax authority will compare the cost of related party transactions with the cost of similar transactions between unrelated parties.

A taxpayer is obligated to maintain supporting records to evidence its related party transactions were conducted on a third party arms-length basis and the documentation should be made available to the tax authority if requested, within 30 calendar days.

F. WITHHOLDING TAX

Foreign companies which do not conduct economic activities through a permanent establishment in Georgia are subject to withholding tax on the gross income from Georgian sources. The tax is withheld by the payer at source and no deductions from the gross income are permitted.

Non-resident taxpayers who receive certain types of income however can be treated as if the income is connected to a permanent establishment in Georgia and the Tax Code allows the non-resident taxpayer to file a tax return and claim any deductions allowable

The following withholding tax rates apply to the Georgian source income of non-residents where such income is not attributable to any permanent establishment of the non-resident in Georgia:

Income from Georgian Sources	Tax Rate
Dividends	5%
Interest	5%
Oil and gas subcontractors	4%
International telecommunication and transportation services	10%
Royalties	10%
Management fees	10%
Income received in the form of wages	20%
Payments to non-residents of other Georgian source income not connected to their PE in Georgia	10%

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Please note that where a non-resident is registered in an offshore or low tax jurisdiction, royalty, interest and service fee payments will be subject to withholding tax at the rate of 15%.

Dividends are subject to withholding tax regardless of whether they are paid to individuals or foreign entities. Please note:

- Dividends received by entrepreneurial legal entities are excluded from taxable gross income; and,
- Dividends paid to Georgian legal entities are exempt from withholding tax at source.

G. PERSONAL INCOME TAX

Individuals resident in Georgia are subject to personal income tax (PIT) on their worldwide income, whereas, non-residents are subject to PIT on Georgian source income only, subject to double taxation treaty relief. An individual is considered to be a resident of Georgia for PIT purposes if they are present in Georgia for more than 183 days in any 12-month period ending in a tax (calendar) year.

PIT is levied on salaries and any other compensation paid to employees including benefits-in-kind, subject to certain exceptions. PIT is deducted at source from an employee’s salary by an employer.

Tax is levied on the annual incomeof an individual entrepreneur, which consists of gross income less the relevant expenses in earning that gross income (except for non-

deductible or partially non-deductible expenses).

Unless other rates apply (for example, for interest and dividends), the income of an individual is taxed at the flat rate of 20%.

Annual personal income tax returns must be submitted to the tax authority by 31 March each year.

There is no liability to social security payments on income paid or received by employers, employees or individual entrepreneurs. Similarly, there is no inheritance tax or wealth tax in Georgia.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Georgia has Double Tax Agreements (DTA's) with 47 countries:

Country	Dividends (%)	Interest (%)	Royalties (%)
Armenia	5%	5%	5%
Austria	0%&5%	0%	0%
Azerbaijan	5%	5%	10%
Bahrain	0%	0%	0%
Belgium	5%	5%	5%, 10%
Bulgaria	5%	5%	10%
China	0%,&5%	5%	5%
Croatia	5%	5%	5%
Croatia	5%	5%	5%
Czech	5%	5%	0%, 5%, 10%
Denmark	0%,5%	0%	0%
Egypt	5%	5%	10%
Estonia	0%	0%	0%
Finland	0%, 5%	0%	0%
France	0%,5%	0%	0%
Germany	0%,5%	0%	0%
Greece	5%	5%	5%
Hungary	0%,5%	0%	0%
India	5%	5%	10%
Iran	5%	5%	5%
Ireland	0%,5%	0%	0%
Israel	5%	5%	0%
Italy	5%	0%	0%
Kazakhstan	5%	5%	10%
Kuwait	0%,5%	0%	10%
Latvia	5%	5%	10%
Lithuania	5%	5%	10%
Luxembourg	0%,5%	0%	0%
Malta	0%	0%	0%
Netherlands	0%,5%	0%	0%
Norway	5%	0%	0%
Poland	5%	5%	10%
Qatar	0%	0%	0%
Romania	5%	5%	5%
San Marino	0%	0%	0%
Serbia	5%	5%	10%
Singapore	0%	0%	0%
Slovakia	0%	5%	5%

Country	Dividends (%)	Interest (%)	Royalties (%)
Slovenia	5%	5%	5%
Spain	0%	0%	0%
Sweden	0%	0%	0%
Switzerland	5%	5%	0%
Turkey	5%	5%	10%
Turkmenistan	5%	5%	10%
UAE	0%	0%	0%
UK	0%	0%	0%
Ukraine	5%	5%	10%
Uzbekistan	5%	5%	10%

GERMANY

MEMBER FIRM

City	Name	Contact Information
Berlin	Oliver Beier	+49 30 30 69 07 65 oliver.beier@pkf-fasselt.de
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BASIC FACTS

Full name:	Federal Republic of Germany
Population:	80.5 million (2013 PRB)
Capital:	Berlin
Major language:	German
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.de
International dialling code:	+49
Ministry of Finance website:	www.bundesfinanzministerium.de

KEY TAX POINTS

- Companies resident in Germany are subject to tax on all of their income. Non-resident companies are subject to tax on German-source income.
- Business enterprises operating in Germany are also subject to a trade tax on business income, as assessed by each municipality.

- There is no separate capital gains tax - broadly, capital gains from business assets are taxed at the ordinary tax rate. Capital gains realised by a corporate shareholder on the sale of shares held in an enterprise are tax free.
- VAT is applied on the supply of goods and services in Germany by a taxable person, subject to exemptions.
- Profits of foreign companies may be attributed to German shareholders under a controlled foreign companies (CFC) regime.
- A transfer pricing regime imposes record-keeping requirements and provides for income to be adjusted on an arm's length basis.
- Capital gains realised by individuals or partnerships are added to annual income, subject to a 40% participation exemption on the sale of shares held as business assets. Roll-over relief may be available where gains are reinvested in shares.
- Dividends paid to residents and non-residents are subject to a 25% withholding tax, although this is reduced to nil in certain circumstances under the EC Parent/ Subsidiary Directive.
- Both personal and corporate income taxes carry a surcharge at the rate of 5.5% of the tax.
- Income tax is payable by German resident individuals on their worldwide income. Non-resident individuals are only required to pay tax on German-sourced income.
- Assets transferred by gift or inheritance are subject to tax. Other taxes include an annual real estate tax, an insurance tax and a church tax.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

German-resident companies are subject to tax on their worldwide income. Non-resident companies are required to pay tax in various forms on income derived from German sources.

Resident companies are those that are incorporated in Germany or have their place of management and control in Germany.

The corporation tax rate is 15%. In addition, a solidarity surcharge is levied at the rate of 5.5% of the corporation tax.

The tax year in Germany is the calendar year. Companies are required to make quarterly prepayments of tax based on the previous year's income. Corporation tax returns should be submitted by 31 May of the following year. An automatic extension of seven months (31 December) is granted for returns prepared by a tax consultant. Tax balance sheets have to be handed in electronically following a special tax account mapping.

TRADE TAX

Trade tax is applied only to business income. All business enterprises operating in Germany are subject to this tax. The trade tax rate is assessed independently by each municipality. The effective tax rates range from 7% to 18.55%.

Individuals may deduct trade tax as a block credit to a certain extent against individual income tax. No tax relief by deduction or credit will be available to companies.

CAPITAL GAINS TAX

There is no special or separate capital gains tax. For privately held shares a flat withholding tax of 25% plus solidarity surcharge of 5.5% of the tax due has been introduced (for details see below under 'Capital gains and losses').

BRANCH PROFITS TAX

There is no separate branch profits tax in Germany. Trading profits and capital gains of a German branch of a foreign company are calculated and taxed on the same basis as those of a German resident company.

SALES TAX / VALUE ADDED TAX (VAT)

This is a tax on the supply of goods and services, other than exempt supplies and services, rendered in Germany by a taxable person.

The tax rates are as follows:

- Standard rate: 19%
- Reduced rate: 7%

FRINGE BENEFITS TAX

For some services provided to its employees (e.g. canteen food, office outings, transportation of employees, accident insurances and payments to retirement funds), the company has the option to pay the income tax on account for the employee. The

tax is paid at a flat tax rate which varies depending on the service provided, from 15% to 25% of the given value.

OTHER TAXES

In Germany a net wealth tax is not levied. Other taxes include real estate transfer tax (RETT) at a rate of 3.5% to 6.5% and insurance tax (excluding life insurance and private medical insurance) at 19%. Certain exemptions for RETT on intra-group restructurings may apply.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Business expenses are generally deductible for tax purposes, although there are some exceptions such as entertainment expenses which are only 70% deductible. Special rules apply in respect of the categories listed below.

DEPRECIATION

Tangible fixed assets, other than land, are written off over their estimated useful lives at rates prescribed by the tax law or an administrative regulation. For movable goods bought after 31 December 2010 only the straight-line method of depreciation can be used. In the case of a long-term devaluation of assets, an extraordinary depreciation is allowed. This write-down has to be reversed if the value of the asset increases again.

Assets with purchase costs from EUR 150 to EUR 1,000 exclusive of VAT can be pooled every year. The pool for each year has to be written off in five years. Taxpayer may elect for an immediate write-off of goods with a value of less than EUR 410.

STOCK/INVENTORY

Inventory includes raw materials, work-in-progress, finished goods and payments on account. Each item of inventory must be valued at acquisition cost or cost of production. Accepted valuation methods include ‘last in, first out’ (LIFO) and average cost.

CAPITAL GAINS AND LOSSES

In principle, capital gains from business assets are taxed at the ordinary tax rate. Profits on the sale of land and buildings may be reinvested tax-free (roll-over relief).

Where the shareholder is a corporation, capital gains relating to the sale of shares held in an enterprise (German or foreign) are tax-free. Correspondingly, a write-down of participation does not have tax consequences. Losses arising from the sale of such a stake will not be recognised. However, a lump sum of 5% of the gains is added back to taxable income representing non-deductible business expenses.

Where the shareholder is an individual or a partnership, capital gains arising from the sale of shares held as business assets are taxable, but only 60% of the capital gain is added to the individual’s/partner’s annual gross income. The remainder is tax-free (40% participation exemption). Correspondingly, only 60% of the losses are deductible. Capital gains realised by partnerships may be tax-free if reinvested in shares within two years (roll-over relief).

Where the shareholder is a private individual, capital gains arising from the sale of privately held shares bought after 31 December 2008 are subject to a 25% flat withholding tax plus a solidarity surcharge of 5.5% of the tax due if the participation is below 1%. Capital gains arising from the sale of privately held shares bought before 31 December 2008 are generally not taxed. If the participation is 1% or more, the rules for shares held as business assets apply. Losses from the sale of privately held shares may be deducted only from gains arising on privately held shares. Non-deductible losses may be carried forward.

Capital gains arising from the sale of other privately held movable assets are not taxed unless the assets are sold within one year. Capital gains arising from the sale of privately held land and buildings are not taxed unless the assets are sold within ten years.

DIVIDENDS

Dividend income is subject to 25% withholding tax plus a solidarity surcharge of 5.5% of the tax due. The withholding tax rate may be reduced in accordance with tax treaties or EU regulations (Parent-Subsidiary Directive).

Where the shareholder is a corporation, the dividend income is tax-free (100% participation exemption). However, a lump sum of 5% of the gross dividends is added back to taxable income representing non-deductible business expenses, irrespective of the actual expenses incurred by the company. This applies to dividends received from

both German and foreign enterprises. Recently a minimum participation requirement of 10% for corporate tax purposes (trade tax: 15%) as at the beginning of the calendar year was introduced.

Where the shareholder is a partnership, only 60% of the dividend income is added to the partner's annual gross income. The remainder is tax-free (40% participation exemption). Correspondingly, only 60% of the expenses directly connected to the dividend are deductible. A resident taxpayer may credit the withholding tax which has been deducted by the corporation against his own individual tax liability. Corporation tax cannot be credited against the individual tax.

Where the shareholder is an individual, dividends are subject to a 25% flat withholding tax plus a solidarity surcharge of 5.5% of the tax due. However, if the withholding tax rate exceeds the marginal income tax rate of the shareholder, the shareholder may opt to report the dividend in his income tax return instead. Economically connected expenses such as financing fees are not deductible.

INTEREST DEDUCTIONS

Interest is deductible to the extent that it is payable on credits raised to generate taxable income. Where interest is paid in order to finance a participation in another company, the above mentioned special provisions concerning business expenses which are directly related to tax-free dividends apply.

In order to combat abusive transfers of profits, an "interest barrier" limiting the deductibility of interest payments as business expenses has been introduced. Interest payments are generally deductible if they do not exceed interest income for the period. The excess amount is only deductible up to 30% of EBITDA as defined for tax purposes. An 'exemption threshold' for interest payments of less than EUR 3,000,000 p.a. applies. An EBITDA carry-forward mechanism also exists.

The interest barrier is only applicable for companies belonging to a group. Such a group is deemed to exist if a German company may be consolidated with other companies. The interest barrier does not apply to companies that are part of a group if, under IFRS, the ratio of equity to total assets of the company is equal or higher than the ratio of equity to total assets for the group as a whole. In addition, a shortfall of up to 2% compared to the group ratio is permissible. This escape clause will not be applicable for corporations if more than 10% of the interest expenses are on related party debt, i.e. to shareholders with participations of 25% or more.

LOSSES

In the year in which losses are incurred, they may, in principle, be deducted without restrictions. Remaining losses may be carried back to the preceding accounting period up to an amount of EUR 1,000,000. Excess losses may be carried forward indefinitely to future years. However, in each future year, the deduction must not be more than EUR 1 million. Profits in excess of this may be set-off only in an amount of 60% by a loss carry-forward. Loss carry-forwards may be forfeited by certain share transfers or corporate restructurings. For trade tax special rules apply.

FOREIGN SOURCED INCOME

Foreign sourced income is generally taxable. In addition, Germany has a controlled foreign company (CFC) regime. Its objective is to ensure that profits of German controlled companies are not transferred to, or generated in, low tax jurisdictions. A low tax jurisdiction is deemed to be any country which taxes income at a rate of less than 25%. Where German residents hold more than 50% of the shares or the voting rights of an intermediate corporation with passive income, the income is deemed to be distributed to the German shareholders and taxed at their level if the intermediate corporation is located in a low tax jurisdiction. Under certain conditions, a participation of 1% in the foreign intermediate corporation is sufficient to trigger the CFC taxation.

Profit distributions by corporations and capital gains arising from the sale of these participations are deemed to be active income. Income derived by foreign holding companies is thus effectively exempt from CFC tax.

INVESTMENT ALLOWANCE/INCENTIVES

Qualifying investment aids are tax-free and available in selected areas from local authorities for the improvement of the regional economic structure. Investment grants are provided by the tax authorities for the acquisition of new buildings or depreciable, new movable assets in the new federal states.

C. FOREIGN TAX RELIEF

Even in the absence of a tax treaty, foreign tax on income derived by a German resident may be credited against his income or corporation tax liability. The tax relief must not

exceed the German tax charged on the same profits. Alternatively, the foreign tax may be deducted from the income of the German resident.

D. CORPORATE GROUPS

Profits and losses of German group companies may be pooled for corporate tax and trade tax purposes, if the requirements of the so-called 'Organschaft' are met. The controlling company must hold, directly or indirectly, the majority of the shares of the controlled company and there must be a profit and loss pooling agreement between the two companies.

E. RELATED PARTY TRANSACTIONS

Inter-company pricing between affiliated companies must be carried out on an arm's length basis. If this is not the case, the income of both companies is adjusted for tax purposes. Arbitration proceedings are available within the European Union.

Legislation is in force that specifies the duty to document the way in which a taxpayer arrives at the transfer prices on transactions with foreign closely related persons/ enterprises. The documentation must encompass the nature and contents of the business relationship and the economic and legal basis underlying the arm's length prices. Specific legislation applies to a "transfer of functions" between intra-group companies.

F. WITHHOLDING TAX

Under domestic law, all dividends, regardless of whether they are paid to a resident or a non-resident, are subject to a 25% withholding tax plus a solidarity surcharge of 5.5% of the tax due as a flat tax. This is reduced to nil in the case where the shareholder satisfies the conditions of the EU Parent Subsidiary Directive (broadly that the shareholder is an EU resident company with a 10% or more interest in the company paying the dividend).

Interest is subject to 25% withholding tax plus a solidarity surcharge of 5.5% of the tax due if it is paid to a resident. Interest paid to a non-resident is not subject to withholding tax. Royalties paid to a non-resident are subject to 15% withholding tax plus a solidarity surcharge of 5.5% of the tax due. Certain German tax treaties provide for an exemption or a reduced rate (see below).

G. EXCHANGE CONTROL

There are no exchange control requirements.

H. PERSONAL TAX

Income tax is payable by German resident individuals on their worldwide income. Non-resident individuals are only required to pay tax on German-sourced income. Individuals are deemed resident if they have a residence in, or their customary place of abode is in, Germany. The latter is the case if the individual has spent more than 180 consecutive days in Germany.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, income from agriculture and forestry, income from self-employment, income from employment, certain capital gains, capital investment income, and rental and royalty income. Allowable deductions include personal allowances, deductions for business/professional expenses and contributions to specified (insurance) bodies.

Tax instalment payments are withheld from employees' salaries by their employers. Self-employed individuals and those with non-salary income have to pay instalments on a quarterly basis with reference to the income realised in the previous year.

The tax rates effective for single taxpayers are as follows:

Taxable Income (EUR)	Tax Payable (EUR)
Less than 8,354	Nil
8,355 to 52,881	Progressive rates of between 14% and 42%
52,882 to 250,730	42%
More than 250,731	45%

The highest tax rate is 45% for taxable income of individuals that exceeds EUR

250,731 (EUR 501,462 for married couples).

Retained profits from a trade or business, agriculture or self-employment generated by individually-owned firms or partnerships are taxable upon application at a reduced tax rate of 28.25%. When profits are withdrawn, the amount withdrawn is subject to a further tax charge (tax rate 25%) in the assessment year of the withdrawal but is reduced by taxes already paid on the profits distributed.

Interest and dividend income is subject to a 25% flat withholding tax plus solidarity surcharge of 5.5% of the tax due only. Expenses connected with the receipt of investment income are not deductible but a lump sum of EUR 801 can be deducted.

The shareholder may opt to report the interest in his income tax return if the withholding tax rate exceeds his marginal income tax rate.

If the taxpayer is married, the income of the taxpayer can be combined with the income of the spouse. Then the tax on 50% of the combined income is doubled correspondingly.

In addition to the personal income tax, a solidarity surcharge is levied at the rate of 5.5% of the personal income tax.

Social security contributions are withheld from employees' salaries and wages. The employer and employee each generally contribute 50% of the total social security contributions. Members of the Roman Catholic, German Protestant, Lutheran and Jewish churches have to pay church tax. The tax rate amounts to about 8% or 9% of the annual income tax liability and varies according to the district of residence. It is a deductible expense for income tax purposes.

Assets transferred by gift or inheritance are subject to tax. If either the transferor or the recipient is resident in Germany, all transferred assets are taxed wherever situated. If neither party is a German resident, the tax is limited to property located in Germany. The Federal Republic of Germany keeps tax treaties with six countries for these purposes: Denmark, France, Greece, Sweden, Switzerland and USA

The tax rates and exemptions for Inheritance and Gift Tax vary according to the relationship between the transferor and the recipient and the value of the assets. Where children or the spouse are the recipients, the rates range between 7% (where the assets have a value of EUR 75,000 or less) and 30% (where the assets have a value of more than EUR 26,000,000). The rates for brothers and sisters have been reduced and vary between 15% and 43%. If the transferor and the recipient are unrelated, the rates vary between 30% and 50% respectively. The spouse of the transferor is granted a personal allowance of EUR 500,000 and the children of the transferor are granted an allowance of EUR 400,000.

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I. TREATY AND NON- TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non- treaty countries	25	0	20/15[11]
Treaty countries:			
Albania	15/5[1]	0	5
Algeria	15/5[3]	0	10
Argentina	15	0	15
Armenia	15/53	0	0
Australia	15	0	10
Austria	15/0[6]	0	0
Azerbaijan	15/5[1]	0	10/5[5]
Bangladesh	15	0	10
Belarus	15/5[2]	0	5/3[5]
Belgium	15/0[6]	0	0
Bolivia	10	0	15
Bosnia-Herzegovina8	15	0	10
Bulgaria	15/06	0	5
Canada	15/5[3]	0	10/0[5]

	Dividends (%)	Interest (%)	Royalties (%)
China	10	0	10
Croatia	15/0[6]	0	0
Cyprus	15/0[6]	0	0
Czech Republic	15/0[6]	0	5
Denmark	15/0[6]	0	0
Ecuador	15	0	15
Egypt	15	0	25/15[5]
Estonia	15/0[6]	0	10/5[5]
Finland	15/0[6]	0	5
France	15/0[6]	0	0
Georgia	0/5/10[7]	0	0
Ghana	15/5[3]	0	8
Greece	25/0[6]	0	0
Hungary	15/[06]	0	0
Iceland	15/5[1]	0	0
India	10	0	10
Indonesia	15/10[1]	0	15/10/7.5[5]
Iran	20/15[1]	0	10
Ireland	15/0[6]	0	0
Israel	25	0	5/0[5]
Italy	15/0[6]	0	5/0[5]
Ivory Coast	15	0	10
Jamaica	15/10[1]	0	10
Japan	15/10[1]	0	10
Kazakhstan	15/5[1]	0	10
Kenya	15	0	15
Korea	15/5[1]	0	10/2[5]
Kuwait	15/5[3]	0	10
Kyrgyzstan	15/5[1]	0	10
Latvia	15/0[6]	0	10/5[5]
Liberia	15/10[1]	0	10/20[5]
Liechtenstein	0/5/15	0	0
Lithuania	15/0[6]	0	10/5[5]
Luxembourg	15//0[6]	0	5
Macedonia	15⁄53	0	5
Malaysia	15/5[3]	0	7
Malta	15/0[6]	0	0
Mauritius	15/5[3]	0	10
Mexico	15/5[3]	0	10
Moldova	15⁄53	0	0
Mongolia	10/5[3]	0	10
Montenegro[8]	15	0	10
Morocco	15/5[3]	0	10
Namibia	15/10[3]	0	10
Netherlands	15/[06]	0	0
New Zealand	15	0	10
Norway	15/0[1]	0	0
Pakistan	15/10[2]	0	10
Philippines	15/10[1]	0	15/10[5]

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	Dividends (%)	Interest (%)	Royalties (%)
Poland	15/0[6]	0	5
Portugal	15/0[6]	0	10
Romania	15/5[3]	0	3
Russia	15/5[3]	0	0
Serbia8	15	0	10
Singapore	15/5[3]	0	8
Slovak Republic	15/0[6]	0	5
Slovenia	15/[06]	0	5
South Africa	15/7.5[1]	0	0
Spain	15/0[6]	0	0
Sri Lanka	15	0	10
Sweden	15/0[6]	0	0
Switzerland	15/0[3]	0	0
Syria	10/5[3]	0	12
Tajikistan	15/5[3]	0	5
Taiwan	10	0	10
Thailand	20/15[1]	0	15/5[5]
Trinidad and Tobago	20/10[1]	0	10/0[5]
Tunisia	15/10[1]	0	15/10[5]
Turkey	15/5[1]	0	10
Turkmenistan	15/5[3]	0	0
Ukraine	10/5[2]	0	5/0[5]
United Arab Emirates	10/5[3]	0	10
United Kingdom	15/0[6]	0	0
United States	15/5[3]	0	0
Uruguay	15/53	0	10
Uzbekistan	15/5[1]	0	5/3[5]
Venezuela	15/5[4]	0	5
Vietnam	15/10/5[4]	0	10/7.5[5]
Zambia	15/5[1]	0	10
Zimbabwe	20/10[1]	0	7.5

NOTES:

1 Lower rate applicable where recipient holds an interest of at least 25%.
2 Lower rate applicable where recipient holds an interest of at least 20%.
3 Lower rate applicable where recipient holds an interest of at least 10%.
4 Lower rates applicable where recipient holds an interest of at least:
  (a) 25% or 70% (Vietnam); or,
  (b) 15% (Venezuela).
5 The tax rates vary with the nature of the royalty/dividend.
6 The dividend is tax free within the EC where the recipient corporation holds an interest of at least 10% (Parent/Subsidiary EC Directive and domestic law).
7 The 5% rate applies where the dividend is paid to a company which holds directly at least 10% and has invested more than EUR 100,000 in the capital of the distributing company. The 0% rate applies where the dividend is paid to a company which holds directly at least 50% and has invested more than EUR 3 million in the capital of the distributing company.
8 The Treaty between Germany and ex-Yugoslavia is still applicable.

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GHANA

MEMBER FIRM

City	Name	Contact Information
Accra	Frederick Bruce-Tagoe	+233 302-221266 fbrucetagoe@pkfghana.com

BASIC FACTS

Full name:	Republic of Ghana
Population:	26.1 million (2013 PRB)
Capital:	Accra
Major languages:	English, African languages including Akan, Ewe
Major religions:	Christianity, indigenous beliefs, Islam
Monetary unit:	Ghanaian cedi (GHS)
Internet domain:	.gh
International dialling code:	+233
Ghana Ministry of Finance website:	www.mofep.gov.gh

KEY TAX POINTS

- All resident and non-resident companies must pay corporate income tax on income relating to business and investment, derived from, accrued, brought into, and received, in Ghana.
- The standard rate of corporate income tax is 25%, although rates vary according to the status of the company, the location of its business activities and the business sector in which it is involved.
- Capital gains tax is chargeable at 15% on the disposal of chargeable assets, including shares, non-agricultural land, buildings and goodwill.
- A branch of any foreign company doing business in Ghana is taxed at 10% on repatriated funds.
- Value Added Tax (VAT) is payable on imports and the supply of goods and services. The standard rate is 15%. In addition to VAT, a new law Act 870 concurrently imposes the National Health Insurance Levy (NHIL) to be levied alongside VAT at a rate of 2½% of the taxable value of supplies. This in effect amounts to a total charge of 17½% of the taxable value of the supply.
- Withholding taxes are chargeable on various types of payment to residents and non-residents at various rates. The tax authorities can deem certain small companies to have paid dividends where profits have not been repatriated over a certain length of time.
- Foreign tax credits are available to relieve double taxation on overseas income. Credits are calculated separately for each source of business, employment and investment income and may not exceed the average rate of Ghanaian income tax of that person for the year of assessment applied to that person's taxable foreign income for the year.
- Resident individuals are taxed on income accruing in, derived from, brought into, or received in Ghana. Non-residents are taxed on income accruing in, and derived from, Ghana.

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A. TAXES PAYABLE

National taxes and levies apply in all ten regions of the country.
In Ghana direct taxes are administrated through the Internal Revenue Act 2000 (Act 592) and the Internal Revenue Regulations, 2001 (L. I. 1675). Indirect taxes are administered through the Value Added Tax Act, 2013 (Act 870), the Value Added Tax Regulations 1998 (L.I.1646) and Customs Excise and Preventive Service (Management) Law, 1993 (Law No. 330).

The only notable national levies in the country are:
a. The National Health Insurance Levy of 2.5% imposed on certain goods and services. The National Health Insurance Levy is administered on the lines of Value Added Tax.

b. NATIONAL FISCAL STABILISATION LEVY (NFSL)

The NFSL was introduced in 2009 but was abolished in January 2012. It has been reintroduced by ACT 862, effective 30TH September 2013. The rate of levy is 5% on the profits before tax, payable on quarterly basis and covers the following entities:

i. Banks (excluding Rural and Community banks)
ii. Non-Bank Financial Institutions

iii. Insurance Companies
iv. Telecommunication companies liable to collect and pay Communication Service Tax under Act 754 of 2008
v. Breweries
vi. Inspection and Valuation Companies
vii. Shipping lines, Maritime and Airport Terminals
viii. The levy is collected upfront by the Ghana Revenue Authority.

It is not an allowable deduction for the purpose of ascertaining the chargeable income of an entity under the Internal Revenue Act, 2000, ACT 592 as amended

c. A Special Import Levy of 1.2% was extended in 2015 to end in 2017
Taxes consist of income taxes, sales and service taxes administered by the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA) and customs and excise duties administered by the Customs Division (CD) of the GRA.

COMPANY TAX

Unless specifically exempted in the law, resident companies resident are required to pay tax on income relating to business and investment derived from, accrued in, brought into or received in Ghana after the necessary adjustment are made. The rate of tax is generally 25%.
Non-resident companies are liable to tax on income relating to business and investments derived from or accruing in Ghana during any basis period ending within the year of assessment.
There are different rates applicable to certain companies (see 'Incentives' below).
From 2012, mining companies are to pay corporate tax at a rate of 35%.
The corporate entity is taxed separately from its shareholders.
All companies have to file returns four months after their accounting year. It is also required that they make quarterly tax payments on the current year's income based on the provisional assessment made by the DTRD or the company itself (where the DTRD has granted that permission).

CAPITAL GAINS TAX

Businesses are required to pay tax on gains made on realization of chargeable assets. Chargeable assets include land (which is not for agriculture in Ghana), buildings, shares, goodwill and business assets, among others.
Chargeable assets do not include trading stock, securities of a company listed on the Ghana Stock Exchange during the first 15 years of the establishment of the Stock Exchange or Classes 1, 2, 3 and 4 assets (e.g. vehicles, plant and machinery, air and sea transport, computers, etc).

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EXEMPTIONS

The following exemptions apply:
(1) Gains derived from mergers, amalgamations or re-organization of the company where there is continuity of underlying ownership in the asset of at least 25%
(2) Capital gains of up to Gh¢ 50.00
(3) Where the person uses up the amount received to acquire a replacement asset within one year
(4) Transfer of ownership of an asset to a former spouse in divorce settlement or genuine separation
(5) Transfer of asset to spouse or certain relatives.

The capital gain is calculated as the excess of consideration received from the realization over the cost base of the asset at the time of realization. The tax is imposed at the rate of 15%.
Attention is now devoted to appreciation in owner capital arising from changes in ownership structure through takeover and acquisition.

BRANCH PROFIT TAX

A branch of any foreign company doing business in Ghana is taxed at 10% on repatriated funds.

SALES TAX/ VALUE ADDED TAX (VAT)

These are indirect taxes paid by consumers on some goods and services to the state through registered individuals or businesses. The rate is 15% for businesses and individuals whose turnover for a 12 month period is GH¢120,000 or above on the value of goods and services. This excludes the National Health Insurance Levy of 2.5%.
A new law Act 870 has replaced the Value Added Tax Act, 546 bringing into effect the following:

VAT RATE

All persons registered for the Value Added Tax (VAT) and are currently operating the standard rate scheme are required to charge and account for VAT and the National

Health Insurance Levy (NHIL) simultaneously at the rates of 15% and 2.5% respectively of the taxable value of their supplies. This in effect amounts to a total charge of 17.5% of the taxable value of the supply.

CREDIT FOR DEDUCTIBLE INPUT TAX

By the provisions of the VAT Act 2013, (Act 870), allowable period for deducting input tax has been reduced from three (3) years to six (6) months.
Accordingly all registered persons who are in possession of valid VAT/NHIL invoices for input tax claims which are more than six (6) months (i.e. before 31st July 2013) are to claim them on the December 2013 returns. This must be submitted not later than the last working day of January 2014 (i.e. 31st January 2014).

SCOPE AND COVERAGE OF THE VALUE ADDED TAX

The Value Added Tax 2013, (Act 870) extends the coverage of the tax to some business activities which were hitherto outside the tax net. These include the following business activities;

i) The sale of immovable property by an estate developer at a flat rate of 5%. ("Estate developer" means a commercial establishment engaged in the business of the construction and sale of immovable property)
ii) The supply of financial services that are rendered for a fee, commission or a similar charge.

"Financial services" means provision of insurance; issue, transfer, receipt of, or dealing with money whether in domestic or foreign currency or any note or order of payment of money; provision of credit; or operation of a bank account or an account of a similar institution.

Life insurance and reinsurance services are however exempt from the tax whether or not such services are rendered for a fee, commission or a similar charge

iii) A supply of domestic transportation of passengers by air; and the supply of haulage as well as the rental or hiring of passenger and other vehicles.
iv) The business activities of auctioneers and promoters of public entertainment
v) The business of gymnasium and spa
vi) The manufacture or supply of pharmaceuticals listed under Chapter 30 of the Harmonized Systems Commodities Classification Code, 1999 other than supplies at the retail stage.

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THRESHOLD

The current threshold for registration of VAT is GH¢120,000 for a 12 month period or GH¢30,000 for a period of 3 months.
However the following entities are not bound by the threshold and are required to apply for registration upon operation:

- promoters of public entertainment
- an auctioneer
- a national, regional, local or other authority or body

TAXPAYERS REGISTERED UNDER THE VAT FLAT RATE SCHEME

All persons registered for VAT/NHIL and are authorized to operate under the VAT Flat Rate Scheme (VFRS) are required to continue to charge and account for the tax at the rate of 3% of the taxable value of their supplies until otherwise advised by the Commissioner-General in writing. Such registered persons are to issue the VFRS VAT/NHIL invoices.

Exempt supplies include postal services, transportation, machinery, electricity, water and transfer of going concern.
The following changes were made in 2015

- a Special Petroleum Tax (VAT) of 17.5%
- a reversal of excise tax on petroleum from Ad Valorem to Specific

Businesses and individuals whose turnover for a 12 month period falls below GH¢120,000 are to pay a presumptive tax of 6% of their turnover. (No input or output VAT is computed.) There are exemptions specified in the VAT law. Exempt supplies include agricultural products and inputs, printed matter, approved medical and pharmaceutical supplies,transport, financial services, land, building and construction.

Imports are taxable. Exports are zero rated.
Under Excise Duty, the rate for Environmental Tax has been reduced from 20% to 15%. Also excise duty rates are to be reduced on a sliding scale to companies using local raw materials as substitutes in the production of excisable goods.

FRINGE BENEFIT TAX

With the exception of dental, medical, and health insurance expenses, all fringe benefits derived from employment are taxable. Benefits relating to accommodation and cars have their own treatment specified in the Tax Law. For all other benefits, the open

market value or a reasonable value is added to taxable income and subject to tax. For some services provided to its employees (e.g. food offered in a canteen, office outings, transportation of employees, accident insurances and payments to retirement funds), the employer has the option to pay the income tax on account for the employee.

LOCAL TAXES
Taxes are collected by the District, Municipal and Metropolitan Assemblies (authorities) from persons doing business within their localities. They also are responsible for the collection of property taxes.

OTHER TAXES
GIFT TAX
Subject to certain exemptions, gift tax is payable by every person on the total value of taxable gifts received by the person by way of gifts within a year of assessment. The rate ranges from 5% to 15%.

STAMP DUTY
Stamp duty is paid at various rates by a person who undertakes certain transactions including the following:
(a) Conveyance or transfer on the sale of any property
(b) Appointment of a new trustee
(c) Natural resource lease or license (e.g. mining and timber)
(d) Agreement or memorandum of agreement
(e) Award of cost in a matter of dispute
(f) Bill of exchange (e.g. issue of cheques)
(g) Bill of lading
(h) Insurance policy.

MINERAL ROYALTIES
Holders of mining leases are required to pay royalties at specified rates to the Government on a monthly basis.

COMMUNICATION SERVICE TAX
Tax on communication service providers is based on turnover. The coverage of this tax has been extended to include the following:
Public/corporate data operators
Providers of radio(FM) broadcasting services
Providers of free-to-air television services.

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TAX STAMP
This a tax imposed on operators in the informal sector. The amount paid is based on turnover and nature of product but not on profit.

VEHICLE INCOME TAX
This is a tax imposed on commercial vehicles which is paid quarterly.

AIRPORT TAX
This is imposed on both domestic and international travels. It varies depending on the passenger class and the place of destination.

The current rates are:
Domestic travel $5
Regional travel within West Africa $60
International travel
a) Economy class travel outside West Africa $100
b) Business class travel outside West Africa $150
c) First class travel outside West Africa $200

WINDFALL TAX
Windfall Profit Tax Bill at 10% was to be re-introduced after a committee had reviewed all Stability Agreements, incentives and the Windfall Profit Tax that could not be passed by Parliament in 2012.
The Windfall Profit Tax intends to apply a tax at the rate of 10% on windfall gains of mining entities in Ghana.
Indications as at 25th January 2014 are that the Government intends to abandon the bill due to concerns from the mining companies to lay off workers if the bill is passed as law.

B. DETERMINATION OF TAXABLE INCOME

Chargeable income of a person is defined in the Internal Revenue Act 2000 (Act 592) as:
“the total of a person’s assessable income, from each business, employment,and

investment, less the total amount of deductions allowed to that person for the year under sections 13 to 22 (relating to general and specific deductions),s 39 (relating to reliefs), s 57 (relating to life insurance), and s 60 (relating to contributions to retirement funds).

CAPITAL ALLOWANCES

Capital allowances are granted in respect of fixed assets (depreciable assets), both tangible and intangible, acquired by persons in businesses for each year of assessment. To qualify for these allowances, however, the following conditions must be met:
(a) the assets should be capital in nature
(b) the asset should be owned by the business
(c) the asset should be in the business up to the end of the year
(d) the asset should be used in carrying on business during the period
(e) the Commissioner General of GRA should be informed of any new asset acquired one month after its usage in the business.

Depreciable assets are categorized into six classes.
Classes (Pools) 1–4 assets are put in different pools and depreciated at various rates ranging from 20% to 40% on reducing- balance method.
Class 5 (buildings) attract a rate of 10% on cost and Class 6 (intellectual or industrial property) is depreciated over its estimated useful life.

CLASS ASSETS RATE

Class	Assets	Rate
1	Computers and data handling equipment	40%
2	Automobiles, plant and machinery used in manufacturing	30%
3	Assets in respect of long term crop planting costs	30%
4	Assets relating to minerals and petroleum Industry	20%
5	Rail, water and air transport, plant and machinery, fixtures, furniture and equipment, and any other asset not included in any other class.	20%
6	Buildings, structures and works of permanent nature other than those in Class 3	10% (straight line)
7	Intangible assets other than those in Class 3	Estimated use life

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DISPOSAL

When an asset belonging to Classes 1 to 4 is disposed, the realized value is taken out of the class it came from before the rate of capital allowance is applied on the residue. Where the sale of an asset leads to the wiping off of the written-down value of the pool but there is still an excess of the disposal proceeds, the excess is included in the income of the year and taxed.Where all assets in a pool are disposed of but there are not enough proceeds to take care of the written down value, capital allowance is granted on the outstanding written down value to reduce the pool to zero at the end of the year.

In case of Classes 5 and 6 assets, a different method is adopted. This method ensures that businesses recover cost in the case of a loss on disposal and are also not overly taxed in the case of gains.

CAPITAL ALLOWANCE ON LEASED ASSETS

The lessee of an asset, whether under finance or operating lease, is not entitled to any capital allowance on the asset. The rental payments made to the lessor are treated as allowable expense for tax purposes.

In the case of the lessor, capital allowance is claimed under an operating lease. The full amount of rent received is included in the lessor's income for the year. Where the arrangement is a finance lease, the lessor does not qualify for capital allowance. The amount of rent payment included in taxable income for the year is reduced by capital amounts determined by the Commissioner.

DEPRECIATION

Depreciation of any fixed asset is not an allowable deduction in arriving at the assessable income. This is compensated for by the granting of capital allowance.

STOCK/INVENTORY

For the purpose of tax, stock and work in progress is valued at the lower of cost or market value. However, any method of stock valuation accepted by an accounting principle that is consistently applied is acceptable.

CAPITAL GAINS AND LOSSES

Gains or Losses on disposal of assets, as reported in the financial statements, are not taxable or allowable respectively. Gains are deducted from profits and losses added to profits. This is in line with the Internal Revenue Act, 2000 (Act 592) law that does not recognize depreciation policies set out by businesses. The pool system adopted by the Ghana Renenue Authority (GRA) for capital allowance purposes makes it almost impossible to ascertain whether a loss or gain was made on the disposal of a particular asset.

However, there are adequate provisions for recovery of full cost of fixed assets disposed of (refer to disposal of fixed assets under 'Capital allowance').Classes 1 to 4 assets do not attract capital gains tax on disposal. .Assets disposed of are subject to VAT.

DIVIDENDS

A tax is paid by a resident or non-resident person or partnership who or which is paid a dividend by a resident company, other than exempt dividends, at 8%. A capitalization of profit is treated as dividend paid to each of the company's shareholders in proportion to their respective interest in the company and is taxed at 8%.

Where a company (controlled by not more than five persons) records profit over a reasonable period but does not declare dividends, the Commissioner has the authority to treat part of the company income as distributed and demand tax on dividends.

EXEMPTION

Dividends paid by a resident company to another resident company where the recipient company controls directly or indirectly 25% of the voting power of the company paying the dividend are exempt. This exemption does not apply if the dividend paid is intended as a profit or dividend stripping arrangement.

INTEREST DEDUCTIONS

Interest incurred in respect of a borrowing employed by a business entity in the production of income is a deduction allowed for the purpose of ascertaining the assessable income of the person.

LOSSES

Tax losses are arrived at after adjusting losses reported in financial statements in line with tax principles. Manufacturing industries which export their products and farming and mining concerns are allowed to deduct the losses over a five-year period subsequent to the year in which the loss was incurred.

FOREIGN CURRENCY EXCHANGE LOSSES

Any foreign currency exchange loss, other than a loss of capital nature, in respect of any debt claim, debt obligation, or foreign currency holding, incurred for the purpose of producing an income is an allowable deduction but subject to the fulfillment of certain conditions.

FOREIGN SOURCED INCOME

Foreign sourced income brought into or received in Ghana by resident persons is included in that person's income for the year and taxed. However, the person is allowed the deduction of foreign tax credits or entitled to some reliefs where there is a double taxation agreement.

INCENTIVES

There are a number of incentives provided in the Act 592 and other laws and enactments geared towards the development of certain sectors of industry and of certain parts of the country. These incentives include reduced rate of taxes,exemption from the payment of duties and other taxes for specified periods, higher rate of capital allowance, among others. These cannot be exhaustibly dealt with but below are a few of such concessions granted.

1. CARRY OVER LOSSES

This applies to businesses engaged in farming, manufacturing or mining (refer to'Losses' above), venture capital investment on losses incurred on the disposal of shares, agro-processing, tourism and ICT industries.

2. LOCATIONAL INCENTIVES FOR MANUFACTURING BUSINESS

Location within Accra and Tema	25%
Location in regional capitals of Ghana	18.75%
Location in free zone enclave	0%
Location elsewhere in Ghana	12.5%

3. LOCATIONAL INCENTIVES FOR AGRO-PROCESSING BUSINESS

Tax rates for manufacturing concerns vary depending upon the location of the business and are as follows:

Location within Accra and Tema	20%
Location in regional capitals of Ghana:	
- except the three northern regions	10%
- the three northern regions	0%
Outside Regional Capitals	0%

4. SECTORIAL INCENTIVES (REDUCED TAX RATES)

Tax rates vary depending upon the area (sector or industry) from which the income is derived from as shown below:

Hotel industry	20%
Export of non-traditional production	8%
Loans granted to a farming enterprise	20%
Loans granted to a leasing company	20%
Companies listed on the Ghana Stock Exchange	25%
Companies listed on the Ghana Stock Exchange after	
1 January 2004	22%
(for first three years)	

5. INDUSTRIAL CONCESSIONS (EXEMPTION PERIOD)

The income of a person from the following industry or sector of the economy is exempt from tax for the years stated against them:

Farming tree crops	10 years
Livestock	5 years
Farming cattle	10 years
Processing business	3 years
Rural banking	10 years
Construction for sale or letting of residential premises	5 years
(on condition that the company partners the Ministry	
for Works and Housing)	
Cocoa farming indefinitely	
Processing of cocoa by-products	5 years
Processing of waste materials	7 years
Agro-processing	5 years
Venture capital investments	5 years
(effective 2006).	

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C. FOREIGN TAX RELIEF

Foreign tax credits are available to relieve double taxation on overseas income. Credits are calculated separately for each source of business, employment and investment income and may not exceed the average rate of Ghanaian income tax of that person for the year of assessment applied to that person's taxable foreign income for the year.

D. CORPORATE GROUPS

Corporate groups, irrespective of their affiliations, prepare accounts separately and are taxed separately. Capital allowances are not transferable.

E. RELATED PARTY TRANSACTIONS

Although nothing in the law disallows related party transactions, the Commissioner has authority to disregard or reverse any transaction that is geared towards tax avoidance.

F. WITHHOLDING TAX

Tax is withheld at various rates for the following transactions:

Income (Residents)	Rate
Payment of employees	graduated
Directors' fees	20%
Payment of interest (excluding individuals)	8%
Fees to part-time lecturers, teachers, examiners, etc	10%
Payment of dividend to shareholders	8%
Commission to insurance and sales agents	10%
Commission to lottery agents and receivers	5%
Payment for goods and services supplied	5%
Rent (Residential)	8%
Rent (commercial)	15%

Income (Non-Residents)	Rate
Management and technical service fees	20%
Royalties, natural resource payments and rents	10%
Endorsement fees	15%
Dividends	8%
Repatriated branch after tax profits	8%
Interest	8%
Short-term insurance premium	5%

G. EXCHANGE CONTROL

Ghana has an Exchange Control Act that regulates, among other things, the following:

- Use of foreign exchange among residents
- Trading in gold (coins and/or bullion)
- Exports and import on bank notes
- Exports and export proceeds
- Capital and money market instruments.

The Bank of Ghana Regulations set a formula for calculating the amount of profits that a foreign company may repatriate to its home country at every point in time.

There are restrictions to the amount allowed to be repatriated determined by the Bank of Ghana under Act 723.
The restrictions relate to Sections 15,16,18,19 and 20 of Act 723 which among others require that each payment in foreign currency to or from Ghana between a resident and a non resident, or between non residents, shall be made through a bank.
Where the Bank of Ghana has reason to believe that an offence in contravention of Act 723 is likely to be committed or has been committed, the Bank of Ghana may require a bank to obtain its permission prior to the execution of any payment in foreign currency. Sections of the Act are as follows.

Subject to the Foreign Exchange Act, 2006(Act 723) and the Regulations and Notices issued under the Foreign Exchange Act, an entity shall, through an authorized dealer bank be guaranteed unconditional transfer in freely convertible currency of the following:

- dividends or net profits attributable to the investment made in the entity
- payments in respect of loan servicing where a foreign loan has been obtained
- fees and charges in respect of a technology transfer agreement registered under the Ghana Investment Promotion Centre Act,2013 (Act 865)
- the remittance of proceeds,net of all taxes and other obligations, in respect of sale or liquidation of the entity or any interest attributable to the investment in the entity.

H. PERSONAL TAX

Individuals are required to pay tax on gains or profit from employment, business or investment. For a resident person, he or she is to pay tax on income accruing in, derived from, brought into, or received in Ghana. A non-resident person pays tax on income accruing in, and derived from Ghana regardless of whether the income is received in Ghana. An individual is considered resident if he or she has stayed in Ghana for an aggregate period of 183 days or more in any 12 month period. All income is aggregated and taxed after the various adjustments relating to the type of income earned are made. The aggregated income excludes capital gains, gifts and

rent income.
The tax rates are graduated with rates ranging from 0% to 25%. Annual income up to Ghana Cedis1,584 is taxed at 0%. Any income in excess of Ghana Cedis 31,680 is taxed at 25%.
Details of the annual rates are

Chargeable Income	Rate	Tax	Cumulative Income	Cumulative Tax
First GH¢ 1,584	0%	0.00	1,584	0.00
Next 792	5%	39.60	2,376	39.60
Next 1,104	10%	110.40	3,480	150
Next 28,200	17.5%	4,935	31,680	5,085
Next 31,680	25%			

The Monthly rates are

Chargeable Income	Rate	Tax	Cumulative Income	Cumulative Tax
First GH¢ 132	0%	0.00	132	0.00
Next 66	5%	3.30	198	3.30
Next 92	10%	9.2	290	12.50
Next 2,350	17.5%	411.25	2,640	423.75
Next 2,640	25%			

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

In the absence of any treaty with the Government of Ghana, the provisions of the income tax law applies for the treatment of all tax matters. Thus, tax rates applicable on various incomes apply. Where there is a treaty with the Government of Ghana, the terms of the treaty prevail over all provisions of the income tax law. However, where the rates of taxes set out in a treaty are higher than those of the laws of Ghana, the lower rates are used. Currently, notable double taxation treaties Ghana has are with the United Kingdom, France, Italy, South Africa, Belgium and Germany.

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Tax Rates in percentages are as follows:

Income	Germany	South Africa	Belgium	Italy	Netherlands	United Kingdom	France	Switzerland
Technical/ Management fees	8	10	10	10	8	10	10	8
Interest	8	10	10	10	8	12.5	10	10
Royalties	8	10	10	0	8	12.5	10	8
Dividends: at least 10% shares	5	5	5	5	5	7.5	7.5	5
Dividends: other cases	15	15	15	15	10	15	15	15

PENALTIES
FILING OF RETURN OF INCOME

Any company or a self-employed person who fails to provide a return of income to the DTRD within the time required is liable to pay a penalty as follows:
Company Two (2) Currency Points for each day of default.
Self-employed One (1) Currency Point for each day of default.

The penalties for failure to pay tax on due date are as follows.

(a) up to three months – 10% of the unpaid tax
(b) exceeding three months – 20% of the unpaid tax.

A further penalty 5% of the tax and penalty shall be imposed if the total amount remains unpaid.

The penalties for failure to withhold tax and/or failure to pay withheld tax are as follows:

(a) Up to three months – 20% of the unpaid amount
(b) Exceeding three months – 30% of the unpaid amount.

A further penalty of 5% of the tax plus penalty shall be imposed if the total amount remains unpaid.

PAYMENT OF TAX
Income taxes are paid up front on a quarterly basis based on self assessment and assessments from the Commissioner General of the Ghana Revenue Authority.

GIBRALTAR

MEMBER FIRM

City	Name	Contact Information
Gibraltar	Joseph Canilla	+350 200 71876 jcanilla@pkf-canillas.gi

BASIC FACTS

Full name:	Gibraltar (British Overseas Territory)
Capital:	Gibraltar
Main languages:	English, Spanish, Llanito
Population:	30,001 (2012 estimate)
Major religion:	Christianity
Monetary units:	Gibraltar Pound (GIP)
Internet domain:	.gi
Int. dialling code:	+350

KEY TAX POINTS
- A company is taxed on profits which accrue, or are derived, in Gibraltar for a financial year at a rate of 10% (although the rate can be 20% in some cases).
- Profits of foreign companies are taxed at the same rate as resident companies.
- There is no capital gains tax in Gibraltar.
- There is no VAT in Gibraltar.
- For individuals and partnerships, the tax year runs from 1 July to 30 June and tax is payable on the actual taxable profits for the year. For tax purposes, individuals can elect between the Allowance and Gross Income Based Systems. The standard rate of tax for individuals is 20%.

A. TAXES PAYABLE

COMPANY TAX
The standard rate of Gibraltar corporation tax is 10%,

For utility companies & companies that abuse a dominant position there is a higher rate of tax applied which is 20%.

The utility companies are classified as Telecommunications, Petroleum, Water and Sewage.

Companies are taxed on profits for the financial year on income accrued or derived in Gibraltar .

CAPITAL GAINS TAX
There is no capital gains tax in Gibraltar.

The Commissioner of Income Tax will refer to case law to judge whether a benefit is of a capital or trading nature.

BRANCH PROFITS TAX
Profits of foreign companies are taxed at the same rate as resident companies.

SALES TAX / VALUE ADDED TAX
There is no VAT in Gibraltar.

Derogation from implementing VAT
Although Gibraltar joined the EU alongside the United Kingdom at the time of the United Kingdom's accession Gibraltar was granted derogation from implementing VAT. Therefore there is no VAT in Gibraltar.

Customs and excise duties

Goods imported into Gibraltar from outside are, with some exceptions, generally subject to import duty at the applicable rate of 6% or 12%.

FRINGE BENEFITS TAX

Perquisites or benefits in kind are taxed as gains from employment. There is specific detailed legislation on how to tax benefits and also the allowances available, particularly with respect to:
Expense payments; vouchers and credit tokens
Living accommodation; removal benefits and expenses
Cars, vans and related expenditure

Loans to: - employees, directors, shadow directors or connected persons

The Commissioner for Income Tax has the ability to tax benefits not specifically covered in the legislation.

Where the benefits are less than £250 in total for any year of assessment no tax is payable in respect of those benefits.

The employer may opt to pay the tax on the benefits on behalf of an employee. When the annual value of these benefits is between £250 and £15,000 the tax under this Schedule shall be paid at the rate of 20%. When the annual value of the benefit is above £15,000 tax shall be paid at the rate of 29%.

LOCAL TAXES

Rates

General rates are levied on all properties in Gibraltar.

STAMP DUTY

Stamp duty is payable on the transfer or sale of any Gibraltar real estate or shares in a company owning Gibraltar real estate (on an amount based on the market value of the said real estate) at the following guidance rates:

First or second time buyers as defined by section 19A the Act

Value of property		
First £250,000;	Stamp Duty payable	0%
Above £250,000 to £350,000		5.5%
Above £350,000		3.5%

Non- qualifying Purchasers	
Not exceeding £200,000	0%
Above £200,000- £350,000	5.5%
Above £350,000 - first £350,000	3.0%
Above £350,000	3.5%

Stamp duty is also payable on mortgages secured on Gibraltar real estate at the following rates:

Mortgages up to £200,000	0.13%
Mortgages over £200,000	0.2%

Capital duty

Capital duty of £10 is payable on the nominal share capital or any increase thereof Limited liability companies.

Gaming tax

Gaming tax is levied at 1% of the gaming income. The tax paid is subject to a minimum of £85,000 and maximum of £425,000 per annum.

OTHER TAXES

There are no capital gains, wealth, inheritance or gift taxes in Gibraltar

B. DETERMINATION OF TAXABLE INCOME

Individuals

An individual who is ordinary resident in Gibraltar is chargeable to tax on his/her worldwide income.

Individual Ordinary Resident

A person who is resident in Gibraltar for a period (or accumulated period) totalling at least 183 days in any year of assessment or is present in Gibraltar in any year of assessment which is one of three consecutive years in which the total of the days on

which the individual is present in Gibraltar exceeds 300 days.

Non-residents who undertake activities in Gibraltar which are ancillary to their employment or self-employment elsewhere and the duration of the activity is less than 30 days in aggregate in any year of assessment or such other number of days that the commissioner may by prior written agreement in his discretion allow, will not be liable to income tax in Gibraltar. This also covers directors' fees.

Corporations
A company is taxed on profits which accrue or are derived in Gibraltar. The Act defines accrued or derived by reference to the activities that generate the profit. A company is considered ordinarily resident in Gibraltar if management and control as defined is exercised in Gibraltar .

STOCK OPTIONS
The granting of an option or share to an employee is an event which is taxable. When the option is exercised and there is a disposal of the shares capital gains arises and the capital gain is not taxable on the individual as there is no capital gain tax in Gibraltar.

CAPITAL ALLOWANCES
100% First year allowances

The first £30,000 of qualifying expenditure on fixtures & fittings plant and machinery acquired in a year of assessment.
The first £50,000 of Computer equipment acquired in a year of assessment.

Annual allowances

There is an additional annual allowance on the surplus balance of the pooled amount at the rate of 15% per annum on a reducing balance basis.

Motor vehicles not qualifying as plant and machinery there is an allowance at the rate of 15% per annum on a reducing balance basis.

Unincorporated entities and companies on the higher 20% rate of income tax there is a 20% allowance on the pooled balance.

Capital allowances on Entertainment centres, hotel, mill, factory or other similar premises (excluding the cost of the land).

There is an allowance at the rate of 4% per annum on a straight line basis.

CAPITAL GAINS AND LOSSES
Capital gains are not subject to tax therefore capital losses are not allowable deductions.

DIVIDENDS
There is no charge to tax on the receipt by a Gibraltar company of dividends from any other company, whether it is a Gibraltar resident or non-resident.

There is no tax on a dividend paid by a Gibraltar company to a non-resident of Gibraltar.

There is also no withholding tax on dividends paid, but when a dividend is declared to a Gibraltar resident person, individual or company, a dividend return must be filed with the tax authorities.

INTEREST DEDUCTIONS
There is no withholding tax on interest payments.

Withholding tax on payments to subcontractors

Payments made to subcontractors (in the construction industry) without a valid tax exemption certificate issued by the Commissioner of Income Tax are subject to 25% withholding tax on that portion of the payment which is not for materials used in construction.

LOSSES
A trading loss incurred can be carried forward and set off against future trading profit. Non trading losses are not allowable deductions

If within any period of three years there is both a change in ownership of a company and there is a major change in the nature or conduct of a trade carried on by the company no relief shall be given in respect of any losses brought forward from the

period beginning before the change of ownership against any profits or gains.

There is no provision for the carrying back of losses.

FOREIGN SOURCED INCOME

Income tax is charged on income accruing in or derived from Gibraltar.
Residents of Gibraltar are taxed on their world-wide income.

INCENTIVES

Deduction of approved expenditure on premises

Resident taxpayers whether Individuals or companies (although there is a different approach to each category) who have an interest in a building situated in Gibraltar,have a special allowance for approved expenditure on the repair or enhancement of the façade of the building. This allowance is in addition to any normal allowance given. The taxpayer will have to comply with the requirement contained within the special provisions in order to be able to reap its advantages.

Individuals whose assessable income is based on the gross income based system the allowance is restricted to £5,000 per annum.

Development aid

The development Aid Act is aimed at private development in Gibraltar. There are conditions to be met in order to take advantages of the incentives offered.

Application for development aid must be made to the Minister responsible.

FOREIGN TAX RELIEF

Any person ordinarily resident in Gibraltar can claim unilateral tax relief on tax paid abroad subject to providing the necessary evidence of the payment to the Commissioner of Income Tax, the taxpayer is entitled to a tax credit equivalent to the lesser of the: -
Tax payable on that income in Gibraltar; or the tax payable abroad in respect of that income.
If relief from the double taxation has to be made abroad then the relief allowed is reduced accordingly.

CORPORATE GROUPS

There is no group relief available in Gibraltar.

RELATED PARTY TRANSACTIONS

Anti avoidance provision

The 2010 Income tax Act introduced a number of anti-avoidance clauses which can be invoked to set aside arrangements that can be seen to be fictitious or artificial. Also the promoters of a tax planning schemes have to notify the Commissioner of Income Tax within 30 days of any schemes which result in the payment of less tax.

There are a number of clauses that specifically consider and address anti avoidance arrangements that can lead to the reduction or elimination of tax payable as follows:

Thin capitalisation rules

This is aimed at shareholder or connected persons and refers to interest paid on a loan by a company to related parties (which is not itself a company) or loans where security is provided by related parties and where at any time in an accounting period the loan capital to equity ratio is greater that 5 to 1. The interest paid will be deemed to be a dividend by the company and received by the connected part and not deductible on the company in computing the profits for the period.

Transactions with connected persons

When it appears that transactions with connected persons in the course of the business are arranged with a view to make no profit or reduce profits or increase losses any excess will be deemed to be a dividend paid and not deductible on the company in computing the profits for the period.

When expenses incurred in favour of a connected person the expense allowed shall be the least of the expense incurred; 5% of the gross turnover of the person for the accounting period or 75% of the pre-expense net of profit of the person for the accounting period.

Non-deductibility of interest paid on certain secured loans

This refers to interest payable and back to back loans. Where a loan is made by a lender at an arm's length and all or part of the loan is secured by a cash deposit or

an investment as defined by the Act of any connected person over which the lender has taken security the loan interest will not be deductible when computing the profit or gain.

Chargeability of dual employment contracts
Where an employee of an employer ordinarily resident in Gibraltar has one or more other contracts with that or another employer whether resident in Gibraltar or elsewhere who is a connected person to the employer ordinary resident in Gibraltar the income derived shall be subject to tax.

If it can be proved to the Commissioner that the purpose of the transactions is not to avoid tax this is a mitigation circumstance that will be considered.

Transfer of assets abroad
This is to prevent the transfer of assets abroad by an ordinary resident individual with the purpose of avoiding taxation in Gibraltar and the income becomes payable by persons resident outside Gibraltar.

When the person affected can demonstrate to the Commissioner that the intention is not to avoid tax the provisions do not apply.

EXCHANGE CONTROL

There are no exchange controls in Gibraltar.

PERSONAL INCOME TAX

Individuals and partnerships
The tax year runs from 1 July to 30 June and tax is payable on the actual taxable profits for the year. Individuals can elect between the allowance and Gross Income Based Systems

Allowance based system
Under the allowance based system the individual will be taxed on their income less allowances (see below) at the applicable rates:

The main allowances (which are reduced by one twelfth for each complete calendar month that the individual is not resident in Gibraltar during the year of assessment) for the tax year 2014/2015 are as follows:

Type of allowances	
Personal allowance	3,100
Spouse allowance	3,100
Child allowance - first child only	997
Child studying abroad allowance (each child)	1,105
Apprentice allowance	380
Nursery allowance	4,000
Single parent allowance	4,000
Blind person allowance	4,000
Dependent relative (non resident) allowance	139
Dependent relative (resident) allowance	190
Disabled individual allowance	6,000
Age allowance - married	5,443
Age allowance- unmarried	8,075
General tax credit	300 (or 2% of tax liability)
House Purchase allowance	11,500
House Purchase (special deduction) allowance	4,000
Low income earners allowance	500 (up to a maximum of £6,512)
Minimum allowance	3,988
Medical allowance	4,000
Social Insurance (employee) allowance	335
Social Insurance (self-employed)	432

Tax credit
Individuals aged 60+ in employment who are not in

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Receipt of an occupational pension	4,000

Life assurance Relief
Premiums allowed up to 1/7th of assessable income or 7% of capital sum assured. Relief is granted at the rate of 17%.

Personal pension schemes or retirement annuity contracts
The lesser of 20% of the earned assessable income or £35,000.

Health Insurance
Premiums paid for the purpose of an approved health insurance for himself, spouse or his dependent children. The deduction is limited to £4,000 in aggregate.

Mortgage Interest Relief
Interest payable on a loan taken by an individual to acquire or improve a Gibraltar property to be used as a tax payer's principle residence is allowable on loans up to a value of £350,000.

The following are the tax bands under the allowance bases system for ordinary resident taxpayers.

Taxable Income	Tax Rate
First £4,000	15%
Next £12,000	18%
Above £16,000	40%

The following are the tax bands under the allowance bases system for non-resident taxpayers.

First £16,000	30%
Above £16,000	40%

The standard rate of tax for individuals is 20%.

Gross income based system (GIB)
Under the gross income based system the applicable tax rates are as follows:

Taxable Income	Tax Rate
(Ordinary residents with taxable income of up to £25,000 opting for GIB system)	
The first £10,000	6%
The next £7,000	20%
Above £17,000	28%
(Ordinary residents with taxable income of more than £25,000 opting for GIB system)	
The first £17,000	16%
The next £8,000	19%
The next £15,000	25%
The next £65,000	28%
The next £395,000	25%
The next £200,000	18%
The next £300,000	10%
The remainder	5%

Charge to tax
Persons under the gross income based system may also benefit from:

- A deduction from their assessable income up to a maximum of £1,000 in respect of mortgage interest payments;
- A deduction from their assessable income of £1,200 per annum in respect of pension contributions
- A deduction from their assessable income up to a maximum of £5,000 in respect of approved expenditure incurred on the enhancement of the frontage of their property;

First time buyers a deduction from their assessable income up to a maximum of

£6,000 in respect of approved expenditure incurred towards the purchase of their home during the year.

Tax incentives
Incentives for high net worth individuals
Qualifying (Category 2) Individual Rules 2004
Individuals may apply to the Finance Centre Director acquire Category 2 status and on successful application will be issued a certificate to this effect. The conditions to become a Category 2 individual are as follows

- Must have not been resident of Gibraltar within a period of 5 years immediately preceding the year of assessment in which the application is made or have been resident for 183 days in any one of those years or an average of 90 in any 3 of those years.
- Not have been engaged in any trade or employment in Gibraltar other than on incidental duties.

The application form to become a Category 2 individual must be supported by 2 character references from recognised and established professionals; copy of passport; a curriculum vitae and proof is worth a minimum of £2 million; must also prove that they have approved accommodation in Gibraltar for their and their family use.
The application fee is £1,000.

The advantages associated with becoming a Category 2 is that the individual can engage in certain commercial activities and their tax payable will be limited to the first £80,000 of taxable income. The minimum tax payable will be £22,000 and the maximum £28,360.

High Executive Possessing Specialist Skills Rules 2008
This scheme for executives possessing specialised skills (HEPSS) only taxes the first £120,000 and the maximum tax payable under the current Gross Income Based system is £29,940.
They must also comply with the following criteria:-

- Earn more than £120,000 a year; must have approved residential accommodation in Gibraltar for their exclusive use and families; not have been occupied or resident in Gibraltar for the past 3 years.
- The application fee is £1,000

Social insurance contributions
Social insurance is payable on earning by all individuals working in Gibraltar either as employees or self-employed. Employee's contributions to social insurance are made up of a proportion payable by the employer and another paid by the employee. Self-employed only pay their share.

The rates applicable are as follows:-

Contributions payable by:	Rate Payable on Gross earnings	Minimum payable per week/per month	Maximum payable per week/ per month
Employees	10%	£5.00/£21.67	£25.16/£109.03
Employers	20%	£15.00/£65.00	£32.97/142.87
Self employed	20%	£10.00/£43.33	£30.17/130.74

Employees still in employment aged 60 and over are exempt from paying social insurance contributions.

TREATY AND NON-TREATY WITHHOLDING TAX RATES

Gibraltar has no double taxation treaties. The legislation however provides for unilateral relief for foreign taxes paid that are also subject to tax in Gibraltar.

Gibraltar has entered into Tax Information Exchange Agreements [TIEA] with 27 countries around the world including major governments such as the US, UK and Germany.

GREECE

MEMBER FIRM

City	Name	Contact Information
Athens	Alexandros Sfarnas	+30 210 748 0600 pkfathen@otenet.gr

BASIC FACTS

Full name:	The Hellenic Republic
Population:	11.1 million (2013 PRB)
Capital:	Athens
Major language:	Greek
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.gr
International dialling code:	+30
Ministry of Finance website:	www.minfin.gr/portal/en

KEY TAX POINTS

- Companies resident in Greece are subject to corporate income tax on their worldwide income and gains. Non-resident companies are liable for tax on income or capital gains derived through a permanent establishment in Greece.
- There are no special rules for groups and there is no controlled foreign companies' legislation, but transfer prices between related parties may be adjusted on an arm's length basis.
- Capital gains are added to a company's income, except where specific rules apply to particular disposals.
- VAT is charged on the supply of goods and services at a standard rate of 23%, apart from those which are subject to a reduced rate, are zero-rated or are exempt.
- Relief is available for foreign taxes paid on overseas income by way of credit against Greek corporate income tax. Relief is restricted to the Greek tax payable on the overseas income concerned.
- Many payments within Greece are subject to income tax withholding. Most withholdings for payments to non-Greek residents have been removed.
- Greek residents are subject to income tax on their worldwide income. Non-residents are taxed on net income sourced in Greece.
- A real estate tax is imposed as a percentage of the value of real property.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Companies resident in Greece are subject to corporate income tax on their worldwide income and capital gains.

Non-resident companies that have a permanent establishment in Greece are subject to corporate income tax on income and capital gains derived through the permanent establishment.

A financial period is 12 months and usually coincides with the calendar year. In certain cases, however, it may start on 1 July and end on 30 June of the following year. Also, the financial period of a company, in which a foreign enterprise has at least a 50% capital participation, may coincide with that of the foreign enterprise.
The tax rates applicable to undistributed profits are as follows:

Public limited companies (SA)	26%
Banks	26% as above
Limited liability companies (EPE)	26% as above
Branches of foreign companies	26% as above.

Distributed profits are subject to an additional income tax at 10%. Dividends paid to parent companies based in European countries, which maintain the participation for at least 24 months, are exempted from such tax.

Note: Income tax is payable in eight (maximum) equal monthly instalments commencing in the fifth month from the end of the financial period, in which the tax return must be filed.

CAPITAL GAINS TAX

1. Companies
   The income earned by a company from the sale of shares is treated like any other income. It is added to the company's profits and it is taxed as corporate tax at a rate of 26%.
2. Foreign companies
   Selling Greek shares is considered like selling any other movable goods. To the extent that these sales do not constitute a permanent establishment in Greece, the profit from the sales is tax free. It is not clear when a foreign company has a permanent establishment in Greece, especially where certain conditions which demonstrate a trade activity are met.
3. Individuals
   The profits from the sale of stock listed companies are tax free on the condition that the shares sold represent less than 0.5% of the company's capital. In the contrary case the profit is taxed with 15%.
   However if a person makes continuous transactions on listed companies (more than 10 transactions every three months, values more than 250,000 Euro, for 4 continuous quarters) and the value of his portfolio exceeds 500,000 Euro, this person is considered to have a trade activity and his profits are taxed as such.
   The profit from the sale of non-listed companies of any legal form, is taxed at a rate of 15%.
   Residents of the countries that have closed a Double Taxation Agreement with Greece are exempted from the above tax, assuming that they prove their residency.
   Gains from the sale of rights are taxed at a rate of 20 %.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is charged on every supply of goods and services by a commercial enterprise, with the exception of the Aghion Oros area.
The VAT rate is 23%, except for specific categories of goods and services for which the tax rate is 13% and 6.5% respectively.
The above rates are reduced by 30% in certain circumstances. Public services (health, education, insurance etc) are not subject to VAT. These services are considered VAT exempt. Exports of goods are zero-rated. VAT is collected at each stage of the process of production or distribution of goods and services.
The burden of the tax falls on the ultimate consumer.

PROPERTY TAXES

In each transfer of real estate following taxes are paid:

1. Tax on the goodwill of the real estate at a rate of 15%. This tax is borne by the buyer.3
2. Transfer tax 3%.
3. From 1 January 2006, new buildings are subject to VAT at 23%.
4. Owners of properties (individuals or companies) are subject to a yearly property tax. This tax includes two different tax amounts:
   - Primary tax. This tax is imposed on each property item and is calculated as follows:
   a) Primary tax on buildings
      The primary tax on buildings is calculated as follows:
      Tax = surface (m^2) x basic tax rate of the geographical position of the building x tax rate of the age structure x tax rate of the floor x tax rate of the front of the building x tax rate of auxiliary spaces x tax rate of incomplete buildings.
   b) Primary tax on land
      The primary tax on land is calculated as follows:
      Tax = surface (m^2) x basic tax rate of the value of the land x tax rate of the position of the land x tax rate of the use of the land x irrigation rate x expropriation rate x residence rate.

- Secondary tax. This tax is imposed on the total value of the property of each owner and amounts 5 ‰ of the total value of all the properties.

OTHER TAXES

Transactions not subject to VAT are subject to stamp duty at rates from 1.2% to 3.6%.
Companies pay contributions to the social security organisation (IKA) for their employees. The contribution is computed on the employee's salaries at a rate of 43.96% (16.50% employee contribution and 27.46% employer contribution).

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are determined by ascertaining total gross income and then subtracting allowable expenses.
These expenses must be incurred for the purposes of the enterprise.

DEPRECIATION
Fixed asset depreciation is computed annually at fixed rates, the most important of which are:

• Plant and other buildings	4%
• Transportation means	5%
• Machinery	10%
• Furniture and other equipment	10%
• Intangible assets	10%
• Transportation means for cargo	12%
• Transportation means for personnel	16%
• Computers and hardware	20%

STOCK / INVENTORY
Stock is valued at the lower of acquisition cost or market value.

DIVIDENDS
Dividends are subject to a dividend tax of 10% and the total of the company's profits before distribution are taxed at 26%.

INTEREST DEDUCTIONS
Interest on loans is generally tax deductible.

The amount of the net interest costs is deductible if it does not exceed the amount of 3.000.000 Euro per year. In general, net interest expenses are deductible only to the extent that they do not exceed a specific percentage of the company's EBITDA (50% in 2014).

Furthermore, interest on loans from third parties, other than banks, is tax deductible only for the amount that would occur if the interest rate was equal to the rate on loan overdrafts to non-financial corporations, as given in the Statistical Bulletin of the Bank of Greece for the nearest period before the date of the loan.

LOSSES

Losses incurred in a business year may be carried forward to be set off against profits of the following five business years.

FOREIGN SOURCED INCOME
Foreign sourced dividends are added to the taxable income of the company.
Exceptionally, dividends received from companies of the same group are not taxable, on the following three conditions:
- The recipient participates to the payer of the dividend with at least 10%
- The recipient of the dividend maintains the participation of the affiliated company for at least 24 months
- The payer is not based in a non-cooperative country

INCENTIVES
Tax incentives are given if a company makes productive investments. There are two kinds of investments: state grants and tax reliefs.
The total amount of the support depends on the size of the enterprise and the geographical area.
Both incentives require a decision from the related authorities. The amount allocated every year for both grants and tax reliefs is limited.

C. FOREIGN TAX RELIEF

The Greek tax liability is reduced by the tax actually paid in other countries, in which the profits arise. Relief is restricted to the amount payable for the foreign income in Greece.

D. CORPORATE GROUPS

There are no special tax provisions for corporate groups.

E. RELATED PARTY TRANSACTIONS

Transactions with related parties must be made at prices defined by the application of the Arm's Length principle.

F. WITHHOLDING TAX

Many payments within Greece are subject to income tax withholding (salaries, payments to individuals for services, contractors of technical works, etc).
Most withholdings for payments to non Greek residents have been removed in 2014, assumed that the foreign resident does not have a permanent establishment in Greece.

G. EXCHANGE CONTROL

According to the EU Directives, there are no longer any exchange controls. Such controls still exist for transfers of capital to non-EU countries.

H. PERSONAL TAX

An individual is subject to income tax on his total net income in Greece and abroad. Net income sourced in Greece is taxed irrespective of the residence of the individual. Income arising abroad is taxed if the relevant individual is a resident of Greece.
The tax year is the calendar year.
Taxable income is calculated after deducting the social security contributions. The remaining amount is taxed as follows:
a) Employees and Pensioners

Income Bracket (Euro)	Tax Rate %	Tax per Bracket (Euro)	Aggregate	
			Income (Euro)	Tax (Euro)
25,000	22%	5,500	25,000	5,500
17,000	32%	5,440	42,000	10,940
Over	42%			

The tax occurred according to the above table is reduces with the following amounts:
- 2,100 Euro for taxable income until 21,000 Euro. For taxable income, which exceeds the amount of 21,000 Euro, the amount of the reduction shall be reduced by 100 Euro per 1,000 Euro of taxable income.
- 10% of the cost for medical expenses. The amount of the reduction shall not exceed the amount of 3,000 Euro.
- 10% of the amount given for donations. The amount of the reduction shall not exceed the 5% of taxable income.

b) Income from individual practices

Income Bracket (Euro)	Tax Rate %	Tax per Bracket (Euro)	Aggregate	
			Income (Euro)	Tax (Euro)
50,000	26%	13,000	50,000	13,000
Over	33%			

Rent

Income Bracket (Euro)	Tax Rate %	Tax per Bracket (Euro)	Aggregate	
			Income (Euro)	Tax (Euro)
12,000	11%	1,320	12,000	1,320
Over	33%			

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Under the tax treaties which have been concluded by Greece, the residents of certain foreign countries may enjoy reduced rates of withholding taxes on interest and royalties as follows.

	Dividends (%)	Interest (%)	Royalties[1] (%)
Non-treaty countries:	10	10/25	20
Treaty countries:			
Albania	5	5	5
Armenia	10	10	5

	Dividends (%)	Interest (%)	Royalties[1] (%)
Austria	15/5	[8]	7
Azerbaijan	8	8	8
Belgium	15/5	0/10	5
Bulgaria	10	10	10
Canada	15/5	10	10
China	10/5	10	10
Croatia	10/5	10	10
Cyprus	25	10	0/5
Czech Republic	-7	10	10/0[3]
Denmark	38	8	5
Egypt	10	15	15
Estonia	15/5	10	5/10[2]
Finland	47	10	0/10
France	-7	10	5
Georgia	8	8	5
Germany	25	10	0
Hungary	45	10	10
Iceland	15/5	8	10
India	–[7]	–[7]	–[7]
Ireland	15/5	5	5
Israel	-7	10	10
Italy	15	10	5/0
Korea	15/5	8	10
Kuwait	5	5	15
Latvia	10/5	10	5/10
Lithuania	15/5	10	5/10
Luxembourg	38	8	7/5
Malta	10/5	8	8
Mexico	10	10	10
Moldova	15/5	10	8
Morocco	10/5	10	10
Netherlands	35	10/8[4]	7/5[5]
Norway	40	10	10
Poland	-7	10	10
Portugal	15	15	10
Qatar	5	5	5
Romania	45	10	7/5
Russia	10/5	7	7
Saudi Arabia	5	5	10
Serbia	15/5	10	10
Slovak Republic	-	10	0/10
Slovenia	10	10	10
South Africa	15/5	0/8	5/7
Spain	10/5	0/8	6
Sweden	0	10	5
Switzerland	15/5	7	5
Tunisia	35	15	12
Turkey	15	12	10
Ukraine	10/5	0/10	10
United Kingdom	-7	0	0

	Dividends (%)	Interest (%)	Royalties[1] (%)
United States	–[6]	–[6]	0
Uzbekistan	8	10	8

Notes:

1 Where the withholding tax rate on royalties is indicated as nil, no income tax is due. The withholding tax on rental payments may also be reduced under the provisions concerning royalties in various tax treaties. The text of the relevant treaty should be consulted.

2 The 5% applies to royalties paid for the use of industrial, commercial or scientific equipment. The 10% rate applies to all other royalties.

3 No tax on royalties on intellectual property.

4 8% if paid to a bank or other institution.

5 5% for copyright and film royalties.

6 Where the US resident receiving the interest is not engaged in a trade or business through a permanent establishment in Greece, the interest is exempt from tax in Greece to the extent that it does not exceed a rate of 9% pa. The exemption is not available (and the domestic withholding tax rate therefore applies) where the US corporation holds more than 50% of the voting power of the Greek payor.

7 The domestic rate applies. There is no reduction under the treaty.

GRENADA

MEMBER FIRM

City	Name	Contact Information
St George's	Henry A Joseph	+1473 440 2562 hjoseph.pkf@spiceisle.com

BASIC FACTS

Full name:	Grenada
Population:	111,582 (2013 PRB)
Capital:	Saint George's
Major language:	English (official), French patois
Major religion:	Christianity
Monetary unit:	East Caribbean dollar (XCD)
Internet domain:	.gd
International dialling code:	+1473
Ministry of Finance, Planning, Economy, Energy & Cooperatives website:	www.gov.gd/ministries/finance.html

KEY TAX POINTS

- Grenadian resident companies are taxed on their worldwide non-exempt income. Non-residents are taxed on the profits of branch operations in Grenada.
- There is no tax on capital gains derived by companies although a transfer property tax applies as well as a Stamp Duty charge in respect of certain transactions.
- There are no withholding or other taxes on the payment of dividends. Withholding taxes are charged on payments to non-residents of interest, royalties and other charges at a rate of 15%.
- Individuals who are resident, ordinarily resident or domiciled in Grenada pay income tax on their worldwide income. Non-residents are subject to tax on income arising from the carrying on of a business in Grenada. Withholding taxes apply to other payments to non-residents.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Grenadian resident companies are liable to income tax on all sources of non-exempt income wherever arising. A company is regarded as resident in Grenada if its central management and control is located and exercised in Grenada or if it was incorporated in Grenada. A non-resident company is taxed on income of a branch carrying on a trade or business in Grenada, i.e. the income arises in Grenada.

The rate of tax on companies is 30%. The tax year or 'year of assessment' is a period of 12 months commencing on 1 January in each year.

Companies are assessed to tax on their income that arises in the basis period. Where the company usually makes up its accounts for a period other than the calendar year, this period will be substituted for the calendar year. The company is expected to submit its tax return by the end of March or three months following the year of assessment and pay any balance of tax due. The company is required by law to make monthly advance payments of income tax based on the results of the preceding year (estimated tax). Any balance of tax is due and payable when the return is filed.

CAPITAL GAINS TAX

There is no income tax on capital gains secured on the disposal of capital assets. However, there is a transfer property tax of 5% of the value of property sold with or without improvement.

There is also an aliens' landholding tax: for a foreign company buying into a local company, the foreigner pays 15% and the local pays 10%. For a foreign company buying into another foreign company, each pays 15%.

There is a 1% Stamp Duty charge.

BRANCH PROFITS TAX

Branches of a non-resident corporation or companies doing business in Grenada are taxed on the profits arising in Grenada. The rate of tax is 30%.

SALES TAX/VALUE ADDED TAX

A new value added tax was introduced on 1 February 2010. The tax is levied on the sale of goods and services at the rate of 15% except for accommodation at hotels which is at 10% and telecommunications services at 20%. The tax applies to both input and output so that at the end of a month a credit may be claimed where the input is greater than the output.

LOCAL TAXES

National Insurance is payable on emoluments up to a maximum of XCD 5,000 per month at rate of 4% from the employee (XCD 200) and 5% from employer (XCD 250.00). This compulsory contribution made both by employer and employee goes towards the provision of a pension at age 60 for women and 65 for men.

Stamp tax is paid on the gross income of businesses. The rates are as follows:

Gross annual income of over XCD 30,000 but less than XCD 100,000	0.25%
Gross annual income exceeding XCD 100,000	0.50%

The charge shall not be less than XCD 100 and is payable by 31 March of each year.

OTHER TAXES

Common External Tariff (CET) and Customs Service Charge (CSC) are imposed. CET is levied at between 6% to 40% on the CIF value of the landed price of goods purchased outside of CARICOM. Property tax is ad valorem, i.e. the property is assessed at market value and a taxable rate is applied based on the land use classification.

Category	Land Rate (%)	Building Rate (%)
Agricultural	0.0	0.00
Amenity	0.2	0.20
Commercial	0.5	0.30
Hotel	0.3	0.02
Industrial	0.3	0.20
Institutional	0.1	0.10
Residential	0.1	0.15
Reserve	0.1	0.00
Waste	0.1	0.00

B. DETERMINATION OF TAXABLE INCOME

The chargeable income of a company is determined by deducting all non-capital disbursements and expenses wholly and exclusively incurred in acquiring the income from all taxable income brought into charge. Domestic and private expenses are not allowable.

CAPITAL ALLOWANCES

Capital allowances are granted for depreciation of equipment, plant and machinery and

other assets used in the business at the following rates per annum:

Plant, machinery and equipment	10%
Air conditioning units, computers, elevators, ships, and other vessels	16.66%
Motor vehicles other than heavy vehicles	20%
Aircraft and equipment, heavy plant and machinery, public transport	25%

STOCK / INVENTORY
Stock and work-in-progress are valued at the lower of cost or net realisable value.

CAPITAL GAINS AND LOSSES
Capital gains are not taxed in Grenada.

DIVIDENDS
Dividends are not taxed in Grenada.

INTEREST DEDUCTIONS
Interest paid upon any money borrowed on capital employed in acquiring the income is deductible.

LOSSES
Losses sustained in a trade, profession or business on the island or through the ownership or occupation of land situated on the Island are allowed as expenses in arriving at the chargeable income of the person sustaining the loss. The loss should not be a capital loss.

The loss is available to be set off against other income arising in the year of assessment and may be carried forward and deducted in ascertaining the assessable income of the current and following two years or until the assessed loss has been fully utilised, whichever is earlier. The deduction shall not exceed one half of the assessable income of the subsequent years.

FOREIGN SOURCED INCOME
Where income arises outside Grenada and such income is derived from any act incidental to business carried on in Grenada, such income shall be included in the assessable income of the business in Grenada whether received in Grenada or not.

This includes:
(a) Branch or agency profits from business outside Grenada;
(b) Interest, royalties and rents outside Grenada.

INVESTMENT ALLOWANCE / INCENTIVES
The Government of Grenada encourages the establishment and development of new businesses and offers a wide range of incentives to potential investors. All of these incentives and concessions are designed to make investments more profitable. Concessions are available under the following various enactments:
- Fiscal Incentives Act 1974;
- Qualified Enterprise Act;
- Investment Code Incentive Law 1983;
- Hotels Aid Act 1954;
- Common External Tariff (SRO 37 /99); and,
- General Consumption Tax Act 7/95.

TOURISM SECTOR
There is full exemption from taxes on corporate profits for up to ten years. There is also exemption from Customs duties (CET) and taxes (GCT) on articles of hotel equipment to equip and upgrade the hotel property, service vehicles, material tor construction, repair, renovation or alteration to hotel properties.

MANUFACTURING SECTOR
There is full exemption from taxes on corporate profits for up to 15 years. There is also exemption from Customs duties (CET) and taxes (GCT) on plant, machinery, equipment (including equipment for the transportation of goods), spare parts, raw materials and components.

SERVICE SECTOR
There is relief from duties (CET) and taxes (GCT) on equipment.

C. FOREIGN TAX RELIEF

There is no foreign tax relief in Grenada.

D. CORPORATE GROUPS

Tax liability in a group basis is not permissible. The liability of each company within the group is determined separately.

E. RELATED PARTY TRANSACTIONS

Related party transactions which are carried out for considerations not at arm's length, intended to secure a benefit or tax advantage or to reduce the tax payable, are counteracted by the Comptroller who will take appropriate actions to negate this advantage.

F. WITHHOLDING TAX

Taxes at the rate of 15% are required to be deducted from payments to non-residents of interest or discounts, royalty, annuities or other periodic payments, rental, lease premium or license, management charge and commission or fee. The tax so deducted shall be paid to the Comptroller within seven days from the date of the payment to the payee.

G. EXCHANGE CONTROL

There are no exchange controls in Grenada at this time. Foreign currency up to a maximum equivalent of XCD 250,000 can be purchased from any of the commercial banks. Amounts in excess of this limit are subject to permission being obtained from the Ministry of Finance. This permission is generally not withheld and can be obtained within a short time period.

H. PERSONAL TAX

An individual who is resident, ordinarily resident and domiciled in Grenada is subject to income tax on his or her income as it arises. Non-residents are subject to tax on income accruing directly or indirectly from the carrying on of business in Grenada. Income from any source other than from the carrying on of business shall be liable to withholding tax and not form part of the assessable income.

RESIDENCE IN GRENADA

The residency requirements are as follows:

- An individual's permanent place of abode is in Grenada and the individual is physically present therein for some period of time in that year of assessment;
- Physical presence in Grenada for a period of not less than 183 days in that year of assessment;
- Physically present in Grenada for some period of time in that year of assessment and such period is continuous with a period of physical presence in the immediately preceding or succeeding year of assessment of such duration as to qualify him for the resident status.

Broadly, an individual is domiciled in the country or state which he regards as his permanent home. He acquires a domicile of origin at birth, normally that of his father, and retains it until he acquires a new domicile of choice. To acquire a domicile of choice, a person must sever his ties with his domicile of origin and settle in another country with the clear intention of making it his permanent home.

In ascertaining the chargeable income of an individual who is resident in Grenada, the amount of XCD 36,000 per annum is allowed as a deduction. Income from XCD 36,001 to XCD 60,000 is taxed at the rate of 15% while income in excess of XCD 60,000 is taxed at the rate of 30%.

Salaries up to $36,000 per annum	exempt
$36,000 t0 $60,000 per annum	-- 15%
Above $60,000 per annum	-- 30%

The Pay-As-You-Earn {PAYE) system of collection is in operation. The employers, who act as agents, deduct tax from employees' gross monthly emoluments. The tax so deducted must be remitted to the Inland Revenue Department by the seventh day of the month following the period for which the deduction was made. Any tax deducted and not paid within the time specified shall bear interest at the rate of 2% per month or part thereof for the period during which it remains unpaid.

Employees whose income is in excess of XCD 36,000 are required to submit an annual income tax return and attach a certification from the employer by the end of March following the year of assessment.

GUATEMALA

MEMBER FIRM

City	Name	Contact Information
Guatemala City	Hugo Arevalo Perez	+502 2332 8831 /32 harevaloperez@pkfguatemala.com arevalo@pkfguatemala.com

BASIC FACTS

Full name:	Republic of Guatemala
Population:	15.4 million (2013 PRB)
Capital:	Guatemala City
Major languages:	Spanish, more than 20 indigenous languages
Major religions:	Christianity, indigenous Mayan beliefs
Monetary unit:	Guatemalan quetzal (GTQ)
Internet domain:	.gt
International dialling code:	+502
Guatemala Ministry of Public Finance website:	www.minfin.gob.gt

KEY TAX POINTS

- Companies are subjected to income taxes, known as the income on lucrative activities regime, with rates at 31% for 2013, 28% for 2014 and 25% starting 2015.
- Solidarity tax is a way to anticipate income taxes so that the amount paid may be credited to income taxes over the following three years.
- VAT is payable on the domestic supply of goods and services and the import of goods. A standard rate of 12% applies although some supplies are exempted.
- There are no specific transfer pricing and thin capitalisation rules.
- For income from entities not residing in the country and acting with or without a permanent establishment, tax regimes do exist for the specific computation of withholding of taxes from rates ranging from 5% up to 15%.

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BACKGROUND

Tax laws in Guatemala are based on the territoriality principle. There are a few exceptions, mainly those related to withholdings in origin, and all taxes are applicable to activities conducted within the Guatemalan territory.

The Political Constitution of Guatemala provides legislative power to the Congress of the Republic. This provides certainty that no other entity, either local or foreign, shall create indirect or direct taxes.

Guatemala is part of the Multilateral Investment Guarantee Agency (MIGA), which is responsible for facilitating a private capital investment flow to developing countries, while providing guarantees against risks such as expropriation, lack of currency convertibility, civil war or riots, etc.

In addition, the country has benefited from the Overseas Private Investment Corporation (OPIC) with the promotion and fostering of private investments from the United States of America.

A. TAXES PAYABLE

TAXES AND LEVIES

COMPANY TAX

Companies are subjected to income taxes, known as the income on lucrative activities regime, with rates at 31% for 2013, 28% for 2014 and 25% starting 2015. There is also an optional simplified regime on income from lucrative activities with rates ranging from 5% and 6% in 2013 and from 5 to 7% starting 2014. In addition, a 5% income tax payment exists on distribution of dividends, earnings and profits.

SOLIDARITY TAX

This tax is a way to anticipate income taxes so that the amount paid may be credited to income taxes over following three years. The tax rate is 1% on gross income or the net asset amount and is applicable only to taxpayers opting for taxes on income from lucrative activities (31% income tax regime).

Taxpayers that pay taxes under the optional simplified tax regime on income from

lucrative activities (5% tax regime) are exempt from this tax.

CAPITAL GAINS TAX

Current laws, starting 1 January 2013, provide for an applicable tax rate on capital from furniture and real estate gains at 10%.

A 5% income tax rate is applicable to payments made to stockholders during the distribution of dividends, earnings or profits.

BRANCH PROFITS TAX

There is no separate branch profits tax. Overseas companies with a permanent establishment in Guatemala pay tax on the profits of the permanent establishment under the same rules applied to Guatemala resident companies.

VALUE ADDED TAX (VAT)

VAT is collected during the exchange of goods or services at the local level as well as during the provision of services and importation of goods. Exportation of goods and services are tax exempt. The tax rate is 12%, although some exemptions do exist including:

- Services provided by entities controlled by the Superintendent of Banks, stock exchange brokers, insurance and reinsurance operations;
- Issuance and transfer of some securities;
- Grants and donations to not-for-profit entities;
- Transactions among co-operative entities and their participants;
- Importation of furniture by cooperative entities exclusively for their operations;
- Imports under the temporary importation system: VAT tax returns shall be filed on a monthly basis within a month following that month reported in the tax return. The tax amount in debt shall be payable in the due date.

FRINGE BENEFITS TAX

All benefits in kind are taxable on individuals receiving those benefits from their employers.

OTHER TAXES - REAL ESTATE TAX

An annual tax is payable on the owners of real estate and levied at the following rates:

Taxable amount (GTQ'000)	Rate
Up to 2,000	0.0%
2,000.01 to 20,000	0.2%
20,000.01 to 70,000	0.6%
Over 70,000	0.9%

Tax is also charged on rural land declared to be uncultivated (i.e. not used for agricultural purposes).

SOCIAL SECURITY CONTRIBUTIONS

Employer's social security is payable at a rate of 10.67% on the total salary of employees.

SOCIAL SECURITY CONTRIBUTIONS, IRTRA AND INTECAP

Contributions made by employers to the social security and other recreational or training institutions shall be payable at 12.67% on the overall employees' salaries.

A contribution made by employees to the social security is 4.83% on their salaries.

B. DETERMINATION OF TAXABLE INCOME

The information provided in the following section is applicable to tax payers opting for the income on lucrative activities regime.

CAPITAL ALLOWANCES (DEPRECIATION)

Tax deduction is available in respect of fixed assets used in the business. Generally speaking, only the straight-line method is allowed, although other methods may be used if agreed by the tax authorities. Maximum depreciation rates are set and include the following:

Assets	Rate
Buildings and construction	5%
Furniture and equipment	20%
Vehicles	20%

Computers (including software)	33.33%
Tools	25%

STOCK / INVENTORY
In general, the following four methods may be used for valuation of inventories:
(1) Production cost;
(2) First-in, first-out system "FIFO";
(3) Weighted average; and,
(4) Historic cost of goods.

Other methods are allowed with prior authorisation from the Tax Office.

INTEREST DEDUCTIONS
Interest paid is deductible for both loans provided by banks or financial institutions and other institutions or individuals.

Interest paid abroad when payable to banking or financial institutions registered or authorized by the corresponding banking government oversight and inspection entity in their respective country. The limit of this deduction shall not exceed the amount resulting from multiplying the corresponding interest rate by three times the average total net assets.

LOSSES
Losses other than capital losses may not be carried back or forward. Capital losses may only be offset by two years with capital gains.

FOREIGN SOURCE INCOME
Tax is only chargeable on Guatemala source income.

INCENTIVES / FREE ZONES
Certain incentives are granted to industrial or commercial enterprises established in free zones. These include:
- An exemption from income tax for 12 years with respect to income from industrial or commercial activities carried out in free zones;
- An exemption from VAT for transactions effected within or between free zones;
- An exemption from stamp duties on the transfer of immovable property located in free zones when the enterprise is also located there.

TAX INCENTIVES
EXPORTATION AND DRAW-BACK ACTIVITIES
Some incentives such as exemption of importation taxes, income and value-added taxes for industrial and commercial outfits established under the incentive to exportation and draw-back incentive law do exist.

FREE-TRADE ZONE
Incentives including exemption of importation, income and value-added taxes do exist for industrial and commercial entities established within the country's free-trade zone.

INVESTMENT IN RENEWABLE ENERGY SOURCES
Exemption of importation, income and value-added taxes exist by way of the "Incentives for development of renewable energy projects' law".

C. FOREIGN TAX RELIEF

Only Guatemala source income is subject to tax.

Foreign investment is governed by the Foreign Investment Act, which among others, provides for equal conditions for either domestic or foreign investors. Likewise, this law establishes that the Government may not directly or indirectly expropriate investments made by foreign investors.

D. CORPORATE GROUPS

There are no special tax provisions relating to groups of companies.

E. RELATED PARTY TRANSACTIONS/TRANSFER PRICING TAX

From 1 January 2013, legislation on new transfer pricing rules has been enacted. The "special standards on the valuation among related parties" requires that from 1 January 2013, transactions made by Guatemalan companies with non-residing related parties must be valued under the "arm's length" principle.

F. WITHHOLDING TAX

For income from entities not residing in the country, and acting with or without a permanent establishment, tax regimes exist for the specific computation of withholding of taxes from rates ranging from 5% up to 15%.

G. EXCHANGE CONTROL

There are no exchange controls in Guatemala. Decree Number 94-2000 Law of Free Negotiation of Foreign Currency.

H. PERSONAL TAX

Individuals residing in the country and receiving income from labour under a dependency relationship are subject to a progressive tax rate as shown below:

Taxable Base (GTQ)	Fixed Tax Amount (GTQ)	Marginal Rate On Excess
0.01 to 300,000	0	5%
Over 300,000	15,000	7%

Social security contributions and total personal expenses for up to CTQ 60,000 are deductible.

I. TREATY WITHHOLDING TAX RATES

Guatemala does not have any tax treaties in force.

Guatemala entered into an agreement before the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, regarding tax information exchange with 42 countries, which includes among others, taxes on transfer pricing as explained in the preceding paragraphs.

GUYANA

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MEMBER FIRM

City	Name	Contact Information
Georgetown	Harry Narine	+592 225 8915 noelnarine@hotmail.com

BASIC FACTS

Full name:	Cooperative Republic of Guyana
Population:	800,247 (2013 PRB)
Capital:	Georgetown
Major language:	English
Major religion:	Christianity
Monetary unit:	Guyanese dollar (GYD)
Internet domain:	.gy
International dialling code:	+592
Income Tax Authority website:	www.finance.gov.gy

KEY TAX POINTS

- Corporation tax rates are generally 30% of chargeable profits for non-commercial companies or 40% of chargeable profits or 2% of turnover whichever is higher for commercial companies.
- Capital gains are taxed at a rate is 20% unless the asset is held for more than 25 years when the gain will be exempt. Capital losses are carried forward indefinitely until they are fully utilized.
- Property tax is payable on the net assets of the company as at 1 January each year.
- The Value Added Tax (VAT) rate is 16%. Some items are zero rated and very few are exempt.
- Dividends paid to residents are tax free. Dividends paid to non-residents are subject to withholding tax at 20% or at treaty rates.

A. TAXES PAYABLE

CORPORATION TAX
The tax rates are:
- Non-commercial companies: 30% of chargeable profit. Losses may be carried forward indefinitely and set off is limited to 50% of the chargeable profits in future years.
- Commercial Companies: 40% of chargeable profits or 2% of turnover whichever is higher. Any payment in excess of 40% of profit is carried forward as a credit to be used to reduce the tax whenever it is higher than 2% of Turnover.

A Commercial Company means a company in which at least 75% of the gross income is derived from trading in goods not manufactured by it. The definition also includes commission agencies, any telecommunicationcompany,banks and insurance companies other than long term insurance business.

PROPERTY TAX (WEALTH TAX)
This is payable on the net assets of the company as at 1 January each year. Assets which attract Wear and Tear Allowances will be included in their income tax values. The rates on net property are as follows:
- The first GYD10,000,000 is exempt
- The next GYD15,000,000 is taxed at 0.5%
- The remainder is at 0.75%.

A set off would be granted to investors who hold shares in local companies at the appropriate rate.

CAPITAL GAINS
The rate is 20% on the gain on disposal unless the asset was held for more than 25 years when it becomes exempt. Capital losses are carried forward indefinitely and could be set off against future capital gains until fully recouped. Gain on disposal of investments in local public companies is exempt.

BRANCH PROFITS
The after tax profits of a branch of a non-resident company is deemed distributable whether distributed or not and will be subject to withholding tax at 20% or at treaty rates unless the company has reinvested to the satisfaction of the Commissioner General such profits or any part thereof in Guyana.

VALUE ADDED TAX
The rate is 16%. Some items are zero rated and very few are exempt. Registration is required if the turnover exceeds GYD 10M per annum.

FRINGE BENEFITS
There are no specific rules for granting of tax free allowances except for overseas travel assistance which is described in the Income Tax Act. In practice, some management staff may obtain car and entertainment allowances but the amount would be limited to 10% of their remuneration in each case.

CAPITAL GAINS
The rate is 20% on the gain unless the asset is held for more than 25 years when the gain will be exempt. Capital losses are carried forward indefinitely until they are fully recouped. There is no limit on the losses to be claimed in each year.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
The rates for Wear and Tear Allowances for different categories of assets are as follows:
- Aircraft 331/3%
- Boats 10%
- Furniture and fittings 10%
- Motor vehicles 20%
- Office equipment/electrical 20%
- Other 15%
- Plant andmachinery 20%
- Computers 50%
- Buildings (Housing Machinery) 5% on cost.

The claim is computed on reducing balance basis unless stated otherwise. An accelerated write off is granted to pioneer industries and certain other undertakings. The rates for the initial allowances are:
- Plant, equipment and motor vehicles 40%
- Industrial Buildings 10%.

There is a special regime for gold and diamond mining companies which enjoy a 20% write off on all assets for each year. There is no limit to the carried forward losses to be set off for each year.

DIVIDENDS

Dividends paid to residents are tax free. Dividends paid to non-residents are subject to withholding tax at 20% or at treaty rates. For large and medium scale gold and diamond companies the rate is 6.25% under the special regime.

C. PERSONAL TAXATION

INCOME TAXES

There is a standard deduction of GYD 600,000 per annum after which the balance of chargeable income is taxed at 30%. There are no other allowances except for interest paid on housing mortgage loan not exceeding GYD30M in aggregate.

PROPERTY TAXES

Individuals are taxed on their net property as follows: (Wealth Tax)

o The first GYD40M is exempt
o The remainder is taxed at 0.75%.

The income tax value of the assets is used when computing net property.

D. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Guyana has double taxation treaties with the United Kingdom, Canada and Caricom Countries. The withholding taxes applicable for each territory are as follows:

On dividends and interest 15%
On other payments 10%.

HONG KONG

MEMBER FIRM

City	Name	Contact Information
Hong Kong	Ricky Lai	+852 2969 4015 rickylai@pkf-hk.com

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BASIC FACTS

Full name:	Hong Kong
Population:	7.2 million (2013 PRB)
Capital:	N/A (Hong Kong is a special administrative region of China)
Major language:	Chinese (Cantonese)
Major religion:	Buddhism, Taoism
Monetary unit:	Hong Kong dollar
Internet domain:	.hk
International dialling code:	+852
Inland Revenue Department website:	www.ird.gov.hk/eng/welcome.htm

KEY TAX POINTS

- Profits tax is charged on any person (including a corporation, partnership or individual) carrying on a trade, business or profession in Hong Kong. Income derived from outside Hong Kong is exempt (subject to rules deeming certain receipts to be derived from Hong Kong) regardless of residence status.
- Property tax is charged at 15% on the net assessable value of any land or buildings in Hong Kong.
- There transfer pricing regime is not very developed but there are general anti-avoidance rules.
- Dividends received by a Hong Kong corporate, whether from a domestic or overseas company, are not chargeable to tax and payments by Hong Kong resident companies are not subject to withholding tax.
- There is no VAT or sales tax.
- There is no capital gains tax, and capital gains are not subject to personal or corporate income tax.
- There is no inheritance tax. ‘Estate Duty’ was abolished with effect from 2006.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
PROFITS TAX

Profits tax shall be charged on every person (including corporations, partnerships and individuals) carrying on a trade, business or profession in Hong Kong. Income derived outside Hong Kong is generally exempt from tax. In the case of a financial institution carrying on business in Hong Kong, foreign sourced interest income is treated as taxable income in Hong Kong.

No distinction is made between residents and non-residents.

TAX YEAR

The tax year covers a period of 12 months commencing on 1 April and ending on 31 March of the following year. Profits earned by a person during an accounting year ending within the tax year will be deemed to be their profits for that tax year.

TAX RATES

The profits tax rates are as follows:

	2014/15 (year ended 31 March 2015)	2015/16 (year ended 31 March 2016)
Corporations	16.5%	16.5%
Persons other than corporations	15.0%	15.0%

DEEMED TRADING RECEIPTS

The following income of a non-resident person is deemed to be receipts from a trade, profession or business carried on in Hong Kong:

(1) Royalties receivable from the exhibition or use in Hong Kong of cinematograph or television film or tape, any sound recording or any advertising material connected with such film, tape or recording;
(2) Royalties receivable for the use of, or right to use in Hong Kong a patent, design, trademark, copyright, formula or other property of a similar nature;
(3) Royalties receivable for the use of, or right to use outside Hong Kong a patent design, trademark, copyright, formula or other property of a similar nature if the payee of such royalties has claimed a tax deduction in Hong Kong;
(4) Sums received or accrued in respect of the hire, rental or similar charges for the use of movable property in Hong Kong.

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The assessable profits for cases (1) to (3) above are equal to 30% of the sum receivable by the non-resident person if the Inland Revenue Department is satisfied that no person carrying on a trade, profession or business in Hong Kong has, at any time, wholly or partly-owned the relevant intellectual property. However, if the above condition is not satisfied, the assessable profits will be the full amount receivable by the non-resident person.

BRANCH PROFITS TAX

There is no distinction between branch profits tax and corporation profits tax. Branch profits of foreign corporations are also taxed at the flat rate of 16.5% on Hong Kong sourced profits.

OTHER TAXES

Other important taxes imposed include the following:

PROPERTY TAX

Property tax is charged at a standard rate of 15% on the net assessable value of any land or buildings in Hong Kong. The net assessable value is the rent payable to the owner of the land or building after deducting the following amounts:

(a) Unpaid rent;
(b) Government rates paid by the owner;
(c) 20% of the assessable value after deduction of (a) and (b) above.

Any building occupied by the owner as their residence is exempted from tax.

ESTATE DUTY

The Hong Kong Government abolished Estate Duty from 11 February 2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005. No Estate Duty will be imposed on the value of an individual's Hong Kong property passing on death.

STAMP DUTY

Stamp Duty applies only to the following categories of transactions:

(a) Contract notes on Hong Kong shares and marketable securities;

(b) Assignment of immovable property;
(c) Leases and assignment of leases of Hong Kong property;
(d) Insurance of bearer instruments.

Transactions in Hong Kong shares or marketable securities during the year 2015/16 will attract an ad valorem duty of HKD 2 per HKD 1,000 payable equally by the buyer and the seller.

Stamp Duty on the transfer of immovable property is levied at the following rates:

Sales consideration (HKD)	Stamp Duty rates 2015/16
1 – 2,000,000	1.50%
2,000,001 – 2,176,470	HKD 30,000 + 20% of excess over HKD 2M
2,176,471 – 3,000,000	3.00%
3,000,001 – 3,290,330	HKD 90,000 + 20% of excess over HKD 3M
3,290,331 – 4,000,000	4.50%
4,000,001 – 4,428,580	HKD 180,000 + 20% of excess over HKD 4M
4,428,581 – 6,000,000	6.00%
6,000,001 – 6,720,000	HKD 360,000 + 20% of excess over HKD 6M
6,720,001 – 20,000,000	7.50%
20,000,001 – 21,739,130	HKD 1,500,000 + 20% of excess over HKD 20M
21,739,131 or above	8.50%

SPECIAL STAMP DUTY

With effect from 20 November 2010, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months (if the property was acquired on or after 20 November 2010 and before 27 October 2012) or 36 months (if the property was acquired on or after 27 October 2012), will be subject to a Special Stamp Duty.

Special Stamp Duty is calculated by reference to the stated consideration or the market value of the property (whichever is the higher) at the following rates for different holding periods of the property by the seller or transferor before disposal:

Holding period	The property was acquired on or after 20 November 2010 and before 27 October 2012	The property was acquired on or after 27 October 2012
6 months or less	15%	20%
More than 6 months but for 12 months or less	10%	15%
More than 12 months but for 24 months or less	5%	10%
More than 24 months but for 36 months or less	-	10%

BUYER'S STAMP DUTY

With effect from 27 October 2012, unless specifically exempted, Buyer's Stamp Duty is payable on an agreement for sale, or a conveyance on sale, executed for the acquisition of any residential property. Buyer's Stamp Duty is charged at 15% on the stated consideration or the market value of the property (whichever is the higher), on top of the existing Stamp Duty and Special Stamp Duty, if applicable.

CAPITAL GAINS

There is no capital gains tax in Hong Kong and capital gains are not subject to corporate or personal income tax.

SALES TAX / VALUE ADDED TAX

There is neither sales tax nor value added tax in Hong Kong.

FRINGE BENEFITS TAX

There is no fringe benefits tax in Hong Kong.

LOCAL TAXES

There are no local taxes in Hong Kong.

B. DETERMINATION OF TAXABLE INCOME

Generally, in arriving at profits assessable to tax, deductions are allowed for revenue

expenditure to the extent that they are incurred in the production of chargeable profits in the basis period. Special rules apply in respect of the following categories of expenditure.

CAPITAL ALLOWANCES

Capital allowances are available to a taxpayer who incurs qualifying capital expenditure on specified assets used in the production of chargeable profits. Capital allowances can be classified into industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery and refurbishment allowance as summarised below:

1. INDUSTRIAL BUILDING ALLOWANCE

An initial allowance of 20% is granted in the year of purchase for capital expenditure incurred on the construction of an industrial building or structure occupied for the purposes of a qualifying trade. An additional allowance of 4% of the capital expenditure (on a straight-line basis) is given annually.

2. COMMERCIAL BUILDING ALLOWANCE

A building or structure used for the purposes of a trade, profession or business other than an industrial building or used as stock in trade can qualify for a commercial building allowance. An annual allowance of 4% of the capital expenditure incurred on the construction of the building is provided.

3. DEPRECIATION ALLOWANCE ON PLANT AND MACHINERY

Depreciation allowance on plant and machinery is in the form of an initial allowance and an annual allowance.

An initial allowance of 60% is granted in the year of purchase for capital expenditure incurred in acquiring the plant and machinery.

The annual allowance is based on the reducing value of each class of plant and machinery (the 'pool'). A pool is made up of all items of plant or machinery carrying the same rate of depreciation. It is only necessary for the assets to be or to have been owned and used in the production of chargeable profits to qualify for the deduction. The annual allowance is equal to the reducing value of the pool multiplied by the appropriate depreciation rate, currently at 10%, 20% or 30% per annum.

4. EXPENDITURE ON PRESCRIBED FIXED ASSETS

Capital expenditure incurred on certain prescribed fixed assets in any year of assessment is allowed to be fully written-off in the year it is incurred. 'Prescribed fixed assets' include computer hardware and software and certain defined plant and machinery used specifically and directly for any manufacturing process.

5. EXPENDITURE OF PRESCRIBED ENVIRONMENTAL PROTECTION FACILITIES

With effect from the year of assessment 2008/09, capital expenditure incurred on certain prescribed environmental protection facilities is entitled to a preferential tax deduction. Expenditure incurred on environmental protection machinery is allowed to be fully written-off in the year it is incurred whereas those on environmental protection installation is allowed to be deducted equally in five years of assessment.

6. CAPITAL EXPENDITURE ON INTELLECTUAL PROPERTY

Capital expenditure incurred in registration of a trademark or design or patent (collectively referred to as intellectual property (IP) or incurred in the acquisition of patent rights and rights to any know-how (collectively referred to as properties) qualify as a tax deduction in the year it is incurred if the IP and properties are used in the production of assessable profits in Hong Kong.

With effect from 1 April 2011, the legislation extends the scope of profits tax deduction for capital expenditure incurred in the acquisition of copyrights, registered designs or registered trademarks (collectively referred to as "specified IP rights"). The capital expenditure incurred on the purchase of specified IP rights is to be deducted equally over five years (or over the remaining years of protection) if certain conditions are met. The legislation was further amended on 9 February 2012 to remove the condition on "use in Hong Kong", capping the sales proceeds to be brought to tax and adding anti-avoidance provision on the deduction of expenses.

7. REFURBISHMENT ALLOWANCE

A special allowance has been introduced to enable taxpayers to deduct 20% of refurbishment expenditure annually over a five-year period.

Note that for industrial buildings and plant and machinery, both the initial allowance and the writing down allowance are available in a period in which the expenditure is

incurred and the asset is brought into use (not just the initial allowance).

INVENTORY

All trading stock should be valued at the lower of cost or market value. Accepted valuation methods include FIFO and average cost but not UFO, base stock method or replacement value. The term 'market value' would normally mean realisable value.

CAPITAL GAINS AND LOSSES

Capital gains and losses are not taxable or deductible in arriving at the assessable profits.

DIVIDENDS

Dividend income, whether from Hong Kong or overseas, is not taxable. Dividends paid to either a resident or non-resident of Hong Kong are not subject to any withholding tax.

INTEREST DEDUCTIONS

Interest expenses which fall within one of the following categories are deductible if incurred for the production of chargeable profits:

(a) Interest on money borrowed by a financial institution;
(b) Interest subject to Hong Kong profits tax in the hands of the recipient;
(c) Interest on money borrowed from a financial institution;
(d) Interest on money borrowed other than from a related person or corporation, wholly and exclusively for the provision of (i) plant and machinery that qualifies for tax depreciation allowances; or, (ii) trading stock used in the production of chargeable profits;
(e) Interest paid on debentures;
(f) Interest paid to the holder of any instrument issued;
(i) In the course of carrying on a business which is bona fide and marketable in either Hong Kong or major foreign financial centres approved by the Hong Kong tax authorities; or,
(ii) Pursuant to any agreement or arrangement authorised by the Securities Commission under the Protection of Investors Ordinance.
(g) Interest on loans from a related corporation, where the creditor raised the borrowed amount entirely from the proceeds of an issue of debentures.

With effect from 25 June 2004, certain types of interest expenses must satisfy the following two additional conditions to be tax deductible:

(1) The loan must not be effectively or actually secured by the lender or an associate of the lender; and,
(2) There is no arrangement in place that the interest payment will be ultimately paid back to the borrower or to a person connected with the borrower.

Both of conditions (1) and (2) apply to types (b), (c) and (d) interest expenses. For types (e), (f) and (g) interest expenses, they are required to satisfy condition (2) only.

LOSSES

Losses incurred can be carried forward indefinitely for set-off against any future assessable profits of the same entity. However, there are anti-avoidance provisions in the Inland Revenue Ordinance that restrict the use of tax losses where a change in shareholding was undertaken solely or predominantly for the purpose of utilising the losses to obtain a tax benefit. Losses cannot be carried back.

OFFSHORE INCOME

Generally, income derived from or arising outside Hong Kong is exempt from tax under the territorial taxation system.

TAX INCENTIVES

(a) The low tax rates and territorial basis of taxation adopted by Hong Kong are in themselves major incentives to foreign investors.
(b) Share trading profits derived by non-resident investors trading through share brokers in Hong Kong are exempt from profits tax.
(c) Interest income derived from deposits placed in Hong Kong with authorised financial institutions by any person carrying on business in Hong Kong is exempt from profits tax.
(d) Income derived from bona fide offshore funds managed in Hong Kong is exempt from profits tax.
(e) Scientific research expenditure, including payments to an approved research institute and payments for technical education, qualify as allowable deductions.
(f) Profits derived by a captive insurer from the business of insuring offshore risks will be entitled to a 50% reduction in the profits tax rate.
(g) Profits derived from qualified debt instruments with a maturity period of at least three years will also be entitled to a 50% reduction in profits tax rate and full exemption will be granted to certain qualified debt instruments having a maturity period of seven years or more.

C. CORPORATE GROUPS

Companies of the same group are assessed to profits tax separately. There is no group tax relief in Hong Kong.

D. RELATED PARTY TRANSACTIONS

With the issuance of the Departmental Interpretation and Practice Notes 46 regarding "Transfer Pricing Guidelines - Methodologies and Related Issues", transfer pricing has become a hot tax topic in Hong Kong. Although transfer pricing documentation is not now mandatory in Hong Kong, taxpayers should critically review and assess their historical, current and future transfer pricing risks in light of this guidance.

Profits on royalties and licence fees received by a related non-resident person from its Hong Kong associate may be deemed to be trading receipts in Hong Kong and therefore wholly chargeable to profits tax.

Furthermore, a non-resident person who does not carry on business in Hong Kong can be assessed to Hong Kong profits tax if he/she carries on his/her business with a closely connected resident person and the business is so arranged that the resident person earns either no profit or less than the ordinary profit which might be expected.

With the issuance of the Departmental Interpretation and Practice Notes 48 regarding "Advance Pricing Arrangement", a taxpayer may also consider using an advance pricing arrangement to confirm the tax status and resolve any dispute, transfer pricing in particular, with the Inland Revenue Department under this guidance.

E. WITHHOLDING TAXES

Royalties and licence fees paid to non-residents for the use of certain intellectual properties in Hong Kong and payments to non-resident entertainers or sportsmen for their performance at commercial occasions or events in Hong Kong are subject to withholding tax of 16.5% on their assessable profits. There are no withholding taxes levied on dividends and interest.

F. EXCHANGE CONTROL

There are no exchange controls in Hong Kong.

H

G. PERSONAL TAX

SALARIES TAX

Salaries tax is charged on individuals in respect of all income arising in or derived from Hong Kong in relation to any office, employment, pension or payments for services rendered in Hong Kong. The tax charge is calculated at the lower of:

(a) 15% of chargeable income after deduction of charitable donations; or,

(b) The applicable progressive rates on net chargeable income after the deduction of charitable donations and personal allowances. The progressive salaries tax rates for the year 2014/15 and 2015/16 are as follows:

Net chargeable income (NCI) (HKD)	Progressive Tax Rate (%)
0 – 40,000	2
40,001 – 80,000	7
80,001 – 120,000	12
120,001 or above	17

Notes:
NCI = Taxable income – Allowable deductions – Personal allowances
Salaries tax payable = Net chargeable income × Progressive tax rates

Personal Allowances:		2014/15 HKD	2015/16 [c] HKD
1.	Single person	120,000	120,000
2.	Married person	240,000	240,000
3.	Child (each): First to ninth child:		
	- Year of birth	140,000	200,000
	- Other years	70,000	100,000
4.	Dependent parent/grandparent:		

	(a) Aged 55 to 59:		
	- basic	20,000	20,000
	- additional (for dependent living with taxpayer)	20,000	20,000
	(b) Aged 60 or above:		
	- basic	40,000	40,000
	- additional (for dependent living with taxpayer)	40,000	40,000
5.	Dependent brother/sister [a]	33,000	33,000
6.	Single parent	120,000	120,000
7.	Disabled dependent	66,000	66,000
Maximum amount of additional deductions:			
1.	Self-education expenses	80,000	80,000
2.	Home loan interest [b]	100,000	100,000
3.	Elderly residential care expenses	80,000	80,000
4.	Contribution to recognised retirement schemes	18,000	18,500
5.	Donations to charitable organisation	35% of income	35% of income

NOTES:
a For whom no child allowance is being claimed.
b The deduction for home loan interest is for 15 years of assessment.
c Legislative amendments are required for implementing the tax measures as proposed by the Financial Secretary in the 2015/16 Budget.

OTHER INCOME TAXES

Under the Hong Kong tax system, various sources of income are taxed under separate categories i.e. business income is subject to profits tax, rental income is subject to property tax and employment income is subject to salaries tax.

Sometimes, it may be advantageous for an individual to elect to pay tax under 'personal assessment' if he/she has expenses which may be non-deductible against a particular source of income (e.g. mortgage interest payments or allowable tax losses which cannot be completely absorbed by his/her business profits). Under personal assessment, all his/her assessable sources of income are aggregated in a single assessment.

Applicants must be permanent or temporary residents of Hong Kong. An election for personal assessment must be made within a stipulated time limit.

H. TREATY WITHHOLDING TAX RATES

As Hong Kong adopts the territorial tax system, income derived by a resident from overseas will not suffer double taxation in Hong Kong. Many countries, which assess their residents on a worldwide basis, will provide their residents with unilateral tax credit relief for any tax paid on income derived from their businesses in Hong Kong. Hong Kong also allows deduction of foreign tax paid on a turnover basis in respect of the same income chargeable to tax in Hong Kong. Under such circumstances, businesses operating in Hong Kong generally do not have problems with double taxation of income.

Nevertheless, the Hong Kong Government recognises that there are merits in concluding double taxation agreements with its trading partners, particularly in aviation and shipping industries.

Hong Kong therefore has reached different double taxation relief arrangements with many countries: Bangladesh, Belgium, Canada, Croatia, Denmark, Estonia, Ethiopia, Fiji, Finland, Germany, Iceland, Israel, Jordan, Kenya, the Republic of Korea, Kuwait, the Lao People's Democratic Republic, Macao Special Administrative Region, Mainland China, Maldives, Mauritius, the Netherlands, New Zealand, Norway, the Russian Federation, Seychelles, Singapore, Sri Lanka, Sweden, Switzerland, the United Kingdom, the United Mexican States and the United States of America in order to avoid double taxation of airline and/or shipping income.

Apart from double taxation agreements applicable to airline and shipping income, the Hong Kong Government also concluded comprehensive double taxation agreements with many countries / territories. The following table summarizes the maximum rates of tax those countries / territories can charge a Hong Kong resident on payments of

dividends, interest and royalties:

	Date of signing	Effective year	Dividend (%)	Interest (%)	Royalty (%)
Non-treaty countries:	–	–	–	–	4.95[1]
Treaty countries:					
Austria	25.05.2010	2012/13	0/10[2]	–	3
Belgium	10.12.2003	2004/05	0/5/15[3]	10	5
Brunei	20.03.2010	2011/12	–	5/10[4]	5
Canada	11.11.2012	2014/15	5/15[5]	10	10
Czech	06.06.2011	2013/14	5	–	10
France	21.10.2010	2012/13	10	10	10
Guernsey	22.04.2013	2014/15	–	–	4
Hungary	12.05.2010	2012/13	5/10[6]	5	5
Indonesia	23.03.2010	2013/14	5/10[6]	10	5
Ireland	22.06.2010	2012/13	–	10	3
Italy[7]	14.01.2013	Pending	10	12.5	15
Japan	09.11.2010	2012/13	5/10[6]	10	5
Jersey	22.02.2012	2014/15	–	–	4
Korea[8]	08.07.2014	Pending	10/15[9]	10	10
Kuwait	13.05.2010	2014/15	0/5[10]	5	5
Liechtenstein	12.08.2010	2012/13	–	–	3
Luxembourg	02.11.2007	2008/09	0/10[2]	–	3
Mainland China	21.08.2006	2007/08	5/10[6]	7	7
Malaysia	25.04.2012	2013/14	5/10[6]	10	8
Malta	08.11.2011	2013/14	–	–	3
Mexico	18.06.2012	2014/15	–	4.9/10[11]	10
Netherlands	22.03.2010	2012/13	0/10[2]	–	3
New Zealand	01.12.2010	2012/13	0/5/15[12]	10	5
Portugal	22.03.2011	2013/14	5/10[6]	10	5
Qatar	13.05.2013	2014/15	–	–	5
South Africa[13]	16.10.2014	Pending	5/10[6]	10	5
Spain	01.04.2011	2013/14	0/10[2]	5	5
Switzerland	04.10.2011	2013/14	0/10[2]	–	3
Thailand	07.09.2005	2006/07	10	10/15[14]	5/10/15[15]
United Arab Emirates[16]	11.12.2014	Pending	0/5	5	5
United Kingdom	21.06.2010	2011/12	0/15[17]	Domestic rate[18]	5
Vietnam[19]	16.12.2008	2010/11	10	10	7/10[20]

NOTES:

1 If the royalty income is derived from an associate of the non-resident person, the withholding tax rate will be 16.5% on the whole amount of royalty payable to the non-resident person. But the Hong Kong Inland Revenue Department will still apply the reduced withholding tax rate if it is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly owned the relevant intellectual property.

2 0% applies if the beneficial owner is a company which holds directly at least 10% or at least 25% (applies to Spain only) of the capital of the company paying the dividend; and 10% of dividend in all other cases.

3 0% applies if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividend; and 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

4 5% applies to interest payments to any bank or financial institutions; and 10% of interest payments in all other cases.

5 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

6 5% applies if the beneficial owner is a company which holds directly at least 10% (applies to Hungary, Portugal, Malaysia, Japan & South Africa) or at least 25% (applies to Indonesia & Mainland China) of the capital of the company paying the dividend; and 10% of dividend in all other cases.
7 On 14 January 2013, the Hong Kong Government signed an agreement with Italy for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.
8 On 8 July 2014, the Hong Kong Government signed an agreement with Korea for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.
9 10% applies if the beneficial owner in a company which holds directly at least 25% of the capital of the company paying the dividend; and 15% of dividend in all other cases.
10 0% applies if the beneficial owner is the Hong Kong Government or any of its institutions or other entity wholly-owned directly by the Hong Kong Government; and 5% of dividend in all other cases.
11 4.9% applies to interest payments to any bank; and 10% of interest payments in all other cases.
12 0% if (a) the beneficial owner is a company that holds directly or indirectly at least 50% of the payer's voting power, and meets specified requirements or (b) the dividend is paid to the Hong Kong Government, the Hong Kong Monetary Authority or any institution wholly or mainly owned by the Hong Kong Government, 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.
13 On 16 October 2014, the Hong Kong Government signed an agreement with South Africa for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.
14 10% applies if the interest is beneficially owned by (a) any financial institution or insurance company, or (b) a resident of Hong Kong and is paid with respect to indebtedness arising as a consequence of a sale on credit by a resident of Hong Kong of any equipment, merchandize or services, except where the sale was between persons not dealing with each other at arm's length, and 15% applies in all other cases.
15 5% tax rate applies to a royalty made as a consideration for the use of, or the rights to use, any copyright of literary, artistic or scientific work; 10% tax rate applies to royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 15% for a royalty in all other cases.
16 On 11 December 2014, the Hong Kong Government signed an agreement with United Arab Emirates for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.
17 15% applies if, other than the beneficial owner of the dividends is a pension scheme, dividends are paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax; and 0% applies to all other cases.
18 0% applies if (a) the interest is beneficially owned by specified persons which include the Hong Kong Government, an individual, a listed company, a pension scheme and a financial institution which is unrelated to and dealing wholly independently with the payer or (b) the interest is paid by the Hong Kong Government, by a bank in the ordinary course of its banking business, or on a quoted Eurobond.
19 On 16 December 2008, the Hong Kong Government signed an agreement with Vietnam for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Both governments have entered into the First Protocol to the Arrangement to clarify the different views on the interpretation of the Agreement on 13 January 2014. The First Protocol is effective from the year of assessment 2016/17.
20 7% tax rate applies to a royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 10% for a royalty in all other cases.

HUNGARY

MEMBER FIRM

City	Name	Contact Information
Budapest	Zsolt Selényi	+36 1 391 4220 selenyi.zsolt@pkf.hu

BASIC FACTS

Full name:	Republic of Hungary
Population:	9.9 million (2013 PRB)
Capital:	Budapest
Major language:	Hungarian
Major religion:	Christianity
Monetary unit:	Forint
Internet domain:	.hu
International dialling code:	+36
Ministry of Finance website:	www.magyarorszag.hu

KEY TAX POINTS

- Companies resident in Hungary are taxed on their worldwide income. A company is resident in Hungary if it is incorporated or has its place of management there. Non-residents carrying on business through a branch or permanent establishment are taxed on income of the branch or establishment.
- Capital gains of companies are treated as income.
- Local taxes include a local business tax at a maximum rate of 2%.
- There is a range of tax incentives for investment, including special incentives for small and medium-sized companies.
- Transfer pricing rules allow adjustment of taxable profits in respect of transactions between related parties.
- VAT at 27% applies to the supply of goods and services, subject to reduced rates or exemptions for certain supplies.
- Individuals resident in Hungary are taxed on their worldwide income. Non-residents are taxed only on Hungarian sourced income.

H

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
CORPORATE TAX

Hungarian resident companies are liable to corporate income tax on all sources of income wherever arising and whether or not remitted to Hungary. A company is resident in Hungary if it is incorporated or has its place of management in Hungary. Branch offices are liable to corporate tax based on their local activity.

Generally, the fiscal and accounting years are both required to end on 31 December. However, companies are entitled to use a different fiscal year if their course of business makes it reasonable.

Tax is charged on the higher of the taxable profit for the year and the 'expected profit' at a rate of 10% up to 500 million HUF, and 19% above. The expected profit is 2% of the total revenue.

Resident companies are required to make advance payments of corporate tax. The advance payments are based on the preceding year's tax results. Most taxpayers must make payments up to at least 90% of their annual estimated tax liability by the 20th day of the last month of the tax year. Legal entities generally file their tax return and pay the taxes by 31 May, except where the fiscal year differs from the calendar year.

CAPITAL GAINS TAX

Capital gains of companies are treated as ordinary income and taxed accordingly. A participation exemption scheme exempts the disposal of 'reported participations' from corporate income tax. A reported participation is one of at least 10% in the capital of the relevant company, except for controlled foreign companies. The exemption only applies to participations held for at least one year.

BRANCH PROFITS TAX

Based on the Act of Hungarian Branch Offices and Commercial Representative Offices of Foreign Registered Companies, branch offices receive the same treatment as domestic companies.

SALES TAX/VALUE ADDED TAX (VAT)

The general rate of VAT is 27%. A discount rate of 18% is applicable to milk, dairy

products, bread and other bakery products. Pharmaceuticals, books, newspapers, district heating are rated at 5%. Financial and investment services are tax-exempt.

LOCAL TAXES
Local authorities are permitted to levy the following taxes on individuals and businesses in accordance with a framing law. These taxes are deductible expenses in the computation of the taxable base.

LOCAL BUSINESS TAX
Economic activity may be taxed at up to 2% of net sales revenue less the cost of goods sold, the cost of mediated services, sub-contractors' expenses, material costs and the cost of R&D. There are certain limitations on the deductions. For temporary activity, a lump sum up to HUF 5,000 per day can be levied.

BUILDING TAX
The owner of a building may have to pay up to HUF 1,100 per square metre of the surface area or 3.6% of the market value.

LAND TAX
The owner of land not built on may be taxed at up to HUF 200 per square metre or 3% of the market value of the land.

COMMUNAL TAX OF PRIVATE PERSONS
The owner of a building or land, as well as the tenant of a flat not owned by a private person, may be subject to this tax. The upper limit of the tax is HUF 17,000 per real estate or rental right.

SOLIDARITY SURTAX
Credit institutions and financial companies pay 5% contribution of the interest on loans subsidised by the state.
Credit institutions are liable to another special tax based on their modified balance sheet total of 2009. The tax rate is 0.15% of the tax base up to 50 billion HUF, and 0.53% of the tax base above 50 billion HUF. Insurance companies, financial enterprises and investment manager companies are also liable to a special tax based on their revenues.
Credit institutions also pay 30% surtax on their pre-tax profit, but this can be deducted from the special tax.

FINANCIAL TRANSACTION TAX
Financial institutions with a head office or branch in Hungary are liable to financial transaction tax on transactions such as bank transfers, collections, check payments, letters of credit, etc.
The rate is 0.3% of the tax base, maximum HUF 6,000 (except for cash transactions, where it is 0.6%). The tax for payments by credit card is no more than 800 HUF per credit card per year (500 HUF in the case of paypass cards).

B. DETERMINATION OF TAXABLE INCOME

Profits include all income and capital gains. The taxable basis is the accounting profit adjusted by prescribed items. Generally, expenses incurred wholly and exclusively for business purposes are deductible. The accounting profit is adjusted in accordance with the rules of the corporate income tax legislation, the most important of which are listed below.

DEPRECIATION
For tax purposes, the straight-line method is normally adopted. Assets should have depreciation time apportioned.

	Annual rate of depreciation
	(%)
Industrial structures	2
Agricultural structures	3, 5, 10, 15
Motor vehicles	20
Computer equipment	33
Generally used computer equipment (computers used by the taxpayer)	50

Assets costing less than HUF 100,000 may be fully written off in the year of purchase.
In the case of leased assets, the lessor is allowed to claim depreciation of 5% for buildings and 30% for machinery and equipment.
Any depreciation rate can be applied to intellectual property between the rate

calculated based on the useful lifetime and 50%.

INVENTORY
Inventories are generally valued at the lower of cost and market value. Cost may be determined on the basis of FIFO or average cost method.

CAPITAL GAINS AND LOSSES
See discussion above.

DIVIDENDS AND ROYALTIES
Dividends received from non-CFC companies are not subject to corporate income tax. Only 50% of the royalties received is taxable.

INTEREST DEDUCTIONS
Interest paid by a company is treated as an ordinary business expense unless it falls under the provision of thin capitalisation. The proportional amount of interest on loans is not deductible for tax purposes if the amount of the total loan exceeds three times the borrower's own equity. Interest on bank loans is fully deductible.

LOSSES
Losses can be carried forward for 5 tax years, and can only be used up to 50% of the tax base for any particular year. Losses may not be carried back against profits of previous years. No distinction is made between trading and capital losses.

FOREIGN SOURCED INCOME
Hungarian authorities levy taxes on resident companies on all profits arising from foreign sources in the same way as income from Hungarian sources.

INCENTIVES
INVESTMENT INCENTIVES
Tax incentives for innovative investments (developments) are granted by the Hungarian Government at the request of the taxpayer. These incentives are granted for all companies that meet the requirements set out in law. The value of the incentive is determined by the Ministry of National Economy. The minimum value of the investment must be at least:

- HUF 3 billion or
- HUF 1 billion in certain regions determined by the Government or
- HUF 500 million for investment made by small and medium enterprises or
- HUF 100 million in the case of research and development, environment-protecting investments, film and video production or
- job creation (there is no minimum value) or
- HUF 100 million in 'free entrepreneurial zones' designated by the Government or
- HUF 100 million in the case of energy efficiency projects.

The incentives are available for the year when the investment is made and in the following nine years.

TAX CREDITS ON DONATIONS
A tax saving is available for companies on donations given to film productions, performing arts and certain sport clubs and associations (football, handball, basketball, hockey and water polo). This can be achieved through a tax credit and a tax base decrease.

OTHER TAX INCENTIVES
Micro, small and medium-sized companies may deduct investment expenses incurred for putting business assets into use of up to HUF 30m if: (i) the company qualifies as a micro, small or medium size company at the end of the tax year and (ii) the owners of the company are exclusively private persons throughout the whole tax year.
Small and medium sized companies may reduce their tax liability by 60% of interest paid (maximum HUF 6 million per tax year) on loans granted by financial institutions for purchasing tangible assets.
A reserve for investments is available. Amounts classified as investment reserve are tax-exempt, but can only be used for investment purposes in the four tax years following the creation of the reserve.

C. FOREIGN TAX RELIEF

Domestic law provides unilateral relief in the form of credits for foreign taxes paid. In addition, there are international treaties for avoiding double taxation.

D. CORPORATE GROUPS

All taxable entities that have a registered seat or permanent establishment in Hungary and belong to the same corporate group can choose VAT grouping. The members

of the group will be recognised as a single taxable person and they will file one consolidated VAT return.
There are no group taxation provisions for corporate income tax purposes.

E. RELATED PARTY TRANSACTIONS

Transfer pricing rules allow the tax authorities to adjust taxable profits where transactions between related parties are not at arm's length. Transfer pricing documentation must be prepared if there are controlled transactions with related parties.

F. WITHHOLDING TAX

There is no withholding tax on dividends, royalties and interest paid to non-resident companies.

G. EXCHANGE CONTROL

There is no exchange control in Hungary.

H. PERSONAL TAX

Resident individuals are taxed on their worldwide income, although special rules apply to foreign nationals residing in Hungary only for employment purposes. Non-residents are taxed only on their income from Hungarian sources.
Individuals with a Hungarian citizenship are deemed to be Hungarian residents. If residency cannot be determined by citizenship, rules of permanent residence and regular place of actual residence must be used.
A flat rate of 16% applies to all income of private individuals, including both the consolidated tax base and separately taxed income (i.e. interest, dividends, etc).
Fringe benefits are treated as taxable income. There is a 19.04% personal income tax on fringe benefits (a 32.13% healthcare contribution or social contribution tax is payable as well). Benefits specified in the Act include childcare services and certain accommodation facilities provided and operated by the employer.
A certain range of fringe benefits are taxed at a rate of 19.04% and only 16.66% healthcare contribution is payable on them. These fringe benefits include vacation contributions, local travel passes, hot meal vouchers, the value of meals provided at the workplace not exceeding HUF 12,500 per month per person, etc.
There is a family allowance scheme available: HUF 62,500 per child is deductible from the monthly consolidated tax base if the employee has one or two children, and HUF 206,250 per child is deductible if the employee has at least three children, under some circumstances. The unused family personal income tax allowance can be deducted from social security contributions.
Resident expatriates are taxed on 100% of their compensation. A social security contribution exemption is available for secondments below 2 years.
Social security contributions are paid by the employee at a rate of 18.5%. Employers pay 27% social contribution tax on gross income of their employees.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

	Dividends	Interest	Royalties
	(%)	(%)	(%)
Non-treaty countries:			
Corporations	0	0	0
Individuals	16	16	16
Treaty countries[1]:			
Albania	5/10	0	5
Armenia	5/10	10	5
Australia	15	10	10
Austria	10	0	0
Azerbaijan	8	8	8
Belarus	5/15	5	5
Belgium	10	15	0
Bosnia and Herzegovina	10	0	10
Brazil	15	10/15	15/25
Bulgaria	10	10	10

	Dividends	Interest	Royalties
	(%)	(%)	(%)
Canada	5/10/15	10	0/10
China	10	10	10
Croatia	5/10	0	0
Cyprus	5/15	10	0
Czech Republic	5/15	0	10
Denmark	0/15	0	0
Estonia	5/15	10	5/10
Egypt	15/20	15	15
Finland	5/15	0	5
France	5/15	0	0
Georgia	0/5	0	0
Germany	5/15	0	0
Greece	10	10	10
Hong Kong	5/10	5	5
Iceland	5/10	0	10
India	10	10	10
Indonesia	15	15	15
Ireland	5/15	0	0
Israel	5/15	0	0
Italy	10	0	0
Japan	10	10	0/10
Kazakhstan	5/15	10	10
Kosovo	0/5	0	0
Kuwait	0	0	10
Latvia	5/10	10	5/10
Lithuania	5/15	10	5/10
Luxembourg	5/15	0	0
Macedonia	5/15	0	0
Malaysia	10	15	15
Malta	5/15	10	10
Mexico	5/15	10	10
Moldova	5/15	10	0
Mongolia	5/15	10	5
Montenegro[2]	5/15	10	10
Morocco	12	10	10
Netherlands	5/15	0	0
Norway	10	0	0
Pakistan	15/20	15	15
Philippines	15/20	15	15
Poland	10	10	10
Portugal	15/10	10	10
Qatar	0/5	0	5
Romania	5/15	15	10
Russia	10	0	0
San Marino	0/5/15	0	0
Serbia[2]	5/15	10	10
Slovakia	5/15	0	10
Slovenia	5/15	5	5
Singapore	5/10	5	5

	Dividends	Interest	Royalties
	(%)	(%)	(%)
South Africa	5/15	0	0
South Korea	5/10	0	0
Spain	5/15	0	0
Sweden	5/15	0	0
Switzerland	10	10	0
Taiwan	10	10	10
Thailand	15/20	10/25	15
Tunisia	10/12	12	12
Turkey	10/15	10	10
Ukraine	5/15	10	5
United Arab Emirates	0	0	0
United Kingdom	0/10/15	0	0
United States	5/15	0	0
Uruguay	15	15	10/15
Uzbekistan	10	10	10
Vietnam	10	10	10

NOTES:
1. The rates under the heading 'Treaty' apply only to individuals. There is no withholding tax on payments made to corporations.
2. The treaty of 2001 concluded between Hungary and the former Federal Republic of Yugoslavia.

INDIA

MEMBER FIRM

City	Name	Contact Information
Chennai	Hariharan	+91 9841283123 hari@pkfindia.in

H
I

BASIC FACTS

Full name:	Republic of India
Population:	1.27 billion (2013 PRB)
Capital:	New Delhi
Major language:	English, Hindi
Major religion:	Hinduism, Islam
Monetary unit:	1 Indian Rupee = 100 paise
Internet domain:	.in
International dialling code:	+91
Ministry of Finance website:	www.finmin.nic.in

KEY TAX POINTS

- Companies resident in India are subject to income tax on their worldwide income and capital gains. Non-resident companies are subject to income tax on their income from Indian sources.
- Some long term capital gains are either exempt or taxed at a special rate.
- A dividend distribution tax is payable in respect of dividends declared, distributed or paid. Dividends received from domestic companies are exempt from tax in the shareholder's hands where the payer has paid dividend distribution tax.
- Transfer pricing rules provide for income from international transactions among associated enterprises to be computed at an arm's length basis.

- Advance Rulings may be obtained on questions of law or fact.
- The profits of small businesses may be subject to presumptive taxation; income is deemed to be a percentage of gross receipts.
- A central sales tax applies to interstate sales. VAT has replaced local sales tax in almost all states. A new, national level of goods and service tax has been proposed.
- A banking cash transaction tax is levied on withdrawals of cash in excess of specified limits.
- There are no inheritance or gift taxes. By Finance Act, 2015, Wealth Tax Act has been abolished. Alternatively additional surcharge is levied to compensate the loss of revenue.

A. TAXES PAYABLE

The tax rates given in this document are the current prevailing rates and subject to change in Finance Budget 2015.

FEDERAL TAXES AND LEVIES

The Indian tax year is a financial year from 1 April to 31 March. The amount of tax payable by Companies is computed after reckoning income tax at prescribed rates and surcharge (SC) computed on income tax.

The aggregate of income tax and SC, wherever applicable, is further increased by 3% (2% Education Cess (EC) and 1% Secondary and Higher Education Cess (SHEC)).All tax rates mentioned hereinafter in this Tax Guide are net effective rates, inclusive of SC, EC and SHEC specified above and have been rounded off to two decimal places.

COMPANY TAX

Domestic companies are subject to income tax on all sources of income and capital gains wherever arising. Foreign companies are subject to income tax only on their income from Indian sources.

Company tax is levied as follows:

	Rate: If net income does not exceed INR 10m	Rate: If net income is in the range of INR 10m – 100m	Rate: If net income exceeds INR 100m
Domestic companies	30.9%	32.45%	33.99%
Foreign companies	41.2%	42.02%	43.26%

MARGINAL RELIEF

The total amount payable as income tax and surcharge cannot exceed the total amount payable as income tax on a total income of INR 10 million by more than the amount of income that exceeds INR 10 million (marginal relief).

If the net income of a corporate assessee for the Assessment Year 2015-16 exceeds INR 100m, the total amount payable as income tax and surcharge thereon shall not exceed the total amount payable as income tax and surcharge on a net income of INR 100million by more than the amount of income that exceeds INR 100million.However, the following income of foreign companies is taxed at the following specified rates on a gross basis and not at regular tax rate.

Income	Rate: If net income does not exceed INR 10m	Rate: If net income is in the range of INR 10m - 100m	Rate: If net income exceeds INR 100m
*Royalty and fees for technical services (subject to certain conditions) received pursuant to an agreement, if such agreement is made after 31 March 1976 (rate applicable from AY 2014-15)	25.75%	26.27%	27.04%

Interest income received by a foreign company or a non-resident non corporate assessee from Government or an Indian concern on money borrowed or debts incurred by Government or the Indian Concern in foreign currency	20.6%	21.01%	21.63%
Interest Income from an infrastructure debt fund referred to in clause (47) of Sec 10.	5.15%	5.25%	5.41%
Income from units of Mutual Funds purchased in foreign currency	10.3%	10.51%	10.82%
Income from Global Depository Receipts (GDRs)	10.3%	10.51%	10.82%
Income of offshore funds (overseas company) u/s 115AB	10.3%	10.51%	10.82%
Payment by way of interest by an Indian specified company or a business trust to a foreign company on foreign currency approved loan or long term infrastructure bonds from outside India, as referred to in sec 194LC	5.15%	5.25%	5.41%
Any income received by a non resident or a foreign company from a business trust w.e.f Oct 1, 2014	5.15%	5.25%	5.41%
Income of Foreign Institutional Investors (FIIs) in listed securities:			
- Short term capital gains in respect of transactions chargeable to Securities Transaction Tax	15.45%	15.76%	16.22%
- Short term capital gains in cases other than the one mentioned above	41.2%	42.02%	43.26%
- Long term capital gains other than those subjected to Securities Transaction Tax (without indexation)	10.3%	10.51%	10.82%
- Interest income of a rupee denominated bond of an Indian company or Government security which is payable after May 31st 2013 but before June1, 2015, received by a foreign institutional Investor or a qualified foreign investor as referred to in section 194 LD with effect from Assessment Year 2014-15	5.15%	5.25%	5.41%
- Other income(not applicable in the case of dividends referred to in Section 115-O)	20.6%	21.01%	21.63%

* The definition of 'royalty' has been amended with retrospective effect from the Assessment Year 1976-77. It will include the transfer of all or any right for use (or right to use) computer software (including granting of licence) irrespective of the medium through which such right is transferred. Further royalty includes any consideration in respect of any right, property or information, whether or not:

(a) The possession or control of such right, property or information is with the payer;
(b) Such right, property or information is used directly by the payer;
(c) Location of such right, property or information is in India.

Royalty also includes any consideration for use of any process, where the process includes transmission by satellite (including up-linking, amplification and conversion for down linking of any signal), cable, and optic fibre or by any other similar technology, whether or not such process is secret.

SECURITIES TRANSACTION TAX

Securities transaction tax (STT) is applicable to the purchase or sale of equity shares, derivatives, units of equity-oriented funds through a recognised stock exchange or the sale of a unit of an equity-oriented fund to a mutual fund. STT is also applicable on sale of unlisted equity shares under an offer for sale to the public included in an initial public offer (and where such shares are subsequently listed on a recognised stock exchange).

From October 1, 2014, STT will also be applicable on the transactions in units of a business trust, on the same line as are applicable to transactions in equity shares in a company.

STT is to be collected by the Recognised Stock Exchange for taxable securities in that stock exchange; a prescribed person for the sale of units in a mutual fund and a lead merchant banker for an initial public offer. The transaction value is determined as follows:

(a) Options - aggregate of strike price and option premium;
(b) Futures - traded price;
(c) Other securities - purchase/sale price.

STT is to be collected by the Recognised Stock Exchange for taxable securities, the mutual funds in the case of sale of units to the mutual funds, and paid to the Government.STT so paid is allowable as a deduction in the computation of taxable income under the head profits or gains from a business or profession with effect from 1 April 2009.
STT Rates applicable from 1 June 2013 are given below:

	Transaction in recognized stock exchange in India							
	Purchase of Equity Shares, units of equity oriented mutual fund (delivery based)		Sale of Equity Shares, units of equity oriented mutual fund (delivery based)		Sale of Equity Shares, units of equity oriented mutual fund (non-delivery based)	Sale of Derivatives	Sale of unit of an equity oriented fund to the mutual fund	Sale of unlisted equity shares under an offer for sale to public
Who has to pay STT	Purchaser		Seller		Seller	Seller	Seller	Seller
	Shares	Units	Shares	Units				
Rate of STT from 1 June 2013	0.1%	Nil	0.1%	0.001%	0.025%	0.017%, 0.125%, 0.010%*	0.001%	0.2%

*0.017% of option premium in case of sale of option (payable by seller), 0.125% of settlement price in the case of sale of an option where option is exercised (payable by purchaser). 0.01% of the price in the case of sale of futures (payable by seller).

COMMODITIES TRANSACTION TAX

Commodities transaction tax (CTT) has been levied on taxable commodities transactions entered into in a recognised association. Salient features of this new tax are given below:

(a) Commodities transaction tax will come into force from a date which is to be notified by the Central Government;
(b) Taxable commodities transaction means a transaction of sale of commodity derivatives in respect of commodities (other than agricultural commodities) traded in recognised association;
(c) Commodities transaction tax shall be payable by the seller at the rate of 0.01% of value of taxable commodities transaction (i.e at the price at which commodity derivative is traded);
(d) Every recognised association shall collect the commodities transaction tax from the seller who enters into taxable commodities transaction in that recognised association;
(e) The assessee will deposit commodities transaction tax within 7 days immediately after the end of the month in which such tax is collected. For non-payment or short payment or payment after due date, interest would be charged at the rate of 1% per month (or part thereon).

CAPITAL GAINS TAX

Gains arising from transfer of a long-term capital asset, i.e. assets held for a period of more than three years (one year in case of shares/securities of companies/mutual funds listed on a recognised stock exchange in India) are regarded as long-term capital gains. Long-term capital gains are computed by deducting the cost of the capital asset and expenses of transfer (adjusted for inflation as per the prescribed factors) from the sale value of the asset.

Gains arising from the transfer of capital assets held for a period of less than three years (one year in the case of shares, securities of companies listed on a recognised stock exchange in India, a unit of the Unit Trust of India or a unit of a Mutual Fund or a Zero Coupon bond) are regarded as short-term capital gains. Short-term capital gains are calculated in the same way as long-term gains except that no adjustment is allowed for indexation.

From Assessment year 2015-16, any security held by a Foreign Institutional Investor (which has invested in such security as per SEBI guidelines), will be treated as capital asset. So, such a security cannot be treated as stock-in –trade. Also, in case transfer takes place after July 10, 2014, then unlisted equity or preference shares will become long term capital assets only if period of holding is more than 36 months. Likewise, units of debt oriented fund will be treated as long term capital assets only if period of holding is more than 36 months.

Long-term capital gains arising from sale of equity shares, units of equity-oriented funds on a recognised stock exchange or sale of a unit of an equity-oriented fund to mutual fund (chargeable to STI) are exempt.
Long-term capital gains on the sale of other assets are taxed separately at the following rates:

Particulars	Rates					
	Where the income of the taxpayer does not exceed INR 10m		Where the income of the taxpayer exceeds INR 10mbut does not exceed INR 100m		Where the income of the taxpayer exceeds INR 100m	
Long-term capital gains:	For foreign companies	For Indian companies	For foreign companies	For Indian companies	For foreign companies	For Indian companies
For listed securities or units or zero coupon bonds	*10.30% without indexation or 20.60% with indexation whichever is lower.	10.30% without indexation or 20.60% with indexation whichever is lower	10.506% without indexation or 21.01% with indexation whichever is lower	10.815% without indexation or 21.63% with indexation whichever is lower	10.815% without indexation or 21.63% with indexation whichever is lower	11.33% without indexation or 22.66% with indexation whichever is lower
For unlisted securities (in case of residents)	NA	10.30% without indexation or 22.60% with indexation whichever is lower	NA	10.815% without indexation or 21.63% with indexation whichever is lower	NA	11.33% without indexation or 22.66% with indexation whichever is lower
For unlisted securities (in case of non-residents)	10.30% without indexation or without giving effect to first proviso to sec 48 OR 22.60% with indexation - whichever is lower	NA	10.506% without indexation or without giving effect to first proviso to sec 48 OR 21.01% with indexation - whichever is lower	NA	10.815% without indexation or without giving effect to first proviso to sec 48 OR 21.63% with indexation - whichever is lower	NA
Short-term capital gains:	For foreign companies	For Indian companies	For foreign companies	For Indian companies	For foreign companies	For Indian companies

For listed securities or units or zero coupon bonds (subject to securities transaction tax)	**15.45%	15.45%	15.759%	16.22%	16.22%	17.0%
For others	41.20%	30.90%	42.02%	32.45%	43.26%	33.99%

*If transfer takes place after July 10, 2014, the above concessional rate of 10 percent in the absence of indexation benefit, will not be available in case of long term capital gain which arise on transfer of units of debt oriented mutual fund.

**From Assessment year 2015-16, the concessional rate of tax of 15% in the case of short term capital gain shall also apply to the transfer of a unit of a business trust as it applies in case of a unit of an equity oriented fund.

Long-term capital losses can only be set off against long-term capital gains. Short-term capital losses can be set off against any capital gain. Capital losses can be carried forward for a period of eight years for set off against capital gains of the same type in subsequent years. There are no provisions for carrying losses back.

Capital gains are taxable in India even on account of indirect transfers of assets.

Non-resident Indians (NRIs) earning long-term, capital gains on specified assets acquired in convertible foreign exchange are taxed at 11.33% (if SC is applicable) or 10.3% and on other assets at 22.66% (if SC is applicable),or 20.6%. Any other income from investments is taxed at 22.6%(if SC is applicable) or 20.6%.

INCOME FROM OTHER SOURCES

When the consideration received by a company (in which the public are not substantially interested) from a resident person, for issue of shares exceeding the face value of such shares (share premium),

the difference between the consideration and the fair market value of such shares shall be chargeable to tax under “income from other sources” as per sec 56(2)(viib).

For this purpose, the fair market value shall be the higher of the value:
(a) As may be determined in accordance with the method given in rule 11 UA; or,
(b) As may be substantiated by the company to the satisfaction of the Assessing Officer.

TONNAGE TAX FOR SHIPPING INDUSTRY

The tonnage tax scheme for eligible shipping companies (dredgers included) was introduced with effect from 2005-2006 and provides for a tonnage-based presumptive tax. Indian shipping companies now have the option to pay taxes on tonnage income in place of normal taxable income. There is a lock in period of 10 years. If a company opts out, it is debarred from re-entry for 10 years. Tonnage income is to be taxed at the normal corporate tax rate. Tax is payable even if there is a loss in a year. Tonnage income is separately calculated for each qualifying ship by multiplying the number of days in the previous year with the daily tonnage income as per specified slab rates.

DIVIDEND DISTRIBUTION TAX

Domestic companies that declare, distribute or pay dividends are subject to dividend distribution tax at 16.995% (if dividend is distributed up to September 30, 2014) or 19.9941% (if dividend is distributed on or after October 1, 2014) on the amount of such dividends. Dividend tax is applicable in cases of dividends declared, distributed or paid by Special Economic Zone (SEZ) developers or units. Gross dividend received by an Indian company from a specified foreign company (in which it has shareholding of 26 percent or more) is taxable at 16.995% under section 115BBD.

In cases where any company receives during the year any dividend from any subsidiary and such subsidiary has paid dividend distribution tax as payable on such dividend, then dividend distributed by the holding company in the same year, to that extent shall not be subjected to dividend distribution tax under section 115-0.

From Assessment Year 2014-15, with effect from 1 June 2013, to remove cascading effect of DDT, section 115-0(1A) provides a relief when a holding company declares/distributes/pays a dividend (whether interim or otherwise) to its shareholder. The amount chargeable to tax shall be reduced by the amount of dividend, if any, received

during the financial year from its subsidiary-
(a) Where such subsidiary is a domestic company, the subsidiary has paid the tax which is payable under this section on such dividend; or
(b) Where such subsidiary is a foreign company, the tax is payable by the domestic company under section 115BBD on such dividend.

The same amount of dividend should not be taken into account for reduction more than once. However, income distributed by a specified company or mutual fund to its unit holders is taxable at differential rates as follows:

	IT	SC	EC	SHEC	Total
Money market mutual fund or a liquid fund or any other fund (applicable up to September 30, 2014):					
Unit holder is individual/ HUF	25%	2.5%	0.55%	0.275%	28.325%
Unit holder is any other person	30%	3%	0.66%	0.33%	33.99%
Money market mutual fund or a liquid fund or any other fund (applicable from October 1, 2014):					
Unit holder is individual/ HUF	33.33%	3.333%	0.733%	0.366%	37.77%
Unit holder is any other person	42.86%	4.286%	0.943%	0.471%	48.56%
Income distribution by a mutual fund under an infrastructure debt fund scheme to a non-resident/ foreign company					
Upto September 30, 2014	5%	0.50%	0.11%	0.055%	5.665%
From October 1, 2014	5.26%	0.526%	0.116%	0.058%	5.96%F

However, no additional tax is payable on income distributed to unit holders of equity oriented funds.

With effect from October 1, 2014, Dividend Distribution Tax' and 'Income Distribution Tax' to be levied on Gross Amount instead of amount paid net of taxes.

I

BRANCH PROFITS TAX

Profits of a branch office of a foreign company in India are taxed in India on income received and/or accrued in India (net of allowable expenses) at the rate applicable to Foreign Companies as given below for the AY 2015-16.

If net income does not exceed INR 10m	41.2%
If net income exceeds INR 10m but does not exceed Rs 100m	42.02%
If net income exceeds INR 100m	43.26%

Under section 285, every person having a liaison office in India will have to file a statement pertaining to the liaison office, to the Income tax authority within such time and format as prescribed.

There are special provisions relating to conversion of Indian branch of a foreign bank into a subsidiary Indian company under section 115JG in the Income Tax Act.

VALUE ADDED TAX (VAT)

Sales tax (now VAT) is levied on the sale of goods, transfer of right to use goods (lease transactions), as well as the transfer of materials in execution of works contracts and hire purchase. The term 'goods' includes moveable property and even intangible property such as copyright, trademark and patents. The sales tax is levied on interstate as well as intrastate sales. The interstate sales tax levied by the central government is known as central sales tax (CST) and intrastate sales tax levied by the respective state governments is known as local sales tax (LSTNAD. VAT replaced the existing local sales tax laws in almost all the states of India with effect from April 2005.

VAT is a multi-point levy affording tax credit on purchases at each stage to be set off against tax payable on sales. Under VAT, the rates are uniform in all the VAT states at 0%, 1%, 4%, 5% and 20% except in a few states. Goods other than those notified to be covered under the above rates are charged at a general rate ranging from 12.5% to 15% except in a few states. However, liquor, petrol or diesel are taxable at the minimum rate of 20% and may vary from state to state, while gold and bullion are

taxable at the rate of 1%.

It is proposed that CST, which has been reduced to 2% with effect from June 2008, will be gradually phased out in order to allow movement of goods freely from one state to another state. The Finance Minister in the Union Budget of 2006-2007 proposed the introduction of a national level goods and Services Tax (GST) regime by 1 April 2010. GST however has not been implemented to date but is expected to be implemented soon.

LOCAL TAXES

STAMP DUTY

Stamp Duty is payable at the prescribed rates on instruments recording certain transactions, including transfers of immovable property and shares. Generally, Stamp Duty is levied by the respective states as per the state Act. In the absence of such a state enactment, the provisions of the central Act (i.e. Indian Stamp Act 1899) apply.

LAND AND PROPERTY TAX

Land and Property Tax is levied by each state separately.

OCTROI DUTY

This duty is a municipal levy, levied on entry of goods into municipal areas for use, sale or consumption with in the municipal limits. Octroi rates differ for different local areas. Goods are classified into groups for levying the octroi at different rates. Currently, octroi is being levied only in certain states.

ENTRY TAX

Like octroi, entry tax is levied upon entry of specified goods within state limits for use, sale or consumption within the state. Presently, it is levied only by certain states on specified goods. The rate of levy varies from state to state and is subject to VAT in the VAT states.

OTHER TAXES

EXCISE DUTY OR CENTRAL VALUE ADDED TAX (CENVAT)

CENVAT is payable on the manufacture of goods in India. CENVAT is generally applicable on an ad valorem basis at the prescribed rates on the 'transaction value' of the goods. Most goods are subject to basic Excise Duty of 12%. There may be other duties applicable on the manufacture of certain specified goods. Concessional rates are prescribed or exemptions granted for certain categories of goods.

SERVICE TAX

Service Tax is levied at 12.36% of the value of various categories of services (presently more than 100 services are covered). Generally, the liability to pay service tax is on the service provider. However, in certain services (such as when the service provider is outside India and the recipient is a business in India), the tax liability falls on the recipient of the service. Service tax paid on input services used by the service provider for rendering taxable output service is eligible for credit.

Vide Finance Act 2011, Point of Taxation Rules have been introduced to determine the point in time when the services shall be deemed to be provided. The general rule is that the time of provision of the service is the earliest of the following dates:

(a) Date on which the service is provided or to be provided;
(b) Date of invoice;
(c) Date of payment.

Consequential changes have been made to the Service Tax Rules to alter the payment of service tax from the time payment is received to the time service is provided and also to permit adjustment of tax when the service is not finally provided. The amendments took effect from 1 April 2011.

CUSTOMS DUTY

Customs Duty is payable on goods imported into India. The normal rate of Customs Duty is 10%. However, in some cases, such as liquor and tobacco, special rates in excess of 10% are also charged.

In addition to basic Customs Duty, an Additional Duty (equivalent to Excise Duty of 0%-12%) and a Special Additional Duty at 4% are also levied on imports. Further, Anti-Dumping and Safeguard Duty is also levied on imports of certain specified products.

B. DETERMINATION OF TAXABLE INCOME

In the case of non-resident taxpayers engaged in certain businesses, income is assessed on a presumptive (deemed income) basis as follows:

Nature	Business income as a percentage of gross receipts
Services in connection with exploration of mineral oils	10%
Operation of aircrafts	5%
Civil construction or erection of plant and machinery or testing/ commissioning in connection with turnkey power projects (for companies only)	8%
Operation of ships	7.5%

DEDUCTIONS /ALLOWANCES

In computing business income, expenditure from which tax is to be deducted but not done would be allowable only in the year of remittance of tax deduction. Several deductions are allowed while computing business income which includes the following.

CAPITAL ALLOWANCES

Certain capital expenditure qualifies for deduction. For instance, capital expenditure on research and development (other than land) qualifies for full tax write off and in certain cases, is eligible for a weighted deduction of 125%, 175% or 200%, subject to fulfilment of prescribed conditions. Expenditure incurred on merger/demerger of an undertaking is allowed as a deduction in five equal instalments beginning with the year in which the merger/demerger takes place.

DEPRECIATION

A depreciation allowance is available as per the following rates depending on the nature of the asset and classification into specified blocks:

Buildings (depending upon its nature)	5%, 10%
Buildings Purely temporary erections such as wooden structures Buildings acquired on or after the 1st day of September, 2002 for installing machinery and plant forming part of water supply project or water treatment system and which is put to use for the purpose of business of providing infra-structure facilities	100%
Furniture and fixtures	10%
Plant and machinery	15%, 30%, 40%, 50%, 60%, 80%
Plant and machinery: Air pollution control equipment water pollution control equipment solid waste control & recycling equipments Machinery and plant, acquired and installed on or after the 1st day of September, 2002 in a water supply project or a water treatment system and which is put to use for the purpose of business of providing infrastructure facility Wooden parts used in artificial silk manufacturing machinery Cinematograph films - bulbs of studio lights Match factories - Wooden match frames Salt works - Salt pans, reservoirs and condensers, etc., made of earthy, sandy or clayey material or any other similar material Mines & quarries: Tubs, winding ropes, haulage ropes, sand stowing pipes, safety lamps Books, being annual publications for profession Books owned by assessees carrying on business in running lending libraries etc	100%
Intangible assets (patents, trademarks know-how, licences, copyrights, etc.)	25%
Ships	20%

Additional depreciation of 20% on the cost of new plant and machinery (other than ships or aircraft) is allowable only in the year of commissioning for manufacture. Assets used for fewer than 180 days in the year of acquisition are entitled to half of the normal depreciation allowance (including additional/ enhanced depreciation). Depreciation not set off against current year income can be carried forward for set off against any future income for an unlimited period.

INVESTMENT ALLOWANCE

From the Assessment Year 2014-15, a new section 32 AC has been inserted to provide for an investment allowance in order to encourage substantial investment in new plant and machinery. Investment allowance is in addition to depreciation.

One can avail the benefit of the aforesaid section provided the following conditions are satisfied:

(a) Assessee is a company (foreign or Domestic);
(b) It is engaged in the manufacture or production of any article or thing;
(c) It has acquired and installed a new asset after 31st March 2013 but before 1 April 2015. The aggregate amount of the actual cost of such a new asset should be more than INR 1b. In the definition of a new asset certain assets are not included as defined in the section.

The amount of allowance will be 15% of actual cost of new asset acquired and installed during the financial year 2013-14.There are other conditions also which are to be followed as mentioned in the relevant section, to get the benefit of this allowance.

To encourage the growth of Manufacturing sector, the above benefit has been extended by inserting a new section, 32AC(1A) from the Assessment year 2015-16, which provides that Investment allowance will be available if the aggregate amount of actual cost of new plant and machinery acquired and installed during any previous year exceeds Rs. 0.25 b. The amount of investment allowance will be 15% of the actual cost of new asset acquired and installed during the previous year. This deduction is available for the assessment year 2015-16 to 2017-18.

STOCK/INVENTORY

The valuation of closing stock is normally done on the basis of cost or market value, whichever is lower. The accepted valuation methods include FIFO and weighted average cost method. The valuation basis is to be consistently followed.

INTEREST DEDUCTIONS

Interest paid on borrowings used for business purposes is tax deductible. For new businesses, interest incurred prior to commencement of commercial production is to be capitalised. Interest paid on amounts borrowed for investment in securities is allowed as a deduction from interest income.

EXPENDITURE INCURRED FOR EXEMPT INCOME

Expenditure incurred in earning income that is exempt from income tax is not allowed as a deduction.

LOSSES

The table given below highlights the rule of carry forward of losses in brief:

Type of loss to be carried forward to subsequent years	Profit against which carried forward loss can be set off in subsequent years	Number of years loss can be carried forward
House property loss	Income from House property	8 years
Speculation loss	Speculation profits	4 years
Non-speculation business loss		
Loss due to unabsorbed depreciation, capital expenditure on scientific research	Any income not being salary income	No time limit
Loss from a specified business u/s 35AD	Income from a specified business u/s 35AD	No time limit
Other remaining business loss	Any business profit, whether from speculation or otherwise	8 years
Short Term Capital Loss	Any income under the head Capital Gains	8 years
Long Term Capital Loss	Long term Capital Gains	8 years

There are no provisions for carrying losses back.

MINIMUM ALTERNATE TAX (MAT)

In the case of companies, if the tax payable on their taxable income for any assessment year is less than 18.5% of their 'book profit', tax payable on the total income shall be as given below, for AY 2015-16 of such book profits. MAT is also applicable to foreign companies.

	If book profit doesn't exceed INR 10m	If book profit is in the range of INR 10m – 100m	If book profit exceeds INR 100m
Domestic company	19.055%	20.008%	20.960%
Foreign Company	19.055%	19.436%	20.008%

The MAT paid could be carried forward and set off against normal tax (in excess of MAT for that year) of future years for up to ten years. With effect from the financial year 2011-2012, carried forward MAT shall also apply to a limited liability partnership which has been converted from a private company or unlisted public company.

'Book profit' means net profit as per the profit and loss account as adjusted (increased or reduced) by certain specified items, which includes income tax paid or payable and the provisions made for unascertained liabilities, amounts carried to any reserves, provision for diminution in the value of assets, losses brought forward or unabsorbed depreciation, deferred tax, interest on tax, SC, EC, income exempt from tax, non-taxable profits from export of goods and computer software.

However, the following are included within book profits, despite being exempted from normal income tax:

(a) Profits of undertakings located in free trade zones, software and hardware technology parks;
(b) Long-term capital gains arising from the transfer of listed equity shares/units.

MAT is also applicable in respect of SEZ units as well as developers.

CORPORATE RESTRUCTURING

MERGER

Specific provisions have been made in the Income Tax Act 1961 (the Act) in relation to corporate merger/amalgamations. Corporate restructuring is tax neutral subject to the fulfilment of certain conditions.

DEMERGER

Under the Act, 'demerger' means any transfer by a demerged company of one or more undertakings to another company (resulting company) pursuant to a scheme of arrangement under Sections 391 and 394 of the Companies Act. With effect from 1April 2000, the transfer of shares in a scheme of demerger has been made tax neutral, subject to fulfilment of certain conditions.

SLUMP SALE

The Act defines 'slump sale' to mean the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities. Profits or gains arising from slump sales are taxable as long-term capital gains if the undertaking is owned and held by the assessee for more than 36 months prior to the date of transfer. Otherwise, they are taxable as short-term capital gains. Net worth of the undertaking so transferred shall be deemed to be the cost of acquisition and no indexation benefit is allowed for slump sales.

BUYBACK

Buyback refers to the purchase of own shares by a company from its shareholders in lieu of consideration. Consideration received by a shareholder from the company for purchase of its own shares is taxable as a long-term capital gain, if shares were held for more than 12 months prior to transfer to the company. Indexation benefit is available for long term capital gains. Otherwise, they are taxable as short-term capital gains in the year in which the shares are purchased by the company.

Income arising to a shareholder in respect of buy back of unlisted shares by the company will be exempt from tax under section 10(34A) from the Assessment Year 2014-15. This exemption is available only in those cases where additional income tax is payable on distributed income under section 115QA by the company opting for buy back of unlisted shares, at the rate of, 22.66%.

FOREIGN SOURCED INCOME

Profits derived by a foreign branch of an Indian enterprise are taxable in India. However, credit is allowed for foreign taxes paid by the branch in India either under the tax treaties or under the Act.

Business Trusts

The real estate investment trust (REIT) and Infrastructure investment trust (Invit) are together referred as Business Trusts. The trusts would raise capital by issuing units (to be listed on a recognised stock exchange) and also raise debt directly from resident

and non resident investors. The final regulations have been notified by SEBI recently. The new taxation regime for these Business Trusts, applicable from Assessment year 2015-16 provides the manner, in which the income in the hands of such trusts is to be taxed and the taxability of the income distributed by them to the unit holders.

INCENTIVES

TAX HOLIDAY

A tax holiday is available in respect of profits derived from exports by a 100% export oriented undertaking, or an undertaking located in a free trade zone, export processing zone, SEZ, software technology park, etc.

In the case of new units located in a SEZ commencing activities on or after 1 April 2006, the tax incentives available under sec 10 AA are as follows:

First five years	100% of profits
6th to 10th year	50% of profits
11th to 15th year	50% of profits or amount transferred to credit of SEZ Re-Investment Allowance reserve whichever is lower

PROFITS OF INDUSTRIAL UNDERTAKINGS

A tax holiday for a specified number of years is available in respect of either the entire or part of the profits derived by an industrial undertaking located in a backward state or district or an industrial undertaking engaged, inter alia, in any of the following activities:

(a) Infrastructure facility;
(b) Industrial parks;
(c) Generation or distribution of power;
(d) Power transmission;
(e) Renovation of existing network for transmission of power;
(f) Gas distribution network;
(g) Hospitals in rural area;
(h) Hotels and convention centres in specified area;
(i) Undertaking establishments in the North Eastern State carrying on specified business;
(j) Undertakings deriving profits from operating and maintaining hospitals in places other than urban agglomerations.

INCOME FROM SALE OF CRUDE OIL

Exemption can be availed u/s 10(48), by a foreign company in respect of income received on account of sale of crude oil to any person in India. Income should be received in Indian currency in India pursuant to an agreement entered into by the Central Government or approved by the Central Government. Foreign company should not be engaged in any other activity in India.

The scope of section 10(48) has been enlarged. With effect from the Assessment Year 2014-15, section 10(48) will also include income on account of sale of any other goods or rendering of services as notified by the central government.

GENERAL ANTI AVOIDANCE RULES (GAAR)

General Anti Avoidance rules have been inserted with effect from 1 April 2014. The provisions relating to GAAR are contained in Chapter X-A (Section 95 to 102). The procedural provisions relating to mechanism for invocation of GAAR and passing of the assessment order in consequence thereof are contained in section 144BA. The provision of chapter X-A and section 144BA will come into force with effect from April1, 2016.

In an environment of moderate rates of tax, aggressive tax planning by corporates, anduse of opaque low tax jurisdictions for residence as well as for sourcing of capital, it is necessary that the correct tax base be subject to tax. GAAR has been introduced to codify the doctrine of 'substance over form'. Under GAAR, the real intention of the parties and effect of transactions and purpose of an arrangement is taken into account for determining the tax consequences, irrespective of the legal structure that has been superimposed to camouflage the real intent and purpose.

The main features of GAAR regime are:

(1) An arrangement whose main purpose is to obtain a tax benefit can be declared as an 'impermissible tax-avoidance arrangement', if it satisfies at least one of the following four tests:
    (a) It creates rights and obligations which are not normally created between parties dealing at arm's length;
    (b) It results in abuse or misuse of provisions of tax laws;
    (c) It lacks commercial substance;
    (d) It is carried out in a manner which is normally not employed for bona fide purpose;

(2) An arrangement will be deemed to lack commercial substance if it involves:
   (a) Round trip financing (i.e. transactions where funds are transferred among the parties to the arrangement);
   (b) An accommodating party;
   (c) Elements that have effect of offsetting or cancelling each other;
   (d) A transaction which disguises the value, location, source, ownership, or control of fund;
   (e) A location which serves no other substantial commercial purpose, except obtaining tax benefit;

(3) Approving Panel: The approving panel shall consists of a chairperson who is or has been a Judge of a High Court, one member of the Indian Revenue service not below the rank of Chief Commissioner of Income Tax and one member who shall be an academic or scholar having special knowledge of matters such as direct taxes, business accounts and international trade practices;

(4) Status of direction of approving panel: The direction issued by the approving panel shall be binding on the assessee as well as the income tax authority and no appeal against such direction can be made under the provisions of the Act;

(5) Definition of 'associated person and connected person': As per the amendment there will be only one inclusive provision defining the expression 'connected person' under section 102.

C. FOREIGN TAX RELIEF

UNILATERAL TAX CREDIT WHERE THERE IS NO TAX TREATY

Where a resident of India has paid tax in any country with which India does not have a tax treaty, credit is available in India for such tax payments.

TAX CREDIT UNDER TAX TREATIES

India has entered into tax treaties (DTAA, Double Tax Avoidance Agreement) with several partner countries. Under the applicable tax treaty, Indian residents paying taxes in other countries can claim a credit in India for foreign tax payments.

Finance Act 2012 states that provision of DTAA will not be applicable if General Anti Avoidance Rules (GAAR) is invoked.

As per the amendment to section 90 and 90A of Finance Act 2012, any term which is defined, neither in the Act, nor in the DTAA, can be assigned a meaning by the Central Government through a Notification. The meaning assigned is generally in line with the intent and objective as understood during the course of negotiations leading to the formalisation of the treaty. This meaning assigned through the Notification shall be effective from the date of coming into force of the DTAA.

Earlier, a Tax Residency Certificate (TRC) issued by the partner country was considered sufficient proof for accepting the status of residence for applying DTAA. With effect from 1 April 2013, submission of TRC is considered a necessary but not sufficient condition, as the assessee shall also provide prescribed documents and information for availing DTAA benefits referred under section 90 and 90A of IT Act.

D. CORPORATE GROUPS

There are no provisions in India for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions with non-residents are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a portion of the expenditure which he considers excessive.

A detailed set of transfer pricing regulations are provided in the Indian domestic tax laws for computing income from international transactions between associated enterprises on an 'arm's length basis'.

In order to justify the price of international transactions, an arm's length price has to be determined using the most appropriate method. Where more than one price is determined, the arm's length price shall be the arithmetic mean of such prices. Earlier, in determining the arm's length price, no adjustment was required to be made in assessment; if the arithmetic mean of the prices was within 3% of the transfer price (Central government had the power to notify the tolerance range for determination of an arm's length price). However from Assessment year 2015-16, in such cases arm's length price in relation to the transaction undertaken on or after April 1, 2014, shall be

computed without any consideration to the tolerance limit.

If a person enters into a transaction (given below) where one of the parties to a transaction is a 'person located in a notified jurisdictional area', then:
(a) All the parties to the transaction shall be deemed to be associated enterprises; and,
(b) The transaction shall be deemed to be an international transaction.

The Central Government of India has power to notify any country or territory outside India as a 'notified jurisdictional area', having regard to the lack of effective exchange of information by it with India. On account of being notified there are tax consequences in India with respect to certain transactions. Cyprus has been notified under this category in 2013.

It covers any transaction in the nature of a purchase, sale or lease of tangible or intangible property or provision of service or lending or borrowing money or any other transaction having a bearing on the profits, income, losses or assets of the assessee, including a mutual agreement or arrangement for allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided by or to the assessee.

A person located in a notified jurisdictional area shall include:
(a) An individual who is resident of the notified jurisdictional area;
(b) A person (not being an individual) which is established in the notified jurisdictional area;

A permanent establishment (including a fixed place of business through which the business of an enterprise is wholly or partly carried on) of a person in the notified jurisdictional area.

From Assessment year 2015-16, Sec 92 B has been amended to clarify that the resident status of the unrelated person with whom an enterprise enters into a transaction, does not determines whether the transaction carried out will be classified as International transaction or not. As long as the transaction is influenced by a prior agreement between the unrelated person and an associate of the enterprise, it shall be classified as an international transaction between two associated enterprises.

Advance pricing agreement (APA), scheme u/s 92CC has been amended w.e.f. Oct 1, 2014, to provide roll back mechanism under prescribed conditions on a case to case basis. As per the amendment, APA for determining the ALP, for an international transaction can now be rolled back for period not exceeding four previous years, preceding the period for which the APA applies.

DOMESTIC TRANSFER PRICING

Transfer pricing provisions have been extended to a few specified domestic transactions between related parties under section 40A(2) of the Income Tax Act or other transactions as specified under section 92BA The aggregate of such transactions entered into by the assessee in the previous year should exceeds a sum of INR50m to be covered under specified domestic transactions.

F. WITHHOLDING TAXES

Tax at the prescribed rates is required to be deducted at source from payments of rent (for use of land, building, machinery, plant, equipment, furniture or fittings), salary, professional fees, fees for technical services, royalty, interest, commission, etc. to residents.

Tax is also required to be deducted from payments to non-residents, in respect of interest or any other sum chargeable under the Act. With retrospective effect from 1 April 1962, tax will be deductible whether the deductor is a resident or non-resident, and tax will be deductible even if non-resident does not have any place of business, residence, business connection or any other presence in India. The rates are the same as those listed in Section A.

From June 1, 2013, under section 194IA, any person responsible for paying (other than the person referred in 194LA) to a resident transferor any sum by way of consideration for transfer of immovable property (other than agricultural land in rural area in India) is liable to deduct tax at 1% if the amount of consideration exceeds INR 5m.

From the Assessment year 2015-16, in case there is TDS default pertaining to any sum (other than salary) payable outside India or payable to a non resident which is taxable in the hands of recipient in India, then expenditure will not be disallowed if TDS is deposited up to the due date of submission of return of income u/s 139(1). If TDS

is deposited after this date expenditure will be deductible in the year in which TDS is deposited. In case of TDS default, 30% of expenditure will be disallowed not 100%.

ADVANCE RULINGS

In order to determine the tax liability in India in advance, and thereby avoid litigation and uncertainty in tax matters, a mechanism of 'Advance Rulings' is available to non-residents in relation to Indian transactions. Indian residents can also seek advance rulings on transactions undertaken or proposed to be undertaken with non-residents. A public sector company can approach Advance Ruling Authority in respect of an issue relating to computation of total income which is pending before any Income Tax Authority or Tribunal.

For this purpose, an 'Authority for Advance Rulings' (AAR) has been constituted which is headed by a retired judge of the Supreme Court of India. The advance ruling is binding on the applicant and on the tax authorities. Application can be made to the AAR seeking a ruling on any question of fact or law on payment of a prescribed fee. The ruling is generally delivered within six months of making the application and is made in writing giving reasons for the decision of the AAR. A similar mechanism is available to non-residents under Excise, Customs, service tax and sales tax laws.

With effect from April 1, 2015, the Authority for Advance Ruling has been empowered to determine an arrangement which is proposed to be undertaken by any person (whether resident or non-resident) is an impermissible avoidance arrangement as referred to in Chapter X-A or not.

With effect from October 1, 2014, a resident (falling within any such class or category of persons as the Central Government notifies) can approach the Advance Ruling authority in relation to its tax liability arising out of a transaction which is undertaken (or is proposed to be undertaken) by it.

G. EXCHANGE CONTROL

The foreign exchange regulations have been substantially liberalised in India, whereby no licence is required for setting up an industry except in a few cases such as electronic aerospace and defence equipment, industrial explosives, hazardous chemicals, distillation and brewing of alcoholic drinks, cigars and cigarettes, items reserved for small-scale sector and industries/sectors reserved for the public sector.

India has one of the most liberal and transparent policies on Foreign Direct Investment (FDI) among the emerging economies. The FDI policy has been rationalised on an ongoing basis to avoid multiple layers of regulatory approvals to facilitate foreign investment. FDI can be divided into two broad categories:

(1) FDI under Automatic Approval route;
(2) FDI with prior approval of the Government.

Under the automatic approval route, no government approval is required if the FDI is within the notified sectoral caps. In such situations, only intimation needs to be given to the Reserve Bank of India within 30 days of making the investment. However, if the FDI is above the prescribed sectoral cap, the approval of government through the Foreign Investment Promotion Board (FIPB) is required.
FDI is allowed under the automatic route in almost all activities/sectors except the following, which require FIPB approval:
(a) Activities/items that require an Industrial Licence (except some cases);
(b) Proposals in which the foreign collaborator has an existing financial/technical collaboration in India in the same field;
(c) All proposals falling outside notified sectoral policy/caps.
In certain cases, such as distillation and brewing of alcohol, industrial explosives and manufacture of hazardous chemicals, FDI is permitted without FIPB approval subject to obtaining an industrial licence from the appropriate authority. However, FDI is prohibited in the following cases:
(a) Gambling and betting;
(b) Lottery business;
(c) Atomic energy;
(d) Business of chit fund;
(e) Nidhi company;
(f) Trading in Transferable Development Rights (TDRs);
(g) Manufacture of cigars, cherrots, cigarillos and cigarettes, of tobacco or of tobacco substitutes;
(h) Retail trading (except in single brand retail (51% allowed in multi-brand retail in some states);
(i) Agricultural or plantation activities or agriculture (excluding floriculture, horticulture, development of seeds, animal husbandry, etc. and plantations, other than tea plantations);

(j) Housing and real estate business (except development of townships, construction of residential and commercial premises, roads or bridges to the extent specified by FEMA).

H. PERSONAL TAX

The scope of taxable income varies depending upon the residential status of the individual. Resident taxpayers are classified into two categories:
(a) Ordinarily resident; or,
(b) Not ordinarily resident.

The residential status of individual taxpayers depends upon the number of days spent in India i.e. an individual is resident in India if he spends:
(a) At least 182 days in India during the tax year; or,
(b) 60 days in India during the year and at least 365 days in the preceding four years.

Non-resident taxpayers pay tax only on Indian-sourced income. Income of a non-resident shall be deemed to accrue or arise in India under Section 9(1)(v) (relating to interest paid outside India), Section 9(1)(vi) (relating to royalties paid outside India) or Section 9(1)(vii) (relating to fees for technical services paid outside India) and shall be included in total income regardless of whether:
(a) The non-resident has a place of residence, place of business or business connection in India;
(b) The non-resident has rendered services in India.

The assessment year is the period of 12 months from 1 April to 31 March. Income earned in the period of 12 months or less immediately preceding the assessment year is taxed in the assessment year.

In certain cases, income is taxed on a presumptive basis, wherein the income under each head is computed separately and aggregated to arrive at the gross total income, after allowing permissible deductions under each head. For Resident Senior Citizens (men or women who are 60 years or more at any time during the previous year but not more than 80 years on the last day of the previous year)

Income	Tax rates
Up to 300,000	Nil
300,001-500,000	10% of (total income minus INR 300,000)
500,001-1,000,000	INR20,000 plus 20% of (total income minus INR 500,000)
1,000,000 - 10,000,000	INR 120,000 plus 30% of (total income minus INR 1,000,000)
Above 10,000,000*	INR 2,820,000 plus 30% of (total income minus INR 10,000,000)

For Resident Super Senior Citizens (men or women who are 80 years or more at anytime during the previous year).

Income	Tax rates
Up to 500,000	Nil
500,001- 1,000,000	20% of (total income minus INR 500,000)
1,000,000 - 10,000,000	INR 100,000 plus 30% of (total income minus INR 1,000,000)
Above 10,000,000*	2,800,000 plus 30% of (total income minus INR 10,000,000)

For any other resident individual {below the age of 60 years) and any non-resident individual.

Income	Tax rates
Up to 2,50,000	Nil
250,001 - 500,000	10% of (total income minus INR 250,000)
500,001 - 1,000,000	INR 25,000 plus 20% of (total income minus INR 500,000)
1,000,000 - 10,000,000	INR 125,000 plus 30% of (total income minus INR 1,000,000)
Above 10,000,000*	INR 2,825,000 plus 30% of (total income minus INR 10,000,000)

*For the Assessment Year 2015-16, the surcharge is 10% of the income tax if net

income exceeds INR 10m. It is subject to marginal relief (in the case of a person having net income of exceeding INR10m, the amount payable, as income tax and surcharge shall not exceed the total amount payable as income tax on total income of INR 10m by more than the amount of income that exceeds INR 10m).

The tax computed above is increased by SC wherever applicable, and then by 3% (2% tor EC and 1% for SHEC).

A resident individual (who has net income of INR500, 000 or less) is eligible for a rebate under section 87A for the Assessment Year 2015-16. It is deductible from Income tax before calculating education cess. The amount of rebate is 100% of income tax or Rs. 2000, whichever is less.

Tax payable by an individual who has claimed a deduction under sections 10AA, 80H to 80RRB, for Assessment Year 2015-16 cannot be less than alternate minimum tax which is 20.96% (i.e. 18.5% + SC if total income exceeds INR 10m + EC + SHEC) of adjusted total income. Adjusted total income is to be calculated according to the provisions of sec. 115JCto 115JF of the Income Tax Act. Alternate minimum tax is not applicable if adjusted total income does not exceed INR 2,000,000.

If provisions of alternate minimum tax are applicable, the individual assessed will have to obtain a report in Form no. 29C from a Chartered Accountant.

GIFTS

Any sum of money or property, the aggregate value of which exceeds INR50, 000, received without consideration by an individual on or after 1 October 2009, is taxable except for amounts received:

(a) From relatives;
(b) On the occasion of marriage;
(c) Under a will/inheritance;
(d) In contemplation of death of the payer;
(e) From any local authority;
(f) From any fund or foundation or university or other educational institution or hospital or other medical institution or other prescribed institutions;
(g) From trusts or institutions registered with the Indian revenue authorities.

In respect of movable property, value shall be the fair market value as on the date of the receipt in accordance with the method prescribed. In respect of immovable property, value shall be the Stamp Duty value.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Treaty Countries	Dividends (Tax under domestic law is 0% and hence would prevail over these rates) (%)	Interest (%)	Royalties (%)	Technical service fees (%)
Albania	10	10	10	10
Armenia	10	10	10	10
Australia	15	15	10/15/20	10/15/20
Austria	10	10	10	10
Bangladesh	10	10	10	–[2]
Belarus	10/15	10	15	15
Belgium	15	15/10	10[5]	10[5]
Botswana	7.5/10	10	10	10
Brazil	15	15	15/25	[2]
Bulgaria	15	15	15/20	20
Canada	15/25	15	10 -20	10-20
China	10	10	10	10
Cyprus	10/15	10	15	10
Czechoslovakia	10	10	10	10
Denmark	15/20	10/15	20	20
Estonia	10	10	10	10

Ethiopia	7.5	10	10	10
France	10[5]	10[5]	10[5]	10[5]
Finland	10	10	10	10
Georgia	10	10	10	10
Germany	10	10	10	10
Greece	20	20	25	[2]–
Hungary	10	10	10	10
Indonesia	10/15	10	15	[2]–
Iceland	10	10	10	10
Ireland	10-15	10	10	10
Israel[5]	10	10	10	10
Italy	15/20	15	20	20
Japan	10	10	10	10
Jordan	10	10	20	20
Kazakhstan[5]	10	10	10	10
Kenya	15	15	20	17.50
Kuwait	10	10	10	10
Korea	15/20	10/15	15	15
Kyrgyzstan	10	10	15	15
Libya	20	20	30	–[2]
Jamahiriya Latvia	10	10	10	10
Lithuania	5/10	10	10	10
Luxembourg	10	10	10	10
Malaysia	5	10	10	10
Malta	10/15	10	15	10
Mauritius	5/15	20/0	15	–[2]
Mongolia	15	15	15	25
Montenegro	5/15	10	10	10
Myanmar	5	10	10	-
Morocco	10	10	10	10
Mozambique	7.5	10	10	-
Namibia	10	10	10	10
Nepal	5/10	10	15	–[2]
Netherlands	10[5]	10[5]	10[5]	10[5]
New Zealand	15	10	10	10
Norway	10	10	10	10
Oman	10/12.5	10	15	15
Philippines	15/20	10/15	15	–[2]
Poland	15	15	22.5	22.5
Portugal	10	10	10	10
Qatar	5 -10	10	10	10
Romania	10	10	10	10
Russian Federation	10	10	10	10
Saudi Arabia	5	10	10	–[2]
Serbia	5/15	10	10	10
Singapore	10/15	10/15	10	10
Slovenia	5-15	10	10	10
South Africa	10	10	10	10
Spain	15	15	10/20	10/20
Sri Lanka	7.5	10	10	10
Sudan	10	10	10	–[2]

Sweden[5]	10	10	10	10
Switzerland[5]	10	10	10	10
Syria	5/10	10	10	–[2]
Taipei	12.5	10	10	10
Tajikistan	5/10	10	10	-[2]
Tanzania	5/10	10	10	–[2]
Thailand	15/20	10/20	15	–[2]
Trinidad and Tobago	10	10	10	10
Turkey	15	10/15	15	15
Turkmenistan	10	10	10	10
Uganda	10	10	10	10
Ukraine	10-15	10	10	10
United Arab Emirates	5/15	5/12.5	10	–[2]
United Kingdom	15	10/15	10/15/20	10/15/20
United Mexican States	10	10	10	10
United States	15/20	10/15	15/10/20	15/10/20
Uzbekistan	15	15	15	15
Uruguay	5	10	10	10
Vietnam	10	10	10	10
Zambia	5/15	10	10	–[2]

NOTES:
1 Taxable in the country of source as per domestic rates.
2 No separate provision in tax treaty.
3 Taxable only in the country of residence as per domestic rates.
4 Rate not mentioned, hence normal rates apply.
5 'Most favoured nation' clause applicable.

NON-TREATY COUNTRIES

For transactions entered into with residents of countries with whom India does not have a tax treaty, tax needs to be withheld as per rates specified in the Indian domestic tax law provisions (which are given under the heading 'Company Tax').

INDONESIA

MEMBER FIRM

City	Name	Contact Information
Jakarta	Paul Hadiwinata Donny Rindorindo	+62 21 3144003 jkt-office@pkfhadiwinata.com

BASIC FACTS

Full name:	Republic of Indonesia
Population:	248.5 million (2013 PRB)
Capital:	Jakarta
Major language:	Indonesian
Major religion:	Islam
Monetary unit: 1	Rupiah (Rp)
Internet domain:	.id
International dialling code:	+62
Directorate General of Taxes website:	www.pajak.go.id

KEY TAX POINTS

- Companies resident in Indonesia are subject to income tax on their worldwide income including capital gains. A permanent establishment of a foreign company is subject to tax in Indonesia on its worldwide income.
- Branch profits are taxed at the same rate as corporate profits. A 20% withholding branch profit tax is also payable on after tax income in addition to the corporate tax.
- Indonesian individuals are taxed on their worldwide income.
- Non-resident companies are subject to tax on income, including capital gains,

derived from Indonesia.

- VAT is levied at a standard rate of 10% on taxable supplies of goods and most services.
- There is a sales tax on the transfer or importation of luxury goods, at rates between 10% and 75%.
- Stamp duties apply to the transfer of land, and certain documents are subject to Stamp Duty.
- Double tax relief credits are generally available to Indonesian residents in respect of overseas tax paid on foreign-sourced income, up to a maximum of the Indonesian tax payable on the income concerned.
- Generally, residents are subject to a creditable withholding tax of 15% on payments received from fellow Indonesian residents, although dividends are exempt under certain circumstances. Payments to non-residents are generally subject to a final withholding tax of 20%.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

A company will be considered taxable in Indonesia if it has a presence and conducts business in that country. Resolution of this question depends on whether the entity has a 'permanent establishment' in Indonesia. This term is widely defined to include a place of management, branch, representative office, office building, agent, factory or workshop, construction or mining site.

Where such a presence exists the permanent establishment is taxable on its worldwide income. Where similar businesses to that carried on by the permanent establishment are conducted in Indonesia, care must be taken to ensure that the 'force of attraction' principle does not result in that business income being taxed in the permanent establishment.

Company tax is payable by monthly instalments. The collection of tax from interest, royalties, rentals and dividends, professional service fees, technical and management service fees, installation service fees, repair and maintenance service fees is by way of withholding tax.

Where the recipient is a tax resident of Indonesia, the tax withheld is taken into account in determining the company's final tax liability (except for tax on interest from banks, space rentals, and construction services which are treated as a final tax). Where the recipient is not a resident, the tax withheld represents a final tax.

Under the Income Tax Law No. 36 Year 2008, which applies from 1 January 2009, corporations were taxed at a single rate of 28%, which was reduced to 25% from 2010 onwards. Corporations with an annual gross income of up to IDR 50 billion are entitled to a tax discount of 50% of the standard rate on taxable income derived from the portion of gross income up to IDR 4.8 billion.

As for public companies, corporate tax deduction at 5% will be granted when meeting the following requirements:

(1) Minimum listing requirement is 40%;
(2) The minimum public ownership is 300 parties where each party holds less than 5% of the paid-in shares; and,
(3) The above two conditions must be fulfilled for at least six months (183 days) in a tax year.

CAPITAL GAINS TAX

Capital gains and losses are in the main included as ordinary income and taxed accordingly, except for transactions in stock on the Indonesian stock market and on private property.

The gain/loss is ignored and tax is instead charged on the transaction value as follows:

Stock	0.1% of transaction value	Final tax, except for founder shares sold by founder = 0.5% of transaction value
Private property: Land and building	5% of transfer value	Final tax for individuals, foundations and corporations

BRANCH PROFITS TAX

Branch profits are taxed at the same rate as corporate profits. However, a withholding branch profits tax of maximum 20%, subject to protection under a double tax agreement, is also payable on after tax income in addition to the corporate tax.

This additional tax is payable irrespective of whether the profits are remitted. Refer to

'Withholding Taxes' below for variations to the above rate.

An exemption from withholding tax may be granted to a permanent establishment which reinvests its net profit in Indonesia.

SALES TAX ON LUXURY GOODS

The tariff of sales tax on luxury goods is a minimum 10% and a maximum of 75% (200% effective 1 April 2010) whether imported or domestically produced. But exports, even where classified as luxury goods, are taxed at a zero per cent tariff.

The tax is collected at the manufacturer/import level. Payment of the sales tax is required by the 15th day of the following month and returns need to be submitted by the 20th day of the following month.

Luxury items subject to sales tax	Tax Rate (%)
Perfumery	20
Cosmetics, skin and hair products	10
Specified luxury devices using electric power, batteries or gas for household use	10
Photographic and cinematographic devices, video camera, digital camera	10
Electric and non-electric music instruments	20
Transmitters and receivers	10, 20
Luxury houses, apartments, condominiums, town houses	20
Luxury devices using electric power, batteries or gas for household use and recreation not included in the 10% category	20
Specified sporting goods and games	10, 30, 50
Specified clothes and goods made of leather	40
Suitcases, executive bags and boxes, purses with the import value more than IDR 500,000	40
Watches, clocks	40
Carpets made of specified materials	40, 50
Alcoholic beverages, fermented flavoured drinks	40, 75
Ships, vessels and yachts	30, 40, 75
Aircrafts	50
Firearms, air and gas weapons, except for nation's use	40, 50
Goods made of crystal, marble or granite	40
Goods made of gemstones, pearls, and diamonds	75
Motor vehicles with the capacity of 10 to 15 passengers	10
Motor vehicles of 1500 cc to 2500 cc with the capacity of fewer than 10 passengers	20
Sedan or station wagon with the cylinder up to 1500 cc	30
Motor vehicles other than sedan and station wagon with the cylinder of 2500 cc to 3000 cc	40
4-wheel drive motor vehicles with the cylinder of 150cc to 3000 cc	40
Special purpose vehicles for golf	50
Motorcycles with the cylinder capacity of 250 cc to 500 cc	60
Special purpose vehicles to be used in the snow, beach, mountains and the like	60
Sedan and station wagon with the capacity of more than 3000 cc	75
Diesel sedan and station wagon with the capacity of more than 2500 cc	75
Motorcycles with the capacity cylinder of more than 500 cc	75
Caravan trailer and semi-trailer for housing and camping	75

VALUE ADDED TAX (VAT)

VAT at the general rate of 10% is imposed on importers, manufacturers, wholesalers and retailers and on the provision of most services. While the VAT laws permit amendments of the rates for individual items, currently the products with a rate other than 10% are cigarettes and used cars. Services such as package deliveries and travel agents are taxed at 1%, while factoring is imposed at 5% on the fees received. Exports of taxable goods are effectively excluded from VAT by being subject to the tax at a nil rate.

Under VAT Law Number 42 Year 2009, which took effect from 1 April 2010, the export of services is subject to 0% VAT. However the Ministry of Finance (MoF) Regulation further defines that the zero-rated VAT is only applicable to the following services:

(1) Sub-contracting services with certain requirements:
   - The buyer or recipient of taxable service is outside the Customs area and is a non-resident taxpayer and does not have a permanent establishment as specified in Income Tax Law;
   - Specification and material are provided by the buyer or the recipient of the taxable service;
   - Materials are defined as raw materials, work in process and/or supporting material to be further processed into finished taxable goods;
   - Ownership of finished goods is in the hand of the buyer or the recipient of the taxable service;
   - The sub-contracting entrepreneur delivers the products by request from the buyer or the recipient of the taxable service to outside the Customs area;

(2) Construction services including construction planning, construction work and construction supervision located outside the Customs area;

(3) Repair and maintenance services which are attached to services of movable goods utilised outside the customs area;

VAT is payable by the end of the following month of the relevant transaction prior to the submission deadline of the monthly tax return. In the case of certain services rendered by non-residents of Indonesia such as the use of intangible taxable goods and/or offshore services, the recipient of these services has an obligation, by way of self-assessment, to pay and report import VAT by the 15th of the following month.

Goods excluded from VAT:
- Basic necessities;
- Mining taken from natural resources;
- Food served in hotels and restaurants, including food and drinks provided by catering services;
- Money, gold and securities.

Services excluded from VAT:
- Medical, social and religious services;
- Postal and account transfer services;
- Banking, insurance and non-banking financial leasing;
- Educational services;
- Finance leasing;
- Art and entertainment services;
- Radio and television broadcasting services, other than advertisements;
- Public transportation services, i.e. land, sea and domestic air transportation (effective 1 April 2010);
- Manpower and recruitment services;
- Hotel and boarding house services;
- Services provided by the government relating to public administration and formality requirements;
- Parking services (effective 1 April 2010);
- Public telephone (by coin) services (effective 1 April 2010);
- Food and catering services (effective 1 April 2010).

FRINGE BENEFITS TAX (FBT) / BENEFITS IN KIND

Benefits in kind received by employees, including discounted or free housing, are not taxable to the employee nor deductible to the provider/employer. However, company cars and cellular phones provided to the employee are deductible at 50% of the acquisition cost by way of depreciating those assets over their useful lives (8 years and 4 years), while cellular phone refill vouchers and repair expenses can be claimed as deduction at 50%.

A full deduction however applies to food and drinks provided to employees in the workplace and employee benefits required for job performance such as protective clothing and uniforms, transportation costs to and from the place of work, accommodation for ship crews and the like, and also for housing provided in remote areas approved by the Minister of Finance.

LOCAL TAXES

Provincial tax is charged mostly at 10% i.e. hotel and restaurant services, parking services.

STAMP DUTY ON LAND RIGHT TRANSFER

Effective from 1 January, 2011, Stamp Duty on building and/or land right transfer is

charged under the provincial government at 5% of the transfer cost.

OTHER TAXES

DOCUMENTARY STAMP TAX

Stamp Duty is of a nominal amount of IDR 6,000 or IDR 3,000. The types of documents upon which Stamp Duty is payable include:

- Letters of agreement, prepared for the purpose of evidencing acts, facts or conditions of a civil nature;
- Notarial deeds;
- All documents bearing a sum of money including letters of promise to pay, securities or cheques.

LAND AND BUILDING TAX

Land and building tax is payable annually on land, buildings and permanent structures, although the effective rates are typically 0.5% of the value of the property.

IMPORT DUTIES

Import duties are payable at the following rates:

Group	Goods	Rate (%)
Automobiles	Passenger and commercial vehicles	5 - 40
Automobiles parts		0 - 10
Vessels	Ship, boats, and floating structure	0 - 5
Electronic goods		0 - 12, 5
Footwear		5 – 25
Beverages, ethyl alcohol and alcoholic drinks	Ethyl alcohol, beer, wine, spirits, and other beverages.	5 - 30
Essential oils and resinoids	Odoriferous substances	5 - 150
Agricultural products	Animal and vegetable products	0 – 25
Textile, textile products and accessories	Bags, harnesses, apparels, and clothing accessories, etc	5 - 15
Other	Chemicals, pharmaceutical products, rubber, etc	0 – 25

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated under normal accounting principles adjusted for specific tax rules. A deduction is allowed for all outgoings and expenses incurred for obtaining, collecting and maintaining taxable income.

Deductions are not allowed in relation to the following items:

- Benefits in kind such as free housing (see also ‘Fringe benefits tax/benefits in kind’ above);
- Income tax payments (including penalties);
- Capital expenditure (see ‘Depreciation’ below);
- Private expenses;
- Non-business gifts, aid and donations, except ‘zakat’ (Islamic alms) and other compulsory religious donations approved by the government;
- Profit distributions;
- Employers’ contributions for life, health, and accident insurance and contributions to non- approved pension funds unless the contributions are treated as taxable income of employees;
- Provisions (except for financial institutions);
- Dividends;
- Expenses related to income which are taxed at a final rate, i.e. interest on loans related to time deposits;
- Expenses related to income which are exempt from tax, i.e. interest on loans used to buy shares where dividends to be received are not subject to income tax;
- Salaries or compensation received by a partnership or firm as members where their participation is not divided into shares;

INVESTMENT INCENTIVES

Taxpayers investing in certain business sectors and/or in certain areas/locations may be entitled to taxation incentives in the form of:

- A reduction in net income up to a maximum of 30% (5% per year for six years) from the total investment realised;
- Accelerated depreciation and amortisation;
- Tax loss compensations for a longer period but not exceeding 10 years;
- A reduction in withholding taxes on dividends to 10% unless a lower rate applies under the relevant tax treaty.

DEPRECIATION

Where fixed assets (either tangible or intangible) have a beneficial life of greater than one year, tax relief for the cost of acquisition is available through depreciation. The following depreciation rates are applicable:

Beneficial Life	Straight-line method (%)	Declining-balance method (%)
A. Non building:		
1 – 4 years	25	50
4 – 8 years	12.5	25
8 – 16 years	6.25	12.5
16 – 20 years	5	10
B. Building:		
Permanent	5	-
Non-permanent	10	-

Note: Depreciation of property is taken into account commencing the month, instead of the year, that the property is acquired which means that the first year depreciation is accounted for on a pro rata basis, while the net book value is depreciated accordingly over its remaining beneficial years, unless it is retired or sold within its beneficial life.

STOCK / INVENTORY

Taxpayers may value inventory using either the 'first-in, first-out' (FIFO) or Average Cost methods. Whichever method is selected, it must be consistently applied.

CAPITAL GAINS AND LOSSES

Gains and losses on capital items are taxable in Indonesia without special treatment being afforded to such items, except for gains and losses on sales of share certificates of listed companies and on sales of land and buildings as previously mentioned.

DIVIDENDS

An exemption exists under particular circumstances for dividends received by companies incorporated in Indonesia where the payer is also an Indonesian company. In the absence of a tax treaty, withholding tax at 20% is levied on dividend payments to non-residents. Reference should be made to the section on withholding tax and the individual treaties.

INTEREST DEDUCTIONS

While the Minister of Finance is empowered to prescribe required debt equity ratios for foreign companies, no limit has been set to date. Due to the existence of this power, however, caution should be exercised to ensure debt is not considered equity, with the result that the related interest and borrowing costs are disallowed.

LOSSES

While loss carry backs are not permitted, losses may be carried forward for up to 5 years. The period over which losses are able to be carried forward can be extended by decree from the Minister of Finance.

C. FOREIGN TAX RELIEF

Where an Indonesian resident has foreign branches (or earns other foreign source income), the income of those branches will be taxable in Indonesia. Where such income has been subject to foreign tax, tax credits will be granted, subject to a maximum of the Indonesian tax payable on the income concerned.

D. CORPORATE GROUPS

The consolidation of returns is not allowed.

E. RELATED PARTY TRANSACTIONS

The revenue authorities will disallow a deduction for excessive/non-arm's length transactions between related parties.

F. WITHHOLDING TAX

Generally, residents are subject to a creditable withholding tax of 15% with any balance being payable or refundable, while non-residents are subject to a final withholding tax

of 20%. Withholding taxes are collected when the taxable transaction takes place or payment becomes due.

The rates of withholding tax are as follows:

	Residents[1] (%)	Non-residents[1] (%)
Dividends[2]	15	20
Interest	15	20
Royalties	15	20
Prizes and awards	15	20
Rental and other income related to the use of property, other than land/space rental	2	20
Technical, management, consulting, and other services	2	20

NOTES:
(1) All percentage rates are on gross amounts unless otherwise noted.
(2) Withholding tax on dividends paid to Indonesian corporate shareholders will be exempt only if the following conditions are met:
   (i) The dividend is sourced from retained earnings;
   (ii) The recipient holds 25% share or more in the payer.
(3) A 100% withholding tax is imposed, in addition to the applicable tax rate, on individuals and corporations, other than non-tax residents, who do not possess a tax identification number (NPWP).

Note: Effective 1 January 2009, dividends distributed to an individual resident taxpayer are subject to final tax at a maximum rate of 10%.

FINAL WITHHOLDING TAXES

The following transactions are subject to a final withholding tax. These taxes apply to residents and permanent establishments of non-residents.

• Sale of listed shares[1]	0.1% of the gross proceeds
• Additional tax on sale of listed Founder shares; by a founder shareholder[1]	0.5% of the IPO price
• Sale of land or buildings[1]	5% of the sales value (final tax for individuals, foundations and corporations). An extra 5% stamp duty for the land and/ or building acquisition rights is payable by the purchaser
• Interest or discount on Government CDs and savings deposits and interest or discount on bonds[2]	20% (except for banks and certain approved pension and mutual funds; and loan interest on simple houses)
• Asset revaluation approved by the Tax Office	10% of the difference between the book value and the revalued amount of the assets (unless current year tax losses, which will firstly be applied against the revaluation difference)
• Prizes from lotteries	25% of gross proceeds
• Land and/or building rental (include service charge)	10% of gross proceeds

NOTES:
1 These rates also apply to non-residents (subject to the application of a double tax treaty).
2 No withholding tax is payable in respect of savings, deposits or Government CDs with a principal amount up to IDR 7,500,000.

By the issuance of Government Regulation No. 51 dated 20 July 2008, Construction Services are subject to final tax with the following tax rates:
(a) 2% on construction services provided by qualified small enterprises;
(b) 4% on construction services provided by non-qualified enterprises;
(c) 3% on construction services provided by enterprises other than those mentioned in (a) and (b) above;
(d) 4% on construction planning and supervisory services provided by qualified enterprises; and,
(e) 6% on construction planning and supervisory services provided by non-qualified enterprises.

(Note that the above Government Regulation is effective as of 1 January 2008.)

GOVERNMENT REGULATION NO. 46 YEAR 2013 REGARDING 1% FINAL TAX

On 12 June 2013, Government Regulation No. 46 Year 2013 ('GR-46') has been issued and effected from 1 July 2013.

GR-46 stipulates that individual and corporate taxpayers, except permanent establishments, with annual income up to IDR 4.8 billion are subject to final tax at 1%.

GR-46 is intended for small and medium enterprises (SMEs), including individual businesses with small I medium range trading and services activities (other than professional services, such as: lawyers, accountants, translators, insurance agents, etc.). Specific criteria of the SME's applicable for 1% final tax is stipulated under the minister of finance regulation and the director general of taxes regulation.

GR-46 is not applicable to construction services which the income is subject to final tax under the Government Regulation No. 51 Year 2008 as latest amended by the Government Regulation No. 40 Year 2009.

The following incomes are excluded from GR-46 final tax application; however they are subject to normal income tax rates:
(1) Employment income.
(2) Capital income, such as: interest, dividends, royalties, non-business – related capital gains, etc.
(3) Other income, such as: debt forgiveness and/or gifts.

Under GR-46 final tax regime, tax losses cannot be carried forward and incurred from other non-final income.

WITHHOLDING TAX - ARTICLE 22

Article 22 income tax is typically applicable to the following:
(1) The import of goods. A creditable withholding tax of 2.5% for importers with an import license or 7.5% imposed if the importer does not possess the appropriate import license;
(2) The sale of goods to the government requiring payment from the State Treasury, the State Budget General Directorate, or certain state owned companies. The tax rate applied for these transactions is 1.5% of its selling price; and,
(3) The sale/purchase of steel, cars, cement and paper products. The tax rates are: purchase of steel: 0.30%; automotive products: 0.45%; cement: 0.25%; and paper products: 0.10% of its selling price.
(4) The sale/purchase of high value luxury goods is subject to 5% tax.

An additional 100% withholding tax is imposed on individuals or corporations, other than non-tax residents, who do not possess a NPWP.

G. EXCHANGE CONTROL

While the importation of capital is relatively uninhibited, foreign investment must be approved. Similarly, foreign currency can be transferred essentially free of control although minor reporting requirements do exist.

Importantly, repatriation of capital, other than resulting from the sale of existing shares to Indonesians, is prohibited for the period the investor enjoys any tax holiday.

H. PERSONAL TAX

Residents of Indonesia are taxed on their worldwide income. Non-residents are only taxed on income derived from Indonesia. An individual will be a resident of Indonesia if they are present in Indonesia for more than 183 days or reside in Indonesia during a fiscal year and intend to stay in Indonesia. Certain tax treaties modify the above rules.

Individual taxable income is progressively taxed at the following rates:

Taxable Income (IDR)	(IDR)
0 – 50,000,000	0 + 5% on excess
50,000,001 – 250,000,000	2,500,000 + 15% on excess
250,000,001 – 500,000,000	32,500,000 + 25% on excess
Above 500,000,000	95,000,000 + 30% on excess

An additional 20% tax is imposed on individuals, other than non-tax residents, who do

not possess a NPWP.

ALLOWABLE DEDUCTIONS

In determining the annual taxable income of an individual, the following may be deducted from gross income

	(IDR)
Occupational support: 5% of gross income, up to maximum of	6,000,000
Pension: 5% of gross income, up to maximum of	2,400,000
Non-taxable income (effective 1 January 2013):	
- For the taxpayer	24,300,000
- Additional for a married taxpayer	2,025,000
- Additional for each lineal family member related by blood	2,025,000 each

A married female employee is only allowed non-taxable income for herself if she has a certificate from the local authorities that her husband does not work.

Non-resident individuals are subject to a final tax of 20% where the payments represent compensation for work performed in Indonesia regardless of where paid.

Lump sum pension payments and severance pay on individual residents are subject to final tax on the gross amount at the following rates:

Lump Sum Pensions Payments	
Taxable Income	(IDR)
0 – 50,000,000	exempt/non-taxable income
Above 50,000,000	5%

Severance pay	
Taxable Income	(IDR)
0 – 50,000,000	exempt/non-taxable income
50,000,001 – 100,000,000	5%
100,000,001 – 500,000,000	2,500,000 + 15% on excess
Above 500,000,000	62,500,000 + 25% on excess

However, pension payments made to non-resident individuals are taxed under Article 26 of Income Tax Law at a rate of 20% on the gross amount.

Where home leave or education costs are reimbursed, the amount of the reimbursement is taxable in full on the employee.

Note that food and beverages provided at the workplace by an employer to its employees are not subject to tax but deductible for the employer.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Withholding taxes are levied on corporations and individuals, residents and non-residents as follows:

	Dividends Portfolio (%)	Dividends Holdings (%)	Interest (%)	Royalties (%)
Resident corporations	0	0	15	15
Resident individuals	15	15	15	15
Non-resident corporations and individuals of a non-treaty country	20	20	20	20
Treaty countries:				
Algeria	15	15	15/0	15
Australia	15	15	10/0	15/10
Austria	15	10	10/0	10
Bangladesh	15	10	10	10
Belgium	15	10	10/0	10

	Dividends Portfolio (%)	Dividends Holdings (%)	Interest (%)	Royalties (%)
Brunei Darussalam	15	15	15/0	15
Bulgaria	15	15	10/0	10
Canada	15	10	10/0	10
China	10	10	10/0	10
Croatia	10	10	10/0	10
Czech Republic	15	10	12.5/0	12,5
Denmark	20	10	10/0	15
Egypt	15	15	15/0	15
Finland	15	10	10/0	15/10
France	15	10	15/10/0	10
Germany	15	10	10/0	15/10
Hong Kong	10	5	10/0	5
Hungary	15	15	15/0	15
India	15	10	10/0	15
Iran	7	7	10/0	12
Italy	15	10	10/0	15/10
Japan	15	10	10/0	10
Jordan	10	10	10/0	10
Korea, Republic of South	15	10	10/0	15
Korea, Democratic People's Republic of North	10	10	10/0	10
Kuwait	10	10	5/0	20
Luxembourg	15	10	10/0	12.5
Malaysia	10	10	10/0	10
Mexico	10	10	10/0	10
Mongolia	10	10	10/0	10
Morocco	10	10	10/0	10
Netherlands	10	10	10/0	10
New Zealand	15	15	10/0	15
Norway	15	15	10/0	15/10
Pakistan	15	10	15/0	15
Papua New Guinea	15	15	10/0	10
Philippines	20	15	15/10/0	15
Poland	15	10	10/0	15
Portugal	10	10	10/0	10
Qatar	10	10	10/0	5
Romania	15	12.5	12.5/0	15/12.5
Russia	15	15	15/0	15
Seychelles	10	10	10/0	10
Singapore	15	10	10/0	15
Slovak Republic	10	10	10/0	15/10
South Africa	15	10	10/0	10
Spain	15	10	10/0	10
Sri Lanka	15	15	15/0	15
Sudan	10	10	15/0	10
Suriname	15	15	15/0	15
Sweden	15	10	10/0	15/10
Switzerland	15	10	10/0	10

	Dividends Portfolio (%)	Dividends Holdings (%)	Interest (%)	Royalties (%)
Syria	10	10	10/0	20/15
Taiwan	10	10	10/0	10
Thailand	20	15	15/0	15
Tunisia	12	12	12/0	15
Turkey	15	10	10/0	10
Ukraine	15	10	10/0	10
United Arab Emirates	10	10	5/0	5
United Kingdom & Northern Ireland	15	10	10/0	15/10
United States of America	15	10	10/0	10
Uzbekistan	10	10	10/0	10
Venezuela	15	10	10/0	20
Vietnam	15	15	15/0	15
Zimbabwe	20	10	10/0	15

The above rates provide only a guide and it is necessary to consult the individual treaties and legislation.

IRAQ

MEMBER FIRM

City	Name	Contact Information
Erbil	Mohammed Khattab	+962795572746 mkhattab@pkfkurdistan.com

BASIC FACTS

Full name:	Republic of Iraq
Capital:	Baghdad
Main languages:	Arabic, Kurdish
Population:	36,004,552 (2014 estimate)
Major religion:	Islam
Monetary units:	Iraqi Dinar (IQD)
Internet domain:	.iq
Int. dialling code:	+964

I

KEY TAX POINTS

- Companies are broadly subject to a fixed corporation tax rate of 15%.
- Capital gains are treated as part of the ordinary income of companies and taxed at the appropriate corporation tax rate.
- There is no Value Added Tax (VAT) or Goods and Services Tax (GST) in Iraq.
- Related party transactions are required to be reported separately and should be made on a third party arm's length basis. Where prices paid for the purchase of goods or services are excessive or unreasonable, the Tax Authority can disallow a deduction for the excess portion.
- Resident and non-resident individuals are subject to personal tax at progressive tax rates up to 15%. Resident individuals can claim relevant exemptions whereas no exemptions are available to non-resident individuals.

A. TAXES PAYABLE

Iraqi resident company is liable to corporation tax in all its resources of income and capital gains whenever arising from the following operations :
Trading activities
Manufacturing activities.
Investments in securities and bonds.
Interests.
Rent of agricultural grounds.
Corporate tax rates are fixed for each financial year ended 31 December.
The taxpayer can change the tax year according to their requirements.

- Taxes on Limited Liability Companies

Limited Liability Companies are subjected to fixed tax rate of 15%.

- Tax on Private Shareholding Companies

Private Shareholding Companies is subjected to fixed tax rate of 15%.

- Tax on Mixed Shareholding Companies

Mixed Shareholding Companies is subjected to fixed tax rate of 15%.

CAPITAL GAINS TAX
Capital Gains made by companies are taxed at the at the appropriate corporation tax rate.

BRANCH PROFITS TAX
Foreign branches in Iraq are taxable at the corporation income tax ratios after deduction of the overseas taxes.

SALES TAX / VALUE ADDED TAX
There's No VAT in Iraq

FRINGE BENEFITS TAX
Housing and Food and all other benefits are subject to the income tax.
Fringe benefits must not exceed 20% of the basic salary.

B. DETERMINATION OF TAXABLE INCOME

Any income incurred in Iraq shall be subject to income tax, corporate taxable income is determined by ascertaining assessable gross income and reducing it by allowable deductions.

DEPRECIATION
Depreciation expense on Machines and Equipment is deductible based on certain ratios whereas the depreciation on Buildings and Plants is not deductible.

STOCK/INVENTORY
All Inventory Items are valued at lower of cost , or net realisable value.

CAPITAL GAINS AND LOSSES
Capital gains and losses are included within the profit chargeable to corporation tax for the accounting period.

DIVIDENDS
Dividends paid to Iraqi companies are generally exempted from the corporation tax whereas the mentioned income was already taxed.

INTEREST DEDUCTIONS
The taxpayer generally may deduct business interests paid or incurred within the tax year,
Interest must be directly related to the subject income.

LOSSES
Net operating losses may be carried forward for unlimited periods against taxable income.

FOREIGN SOURCED INCOME
Iraqi corporations are taxed on worldwide income including any foreign branches income.

INCENTIVES
In certain cases, the investor might take the benefits of tax and customs exemption for ten years, this period is extended to 15 years if the project is a joint venture with a majority Iraqi stakeholder

C. FOREIGN TAX RELIEF

An Iraqi corporation or a foreign corporation engaged in a business in Iraq, may elect to claim either a credit or a deduction for income tax paid to another country, if the taxes are connected with or related to its business, or if the income is also taxed by Iraq.

D. CORPORATE GROUPS

There are no provision in Iraq for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a deduction for the excess portion.

F. EXCHANGE CONTROL

There are no exchange control rules in Iraq.

G. PERSONAL INCOME TAX

Resident Personal tax
First 250 Thousand Iraqi Dinars are subject to 3% after the deduction of exemptions.
Second 250 Thousand Iraqi Dinars are subject to 5% after the deduction of exemptions.
The following 500 Thousand Iraqi Dinars are subject to 10%, after the deduction of exemptions. Any amounts exceed 1 Million Iraqi Dinars are subject to 15% on a monthly basis, after the deduction of exemptions.

Non-resident Personal Tax
First 250 Thousand Iraqi Dinars are subject to 3%, no exemptions are granted to the taxpayer. Second 250 Thousand Iraqi Dinars are subject to 5%, no exemptions are granted to the tax payer. The following 500 Thousand Iraqi Dinars are subject to 10%, no exemptions are granted to the taxpayer.
Any amounts exceed 1 Million Iraqi Dinars are subject to 15%, no exemptions are granted to the taxpayer.

H. INCOME TAX ON THE REVENUE FROM PROPERTY, PLANT AND EQUIPMENT RENT.

10% of the rent value is subject to the income tax after the deduction of 10% of the rent value as a depreciation and maintenance expense.

I. WITHOLDING TAXES

If an Iraqi pays any taxable income a non-Iraqi, this income will be subject to 15%.

IRELAND

I

MEMBER FIRM

City	Name	Contact Information
Dublin	Donal O'Leary	+ 353 1 496 1444 d.oleary@pkf.ie
Newry	Feargal McCormack	+44 28 3026 1010 f.mccormack@pkffpm.com

BASIC FACTS

Full name:	Ireland
Population:	4.6 million (2013 PRB)
Capital:	Dublin
Major language:	English, Irish
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.ie
International dialling code:	+353
Revenue website:	www.revenue.ie

KEY TAX POINTS

- Irish Corporation tax is payable by Irish resident companies on income and capital gains derived from all sources. Non-resident companies are taxed on Irish source income, on income or gains from a branch or agency in Ireland and also on certain other gains.
- All Irish incorporated companies are deemed resident in Ireland, subject to certain exceptions. However, a company not incorporated in Ireland may also be deemed Irish resident if its central management and control resides in Ireland. Following increased speculation over the "Double Irish" scheme, Finance Bill

2014 introduced certain amendments in respect of the Irish tax residency rules.
- The rate of corporation tax applied to a trading income is 12.5%. Other income such as rent or investment income is taxed at 20%.
- Capital gains of companies are, broadly, taxed at 20%.
- There is a general anti-avoidance provision but there is no specific transfer pricing or controlled foreign companies' legislation.
- VAT applies to supplies of goods and services by taxable persons. The standard rate is 23%.
- Tax credits are generally available to Irish companies in respect of overseas taxes suffered on foreign income.
- Payments of dividends, interest, royalties and rent to non-residents are, in certain circumstances, subject to withholding tax at 20% or 25% (subject to the relevant double taxation agreement).
- Individuals who are resident, ordinarily resident and domiciled in Ireland are subject to income tax on worldwide income and to capital gains tax on worldwide gains. Irish nationals who are resident but not ordinarily resident and individuals who are resident but not domiciled in Ireland, are taxed on a remittance basis in respect of overseas income and gains.

A. TAXES PAYABLE

COMPANY TAX

Irish Corporation tax is payable by Irish resident companies on income and capital gains derived from all sources. Non-resident companies are taxed on Irish source income, on income or gains from a branch or agency in Ireland and also on certain other gains (see below).

All Irish incorporated companies are deemed resident in Ireland, subject to certain exceptions. However, a company not incorporated in Ireland may also be deemed Irish resident if its central management and control resides in Ireland.

Following increased speculation over the "Double Irish" scheme, Finance Bill 2014 introduced certain amendments in respect of the Irish tax residency rules.

From 1 January 2015, newly Irish incorporated companies will be deemed to be Irish tax resident (unless under the terms of a Double Taxation Agreement the company is determined to be resident elsewhere) For companies incorporated before 1 January 2015, the new residency rules will not apply until after 31 December 2020.

Companies incorporated in Ireland before 1 January 2015 which are managed and controlled in an EU Member State or in a country with which Ireland has a DTA and where that country has a place of incorporation test but not a central management and control test will be deemed to be Irish tax resident.

A 12.5% rate of corporation tax is applied to the trading income of companies, with a rate of 25% applying to other income such as rent or investment income.

Corporation tax is payable in two stages with the first payment due one month before the end of the accounting period but not later than the 21st day of the month in which that day falls. The balance is payable nine months after the end of the accounting period with the corporation tax return. Each company must submit a corporation tax return to the Inspector of Taxes by the 21st day of the ninth month following the accounting year end. Failure to do so will result in a statutory surcharge and restriction on the use of certain reliefs or allowances such as loss relief.

Large companies with a corporation tax liability of more than 200,000 in their previous accounting period are obliged to pay preliminary corporation tax, amounting to 90% of the final liability for the current accounting period, one month before the end of the current accounting period (but not later than the 21st of the relevant month). For accounting periods commencing on or after 14 October 2008 this preliminary corporation tax is due in two instalments. The first instalment will be payable in the sixth month of the accounting period and the amount payable will be 50% of the corporation tax liability for the preceding accounting period (or 45% of the corporation tax liability for the current accounting period). The second instalment will be payable in the 11th month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period.

A small company can base its preliminary tax on 100% of its prior year liability. The definition of a small company is one whose liability for the prior year was less than 200,000.

New companies incorporated after 14 October 2008 and commencing a new trade

on 1st January 2009 and before 31st December 2014 will be exempt from corporation tax on income and chargeable gains for the first three years. The relief is now limited to the amount of employer's PRSI paid by a company in an accounting period subject to a maximum of 5,000 per employee and an overall limit of 40,000. Marginal relief will apply where corporation tax payable by a new company for a period is between 40,000 and 60,000. This relief will not apply where an existing trade is acquired. It will also cease to apply where part of a newly established trade is passed to a connected party. Companies carrying on excepted trades and close service companies will not qualify for this exemption.

The scheme provides relief from corporation tax on the trading income and certain gains of new start-up companies in the first 3 years of trading. The amount of relief is dependent on the amount of eligible employers PRSI. The relief has been extended to the end of 2015.

Capital gains of Irish resident companies are subject to corporation tax. Non-resident companies are taxable on the sale of certain assets including:

(a) land and buildings in Ireland
(b) minerals in Ireland or any rights to same
(c) assets situated in Ireland which are used for the purpose of a trade carried on in Ireland through a branch
(d) unquoted shares deriving their value or the greater part of their value from (a) or (b) above.

Capital losses on the sale of assets can be set against capital gains arising in the same accounting period and any excess can be carried forward and applied in subsequent accounting periods against future capital gains.

Real Estate Investment Trusts (REITs)
REITs are listed companies which allow for individuals to invest in a diversified property portfolio.

A REIT is an established internationally recognised model for property investment which is to be introduced in order to allow investors to access property investment in a risk diversified manner. Qualifying income and gains in a REIT will be exempt from corporation tax at the level of the REIT company. The REIT is required to distribute profits annually for taxation at investor level.

Tax on companies exiting Ireland
Where an Irish resident company ceases to be tax resident in Ireland a liability to exit tax may arise. There is an exemption where in broad terms the company is ultimately controlled by tax treaty residents and not by Irish residents.

Exit tax deems the company to have disposed of its capital assets at market value, apart from those assets remaining within the Irish tax net.

An option to elect to defer the tax charge is being introduced. The immediate charge may be deferred and paid over 6 years or within 60 days of the migrated asset actually being disposed of. All the deferred tax is payable on or within 10 years of the migration.

BRANCH PROFITS TAX

Profits of an Irish branch or agency of a non-resident company are subject to Irish tax. For tax treaty purposes, a permanent establishment may exist within Ireland if, for instance, an individual operates within Ireland on behalf of the foreign company and is concluding contracts and making major business decisions without the authorisation of the head office of the foreign company. As a general rule, a branch operation can be equated to a permanent establishment.

SALES TAX/VALUE ADDED TAX (VAT)

A company is obliged to register for VAT if its turnover from the sale of goods exceeds €75,000 or if its turnover from the provision of services exceeds €37,500. The threshold for VAT in Ireland for a trader with no establishment in Ireland is nil, subject to a number of exceptions.

The standard rate of VAT increased to 23% with effect from 1 January 2012. This increase applies to all goods and services which were subject to VAT at 21%. The lower rate of VAT is 13.5% and applies to certain goods and services. In July 2011 a second reduced rate of VAT of 9% was introduced and applies mainly to tourism services. There is also a 0% rate of VAT that applies to certain goods/services.

The annual cash receipts basis threshold for small and medium enterprises is being increased from €1,250,000 to €2,000,000 with effect from 1st May 2014.

VAT returns are generally made on a bi-monthly basis. However, a company which is constantly in a repayment position may obtain approval to make returns on a monthly basis. For smaller businesses, the frequency of filing VAT returns has been reduced effective from July 2007. The option to file on a half-yearly basis and every four months will be available where certain conditions are met. VAT is not recoverable on non-business expenditure nor on certain other expenditure such as cars, petrol, hotel accommodation, meals. VAT on conference- related accommodation expenses are allowed from 1 July 2007 onwards if certain conditions are satisfied.

Finance (No.2) Act 2013 introduced measures which require businesses to repay VAT previously reclaimed in relation to supplier invoices which have not been paid within 6 months. This measure takes effect from 1st January 2014.

Finance (No.2) Act 2013 also introduces an amendment to VAT recovery on costs relating to transfer of business. The amendment provides that VAT recovery is only allowable where if transfer of business relief did not apply the transfer of the assets of the business would be liable to VAT.

PAYROLL TAX

All employers are obliged under the Pay As You Earn (PAYE) system to deduct Income Tax and Pay Related Social Insurance (PRSI) contributions from employees.

Up until 1 July 2011 employers paid Pay Related Social Insurance (PRSI) of 10.75% on the amount paid to each employee, subject to a reduced rate of 8.5% if income was under €356 per week.
A reduction in employers PRSI where earnings do not exceed €356 a week was introduced in July 2011. Employers PRSI was halved from 8.5% to 4.25% with effect from 1 July 2011. This reduced rate expired on 31st December 2013 and has not been retained by Finance (No.2) Act 2013.
For employees earning in excess of €356 per week the rate of employers PRSI is 10.75% on the full amount of the income. There is no ceiling.
The minimum level of annual contribution from the self-employed will increase from €253 to €500
Where modified PRSI rate payers (such as hospital consultants) have income from a trade or profession, such income and any unearned income they have will be subject to PRSI with effect from the 1 January 2013
Unearned income (such as rental income, investment income, dividends and interest on deposits and savings) for all other income earners will become subject to PRSI in 2014.

RELEVANT CONTRACTS TAX (RCT)

RCT is a tax regime that applies to payments made by a principal contractor to a subcontractor under a relevant contract (this is a contract to carry out work in the construction, forestry or meat processing industry). RCT applies to both resident and non-resident contractors operating in the construction, forestry or meat processing industry. RCT does not apply to professionals such as architects, surveyors etc.

RCT is a tax deduction system whereby a principal contractor deducts tax from payments to a subcontractor. The paper based RCT system has been replaced by a new electronic system. The new system will have three RCT rates 0%, 20% and 35% depending on the subcontractor's compliance record. The rate of tax to be deducted will be confirmed by the Revenue Commissioners.

STAMP DUTY

Stamp duties fall into two main categories:

1. Duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property, share transfer forms and certain agreements. Depending on the nature of the document, the duty is either ad valorem or of fixed amount. Prior to 31 December 2009, the duties in this category were denoted by means of stamps affixed to or impressed on the document. Following the introduction of the eStamping system, all instruments must be stamped by means of attaching the stamp certificate, obtained under the eStamping system, to the instrument.

2. Where 25 per cent of the consideration under a contract or agreement for the sale of an estate or interest in land is paid, Stamp Duty will be chargeable on the full consideration included in the contract or agreement.

3. Duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards (e.g. Credit, ATM, Laser and Charge cards) and levies on certain insurance premiums and certain statements of interest.

Residential Property

The most common charge to stamp duty which affects individuals is the stamp duty on the purchase of residential property. With effect from 8 December 2010 the following Stamp Duty rates apply to residential property:

Aggregate Consideration	Rate of Duty
First €1,000,000	1%
Excess over €1,000,000	2%

As a result of the new reduced rates of stamp duty, a number of reliefs and exemptions which previously existed have been abolished with effect from 8 December 2010. The reliefs and exemptions which have been abolished are as follows:

- First Time Buyer Relief
- Exemption for new houses under 125 sq m. in size
- Consanguinity relief (relief for relatives) on residential property transfers and non-residential property transfers (other than land)
- Exemption for residential property transfers valued under 127,000
- Relief for transfer of a site to a child.

Non-Residential Property

Non-Residential Property is any property other than residential property, stocks or marketable securities or policies of insurance. Budget 2012 amended the rate of Stamp Duty on non-residential property. With effect from 7th December 2011 the rate of Stamp Duty applicable to non-residential property is 2%.

Finance Act 2012 also abolished consanguinity relief on non-residential property after 1 January 2015. Consanguinity relief on transfers of property that is land is to be retained where;

- the transferor is under 66, and,
- the transferee will spend at least 50% of his/her normal working time for a period of 5 years from the date of the transfer farming land on a commercial basis with a view to realising profits.

Stocks and Marketable Securities

A transfer of stock or marketable securities of any company incorporated in the State is liable to stamp duty at 1% of the consideration paid. Where the transfer takes place electronically through the CREST system a 1% charge also arises. Any instrument executed on or after 24 December 2008 which transfers stock or marketable securities on sale where the amount or value of the consideration is 1,000 or less is exempt from stamp duty.

There is no stamp duty where property is transferred between associated companies, subject to certain conditions.

OTHER TAXES

These include customs and excise duties and local taxes such as rates (i.e. property tax).

Non-Principal Private Residence Charge

The NPPR charge ceased with effect from 1st January 2014. However, unpaid arrears together with any interest and penalties will remain a charge on the property.

Local Property Tax (LPT)

A new Local Property Tax on all residential properties in the State in 2013 effective from 1st July 2013. A half year charge was charged in 2013 and a full years charge thereafter. The LPT is based on an ownership date in the year. For 2013 the ownership date was 1st May 2013 and for any subsequent year the ownership date is 1st November of the preceding year. If an individual or company own a residential property on 1st May 2013 then they will be liable for the LPT on that property. An LPT return must be completed and submitted to the Revenue Commissioners on the 7th May 2013 (28th May 2013 if filing online).

The LPT liability is calculated by reference to the market value of the property on the 1st May 2013. The valuation on the 1st May 2013 will form the basis for the calculation of the charge for the 2013, 2014, 2015 and 2016 tax years. Property values are organised into a number of value bands up to €1m. The tax liability is calculated by applying 0.18% to the mid-point of the relevant band. Residential properties valued over €1m are assessed on the actual market value at 0.18% on the first €1m in value and at 0.25% on the portion of the value above €1m.

The payment of the LPT can be made as follows:

- One single payment – The payment will be deducted from the taxpayers

nominated bank account no earlier than 21st July 2013

- Phased payment from 1st July 2013 – 31st December 2013 – Under this method the LPT can be paid in equal installments over the period in the following ways:
  - Deduction from source at salary or occupational pension
  - Deduction at source from Department of Social Protection payments.
  - Direct Debit
  - Cash payments in equal instalments
  - Debit/Credit card

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined by ascertaining assessable income and then subtracting all allowable deductions. As a general rule, expenses incurred wholly and exclusively for the purpose of the business are deductible. However, specific rules apply in respect of certain categories.

Depreciation
Book depreciation is disallowed. However, companies can claim capital allowances (i.e. tax depreciation) on expenditure relating to certain types of assets including plant and machinery, motor vehicles and qualifying industrial buildings.

Plant and Machinery
An allowance of 12.5% per annum can be claimed on a straight-line basis. The plant and machinery must be purchased (not leased) and any grants receivable are deducted from the expenditure before arriving at the amount eligible for the capital allowance.

Industrial Buildings Allowance
An annual allowance of 4% can be claimed on a straight-line basis. Industrial buildings generally refer to manufacturing facilities but also include hotels and certain other structures. The allowance is available in respect of the qualifying cost less any grants received.

Motor Vehicles
There is an allowance of 12.5% per annum on a straight-line basis. The maximum amount of qualifying expenditure in relation to a new motor car is €24,000. There is no restriction for vans, trucks and other non-passenger vehicles. The capital allowances available on expenditure incurred on or after 1 July 2008 on private cars used for business purposes are based on the carbon emission level of the car. The rate of allowances or straight-line method of relief has not changed.

Category	Car
A, B & C	Carbon dioxide emissions up to 155g/km
D & E	Carbon dioxide emissions between 156g/km and 190g/km
F & G	Carbon dioxide emissions 191g/km or more
For expenditure after 1 January 2007 the “specified amount” is €24,000. Capital allowances at 12.5% on the straight-line basis will be granted as follows:	
Category	Allowance granted on
A, B & C	The specified amount that is €24,000 no matter what the car cost.
D & E	1. Where the car cost is less than or equal to the specified amount that is €24,000, 50% of that amount. 2. Where the cost is more than the specified amount that is €24,000, 50% of the specified amount.
F & G	Nil, that is, no capital allowances are available.
	Where the Revenue is not satisfied as to the level of emissions, it will automatically treat it as a category G car and no allowances will be granted.
	The treatment of proceeds on disposal is adjusted in proportion to the amount of the expenditure that qualified for allowances.

Stock/inventory
Stock and work in progress are valued at the lower of cost or market value on a FIFO basis. LIFO is not available.

Dividends
Dividends between Irish resident companies are exempt from corporation tax.

Prior to the introduction of Finance Act 2008 dividends paid to an Irish company from non-Irish resident companies were subject to corporation tax at a rate of 25%.

Subsequent to the FII GLO case, the Finance Act 2008 introduced changes to this position by providing that dividends paid by a company located in the EU or in a country with which Ireland has a double taxation treaty to an Irish company will be chargeable to corporation tax at 12.5% to the extent that the dividend is paid out of "trading profits".

A withholding tax at the standard rate of income tax (20%) applies to dividends paid to individuals resident in Ireland and certain non-residents.

Interest deductions
Interest paid on borrowings for the purposes of a trade is deductible for tax purposes if certain conditions are met. Interest payments to certain foreign parent and associated companies may be treated as distributions and consequently not allowed as a deduction against Irish profits under particular circumstances.
New provisions introduced in Finance Act 2011 which deny a trading deduction for interest on funds borrowed from a connected company where those funds are used to acquire assets from another connected company. Similar anti-avoidance measures exist for rental companies funding the acquisition of an asset from a group company by means of a connected party loan.

Losses
Trading losses can be carried forward indefinitely, even on a change of ownership of a company, provided no major change takes place in the nature or conduct of the trade. Losses incurred in a trade can be offset against other trading income in the same accounting period or the preceding accounting period. Trading losses can be offset against non-trading income on a' value basis' (i.e. taking account of the applicable corporation tax rate so that, for example, only half the amount of the losses subject to the 12.5% rate may be set off against income subject to the non-trading rate of 25%).

Foreign sourced income
Foreign sourced income is normally liable to Irish corporation tax. There are no special rules relating to controlled foreign companies.

Incentives
Up to November 2010, there were generous tax exemptions available for patent income. This has been abolished with effect from 24 November 2010.

C. TAX INCENTIVE SCHEMES

Employment and Investment Incentive Scheme
The EIIS is available to a substantial number of SMEs across different industry sectors. It should be noted, however, that companies engaged in a number of specific activities continue to be excluded. These include land dealing companies, those engaged in financial services, film production and the operation or management of hotels, and nursing homes, to name a few.

Closely held professional services companies are also excluded from the EIIS.

The quantum of tax relief afforded will remain at the marginal income tax rate but only where certain employment targets (linked to increases in both employee numbers and emolument levels) or research and development targets have been achieved. The relief is therefore phased as an initial Income Tax relief at a rate of 30% with an additional 10% available only at the end of the 4-year holding period if the above mentioned targets are met.

The maximum level of funding that a company can raise through the EIIS will be €15m. Similarly, the maximum amount which can be raised by a company in any one year has been increased to €5m.

The maximum annual Income Tax relief for an individual remains at €150,000,

Research & Development
Accounting periods commencing on or after 1 January 2009

Finance (No 2) Act 2008 increased the R&D credit for all qualifying expenditure to 25% where the expenditure is incurred in an accounting period commencing on or after 1 January 2009. Finance (No 2) Act 2008 also made changes to the way in which R&D credits are calculated for building expenditure in accounting periods commencing on or after 1 January 2009. New provisions creating greater flexibility in the use of credits were also introduced with effect from 1 January 2009.

R&D for the purposes of the relief includes basic research, applied research or experimental development. These activities must seek to achieve scientific or

technological advancement and involve the resolution of scientific or technological uncertainty.

A company which carries on a trade in Ireland, undertakes R&D activities in Ireland or within the EEA and incurs the expenditure shall be entitled to the credit. The credit can be used when the company commences to trade and has a corporation tax liability. the company does not have a Corporation Tax liability then it is possible to receive a refund of the Research & Development tax credit, up to certain limits, over a 33 month timeframe.

Finance (No.2) Act 2013 introduced a number of changes to the R&D tax credit scheme as follows:

- **Volume basis:** The first €300,000 of qualifying R&D expenditure will benefit from the 25% R&D tax credit on a volume basis. The tax credit will continue to apply to incremental R&D expenditure in excess of €300,000 as compared with such expenditure in the base year 2003.
- **Outsourcing limits:** Sub-contracted R&D costs are eligible where they do not exceed the greater of 15% or €100,000 of total costs or the greater of 5% or €100,000 in the case of sub-contracting to third level institutions. .
- **Use of the credit to reward R&D employees:** Companies in receipt of the R&D credit will have the option to use a portion of the credit to reward key employees who have been involved in the development of R&D. The credit will be a tax-free payment in the hands of the employee (although they will be taxed as normal on their other income). In the event of an incorrect claim the tax foregone will be recovered from the company and not the employee.

Under Finance Bill 2014, the base year restriction of €300,000 has been removed. Therefore the R&D tax credit will apply to all current year qualifying expenditure in respect of accounting periods commencing on or after 1 January 2015.

Property-Based Tax Incentives

Ireland operates a number of property based tax incentives whereby investments in certain qualifying properties can qualify for tax relief. Examples of the types of properties which can qualify for relief are as follows:

- Multi-Story Car Parks
- Hotels
- Hospitals
- Nursing Homes
- Residential Properties located in qualifying areas (Section 23-type properties)
- Qualifying Student Accommodation (Section 50).

Please note that the above is a non-exhaustive list.

Investors in properties which qualify for tax relief are essentially entitled to write off the qualifying cost of their investment against rental income and, in certain circumstances, against all income over a certain number of years.

- Accelerated Capital Allowances

Investors in accelerated capital allowance schemes will no longer be able to use any capital allowances beyond the tax life of the particular scheme where that tax life ends after 1 January 2015. Where the tax life of a scheme has ended before 1 January 2015 no carry forward of allowances into 2015 will be allowed. This measure will apply to passive investors in property schemes and does not affect Section 23 type relief. Note: Property Relief Surcharge – as outlined in Section F below.

Living City Initiative

Finance Act 2013 provides for the introduction, by Ministerial Order, of an incentive for certain urban regeneration activity. The areas covered are to be prescribed by order of the Minister for Finance and the relief will apply to qualifying expenditure incurred within 5 years of commencement of the scheme.

Foreign earnings deduction

Finance Act 2012 introduced a new Foreign Earnings Deduction to aid companies seeking to expand into emerging markets.

The deduction will apply for individuals who spend 40 days a year or more carrying out their duties of their office or employment in developing markets for Ireland in the BRIC (Brazil, Russia, India and China) countries and South Africa.

The relief applies for the tax years 2015, 2016 and 2017. The relief applies by reducing the individuals employment income which is based on the number of qualifying days spent in the qualifying countries. The maximum deduction is €35,000 i.e The maximum income tax relief is €35,000 x 40% = €14,000.

The following additional countries qualify for the relief:

- Algeria
- Democratic Republic of Congo
- Egypt
- Ghana
- Kenya
- Nigeria
- Senegal
- Tanzania
- Japan
- Singapore
- South Korea
- Saudi Arabia
- UAE
- Qatar
- Bahrain
- Oman
- Kuwait
- Indonesia
- Vietnam
- Thailand
- Chile
- Mexico
- Malaysia

Special Assignment Relief Programme (SARP)
Finance Act 2012 introduced a new SARP programme with the aim of attracting key talent to Ireland to create more jobs and facilitate the development and expansion of business in Ireland.

The relief is available to employees coming to work in Ireland from abroad on the instruction of their employer. The employee must be Irish tax resident in the year of assessment in order to claim the relief. The employee must perform all of their duties of employment in Ireland with a relevant employer and must also have relevant employment income of greater than €75,000 per year. The relief applies to employees arriving in Ireland in 2015, 2016 or 2017.

The employee must:
- Have worked with the employer for a minimum period of 6 months before being assigned
- Not have been tax resident in Ireland for the 5 tax years immediately preceding the tax year in which he or she first arrives in Ireland for the purpose of performing those duties

A relevant employer means a company that is incorporated and tax resident in a country or jurisdiction with which Ireland has a double taxation agreement or a tax information exchange agreement.

The relief works by reducing the employee's taxable income for the year of assessment by the specified amount. The specified amount is calculated as follows:

(A – B) x 30%

A = Upper threshold – Amount of employee's relevant income

"A" is the amount of the relevant employee's income, profits or gains from his or her relevant employment in Ireland excluding any amount that is not assessed to tax in Ireland and after deducting any contribution or qualifying pension premium. Also excluded are expenses incurred in relation to the employment and amounts on which the employee is entitled to double tax relief for foreign tax.
B = Lower threshold - €75,000

Foreign Tax Relief
Irish resident companies can obtain a credit for foreign tax suffered in territories with which Ireland has a tax treaty. There are currently agreements in place with 71 countries, of which 68 are in effect. The agreements cover direct taxes, which in the case of Ireland are income tax, corporation tax and capital gains tax.Unilateral relief is also available in respect of overseas tax suffered under certain circumstances.

Finance (No.2) Act 2013 introduced a limitation on the deduction allowable for excess foreign tax that cannot be allowed as a credit against Irish corporation tax on a company's profit. These changes apply to accounting periods commencing on or after 1st January 2014.

Corporate Groups
Trading losses can be transferred within a group in the same accounting period provided a shareholding test is satisfied.

Related Party Transactions
Transfer Pricing regulations were introduced in Ireland and have effect from 2011. The transfer pricing legislation endorses the OECD Transfer Pricing Guidelines and the arm's length principle has been released which brings the Irish tax regime into line with OECD guidelines. There principal aspects of the legislation are as follows:
- The regime is confined to related party dealings that are taxable at Ireland's corporate tax rate of 12.5% (i.e. trading transactions)

- A so called “grandfather” clause is included whereby arrangements entered into between related parties prior to 1 July 2010 are excluded from the regime
- the provisions apply to large businesses – SMEs are excluded
- companies are required to have documentation available in relation to their transfer pricing policies
- the rules apply –
  - for accounting periods beginning on or after 1 January 2011
  - in relation to transactions the terms of which are agreed on or after 1 July 2010.

In addition to the above, under current legislation, certain disposals of assets between connected parties are deemed to be for market value.

Entrepreneur’s Relief
Finance (No. 2) Act 2013 contains a new relief from capital gains tax called Entrepreneur’s relief. The relief applies to individuals who reinvest the proceeds from a previous disposal into new business ventures. In order for the relief to apply there are detailed conditions to be met. The relief reduces the tax on a disposal of the new assets to the lower of 50% or the tax paid on the previous asset in proportion to the sales proceeds which were reinvested. This relief requires EU approval before it becomes effective.

Start your own business relief
The Finance (No. 2) Act 2013 provides an exemption from income tax for two years for qualifying individuals who set up an unincorporated business. The relief applies up to maximum earnings of €40,000 per year. A qualifying individual is an individual who has been continually unemployed or in receipt of social welfare for at least 12 months immediately prior to setting up the business. There are also a number of specific conditions to be satisfied.

D. WITHHOLDING TAXES

See above text regarding withholding tax on dividends paid by Irish companies. Payments of certain types of royalties and rents to non-residents are subject to withholding tax at 20%.

Dividends, interest and royalties paid by Irish companies to residents of EU countries or countries with which Ireland has a double tax agreement are, subject to meeting certain conditions, exempted from withholding tax or liable at a reduced rate.

Tax at 20% is deducted from payments made by Government and State Bodies in respect of most professional services.

Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds.
Finance Act 2012 increased the rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds by 3 percentage points in each case. The rate is now 30% for payments made annually or more frequently and 33% for payments made less frequently than annually. The increased rates apply to payments, including deemed payments made on or after 1 January 2012.

Finance (No.2) Act 2013 introduced the following increases in the rate of retention taxes:
- 41% for payments made annually or more frequently (previously 33%)
- 41% for payments made less frequently than annually (previously 36%)
  with effect from 1st January 2013.

E. EXCHANGE CONTROLS

There are no exchange controls.

F. PERSONAL TAXES

Income Tax
An individual is resident for a tax year if either of the following two tests is satisfied:
- Present for more than 183 days in Ireland; or
- Present for more than 280 days in total in that year and the preceding year. Presence in either year for fewer than 30 days is disregarded.

In the year of arrival, an election for residence can be made where there is an intention of continuing to reside in Ireland.

At birth, a person acquires a domicile of origin and, subsequently, having acquired the

age of majority, a person can acquire a domicile of choice if he/she settles in another country and makes it his/her permanent home.

All individuals, resident and domiciled in Ireland must pay income tax on worldwide income and capital gains tax on worldwide gains, regardless of whether or not the income is remitted into the State.

An individual loses ordinary residence status after having been non-resident for three consecutive tax years and regains it after being resident for three consecutive tax years.

Up to 31 December 2007 an individual who was Irish resident but non-domiciled was liable to Irish tax in full on income arising in Ireland and the UK and on 'foreign income' but only to the extent that the foreign income was remitted to Ireland. This was known as the remittance basis of taxation. However, with effect from 1 January 2008, the remittance basis was extended to UK source income.

The remittance basis of taxation also applied to an individual who was a citizen of Ireland but not ordinarily resident in Ireland. Finance Act 2010 removed the ability of Irish citizens to qualify for the remittance basis of taxation by virtue of being non-ordinarily resident, with effect from 2010.

Prior to 20 November 2008, the remittance basis applied for capital gains tax purposes to a person who was either resident or ordinarily resident in the State but not domiciled in the State in respect of gains arising outside of Ireland and the UK. Gains arising in Ireland and the UK in such circumstances were taxable in full. However, in respect of disposals made on or after 20 November 2008, the remittance basis of taxation will apply to all gains arising to all non-Irish domiciled persons who are either resident or ordinarily resident in the State in respect of non-Irish situated assets. Therefore, gains in relation to UK assets are subject to the remittance basis with effect from 20 November 2008.

In addition Finance (No.2) Act 2013 provides a non-domiciled individual will be liable to Irish CGT on any gains where the chargeable gain was transferred to their spouse and the spouse remits the funds to Ireland after 13th February 2013. This provision applies from 24th October 2013 regardless of when the disposal of the asset occurred. From 1 January 2006, so much of the income of a foreign office or employment of an individual as is attributable to the performance in Ireland of the duties of that office or employment is taxable in Ireland regardless of whether it is remitted or not, and must be taxed at source by the foreign employer. An exception applies for individuals resident in a treaty country where certain conditions are satisfied and the duties of that office or employment are performed in Ireland for not more than 60 working days in total in a year of assessment or for a continuous period of not more than 60 working days.

Finance (No 2) Act 2008 provided for a limited reintroduction of the remittance basis in respect of certain employment earning which are not remitted to the State. The Finance (No 2) Act 2008 provisions were limited in application as they only applied to employees who were nationals of, and employees of companies in, non-EEA countries and with which Ireland had entered into a Double Taxation Agreement. In addition they also require the employee's assignment in Ireland to be a duration of at least three years. Finance Act 2010 extended the scheme to include EU and EEA nationals (other than Irish domiciled individuals) who come to live and work in Ireland on or after 1 January 2010. In addition, the require period of assignment was reduced from three years to one year.

The new legislation offers a system which will allow a tax refund to be claimed in certain circumstances. However, PAYE must be operated and an Income Tax refund claimed subsequently. Where all the conditions are satisfied, an employee may make a claim for the tax due on his or her employment (Schedule E) income for the year (as subject to PAYE) to be calculated on the higher of:

- The employment (Schedule E) income that was remitted to Ireland in that year or
- €100,000 plus 50% of the balance of the employment (Schedule E) income in excess of €100,000.

Domicile Levy

Finance Act 2010 introduced a new Domicile Levy to ensure that individuals with substantial ties to Ireland would make a contribution to the Exchequer, irrespective of their residence status.

The levy is €200,000 and applies from the tax year 2010 to every 'relevant individual'. In order to be a relevant individual for a tax year the following conditions must be met:

1. The worldwide income of the individual for the tax year is greater than €1 million;

2. The individual is domiciled in and is a citizen of Ireland in that tax year. Budget 2012 proposes to remove the “citizenship” condition for payment of the Domicile Levy. This will broaden the base for the levy.
3. The individual’s final Irish income tax liability is less than €200,000; and
4. The market value of the Irish property owned by the individual on 31 December in the tax year exceeds €5 million.

Irish income tax paid by an individual will be allowed as a credit against the levy. The levy is payable on a self-assessment basis on or before 31 October in the year following the valuation date, i.e. 31 December each year.

Anti-avoidance provisions are included in the legislation to prevent transfers of Irish situate property for less than market value on or after 18 February 2010 to spouses, minor children, discretionary trusts and other entities.

Most individual taxpayers who are not self-employed have tax deducted at source from their earnings by their employer (PAYE). Self-employed individuals pay income tax directly to the tax authorities on an annual basis on 31 October each year. The tax year runs from 1 January to 31 December.

Tax rates and bands for individuals in tax years 2014 and 2015		
Personal Circumstances	**Tax Year 2014**	**Tax Year 2015**
Single / Widowed without dependent children	€32,800 @ 20% Balance @ 41%	€33,800 @ 20% Balance @ 40%
Single / Widowed qualifying for One Parent Family Tax Credit	€36,800 @ 20% Balance @ 41%	€37,800 @ 20% Balance @ 40%
Married Couple - one spouse with income	€41,800 @ 20% Balance @ 41%	€42,800 @ 20% Balance @ 40%
Married Couple - both spouses with income	€41,800 @ 20% (with an increase of €23,800 max), balance @ 41%	€42,800 @ 20% (with an increase of €24,800 max), balance @ 40%

Note: The increase in the standard rate tax band is restricted to the lower of €24,800 in 2015 (€23,800 in 2014) or the amount of the income of the spouse with the lower income. The increase is not transferable between spouses.

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Single Person Child Carer Tax Credit

This tax credit has been introduced from 1st January 2014. This tax credit replaces the one parent family tax credit. The effect of this is that only one individual, who is the child’s principal carer, may claim the new single person child carer credit.

Universal Social Charge

The legacy income levy and health levy have now been consolidated into one Universal Social Charge (USC) from 1 January 2011. The USC is a tax payable on gross income, including notional pay, after any relief for certain capital allowances, but before pension contributions.

Finance Bill 2014 increased the income exemption threshold for the USC for all individuals to €12,012 per year (€231 per week).

There are a number of exemptions from the USC which are as follows:

- Where an individual’s total income for a year does not exceed €12,012 in 2015.
- All Dept. of Social Protection payments.
- Payments that are made in lieu of Dept. of Social Protection payments such as Community Employment Schemes paid by the Department of Enterprise, Trade and Innovation or Back to Education Allowance paid by the Department of Education and Science
- Income already subjected to DIRT.

The USC rates for 2014 and 2015 are as follows:

2014		2015	
Income Ranges		**Income Ranges**	
Less than €10,036	Exempt	Less than €12,012	Exempt
First €10,036	2%	First €12,012	1.5%
€10,036 to €16,016	4%	€12,012 to €17,576	3.5%
€16,016 to €100,000	7%	€17,576 to €70,044	7%
Over €100,000* (self-assessed income only)	10%	€70,044 to €100,000	8%
		Over €100,000 (self- assessed income only)	11%

Reduced Rates of USC will apply to the following,
- Individuals over 70 whose with income less than €60,000
- Individuals under 70 holding a full medical card, with income less than €60,000

2014		2015	
Income Ranges		**Income Ranges**	
First €10,036	2%	First €12,012	1.5%
Income above €10,036	4%	Income above €12,012	3.5%

Some additional points of significance include:
- No USC exemption for medical card holders
- The tax-free element of termination payments will be exempt from the USC
- Salary and pension payments paid under a PAYE exclusion order to individuals resident in a treaty country will be exempt
- Deposit interest is not subject to the USC
- Social Welfare and similar payments will be exempt.

Property Relief Surcharge
A Property relief surcharge was introduced in Finance Act 2012. The property relief surcharge of 5% is imposed on investors with annual gross income over 100,000. This will apply on the amount of income sheltered by property relief and area based capital allowances in a given year.

If the gross income figure exceeds €100,000, the person is liable to the surcharge. If not, then the surcharge does not apply. Where the gross income exceeds 100,000, the surcharge applies at the rate of 5%. The surcharge will not apply to income sheltered by tax reliefs that are not property reliefs such as film relief or the new Employment and Investment Incentive. Also the various donations reliefs will not be subject to the surcharge.

Debt Forgiveness and property dealing and developing
Finance Act 2013 provided that if a debt incurred to finance the purchase or development of land is released, the amount released shall be treated as a taxable income receipt in the tax year the release is affected. Losses carried forward can be offset against this receipt.

Loss Relief claims will not be allowed where:
1. Less than 50% of the individual's total income for the tax year and the previous two years derives from dealing in/developing land
   and
2. The loss being claimed has arisen as a result of:
- A deduction for interest on the borrowings, which is unpaid; and/or
- Deductions attributable to the write down of the value of the land (rather than a loss realised on disposal).

The above amendments took effect from 13th February 2013.

Pension Contributions
There is tax relief available on contributions made by individuals to pensions. This is limited annually to a percentage of an individual's salary depending on age and is also restricted by an overall salary cap. This salary cap has been decreased in recent years and currently stands at €115,000.

Finance Act 2011 introduced new provisions which ensure that there is no relief from the USC or employee's PRSI for personal pension contributions made. Employers will only receive relief of 50% of Employer PRSI on employee contributions.

There is no employers PRSI exemption for personal pension contributions made. No relief is available on employee contributions in calculating the employer's PRSI since 1 January 2012.

Employers' contributions to employees' PRSAs are treated as a benefit-in-kind for USC purposes. There is no liability to PRSI or USC on employer contributions into occupational schemes.

Tax free pension lump sums are capped at €200,000 as per 2011 Finance Act.

Maximum allowable pension fund at retirement
From 1st January 2014 the Standard Fund Threshold in relation to an individual's pensions will be reduced to €2,000,000. Individuals who have pensions in excess of this can claim a Personal Fund Threshold up to a maximum of €2,300,000.

Pension Levy
The pension levy of 0.15% will be in place until 31st December 2015.

Retirement Lump Sums
Tax free ex-gratia termination payments are available to individuals up to an amount calculated with reference to length of service and salary levels.

The tax-free amount of these payments is capped at €200,000. This cap was decreased to this level in the Finance Act 2011.

Approved Retirement Funds
The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) at 31 December each year has been increased from 5% to 6% in respect of ARFs with asset values in excess of €2 million (or, where an individual owns more than one ARF, where the aggregate value of the assets in those ARFs exceeds €2 million). The increase applies in respect of asset values in affected ARFs at 31 December 2012 and future years.

Prior to Finance Act 2012 the transfer of ARF assets on the death of an ARF owner to a child of the owner aged over 21 is subject to a final liability tax equal to the standard rate of income tax in force at the time of the making of such a distribution (currently 20%). Finance Act 2012 introduced a higher final liability tax rate of 30% to such transfers.

Personal Retirement Savings Accounts (PRSAs)
"Vested" PRSAs are PRSAs from which retirement benefits have commenced to be taken, usually in the form of the "tax-free" retirement lump sum. Finance Act 2012 introduced measures to apply the annual imputed distribution provisions which apply to ARFs as above to "vested" PRSAs, where the assets are retained in the PRSA rather than being transferred to an ARF.

Additional Voluntary Contributions (AVC's)
Finance Act 2013 provided that individuals could, in certain circumstances, access to their Additional Voluntary Contributions (AVC's). For a 3 year period commencing on the 27th March 2013 a member of an approved scheme or statutory scheme who has made additional AVC's may exercise an option to access, on a once off basis, up to 30% of the accumulated value of the AVC's. Employer contributions are excluded from the allowable AVC's. Where the option is exercised the amount is taxed at the higher rate of tax (40%). The amount withdrawn is exempt from the USC and is also intended to be exempt from PRSI.

Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds.
The increased rates also apply to individuals as outlined in Section D. Please refer to Section D for more information.

CAPITAL ACQUISITIONS TAX

Capital Acquisitions Tax (CAT) applies to gifts and inheritances. It arises, broadly speaking, where the donor or the donee/successor is resident (or ordinarily resident) or the property is situated in Ireland. Where the individual is non-domiciled, he does not come within these provisions unless he has been resident for five consecutive years.

There are three different thresholds for exemption from the tax depending upon the relationship (if any) between the people concerned. Budget 2013 increased the rate of CAT to 33% with effect from 6 December 2012. Budget 2013 also decreased the Group A threshold for gifts and inheritances.

Prior to budget 2013 the Finance Act 2012 increased the rate of CAT to 30%

which applies to gifts or inheritances taken during the period 6 December 2011 – 5 December 2012.

Group	Relationship to Disponer	Group Threshold from 7 December 2011	Group Threshold from 5 December 2012
A	Son/Daughter	€250,000	€225,000
B	Parent*/Brother/Sister/Niece/ Nephew/Grandchild	€33,500	€30,150
C	Relationship other than Group A or B	€16,750	€15,075

*In certain circumstances a parent taking an inheritance from a child can qualify for Group A threshold.

Prior to 4 February 2010, a person who was primarily accountable for CAT was obliged to deliver a return within four months of the valuation date where the aggregate of all taxable gifts exceeds 80% of the group threshold.

Finance Act 2010 changed the 'pay and file' dates to bring them in line with the payment dates for other taxes such as CGT and Income Tax. From 4 February 2010, the payment dates were:

Valuation Date	Pay and File Date
01 January – 31 August	31 October of the same year
01 September – 31 December	31 October of the following year

Finance Act 2012 amended the 'pay and file' deadline for CAT returns to be 31 October.

CAPITAL GAINS TAX

The rate of Capital Gains Tax to 33%. This increase applies in respect of disposals made after 6 December 2012.

The current Retirement Relief provisions are that a parent can gift/sell business assets to a child with no limit or to any other person subject to a limit of €750,000/€500,000 (based on age restrictions).

Finance Act 2012 amended the full retirement relief provisions for intra-family transfers by introducing an upper limit of €3m on retirement relief for business and farming assets disposed of within the family where the individual transferring the assets is aged over 66 years. This change applies to transfers made after 1st January 2014.

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Previously there was an unlimited amount which applied for individuals aged 66 or who reached that age before 31 December 2013. There is an upper limit of €750,000 for assets transferred outside the family for individuals aged between 55 and 66 years. The upper limit for retirement relief for business and farming assets transferred outside the family is reduced from €750,000 to €500,000 for individuals aged over 66 years.

In addition Finance (No.2) Act 2013 extended retirement relief to disposals of leased farmland in circumstances where the land is leased for farming purposes for a minimum period of 5 years and the subsequent disposal of the land is to an individual who is not a child of the individual disposing of the land.

Finance Act 2012 introduced a new relief from CGT for land and buildings purchased the European Economic Area between 7 December 2011 and 31 December 2013 where the property is held for 7 years or more. The relief applies by exempting the capital gain attributable to the first 7 years of ownership of the asset. Therefore if the property is owned for 10 years and subsequently sold, only 3/10ths of any gain on the disposal is chargeable to capital gains tax. No relief is available where the asset is owned for less than 7 years. i.e The full gain would be liable to capital gains tax. The relief is extended to 31st December 2014. Finance Bill 2014 did not provide for an extension in respect of the relief.

Capital gains tax relief for farm restructuring

A form of CGT rollover relief will be available where the proceeds on disposal of farmland are reinvested in farmland and the sale and purchase occur within 24 months of each other. The initial sale or purchase must occur between 1 January 2013 and 31 December 2015 to qualify for relief. Land swaps certified by Teagasc will also qualify for relief. EU approval is required prior to introduction of this relief.

Debt Write off

Finance (No.2) Act 2013 provides that the base cost for Capital Gains Tax will be reduced where the asset was acquired with borrowings and an amount of the

borrowings have been released or written off.

If the release or write off occurs before the disposal the base cost is reduced accordingly. If the write off occurs after the disposal it will be treated as a capital gain in the year of write off.

Mortgage Interest Relief
Finance Act 2012 increased mortgage interest relief to 30% for First-Time Buyers who purchased houses (and are residing in them) between 2004 – 2008 until 2017.

ISLE OF MAN

MEMBER FIRM

Please email Oliver Grosse-Brauckmann, PKFI EMEI Regional Director at oliver.grosse-brauckmann@pkf.com for further information.

BASIC FACTS

Population:	86,000 (July 2013 est. index mundi)
Capital:	Douglas
Major language:	English
Major religion:	Christianity
Monetary unit:	1 pound (GBP) = 100 pence
Internet domain:	.im
International dialling code:	+44
Treasury website:	www.gov.im/treasury

KEY TAX POINTS

- Companies resident in the Isle of Man (IOM) are subject to income tax on income derived from all sources. Non-resident companies are required to pay tax on IOM-sourced income only, excluding income from approved financial institutions up until 5 April 2006.
- There is no tax on capital gains and gains are not included in ordinary taxable income.
- The VAT rules are nearly identical to those applying in the UK. The standard VAT rate is 20% (with the exception of hotel accommodation and certain building works which are taxed at 5%).
- Double tax relief is available for foreign tax paid. It may be set off against the IOM tax payable.
- There are no specific transfer pricing rules.
- Non-residents are subject to IOM non-resident income tax on all IOM-sourced income except income received from approved financial institutions such as banks and fund managers.
- Income tax is payable by IOM resident individuals on their worldwide income from all sources. Non-resident individuals are only required to pay IOM income tax on IOM-sourced income excluding income from approved financial institutions and most sources of income from IOM companies.
- There is no tax on gifts and no inheritance tax liability for the estates of resident individuals.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Income tax is payable by Isle of Man (IOM) resident companies on income derived from all sources. Non-resident companies are required to pay tax on IOM-sourced income only.

In general, resident companies are companies incorporated in the IOM and companies whose central management and control is in the IOM. All companies incorporated in the IOM are resident there.
The general rate of income tax for companies is 0%. Income from banking business and retail businesses with local profits exceeding £500,000 are taxed at 10%. Profits on Land & Property in the Isle of Man are taxed at 20%. The rate of tax on these two sources of income will be 20% from 6 April 2015.
Profits can, in certain circumstances, be attributed to and taxed upon Isle of Man resident shareholders. This attribution of IOM company profits does not apply to non-resident shareholders. This attribution regime is being abolished for company profits accruing after 5 April 2012. From this date, resident shareholders are taxed upon

dividends actually declared by a resident company (not dividends attributed to them). The declaring company is required to classify how much of the dividend arises from taxable retained income profits and how much arises from other sources.
The tax year runs from 6 April to 5 April. Company tax returns are due one year and one day after the end of the accounting period and the tax is due by the same date.

TAX-FREE COMPANIES
The special types of tax-free companies such as exempt companies were withdrawn from 6 April 2006 and replaced by general zero-rating as above.

CAPITAL GAINS TAX
There is no tax on capital gains in the IOM and gains are not included in ordinary taxable income.

BRANCH PROFITS TAX
IOM companies with foreign branches remain taxable on their worldwide income although relief for foreign tax paid may be available. IOM branches of foreign companies will be subject to IOM income tax on the profits attributable to the branch. The rates of tax above apply to all companies, including branches of foreign companies, so that the zero rate applies where applicable.

SALES TAX/VALUE ADDED TAX (VAT)
Value Added Tax is imposed on items at a standard rate of 20% (with the exception of hotel accommodation and certain building works which are taxed at 5%). The VAT rules are nearly identical to those applying in the UK. Both the UK and IOM form a common area for the purposes of VAT and Customs Duties.

FRINGE BENEFITS TAX (FBT)
There is no fringe benefits tax on employers in the IOM. Employees may be subject to income tax on any benefits they receive from their employers.

LOCAL TAXES
Local rates are imposed on properties. Local authorities determine the rate.

OTHER TAXES
The IOM government also imposes customs and excise duties. For these purposes, the IOM is regarded as being part of the European Union. The UK and the IOM form a common area for customs duties purposes.
National Insurance contributions are payable by employers in the IOM. Contribution rates are similar to those that apply in the UK. Employees also pay contributions.

FOUNDATIONS
Foundation legislation has been introduced to create a new separate legal entity which has the power to manage its own assets, arrange its own funding and can operate and be taxed in a fashion similar to a local company, incurring 0% IOM tax on all sources other than profits made on IOM land.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by aggregating its taxable income and then subtracting all allowable deductions. Generally, to be deductible, the outgoings must be incurred wholly and exclusively for the purpose of a trade. Statute provides that some items are specifically non-deductible, e.g. depreciation. Special rules apply in relation to the categories listed below.

CAPITAL ALLOWANCES
Tax relief is given for the cost of plant and machinery acquired for the purposes of a business in the form of capital allowances. Capital allowances are also available for certain industrial and agricultural buildings and tourist premises.
A 100% allowance is available in the first year in which the expenditure is incurred. Where the 100% allowance is not claimed in full, a writing-down allowance is available in subsequent years, at the following rates:

Plant and machinery used in a trade	25% reducing balance basis
Industrial buildings	4% straight-line basis
Agricultural buildings	10% straight-line basis
Tourist premises	10% straight-line basis.

DEPRECIATION
Depreciation is not available as a tax deduction. Instead, capital allowances can be claimed as a deduction against taxable profits.

STOCKS/INVENTORY

Stock levels are normally taken into account in determining the profits of the trade in accordance with normal commercial principles of accounting.

CAPITAL GAINS AND LOSSES

There is no capital gains tax in the IOM.

DIVIDENDS

Dividends received by IOM resident companies are generally taxable at the 0% rate.

INTEREST DEDUCTIONS

All types of interest paid by IOM resident companies to IOM lenders are tax deductible. Interest paid to non-IOM lenders is tax deductible if incurred for the purposes of the company's trade.

There are no thin capitalisation rules but there are anti-avoidance provisions which may be in point where interest is incurred purely to mitigate tax. One of these provisions disallows tax deductions for interest arising on loans, the purpose or one of the purposes of which is the reduction of the liability of any person to income tax.

A maximum deductible amount of £7,500 per individual applies from 6 April 2011 for borrowings other than those of a trade or property rental business. This limit does not apply to companies.

LOSSES

Trading losses can be carried forward indefinitely provided a continuity of business test is satisfied. There are also provisions for loss relief within groups of companies (see below).

FOREIGN SOURCED INCOME

The IOM does not have CFC legislation. However, it does have general anti-avoidance legislation which will tax an IOM resident on income received by a non-resident entity in which the IOM resident has an interest if the income arises to the non-resident entity as a result of steps taken to avoid IOM tax.

INCENTIVES

It is possible for certain industrial undertakings to obtain a tax holiday for up to five years.

C. FOREIGN TAX RELIEF

Double tax relief is available for foreign tax paid. It may be set off against any IOM tax payable. Where the income is received from the UK, relief may be available under the UK-IOM Double Tax agreement.

In addition to the Double Tax Agreement with the UK, the IOM has full Double Tax Agreements with Bahrain, Qatar, Malta and Estonia and limited Agreements covering aspects of the avoidance of double taxation for individuals with the following countries:

Australia	Denmark	Faroe Islands
Finland	Greenland	Iceland
Ireland	New Zealand	Norway
Poland	Slovenia	Sweden

The IOM also has Tax Information Exchange Agreements (TIEAs) currently in force with the following countries:

Australia	Canada	China
Czech Republic	Denmark	Estonia
Faroe Islands	Finland	France
Germany	Greenland	Iceland
India	Ireland	Japan
Mexico	The Netherlands	New Zealand
Norway	Poland	Portugal
Slovenia	Sweden	United Kingdom
United States of America		

D. CORPORATE GROUPS

Losses including capital allowances in respect of trading companies may be transferred from one IOM resident company to another IOM company within a group. Two companies are members of a group if one is a 75% subsidiary of the other or both are 75% subsidiaries of a third company. Consolidated tax returns cannot be submitted.

E. RELATED PARTY TRANSACTIONS

The IOM does not have any specific transfer pricing rules. However, as noted above, where expenditure has not been incurred wholly or exclusively for the purposes of a

trade, a tax deduction may not be available.

F. WITHHOLDING TAX

Non-residents are subject to IOM non-resident income tax on all IOM-sourced income except income received from approved financial institutions such as banks and fund managers. The Assessor of Income Tax may require a person who makes a payment of taxable income to a non-resident to deduct income tax from it at a rate specified by the Assessor.
The general rate of withholding tax for payments by companies is zero. A 20% rate applies to rents of Isle of Man land paid to non-resident individuals. A 20% rate applies to rents of IOM land paid to non-resident companies. These rates also apply to interest paid out of rents of IOM land.

The Isle of Man Government announced its intention to move to automatic exchange of information for bank accounts held in the Isle of Man where the beneficial owner is resident in the EU rather than operate withholding taxes under the EU Savings Directive.

This policy came into effect from 1 July 2011 and thereafter there is no option for account holders to opt for tax retention rather than information exchange.

G. EXCHANGE CONTROL

There are no exchange control rules in the IOM.

H. PERSONAL TAX

Income tax is payable by IOM resident individuals on their worldwide income from all sources. Non-resident individuals are only required to pay IOM income tax on IOM-sourced income excluding income from approved financial institutions and most sources of income from IOM companies.
An individual is regarded as a resident in the IOM if he spends an aggregate of six months in any tax year in the IOM. In addition, an individual who visits the IOM over four or more consecutive years for an average of three months in each year will also be considered an IOM resident.
Income tax is assessable on income less any allowable deductions. The rules for allowable deductions for individuals engaged in a trade are similar to those for companies. In addition, individuals are able to take advantage of deductions in respect of pension premiums, interest paid to an IOM lender of up to £7,500 per person per annum, nursing expenses (up to £9,300 per annum) and private medical insurance payments of up to £1,800 per annum made by taxpayers aged over 60.
Employees have tax deducted from each salary and wage payment by their employers under the Income Tax Instalment Payments (ITIP) scheme.
Taxpayers are assessed on a current year basis with tax due on 6 January following the end of the year assessment. A payment on account is made based on 105% of the previous year's liability (less ITIP) which is payable by 6 January in the year of assessment.
Spouses are taxed as separate individuals, unless the couple elect to be jointly assessed. If they do, they will be jointly assessed on both their incomes with both personal allowances being available in the joint assessment. Where, immediately prior to 6 April 2006, husband and wife were jointly assessed, they will be deemed to have made the election to continue to be jointly assessed.
The tax rates are as follows:

Taxable Income	Rate
(£)	(%)
0–10,500	10 due to be abolished from 6 April 2016
0–21,000 for jointly assessed married couples	10 due to be abolished from 6 April 2016
Above 10,500 or above 21,000 as applicable	20

The 10% tax rate and the above personal allowances are not available to non-resident individuals (but see below).
There is a cap on personal income tax liabilities. No one individual can have a liability for a tax year of more than £125,000.
Personal allowances are available for taxpayers at the following amounts for the tax year commencing 5 April 2012:
Single person £9,500 – due to be increased to around £14,000 from 6 April 2016.
Married couple, jointly elected £19,000
Additional age allowance (age 65+) £1,000 per person due to be abolished from 6

April 2016
There is no tax in the IOM on gifts and no inheritance tax liability for the estates of IOM resident individuals.

TAXATION OF NON-RESIDENT INDIVIDUALS

Non-residents are only charged to income tax on IOM source earned income.
From the tax year ending 5 April 2010, the small personal allowance available to non-residents has been abolished. Previously an individual receiving IOM income but who was not resident in the Isle of Man was entitled to a personal allowance of £2,120.
As an alternative to taxing the total income less personal allowance, tax may be charged on the IOM source income of a non-resident subject to a limit of:
(1) tax due on IOM income reduced by any excluded income plus
(2) tax deducted at source from any excluded income (likely to be nil).
If this alternative is lower, the alternative will apply.
Excluded income includes dividends, bank interest, social security benefits and National Insurance retirement pension.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

		Dividends (%)	Interest (%)	Royalties (%)
(a)	Companies:			
	Bahrain	0	0	0
	Estonia	0	0	0
	Malta	0	0	0
	Qatar	0	0	0
	UK	0	0	0
	Non-Treaty	0	0	0
(b)	Individuals:			
	Bahrain	N/A	20	20
	Estonia	N/A	20	20
	Malta	N/A	20	20
	Qatar	N/A	20	20
	UK	N/A	20	20
	Non-Treaty	N/A	20	20

Chargeable benefits with an aggregate value of under £400 for the year are exempt from tax

Exempt benefits
- Accommodation used solely for duties of employment.
- Approved Profit Sharing or Savings Related Share Options Schemes.
- Car Parking space at or near place of work.
- Medical/dental insurance.
- Christmas party expenses up to £100 per head.
- Provision of a personal computer for use at home up to benefit value of £1,000.
- Nursery or creche facility expenses necessary for employees to attend work.

ISRAEL

MEMBER FIRM

City	Name	Contact Information
Ramat-gan	Haim Halfon	+973-3-6123939 haim@ahcpa.co.il

BASIC FACTS

Full name:	State of Israel
Population:	8.0 million (2013 PRB)
Capital:	Tel Aviv
Major languages:	Hebrew, Arabic
Major religion:	Judaism, Islam
Monetary unit:	Israeli New Shekel
Internet domain:	.il
International dialling code:	+972
Treasury website:	www.financeisrael.mof.gov.il

KEY TAX POINTS

- Israeli resident companies are liable to Israeli taxes on their worldwide income and capital gains. A non-resident company is only liable to Israeli tax on income sourced in Israel.
- VAT is charged at a rate of 18% on the supply of goods and services by Israeli business entities.
- Withholding taxes are deducted from payments of interest, dividends and royalties made to non-residents, subject to Tax Treaty arrangements.
- Income tax is payable by Israeli-resident individuals on income derived from all sources, including passive income and all income derived or paid from overseas sources.

A. TAXES PAYABLE

TAXES AND LEVIES:
COMPANY TAX - ORDINARY INCOME

Israeli resident companies are liable to Israeli taxes on their worldwide income and capital gains. A non-resident company is only liable to Israeli tax on income sourced in Israel. A company resident in Israel is one that is incorporated in Israel or managed and controlled in Israel. The corporate tax rate in Israel is 26.5%.

The financial year runs from 1 January to 31 December. A company must normally submit tax returns within five months of the end of its accounting period. This period may be extended for up to 13 months.

Companies must make monthly advance tax payments of company tax, based on the previous year's tax liability. In addition, monthly payments must be made within 15 days of the month's end at the rate of 45%, in respect of certain expenses, which are not allowable for tax purposes, such as excessive travel and entertaining costs. Where the company has taxable income, such payments are treated as advanced payments.

CAPITAL GAINS TAX

Capital gains are divided into two elements. That part of the gain which is inflationary by nature is taxable at the rate of 10% in respect of the inflationary gain which was earned up to 31 December 1993 and at zero rate thereafter. The real gain is taxable at the corporate tax rate. Non-resident companies are liable to Israeli tax on capital gains derived in Israel.

Foreign residents have the option of having the real gain calculated by reference to changes in the exchange rate of the foreign currency as related to the Israeli currency.

BRANCH PROFIT TAX

There is no Branch profit tax in Israel i.e. profits of an Israeli branch of a foreign company can be distributed to the foreign country (after paying Israeli tax on the profit itself) with no withholding tax on the distribution.

VALUE ADDED TAX (VAT)

VAT is charged at a rate of 18% on the supply of goods and services by Israeli business entities. The export of goods and certain services from Israel are zero-rated.

FRINGE BENEFITS TAX (FBT)

There is no separate fringe benefits tax in Israel. Fringe benefits are included in the employee's gross income and are taxed as salary.

LOCAL AND OTHER TAXES:
PURCHASE TAX

Purchase tax is payable on the purchase of real estate at rates from 3.5% to 5.0%. A purchase tax ranging from 0% to 5% is payable if the building is a residential apartment.

NATIONAL INSURANCE (SOCIAL SECURITY)

Employers are required to pay a National Insurance premium as well as payments in respect of health insurance. These payments amount to 18.50% of salaries. Of this amount, 12% is recoverable from employees. The monthly ceiling up to which salary payments are levied on is five times the average salary (ILS 43,240) effective from 1 January 2015 and relates to both employees and the self-employed. Dividend income is exempt from the social security payment.

MUNICIPAL RATES

Municipal Rates are levied by local authorities. The government decides the maximum rate of increase. The local councils set their own rates accordingly based on square meters of occupied real estate.

LAND BETTERMENT TAX

Tax on land betterment accrued until 7 November 2001 is set at the marginal rates of up to 46% for individuals and up to 25% for companies. Tax on land betterment accrued after 7 November 2001 till 31 December 2011 is set at the rates of 20% for individuals and 25% for companies.

Tax on land betterment accrued after 1 January 2012 till 31 December 2013 is set at the rates of 25% for individuals and 25% for companies. Tax on land betterment accrued after 1 January 2014 is set at the rates of 25% for individuals and 26.5% for companies. These rates are calculated in proportion to the period from the date of acquisition of the asset to the date of disposal.

The sale of residential real estate by individuals is exempt from this tax if certain conditions are met.

ESTATE TAX

At present there is no estate tax in Israel.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is generally based on income reported in the financial statements subject to adjustments as indicated in the tax law. Special regulations apply in respect of the matters referred to below.

DEPRECIATION

Deduction for the depreciation of assets which are used by a company are inflation adjusted and calculated normally on the straight-line basis at the following annual rates:

Nature of Asset	Rate (%)
Plant and machinery of an industrial company	20 – 40
Other plant and machinery	7 – 10
Electronic equipment	15
Furniture and office equipment	6 – 7
Furniture and office equipment (restaurants and hotels)	9 – 12
Computers and software	25 – 33
Trucks and commercial vehicles	20
Cars	15
Patents and know how	12.5
Research and development expenditure	33 – 100

Accelerated depreciation up to 200% can be claimed on equipment used in production activities, if certain conditions are met.

STOCK / INVENTORY

Inventory is valued using the FIFO or weighted average methods (LIFO is not a permissible alternative).

DIVIDENDS

Dividends received by an Israeli company from another Israeli company are exempt from company tax, except where the income (out of which the dividend is paid) is from a foreign source. Dividends received from an approved enterprise (see 'Incentives' below) are subject to 15% company tax.

Dividends received from non-resident companies are fully liable to company tax at the rate of 25%. Dividends paid to a non-resident shareholder are subject to withholding tax of 25% unless a lower rate is provided for within the framework of a double tax treaty.

Dividends paid after 1 January 2012 to Israeli or foreign individuals and foreign companies are subject to withholding tax of 25% (until 31 December 2011 - 20%). However, dividends paid after 1 January 2012 to major shareholders (holdings of 10% and above) are subject to withholding tax of 30% (until 31 December 2011 - 25%). These rates may be reduced according to the terms of the relevant tax treaty. With effect from 1 January 2003, taxes paid on foreign income, including both company tax and dividend withholding tax can be set off against taxes payable in Israel in specific cases.

INTEREST DEDUCTIONS
Interest is normally deductible on an accrual basis. However, interest payable to a non-resident is effectively deductible only when payment is effected since a deduction may only be taken if tax has been withheld at source from the interest payment within three months of the end of the company's accounting period. There is no curtailment of deductible interest by reference to debt/equity ratios.

LOSSES
Trading losses may be set off against all categories of income and capital gains in the same accounting period. Unutilised losses may be carried forward indefinitely against future income and capital gains which result from the business from any trade or business carried on by the company but not against income or gains from any other source.

Generally, carry forward of losses may be denied where there has been a change in the control of the company and one of the purposes of the change is tax avoidance. Losses may not be carried backwards. Losses incurred abroad are allowed as a deduction from Israeli income (conditions apply).

FOREIGN SOURCED INCOME – CFC TAX
For entities controlled by Israeli residents, CFC tax is payable in Israel at the rate of 26.5% if the following conditions apply:
(1) The source of income of the foreign corporation is passive (interest, dividends, royalties, rentals, etc);
(2) The foreign corporation has paid tax in a 'low tax territory' (less than 20%);
(3) Israeli residents control more than 50% (in certain circumstances more than 40%) of the shares in the foreign corporation or have the right to influence certain management decisions.

PARTICIPATION EXEMPTION
In Israel, in most cases, there is no participation exemption. However, an Israeli holding company, under specific conditions, is exempt from tax on dividends received from foreign subsidiaries; from capital gain on the sale of such subsidiaries; and from interest on deposits made in Israel by the subsidiaries. Foreign shareholders benefit from a reduced withholding tax of 5% on dividends distributed by the holding company. An Israeli shareholder will pay between 25% to 30% withholding tax on dividends distributed.

OTHER INCENTIVES
There are various other incentives available such as employment incentives; international trading company incentives; the construction of dwellings for rental; research and development (R&D) where bi-national funds have been established to promote joint ventures; tourism industry schemes; and incentive training programs with the granting of loans for the encouragement of small businesses.

The Law for the Encouragement of Capital Investment established a management body to grant benefits for tourist attractions and the creation of a tourist investment board. There are also benefits in the field of renewable energy. The Israeli government has signed research and development co-operation agreements with the United States, Canada, the European Union and some countries in Asia. A government Seed Fund has been established to encourage investment in start-up companies by matching the capital of investors.

Special 'Free Trade Zones' have been established with major tax benefits including exemption from VAT, lower tax rates and exemption from property tax.

INCENTIVES
In order to encourage both local and foreign investment, Israel grants a number of significant tax incentives which have the effect of eliminating or substantially reducing the tax rate for companies. These incentives are known as incentives for "approved enterprises". These incentives are included in the Encouragement of Capital Investments Law. In 2011 new amendments were published regarding to the Encouragement of Capital Investments Law. The amended law is effective as of 1 January 2011.
(1) According to the amended law the incentives will be given by two geographical zones:
    (i) Zone A (as defined in the "zone map" which is in force until the end of 2012, generally defined as periphery regions that are distant from the centre of Israel. The "zone map" for 2013 and onwards is yet to be determined);

    (ii) The rest of the country;
(2) An "Industrial Enterprise" that meets the requirements of section 18A of the Law is entitled to a reduced corporate income tax rate, in respect of income generated

from 2011 onwards, although a minimum of 25% of the company's total turnover must be generated from exports;

(3) The tax benefits are not time limited, meaning that any industrial company which exports 25% of its total turnover is eligible for the reduced tax rates for as long as it meets the above criteria. However there are no benefits guaranteed for the years to come and it could be altered by new legislation;

(4) The tax benefits are applicable in relation to the enterprise's total turnover. The reduced corporate income tax rates are 9% for companies in Zone A and 16% for the rest of Israel;

(5) An Industrial Enterprise, only if located in zone A, is entitled to a grant when filing a comprehensive investment plan, which fulfils the legislative intent. A qualified investment may include investments in human capital and other investments which meet the legislative intent of the amended law;

(6) The grant is expected to be set at 20% of the company's investment, with an option for an additional 4% of administrative grant.
A company defined by the Israeli Investment Centre (IIC) as a "Big Company" will be entitled to a grant no larger than ILS 20 million (20% of a ILS 100 million investment plan), while others will be entitled to a grant no larger than ILS 6 million (20% of a ILS 30 million investment plan);

(7) A company is able to enjoy both the grants track and the tax benefits track, under the condition of being located in zone A;

(8) Dividends distributed to Israeli and non-Israeli residents (companies and individuals) would be subjected to a 15% withholding tax or to a reduced tax rate according to the relevant tax treaty's provisions;

(9) There are transitional provisions for companies with plans under the previous law provisions.

RESEARCH AND DEVELOPMENT (R&D) INCENTIVES

The Office of the Chief Scientist in the ministry of industry, trade and labour is responsible for implementing the government's policy of encouraging and supporting industrial research and development in Israel. This office provides a variety of support programs which have helped to make Israel a major centre of hi-tech entrepreneurship. The R&D Fund offers grants of between 20% and 50% for approved projects.

If the project is commercially successful, the company is under an obligation to repay the grant through royalty payments. Grants of up to 90% of the costs are available for biotechnology research and up to 85% for technological incubators.

C. FOREIGN TAX RELIEF

Foreign tax credits are given to Israeli-resident companies in respect of foreign taxes borne on overseas sourced income and capital gains.

There is no system of 'global' foreign tax credits. Each foreign source is treated as separate for the purpose of the consideration of credits. With effect from 1 January 2003, an Israeli company is allowed to deduct the tax paid on foreign company profits and also the withholding tax paid on dividends from taxes payable, provided it holds directly at least 25% (or at least 50% indirectly) of the shares in the foreign company.

D. CORPORATE GROUPS

In general, there is no consolidation of profits and losses of a group of Israeli companies for tax purposes. However, consolidated tax returns may be filed for a group of industrial companies meeting certain criteria.

E. RELATED PARTY

The tax assessing officer has powers to impose arm's length prices on arrangements between related parties. Market value can be determined by a prior ruling from the tax authorities.

In November 2006, new legislation was introduced relating to 'transfer pricing' for multi-national groups with effect from the 2007 tax year.

F. WITHHOLDING TAX

Withholding taxes are deducted from payments of interest, dividends and royalties made to non-residents, subject to Tax Treaty arrangements. See section 'I' below for treaty and non-treaty rates.

G. EXCHANGE CONTROL

There are no exchange controls in Israel and foreign currency can be freely transferred

in and out of the country.

H. PERSONAL TAX

Income tax is payable by Israeli-resident individuals on income derived from all sources, including passive income and all income derived or paid from overseas sources.

Non-resident individuals are only liable to income tax on Israeli-sourced income.

Factors determining residence include situation of family, business and social activities.

For information regarding the tax rates see below.

Rental income is taxed in the hands of an individual at rates of 10% or 15%, with no allowance for the deduction of expenses, depending on whether the property is situated in or out of Israel (This does not include commercial rentals).

Individuals can choose to pay normal taxes on rental income and then can claim deductions (financial expenses, maintenance and other expenses relating to the property) against the rental income. The tax rate on the net income will be the marginal rate of the individual.

Rental income of residential apartments in the hands of an individual is exempt up to ILS 5,080 per month.

Interest income is taxed in the hands of an individual at rates between 15% to individual marginal rate depending on circumstances. Exemptions are provided for low income earners.

Capital gain is taxed in the hands of an individual at rates of 25%.

TAX RELIEF FOR NEW AND RETURNING RESIDENTS

A major tax reform for new and returning residents has been retroactively in force from January 2007.
There has been a change in the definition of “foreign resident”. Individuals who leave Israel will only lose their Israeli residency status if they are outside of Israel for at least 183 days each year during two consecutive tax years and their primary residence is outside of Israel for a further two years.

A senior returning resident is defined as an individual who returns to Israel to reside after being a foreign resident for at least five consecutive years if they return to Israel in the tax years 2007 through 2009, or at least 10 consecutive years if they return to Israel after 2009.

SUMMARY OF BENEFITS

Details	Benefit for new resident and senior returning resident
Passive income-exemption from foreign assets purchased before becoming Israeli resident	10 years exemption
Exemptions from foreign business income and foreign salary	10 years exemption
Foreign companies that are managed and controlled from Israel, CFC, or foreign professional company	Those companies will be considered as foreign for 10 years
Foreign allowances and pensions	10 years exemption
Capital gain exemption	10 years
Tax return	No need to submit a tax return on the exempt income.

OTHER

No tax is payable on income arising outside Israel and received by non-residents who are in the country temporarily, who do not intend to establish a place of residence and who have not resided in Israel for periods totalling six months in the tax year.

‘Approved specialists’ are foreign experts whose status is granted by the Investment Centre where no Israeli resident could perform the job or possess the necessary skills to do so. Approved specialists are liable to a maximum tax rate of 25% on their income for a period of three tax years, with a possible extension for a further five years.

The rates of tax on monthly taxable income of individuals as of January 2015 are:

Monthly Income (ILS)	Rate (%)
0 - 5,270	10
5,271 - 9,000	14
9,001 - 13,990	21
13,991 - 19,980	31
19,981 - 41,790	34
41,790 - 67,560	48
Over 67,561	50

The above rates relate to income from employment, trading or profession.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest[1] (%)	Royalties (%)
Non-treaty countries:	20/25	0/25	25
Treaty countries:			
Austria	25	15	0/10 [2]
Belarus	10	5/10 [3]	5/10
Belgium	15	15	0/10
Brazil	10/15	15	10/15 [4]
Bulgaria	7.5 - 12.5	5/10	7.5 - 12.5
Canada	15	15	0/15
China	10	7/10	10
Croatia	5/10/15	5/10	5
Czech Republic	5/15	10	5
Denmark	0/10	5	0
Estonia	0/5 [10]	5	0
Ethiopia	5/10/15	5/10	5
Finland	5/15	10	10
France	5/10/15	5/10	0/10
Georgia	0/5	5	0
Germany	25	15	0/5
Greece	Domestic [5]	10	10
Hungary	5/15	0	0
India	10	10	10
Ireland	10	5/10	10
Italy	10/15	10	0/10
Jamaica	15/22.5	15	10
Japan	5/15	10	10
Korea	5/10/15	7.5/10	2/5
Latvia	5/10/15	5/10	5
Lithuania	5/10/15	10	5/10 [6]
Luxembourg	5/10/15	5/10	5
Mexico	5/10	10	10
Moldova	5/10	5	5
Netherlands	5/10/15	10/15	5/10
Norway	25	25	10
Philippines	10/15	10	15
Poland	5/10	5	5/10
Portugal	5/10/15	10	10
Romania	15	5/10	10

	Dividends (%)	Interest[1] (%)	Royalties (%)
Russia	10	10	10
Singapore	5/10	7	0
Slovak Republic	5/10	2/5/10	5
Slovenia	5/10/15	0/5	5
South Africa	25	25	0/15
Spain	10	5/10	5/7
Sweden	0	25	0 [7]
Switzerland	5/10/15	5/10	5
Taiwan	10	7/10	10
Thailand	10/15	10/15	5/15
Turkey	10	10	10
Ukraine	5/10/15	5/10	10
United Kingdom	15	15	0/15
United States	12.5/25	10/17.5	10/15 [8]
Uzbekistan	10	10	5/10 [9]
Vietnam	10	10	5/15

NOTES:

1 Many treaties provide for an exemption for certain types of interest, e.g. interest paid to public bodies and institutions. Such exemptions are not considered in this column.
2 The lower rate applies depending on the type of royalties. Normally, royalties other than film royalties are subject to the lower rate.
3 The lower rate applies to interest payable to a bank or a financial institution.
4 The higher rate applies to royalties from trademarks.
5 The domestic withholding tax applies.
6 The lower rate applies to royalties for industrial or scientific equipment.
7 Film and natural resource royalties are not exempt; however, no specific rate is provided under the treaty.
8 The lower rate applies to copyright and film royalties.
9 The lower rate applies to copyright royalties (excluding film royalties).
10 The rate applies if (i) the Estonian company owns directly at least 10% of the capital in the Israeli company, or (i) dividends are paid to the government of the other state, a local authority or the central bank, or to a pension fund or other similar institution providing pension schemes in which individuals may participate, subject to further conditions.

Please note that a substantial tax reform was approved by the Israeli parliament in December 2011 and part of the final legislation was not completed. The information above reflects the expected changes in the final version of the legislation.

ITALY

MEMBER FIRM

City	Name	Contact Information
Milan / Rome	Marco Giuliani and Guido Pignanelli	+39 2 4398 1751 mgiuliani@mgpstudio.it; gpignanelli@mgpstudio.it

BASIC FACTS

Full name:	Italian Republic
Population:	59.8 million (2013 PRB)
Capital:	Rome
Major language:	Italian
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.it
International dialling code:	+39

Department of Finance website:	www.finanze.it

KEY TAX POINTS

- All resident companies are subject to corporate income tax (IRES) on income from any source, whether earned in Italy or abroad. Non-resident companies are subject to IRES only on income earned in Italy. Both resident and non-resident companies are subject to regional income tax (IRAP) on income arising in Italy.
- Capital gains realised by a company are generally taxable as normal business income subject to IRES and IRAP,albeit certain relieves may apply as per next paragraph description
- Italian tax law includes a comprehensive set of rules on controlled foreign companies (CFC).
- VAT is levied on transfers of goods and services by enterprises, in the course of their business or professions within Italy, and on all imports into Italy.
- Foreign taxes may generally be credited against the Italian IRES tax liability, provided an equivalent clause exists in the territory from which the income derives.
- Transactions with foreign affiliated companies are closely scrutinised in order to determine whether transfer prices are at arm's length.
- Domestic companies making certain types of payments (e.g. interest, royalties, professional fees etc.) are required to withhold taxes at various rates.
- Resident individuals are subject to a personal income tax (RPEF) on their worldwide income. Individuals carrying on a business or profession and/or partnerships are liable to IRAP which is not deductible from IRPEF. Non-residents individuals are subject to tax only on their Italian source income.
- There is no wealth tax in Italy. Gift and inheritance tax applies at rates dependent on the relationship that the person receiving the gift or inheritance has with the disponer.

A. TAXES PAYABLE

NEW KINDS OF INCORPORATIONS PROVIDED BY LAW LIMITED LIABILITY COMPANIES

The so-called "limited liability company with reduced equity", introduced in 2012, has been abolished. Those previously incorporated were automatically converted into "simplified limited liability companies".

The maximum age limit of 35, previously established for shareholders of a simplified limited liability company was eliminated: therefore, individuals of any age may now have a participation in the share capital of an SLLC.

Furthermore:
- The directors do not necessarily have to be shareholders;
- The share capital must be between EUR 1 and EUR 9,999 and can only consist of cash which has to be paid in full to the Directors at the Incorporation Deed.

The Articles of Association must be drafted in accordance with a template approved by the Ministry of Justice, whose clauses cannot be amended.

As far as "ordinary" limited liability companies are concerned, 25% of the share capital contribution must be paid in cash to the directors, instead of to the bank as previously foreseen. The share capital can be less than EUR 10,000 but at least EUR 1. Furthermore, a sum equal to one fifth of the net profits resulting from the financial statements for each financial year must be assigned to the legal reserve until the company's equity reaches EUR 10,000. The reserve can only be used to increase the share capital or to cover any losses and it must be reinstated if, for any reason, it is has been reduced.

The Articles of Association do not need to be drafted according to the above mentioned template that is only required for simplified limited liability companies.

INNOVATIVE START-UP COMPANIES

Some (but not all) requirements to be met by new and existing (by no longer than 5 years, as recently modified by Law Decree 24/2015) companies to be considered "innovative start-up companies" are the following:
- Their shares must have been owned by individuals for at least 24 months;
- The registered office is in Italy;
- The purpose of the Company is the development, production and sale of goods and/or services with high level technology.

The benefits of being such a company include:
- Exemption from the payment of both stamp and annual duties to the Companies

House;
- Particular tax concessions concerning employment contracts and in terms of corporate laws.

FEDERAL TAXES AND LEVIES:
COMPANY TAX

As a rule, corporate income tax is payable by all resident companies on income from any source, whether earned in Italy or abroad. Non-resident companies are subject to corporate income tax (IRES) only on income earned in Italy. IRES is charged at 27.50%. Companies are also subject to a regional tax on productive activities (IRAP) at the rate of 3.90% albeit cost of labour and interest expenses are not deductible for IRAP purposes..
Albeit it is envisaged that IRAP will be gradually eliminated in the near future, at present the rate is still fixed at 3,90% . Starting from fiscal year 2015 however, cost of employees hired for unlimited term has become deductible for IRAP purposes

An additional 10.5% -so called RobinTax -is levied on companies (i) having revenues higher than EUR 25 million in the relevant fiscal period and (ii) carrying on their activities in one of the following fields:
- Research and exploitation of hydrocarbon;
- Oil refining, production and sale of petrol, gasoline, gas, lubricating oil, liquefied gas of petrol and natural gas;
- Production and sale of electricity.

This tax hast just been upheld unconstitutional by the Supreme Court with sentence n°10/2015, albeit its effect have not been backdated ..

Company tax returns, which cover both IRES and IRAP, must be filed electronically within nine months of the statutory year end. An advance tax payment is due by the 16th day of the sixth month of the accounting period equal to 40% of the previous year's income tax liability. A second advance payment of 60% is due by the end of the eleventh month of the company's financial year. As an exception, the advances to be paid for IRES and IRAP were increased, with Law Decree 76/2013 to 102.50% for the 2013 and 101.50% for the 2014 fiscal years but the advance payments for both IRES and IRAPshall be re-established in the original percentage starting from fiscal year 2015.. Any remaining amount would be due by the 16th day of the sixth month after the end of the period.

For income tax purposes the company can chose either a calendar or a fiscal year. For VAT and withholding tax purposes, the calendar year always applies.

BRANCH PROFIT TAX

Italian branch profits of foreign companies are fully liable to IRES and IRAP.

FISCALLY TRANSPARENT COMPANIES

Italian limited liability and joint stock companies may opt for this regime and be treated as fiscally transparent companies. In order to qualify for this treatment, joint stock companies must hold between 10% and 50% of the voting rights in another Italian company for a continuous 12-month period, whereas Italian limited liability companies must have gross incomes totalling no higher than EUR 7.5 million and be owned by a maximum of 10 private shareholders. Non-resident companies (regardless of their legal form) may also opt for such a regime only if entitled to apply the EU Parent Subsidiary
Directive to the dividends paid by the Italian controlled company.

Under the above regime, the 'transparent' company is not taxed on its own income for corporate income tax purposes. Income produced by its subsidiaries is directly allocated to the parent company according to its percentage of ownership, whether or not these profits have been remitted to it by way of dividend. The election is irrevocable for three years and must be communicated to the Tax Authorities.

CONTROLLED FOREIGN COMPANIES

Italian tax law includes a comprehensive set of rules on controlled foreign companies (CFC). These rules are aimed at avoiding hiving off income to foreign subsidiaries located in certain low tax jurisdictions. These are countries typically considered as tax havens i.e. those listed in the so-called "black-list". The profits earned by a CFC located in a tax haven country have to be imputed to the Italian resident parent company/individual regardless of any dividend distribution.

The CFC rule is also applied to entities domiciled for tax purposes in jurisdictions other than those on the black list (even EU) if, as specified by law 190/2014, their effective rate of taxation is lower than 50% of the effective Italian tax rate, which would be applied if they were resident in Italy, and have more than 50% of passive income (i.e. interest, royalties, dividends). Application of the rule may be avoided by filing a tax

ruling proving that the foreign entity does not represent an artificial structure unduly aimed at achieving a tax benefit.

To escape the CFC rule, exceptions must be met:
(1) Market Link
The business of the CFC is mainly derived from local customers or suppliers.
(2) Adequate level of CFC taxation

If the Italian company can prove that it has not used the CFC to hive off its profits into a tax haven territory.

CAPITAL GAINS
Capital gains realised by the company are generally taxable as normal business income subject to IRES and IRAP and capital losses are generally deductible. Tax on gains realised on disposal of fixed assets , may be spread over five years for assets owned for more than three years. Capital gains on assets owned for less than three years are taxed in the year in which they are realised. Capital gains arising from stock transfers are 95% exempt, under specific conditions, where they relate to financial assets owned for an uninterrupted period of at least 12 months.

FRINGE BENEFITS
Fringe benefits are included in the taxpayer's total aggregated income.

MINIMUM TAXABLE INCOME
Companies with an annual turnover of less than EUR 7.5 million are subject to an automatic evaluation in accordance with the so-called Sector Studies ("Studi di Settore'). This is to determine whether the company's income is higher than that stated in the tax return but it is not sufficient for assessing a greater taxable base. Any amended assessment must be founded on concrete evidence. For income related to 2011 onwards, any taxpayer (individual, partnership or company) not consistent and not congruent with Sector Studies, is liable to a new and more stringent tax investigation procedure, carried out by the tax authorities.

NON-OPERATING OR DORMANT COMPANIES
Such companies are subject to a minimum tax charge as far as IRES and IRAP are concerned. The company must declare an income for the tax period which cannot be lower than the amounts calculated by multiplying percentages to certain balance sheet items (estimated figure). If this amount is higher than the taxable income declared, the company is taxed on this figure. Furthermore, a VAT receivable is not refunded if these non-operating circumstances persist for five years as recently modified by law 23/2014.

For income relating to the fiscal year 2014 onwards, a company is considered dormant if:
(a) It has made a loss for five consecutive fiscal periods, considering, for fiscal year 2014 the five year period 2009-2013;
(b) It has made a loss for four fiscal periods and, in the next, has a taxable income lower than that estimated.

Moreover, any company considered dormant is subject to an additional 10.50% tax (which gives an overall corporate taxation of 38%).

VALUE ADDED TAX (VAT)
VAT is levied on transfers of goods and services by enterprises or professionals in the course of their business within Italy and on all imports. Items exported or destined for export are not subject to VAT. Since October 2013, the standard VAT rate increased to 22%. Other rates applied, as at today, are 4% and 10%. A specific VAT regime applies to real estate transactions. The standard rate might increase again, depending on whether or not the Government will be adopting certain specific laws concerning the Public Budget.

As an alternative to the nomination of a VAT representative (which remains the only procedure allowed by extra-EU companies), non-resident EU companies can apply for a "Direct VAT Identification". This enables the non-resident to settle any VAT payment directly in Italy or claim back any VAT credit. The direct VAT identification procedure is intended to facilitate the payment of Italian VAT liabilities by the non-resident. This procedure was discontinued with effect from 25 September 2009 in cases where a non-resident EU company has a permanent establishment in Italy.

The basic "place of supply" rule for supplies of services to "VAT registered persons" is that such supplies are deemed to be made where the customer is established and the related VAT is due in accordance with the so-called "reverse charge" procedure.

Services subject to reverse charges also have to be included on Intrastat forms, subject to some exceptions. Returns must be filed on a monthly or quarterly basis, depending on the company's turnover.

TAX CLAIMS

The taxpayer has the right to seek recourse against assessments and undue payment demands, etc. by appealing to the tax courts through three ranks of justice. The tax assessment can be settled by paying a lower penalty before appealing to the Tax Court.

IVIE (TAX ON REAL ESTATE OUTSIDE ITALY)

Starting from fiscal year 2012 Italian and non-Italian citizens who are taxed resident in Italy and, who own properties located outside of Italy will be subject to IVIE. This tax is calculated by applying:
a 0.76% rate to:

(a) The cadastral value as normally calculated in the Country where the real estate is situated;
(b) The cost of the real estate, as indicated in the Purchase Deed or in the contract (s); or
(c) The fair value that can be assigned to the property in the Country where the real estate is situated.

- a rate of 0.40% to

properties located abroad that are utilized as a principal residence and a lump deduction of EUR 200 is applicable to the tax burden computed by applying the 0.40% rate.

The value mentioned at a) above can only be used for taxation purposes for estates located in EEA member states.

The tax is calculated proportionally to the effective month and percentage of possession The IVIE tax is only due for payment if the tax burden is higher than EUR 200..

Any property tax paid in the country where the real estate is located can be offset against IVIE. Taxpayers may also deduct the income tax payable on properties located in EEA member states.
Italian Tax Agency has publicised the Circular 28/2012 listing and distinguishing which Country apply the abovementioned letter a) and letter b)

The deadline for paying this tax coincides with the Income Tax payment deadline.

IVAFE (TAX ON FOREIGN FINANCIAL INSTRUMENTS, BANK ACCOUNTS)

IVAFE is a tax, introduced in 2011 on foreign financial assets. Law 161/2014 recently changed the tax condition, which is now possession of financial products, bank accounts and passbooks owned abroad by Italian resident taxpayers, at a rate of 0.1% for 2011 and 2012, which increased to 0.15% at the beginning of 2013 and to 0.2% starting from 2014, To avoid double taxation, a deduction is allowed for any "wealth" tax paid abroad on the same assets.

LOCAL TAXES:
REAL ESTATE TAX (IMU)

Real estate tax (IMU) is currently payable annually in two instalments (June and December) on the value of real estate property owned by companies as well as individuals. It has a variable rate ranging from 0.4% to 1.06% of the property value, depending on each county council's assessment. IMU is no-longer charged on the principal place of abode owned by any taxpayer, unless it is classified as being luxurious for fiscal purposes within special cadastral categories. Moreover, IMU is no longer charged on rural buildings considered instrumental.

Both self-employed VAT registered individuals and companies are allowed to deduct 20% of the IMU paid during the fiscal year on instrumental premises.. The deduction in question is only applicable on the computation of corporate tax but it is not applicable when calculating the IRAP burden for the year.

Tari and Tasi

TARI replaces the old tax on waste collection called TARES; moreover, the previous Italian Government introduced the so-called TASI, which is a tax on general services provided by Italian Municipalities. TASI's taxable base coincides with the taxable base for IMU, on which a rate between 1 and 3.3 per thousand is applicable. In any case, IMU summed together with TASI cannot exceed the 6 per thousand rate as far as the principal abode is concerned and 10.6 per thousand for other buildings. Both self-employed VAT registered individuals and companies are allowed to deduct 100% of

the TASI and TARI paid during the fiscal year .

OTHER TAXES

From 2008 onwards, Stamp Duty on the transfer of shares, bonds and similar securities has been repealed under the name of Tobin Tax . Registration tax is levied on the registration of any written contract or deed. The percentage varies according to the type of deed. One of the higher rates applied to contributions or transfers of real estate was recently increased to 9%. Registration tax is not applicable if the contract is subject to VAT, except for real estate rental contracts whereby VAT and 1% registration tax are applicable.

PAYMENTS DUE BY VAT REGISTERED ENTITIES

VAT registered persons are required to effect all tax and social security payments electronically, whether or not an intermediary is involved, by means of a standard form (F24).

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is based on the result of its business profits, which consists of the net income determined during a financial period, adjusted as required by the Tax Act. Non-resident companies are taxed in Italy on certain types of income earned from sources in Italy.

CAPITAL ALLOWANCES

Depreciation of tangible assets is permitted on a straight-line basis calculated by applying the co-efficient established by the Ministry of Finance to the cost price, reduced by half for the first tax year. Tangible property with an acquisition cost of less than EUR 516.46 may be written off in the year of purchase.

STOCK / INVENTORY

Inventory is valued at cost of purchase. Companies may apply any acceptable method of inventory pricing, i.e. FIFO, average, continuous average, etc. If the cost of purchase is lower than the market value as of the previous month, the stock can be valued using this method.

DIVIDENDS

(a) Companies are taxed at 5% on dividends received regardless of where the company paying the dividend is resident (except black-listed countries).

(b) Individuals and partnerships are taxed on only 49.72% of the value of dividends received if they own more than 20% of the share capital of the company paying the dividend. If they own less than 20%, the dividend is taxed at a fixed rate of 20%.

INTEREST DEDUCTIONS

Interest expenses, including interest on leasing costs but excluding capitalised and non-deductible interest and net of the interest income accounted in the same tax period, are not deductible if they exceed 30% of the Company's statutory EBITDA i.e. the earnings resulting from its "core business".

Interest expenses that exceed the aforementioned limit may be carried forward, with no time limit, and used to offset taxable income within the 30% limit as above in succeeding tax years. Any surplus interest deductions (interest cost lower than the 30% EBITDA) may be carried forward starting from 2010.

DEVALUATION OF RECEIVABLES

From the fiscal year ended 31st December 2013 onwards, it is possible to deduct the devaluation on receivables without having to prove that the principals of "certainty and precision" are met, provided the transaction complies with National Accounting Principles and that its intent is not elusive.

LOSSES

Net operating losses incurred in tax year 2012 and onwards may be carried forward with no time limitation from the year in which they originated. However, they can only be used to offset up to 80% of the income arising in later years.

Net losses incurred before fiscal year 2011 and those accruing during the first three years of business can be carried forward for up to five years with no offset limitations, provided they have resulted from the start-up phase of a new business. These rules only apply for corporation tax (IRES) and not for IRAP purposes.

FOREIGN SOURCE INCOME

Only 5% of the value of dividends received from controlled foreign companies is liable to IRES. This 95% exemption is not available if the source of the dividends is a

company resident under a 'privileged tax regime' outside the EU. A full exemption is applicable to the dividends paid by a CFC resident in a tax haven already taxed under the transparency method.

INCENTIVES

Italian law provides for various forms of incentives to support economic investment in the south of Italy, other depressed areas in the centre/north, and in those areas struck by catastrophes such as earthquakes or floods.

BLACKLIST

All transactions with subjects residing in black-listed countries must be communicated to the Tax Authorities. The deduction of the cost is subordinated to specific conditions or to previous ruling procedures. The Republic of San Marino, has recently been taken off the list of the so-called "black list countries" whereby . Switzerland will be not later than 1.1. 2017

EXIT TAX

As a general rule, Italian Companies that decide to transfer their tax residence abroad are deemed to have realised their assets at "fair value" unless they maintain a permanent establishment in Italy. However, where the tax residence is transferred to another state within the European Union or to a state included within a specific "white list", companies may choose to pay in instalments or to have the resulting tax charge suspended until the assets of the transferred business are disposed of.

ACE (ALLOWANCE FOR CAPITAL EXPENDITURE)

In March 2012, the Italian Minister of Finance issued a decree that has introduced the possibility for Incorporations and Permanent Establishments of non-resident Companies (as well as for individuals and partnerships with ordinary bookkeeping), to deduct a lump sum from their own taxable income.

The deduction that is applicable from the year ended 31st December 2011 onwards is, in fact, calculated by applying a 3% rate to a net increase in shareholders' equity compared to the previous year end. This 3% rate was applied to increases during the fiscal years 2011, 2012 and 2013 whereas the rate to be applied for 2014 is 4%, to be increased to 4.5% for 2015 and to 4.75% for fiscal year 2016.

Examples of increases in shareholders' equity are:

- Cash injections into a company (share capital increase, write off of payables previously due to shareholders, offsetting of receivables to increase the share capital);
- Earnings not distributed to shareholders but retained and allocated to reserves.

Examples of decreases in shareholders' equity are:

- Distribution of earning reserves to shareholders;
- Decrease in capital and in reserves of capital.

The distribution of the current year's profit as well as losses affecting share capital, are not considered as being a decrease in the shareholder's equity.

C. FOREIGN TAX RELIEF

Foreign taxes may generally be credited against the tax liability suffered in Italy on the same income. Any excess foreign credits can be carried forward or backwards for eight years.

D. CORPORATE GROUPS

Provisions for the consolidation of resident and non-resident company results were introduced in 2004. These provisions allow for the consolidation of income between group companies at both domestic and international level, resulting in a single tax liability for the parent company.

The option is irrevocable for a three-year period where only Italian resident companies are involved and for a five-year period for a worldwide consolidation (or three years if subsequently renewed).

The companies participating in the group consolidation are jointly liable for taxes, penalties and interest assessed on the aggregate income. The consolidated income is taxed at the parent company level.

E. RELATED PARTY TRANSACTIONS

Transactions with foreign affiliated companies are closely scrutinised in order to

determine whether transfer prices are at arm's length. There are ministerial guidelines which suggest various limits on payments between affiliates.

A set of documentation, consistent with OECD standards, is required from those companies that make cross-border operations with controlled foreign companies. The documentation must contain detailed information and data about the transactions as well as their compliance with the "arm's length principle". Although this documentation is not mandatory, it would provide penalty protection to companies should they communicate to the Tax Authorities that they have this documentation on hand for consultation. Furthermore, they must also communicate to the Tax Authorities as to whether they have this documentation available for previous tax periods that are still subject to assessment.

The rules on transfer pricing are also applicable for IRAP purposes, having retroactive effects from the tax periods subsequent to 31 December 2007.A sentence dated November 2015 declared lawful IRAP application only starting from fiscal year 2014.

F. WITHHOLDING TAX

Domestic companies making certain types of payments (eg interest, royalties, professional fees, etc) are required to withhold taxes at various rates.

Italian legislation has implemented the EC Directive 2003/49/CE (the 'Parent/Subsidiary Directive'). No withholding tax is levied on dividends paid to a parent company in another EU Member State if both the parent and the subsidiary are 'qualifying' companies under the Directive and the parent has held at least 10% of the capital of the subsidiary continuously for at least one year.

The EU interest and royalties directive has also been incorporated into domestic law. Outbound interest and royalties are exempt from any Italian tax provided that the recipient is an associated company of the paying company and is resident in another EU Member State or such a company's permanent establishment is situated in another Member State. Two companies are "associated companies" if:

(a) One of them holds directly at least 25% of the voting rights of the other; or,
(b) A third EU company holds directly at least 25% of the voting rights of the two companies.

The relevant companies must have a legal form listed in the Annex of the Directive and be subject to a corporate income tax. A one-year holding period is required.

In general, dividends distributed to non-residents are subject to a final 20% withholding tax. For dividends paid to residents of EU countries and those listed in the "white list", a special withholding tax rate of 1.375% applies. This rule applies only to profits earned starting from fiscal year 2008. Any dividends paid that represent profits from previous fiscal years will be subject to previous years' rules.

In line with the EC Parent/Subsidiary Directive, no withholding tax is levied on dividends paid to a parent company in another EU Member State if both the parent and the subsidiary are qualifying companies under the Directive and the parent has held at least 10% of the capital of the subsidiary continuously for at least one year.

G. EXCHANGE CONTROL / ANTL·MONEY LAUNDERING

There are no exchange controls in Italy. However, banks and financial institutions are required to monitor any deposit/withdrawal over EUR 15,000 for anti-money laundering purposes. This duty was extended to audit firms, professionals, etc.

With effect from 6 December 2011, cash payments over EUR 1,000 (lowering the previous limit of EUR 2,500.00) are no longer permitted. This limit is applicable to all categories.

Penalties range from 1% to 40% of the amount transferred with a minimum penalty of EUR 3,000 (and EUR 15,000 when cash payments are greater than EUR 50,000).

H. PERSONAL TAX

Resident individuals are subject to a personal income tax called IRPEF on their worldwide income.
Individuals carrying on a business or profession are liable to IRAP which is not deductible from IRPEF. Non-resident individuals are subject to tax only on their Italian source income.

Individuals are considered resident for fiscal purposes in Italy if they are registered

at the official Register of Population; their principal place of business and interests is located in Italy; or if they remain in Italy for more than six months in any calendar year.

Progressive rates for IRPEF are as follows:

Taxable Income (EUR)	Rate (%)
Up to 15,000	23
15,001 – 28,000	27
28,001 – 55,000	38
55,001 – 75,000	41
Over 75,000	43

In addition to the above progressive rates, a regional surcharge (variable rate from 0.9% to 1.4%) is payable and an additional municipal tax could be charged and fixed locally.

An additional tax has been introduced for taxpayers whose overall income is higher than the threshold of EUR 300,000. This new tax is called the “solidarity contribution” and, it has been computed by applying a 3% rate to income exceeding EUR 300,000. It was introduced only for fiscal year 2011-2013, but it was extended also for fiscal years 2014-2016, applying the same rate

The tax period in Italy is the calendar year and tax is due over two advance payments made during the tax year with the balance due by 16 June of the following year. IRPEF is withheld at source from employee salaries and wages. The payment of taxes on account and settlement functions under a similar system as for companies.

There is no wealth tax in Italy. Gift and inheritance tax has come back into force with a range of tax rates and exemptions.

FLAT TAX (‘CEDOLARE SECCA’)

Since 2011, individuals whose income derives from renting their own properties to tenants who, in turn, use them as dwellings, can be taxed at a flat 21% rate on the agreed fees (the rate is equal to 10% for certain particular “agreed upon” local contracts.) This new rate, instead of the previous 19% applies starting from fiscal year 2014. . In order to qualify for this scheme, the lessor should choose this option when the rental agreement is registered at the local tax office, or within his or her tax return. The tenant(s) must be informed of such a choice through a registered letter with return receipt. This scheme only applies to individuals renting buildings used as dwellings. It does not apply where the building is to be used for a business purpose.

The new Italian Government has been discussing a revision of real estate taxation: therefore, it is likely that new provisions will be enforced in the very near future.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends: Individuals, Companies (%)	Dividends: Qualifying companies (%)	Interest (%)	Royalties (%)
Domestic rates:				
Companies:	1.375/12.5/20	0	0/12.5/20	30
Individuals:	12.5/20	n/a	0/12.5/20	30
Treaty rates (countries)				
Albania	10	10	0/5	5
Algeria	15	15	0/15	5/15
Argentina	15	15	0/20	10/18
Armenia	10	5	0/10	7
Australia	15	15	10	10
Austria	15	15	0/10	0/10
Azerbaijan	10	10	0/10	5/15
Bangladesh	15	10	0/10/15	10

	Dividends: Individuals, Companies (%)	Dividends: Qualifying companies (%)	Interest (%)	Royalties (%)
Belarus	15	5	0/8	6
Belgium	15	15	15	5
Bosnia Herzegovina	10	10	10	10
Brazil	15	15	15	15/25
Bulgaria	10	10	0	5
Canada	15	5	0/10	0/5/10
China(PRC)	10	10	0/10	10
Croatia	15	15	0/10	5
Cyprus	15	15	10	0
Czech Republic	15	15	0/5	0/5
Denmark	15	0	0/10	0/5
Ecuador	15	15	0/10	5
Egypt	–	–	0/25	15
Estonia	15	5	0/10	5/10
Finland	15	10	0/15	–/5
France	15	5	0/10	0/5
Georgia	10	5	0	0
Germany	15	10	0/10	0/5
Ghana	15	5	10	10
Greece	15	15	0/10	0/5
Hungary	10	10	0	0
Iceland	15	5	0	5
India	25	15	0/15	20
Indonesia	15	10	0/10	10/15
Ireland	15	15	10	0
Israel	15	10	10	0/10
Ivory Coast	15	15	0/15	10
Japan	15	10	10	10
Kazakhstan	15	5	0/10	10
Kyrgyzstan	15	15	0	0
Korea (Rep.)	15	10	0/10	10
Kuwait	0/5	0/5	0	10
Latvia	15	5	10	5/10
Lithuania	15	5	0/10	5/10
Luxembourg	15	15	0/10	10
Macedonia (FYR)	15	5	0/10	0
Malaysia	10	10	0/15	15
Malta	15	15	0/10	0/10
Mauritius	15	5	0/–	15
Mexico	15	15	0/15	0/15
Moldova	15	5	5	5
Montenegro	10	10	10	10
Morocco	15	10	0/10	5/10
Mozambique	15	15	0/10	10
Netherlands	15	5/10	0/10	5
New Zealand	15	15	0/10	10
Norway	15	15	0/15	5
Oman	10	5	0/5	10
Pakistan	25	15	30	30

	Dividends: Individuals, Companies (%)	Dividends: Qualifying companies (%)	Interest (%)	Royalties (%)
Philippines	15	15	0/10/15	25
Poland	10	10	0/10	10
Portugal	15	15	0/15	12
Qatar	15	5	0/5	5
Romania	10	10	0/10	10
Russia	10	5	10	0
Saudi Arabia	10	5	0/5	10
Senegal	15	15	0/15	15
Serbia	10	10	10	10
Singapore	10	10	12.5	15/20
Slovak Republic	15	15	0	0/5
Slovenia	15	5	0/10	10
South Africa	15	5	0/10	6
Spain	15	15	0/12	4/8
Sri Lanka	15	15	0/10	10/15
Sweden	15	10	0/15	5
Switzerland	15	15	12.5	5
Syria	10	5	0/10	18
Tanzania	10	10	15	15
Thailand	20	15	0/10/–	5/15
Trinidad and Tobago	20	10	10	0/5
Tunisia	15	15	0/12	5/12/16
Turkey	15	15	15	10
Turkmenistan	15	15	15	10
Ukraine	15	5	0/10	7
United Arab Emirates	15	5	0	10
United Kingdom	15	5	0/10	8
United States	15	5	0/10	0/5/8
Uzbekistan	10	10	0/5	5
Venezuela	10	10	0/10	7/10
Vietnam	15	5/10	0/10	7.5/10
Zambia	15	5	0/10	10

JAPAN

MEMBER FIRM

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Tokyo	Shihoko Korenaga	+81 33234 0396 info@pkfjapan.com
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BASIC FACTS

Full name:	Japan
Population:	127.3 million (2013 PRB)
Capital:	Tokyo
Major language:	Japanese
Major religions:	Shintoism, Buddhism
Monetary unit:	yen
Internet domain:	.jp

International dialling code:	+81
Ministry of Finance website:	www.mof.go.jp/english/index.htm

KEY TAX POINTS

- Domestic corporations, whose head or main office is located in Japan are subject to tax on their worldwide income.
- Foreign corporations are subject to either corporation tax or final withholding tax on Japanese source income (including income relating to the exploration for oil in the continental shelf) depending on the type of income and the extent of the foreign corporation's activities in Japan.
- Vendors are liable for a consumption tax (value added tax) of 6.3% of sales, including imports of goods and services.
- Relief is available for foreign taxes on foreign source income and capital gains whether or not Japan has concluded a tax treaty with the foreign country.
- Under the consolidated tax regime, an affiliated group of companies (a 'Consolidated Group') can report and pay national corporate income tax as one unit.
- All transactions between related companies are required to be conducted on an arm's length basis with the meaning of 'arm's length price' depending upon the transaction.
- Domestic corporations are subject to withholding tax on dividends, interest and certain other income. Foreign corporations are subject to withholding tax on dividends, interest, royalties, income from immovable property, rentals from industrial or commercial equipment, and certain other income. No tax credit for income tax withheld on dividends is allowed in the case of foreign corporations.
- Non-resident taxpayers are taxed only on their Japanese source income. Non-permanent-resident taxpayers are taxed on Japanese source income plus that part of non-Japanese source income that is paid in and/or remitted to Japan. A permanent resident taxpayer is taxed on his worldwide income.
- Japan's annual tax reforms have steadily lowered corporation tax rates as part of a continuing effort to revitalise the economy. In response to the need for additional funds to deal with the aftermath of the earthquake in 2011, a surcharge of 10% of the national corporation tax liability has been added to the national corporation tax rate for three years from April 2012.

A. TAXES PAYABLE

COMPANY TAX

Domestic corporations are those whose head or main office is located in Japan. Companies incorporated in Japan under the Corporate Law or under other special laws are required to locate their head office in Japan. Such domestic corporations are subject to tax on their worldwide income.

Foreign corporations are all corporations which are not domestic corporations. A corporation having its head or main office outside Japan is a foreign corporation even if its business operations are in Japan. Foreign corporations are subject to corporation tax on Japanese source income, including income relating to the exploration for oil in the continental shelf.

Foreign corporations are subject to either corporation tax or final withholding tax on Japanese source income, depending on the type of income and the extent of the foreign corporation's activities in Japan. Foreign corporations are not subject to tax on liquidation income.

The rate of national tax for Japanese corporations is 25.5% unless the paid-in capital of the corporation is Y100 million or less, in which case the first Y8 million of income is only taxed at 15%. In response to the need for additional funds to deal with the aftermath of the earthquake in 2011, a surcharge of 10% of the national corporation tax liability has been added to the national corporation tax rate for three years from April 2012. This surtax was planned to be levied for three years from April 2012, however, an early repeal by one year was finalized on 12 December, 2014.
From 1 October, 2014, a part of inhabitant tax (local tax) has been moved to the national tax regime as 'local corporate tax' of 4.4%.

Tax is imposed on a current year basis. The tax year adopted is generally that specified in a company's constituent documents with the standard year being a calendar year. However, it should be noted that other periods are also allowed, including periods of 12 months or less. Japanese branches of foreign corporations are required to adopt the accounting period used by their foreign head office. Final tax is payable when lodging the final corporation tax return, usually required within two months of the end of the accounting period. Extensions of time to lodge can be sought although interest at 7.3% or less is payable where such an extension is obtained.

Interim tax returns and payments are required if a corporation has a fiscal period longer than six months. Ordinarily, provisional taxes are computed as one half of the tax liability of the previous year but a reduction is available where the interim tax returns are filed to reflect bi-annual results of operations for the current year.

BLUE RETURN FILERS

Preferential tax treatment is given to companies who file 'Blue Returns'. A company which undertakes to maintain specified bookkeeping records and documentation and gains approval from the Director of the District Tax Office can file a Blue Return, the associated benefits of which are as follows.

- Tax losses may be carried forward for nine years (however for large scale companies, the use of the losses is restricted to 80% of taxable income for each year) or carried back to the previous year (temporarily suspended except for companies with paid-in capital of Y100 million or less (except for a subsidiary of a large scale company).
- The revenue authorities cannot seek to adjust taxable income without a physical review of the books and records of the company and must state the reason for such an adjustment.
- Allowance of reserves, special depreciation and tax credits as stipulated in the Special Taxation Measures Law.

Importantly, a new company must seek registration for Blue Form returns within the earlier of three months from incorporation or the end of the initial accounting period.

SALES TAX/VALUE ADDED TAX (VAT)

Vendors are liable for a consumption tax (VAT) of 6.3% (7.8% from 1 April 2017) of sales, including imports of goods and services. Only a limited number of goods and services are zero rated. Exemptions apply to leases of land, education and medical treatment. Exports and certain specific services invoiced to non-residents are zero rated. In addition, a new local consumption tax is also collected at the rate of 1,7% (2.2% from 1 April 2017). The net result will be a 8% (10% from 1 April 2017) rate of consumption tax.

LOCAL TAXES
INHABITANT TAX

Inhabitants Taxes are local prefectural and municipal taxes. These taxes are computed as a percentage of the corporation tax before tax credits. From 1 October, 2014, a part of inhabitant tax has been moved to national tax regime as 'local corporate tax'. Each prefecture and municipality may elect an Inhabitants Tax rate within the range shown below:

Rates	
Prefecture	3.2% to 4.2%
Municipality	9.7% to 12.1%
Tokyo Metropolitan (combined)	12.9% to 16.3%

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In addition to the above, local governments charge a per capita levy on inhabitants with standard rates that vary from Y70,000 to Y3,800,000 depending upon the amount of the paid-in capital and the number of employees.

ENTERPRISE TAX

Prefectures can elect to levy an Enterprise Tax. The tax base is business income and liquidation income as computed for corporation tax purposes, with certain adjustments such as the exclusion of income from a business carried on in a foreign country. Enterprise Tax is deductible in computing taxable income for corporation and Enterprise Tax purposes.

Size-based taxation has been newly introduced and this taxation is applied only to large corporations with paid-in capital of more than Y100 million and for the business years beginning on or after 1 April 2004. For such large corporations, Enterprise Tax consists of the traditional Enterprise Tax levied based on the taxable income and the newly introduced Enterprise Tax levied based on the capital etc. (i.e. paid-in capital and capital surplus) and value added (i.e. wages, interest and rental expenses).

Tax rates vary depending on whether or not the corporation is a large corporation with paid-in capital of more than Y100 million and depending on the prefecture:

Taxable periods beginning after 1 October 2014

(1)	Company whose paid-in capital is Y100 million or less	Standard (%)	Maximum (%)	Local Corporate Special Tax
	Taxable Income:			

	First Y4,000,000 per annum	3.4	3.65	(Taxable Income x standard/max tax rate) x 81%
	Next Y4,000,000 to Y8,000,000 per annum	5.1	5.465	(Taxable Income x standard/max tax rate) x 81%
	Above Y8,000,000 per annum	6.7	7.18	(Taxable Income x standard/max tax rate) x 43.2%
(2)	Company whose paid-in capital is more than Y100 million			
(a)	Income base (taxable income):			
	First Y4,000,000 per annum	2.2	2.39	(Taxable Income x standard/max tax rate) x 148%
	Next Y4,000,000 to Y8,000,000 per annum	3.2	3.475	(Taxable Income x standard/max tax rate) x 148%
	Above Y8,000,000 per annum	4.3	4.66	(Taxable Income x standard/max tax rate) x 67.4%
(b)	Added value base:			
	The sum of wages, net interest expense and net rental expense	0.48	0.504	0.504
(c)	Capital base:			
	The sum of paid-in capital and capital surplus	0.2	0.21	0.21

OTHER TAXES

FAMILY HOLDING COMPANY SURTAX

Family holding companies are liable for surtax on earnings not distributed in excess of specified limits at the following rates:

Excess Income	Rates
First Y30,000,000 per annum	10%
Next Y70,000,000 per annum	15%
Over Y100,000,000 per annum	20%

A Japanese company in which more than 50% of the shares are held by the first shareholders' group is a family holding company and is subject to the surtax. A family holding company with paid-in capital of Y100 million or less (when its 100% parent company's stated capital is Y500 million or more, 'Intra-group transaction taxation' in the year of 2010 tax reform takes away this benefit) whose net equity is 50% or less of its total assets is not subject to this special corporate surtax for accounting periods which begin on or after 1 April 2003 but before 1 April 2006.

BUSINESS OFFICE TAX

Companies whose business premises exceed 1,000 square meters and or employ in excess of 100 employees in designated cities are subject to a tax on business activity based on space or gross payroll respectively. It is within the discretion of the city authorities whether or not to charge the tax. Additions can be made to the list of designated cities for the purpose of this tax but the city must have a population of at least 300,000. The tax is imposed on:

(a) construction or extension of business premises (a one-time payment due from the owner of the building)
(b) ongoing businesses.
The rate of tax is Y600 per square meter of floor space in business use plus 0.25% of the total remuneration paid to employees.

FIXED ASSETS TAX

Real property and tangible depreciable fixed assets are subject to a fixed assets tax at the standard rate of 1.4% with an upper limit of 2.1% (1.7% for real property in specified large cities).

LANDHOLDING TAX

Landholding tax is also levied at the national and municipal level.

TOTAL EFFECTIVE TAX RATE

By way of example of how the major taxes interrelate and accumulate, set out below is a sample effective tax rate calculation for a Japanese or foreign corporation having paid-in capital of Y100 million or less.

	Rate (%)	
	(until March 2014)	(from April 2014)
A. Corporation Tax	30.0	25.5* 1.1
B. Inhabitant Tax (17.3% × A)	5.19	4.41
C. Enterprise Tax	9.6	9.6
D. Effective Tax rate (= (A + B + C)/(1 + C))	38.01	35.64

Note: Enterprise Tax is deductible for corporation tax purposes for the period in which it is paid.

B. DETERMINATION OF TAXABLE INCOME

Income is ordinarily determined in accordance with generally accepted accounting principles, with certain adjustments made to comply with the tax law. Income and expenses are recorded on an accruals basis, with deductions from gross income for all reasonable expenses, costs and losses. Restrictions apply to the deduction of entertainment expenses.

DEPRECIATION AND DEPLETION

Depreciation is allowed in respect of all tangible assets, other than land and specified intangible assets. Depreciation on tangible assets is calculated using the straight-line or declining-balance method at the option of the taxpayer. However, for buildings, only straight-line method may be used. Intangible assets are generally amortised on a straight-line basis. The legislation specifies the period over which assets are to be depreciated and the rates for both the straight-line and declining-balance methods. Minor assets that cost Y100,000 or less are deductible as an expense. In addition to ordinary depreciation, special depreciation in the form of increased initial depreciation and accelerated depreciation is available in certain cases.

INVENTORY VALUATION

Inventory valuation methods acceptable for tax include an item's individual cost, FIFO, moving or straight average, most recent purchase, retail and lower of cost or market. Importantly, the tax treatment must replicate that adopted for the statutory accounts.

LOSSES

Corporations filing a 'Blue Return' are eligible for loss carry-over treatment. In general, losses may be carried forward seven years (nine years from April 2012; however for large scale companies, use of the losses is restricted to 80% of taxable income for each year) or carried back one year. The carry-back provisions have been suspended for accounting periods ending after 1 April 1992. However, a Blue Return status corporation with paid-up capital of Y100 million or less (except for a subsidiary of a large scale company) can carry back a net loss incurred in a business year to the previous year. The loss is limited to the loss incurred for each business year within the five years after the initial business year.

FOREIGN SOURCE INCOME

Japanese corporations are taxable on their worldwide income when earned. However, corporations are generally entitled to claim tax credits against corporation and Inhabitants Tax for foreign income taxes paid (direct credit).

For subsidiaries in low or nil tax countries or jurisdictions whose profits are not distributed, such profits are taxed in the hands of the Japanese parent on an accruals basis, with any associated foreign tax credits being available.

OVERSEAS INVESTMENT

Japanese corporations investing in certain companies involved with developing countries or in prospecting for or developing natural resources may be able to establish a tax deductible reserve of 30% or 90% of the amount invested. After the reserve has been maintained for five successive years, the amount of reserve multiplied by the number of months of the business year, divided by 60, must be restored to taxable income in succeeding years following the year of reserve accrual.

TAX CREDIT INCENTIVES – CAPITAL INVESTMENT

Corporate tax credits of 7% of the acquisition cost are available on designated energy efficient machinery and equipment acquired by small to medium sized corporations. The total credit available, however, is limited to 20% of the corporate tax. The credit was only applied to qualifying capital equipment acquired by 31 March 2012.

C. FOREIGN TAX RELIEF

Relief is available for foreign taxes on foreign source income and capital gains whether or not Japan has concluded a tax treaty with the foreign country. Where a tax treaty exists it will specify the method of relief. In the absence of a treaty, the domestic Japanese tax legislation allows a tax credit or deduction from taxable income. Under Japanese domestic law, foreign taxes not eligible for foreign tax credits are deductible. Treaties following the OECD model normally provide relief in the form of either a credit or exemption from tax.

D. CORPORATE GROUPS

The Japanese consolidated tax regime (a part of the corporate tax reform act for the year 2002) was enacted on 1 August 2002. The revised Corporate Tax Law and the Corporate Tax Law Enforcement Order are applicable to consolidated years ending on or after 31 March 2003, with transitional rules in respect of consolidated years beginning between 1 April 2002 and 30 June 2003, and ending on or after 31 March 2003.

Under the consolidated tax regime, an affiliated group of companies (a 'Consolidated Group') can report and pay national corporate income tax as one unit. For these purposes a Consolidated Group means a Japanese parent company and its 100% directly or indirectly owned Japanese subsidiaries. An application for consolidated filing is at the tax payers' choice but, if made, must include all of the parent's eligible subsidiaries. Once started, consolidated filing should in principle continue indefinitely, unless a specific event (such as change of ownership) causes the qualifying conditions for consolidated filing to be failed, or an application to discontinue is approved by the Commissioner of National Tax Administrative Agency.

The group's national corporate income tax liability will be computed on a consolidated basis by aggregating the separate taxable income or loss of the member companies, and then making various consolidation adjustments. The consolidated national corporate income tax liability will then be determined by applying the normal corporate income tax rate to the consolidated taxable income, adjusted for consolidated tax credits. The total liabilities will then be allocated among the members. The parent company will file the consolidated return and pay the national corporate income tax on behalf of the group, although the member companies remain jointly and severally liable for the Consolidated Group's national corporate income tax liability. Local corporate income taxes levied on member companies will continue to be paid on an individual basis although the amount payable will be affected by the existence of the consolidation.

The consolidation tax regime provides for certain benefits such as the deduction of losses of individual member companies from the total income of the Consolidated Group (for national corporate income tax purposes only); deferral of gains on intra-group transfers of certain assets; and non-taxability of the dividends received from other member companies (regardless of the interest expense attributable to the dividend income). On the other hand, some features of the consolidated tax regime may result in an unpredictable tax burden on the introduction of tax consolidation or when a company joins the Consolidated Group in the future, thus putting some restrictions on future M&A (mergers and acquisitions) activity by the group. Therefore, understanding these issues will become very important for tax professionals and taxpayers when considering an application for consolidation.

A company with registered capital of Y100 million or less can take various preferential tax treatments (for example, reduced tax rate for first Y8 million of income, one year loss carry back), however, 'Intra-group transaction taxation' in the year 2010 tax reform takes away such tax benefits when its 100% parent company's stated capital is Y500 million or more.

E. RELATED PARTY TRANSACTIONS

All transactions between related companies are required to be conducted on an arm's length basis with the meaning of 'arm's length price' depending upon the transaction. Any difference arising between the price of the actual transaction and that regarded as the arm's length price is taxable or not deductible as applicable. The transactions covered by the provisions include the purchase and sale of inventory, the provision of services and financial facilities such as the making of loans and guarantee facilities.

F. WITHHOLDING TAXES

Domestic corporations are subject to 20% withholding tax on dividends and interest and certain other income. Foreign corporations are subject to withholding tax (generally

at the rate of 20%) on dividends, interest, royalties, income from immovable property, rentals from industrial or commercial equipment and certain other income. This tax may generally be taken as a credit against the ultimate tax liability of the recipient. It should be noted that where the foreign corporation has a permanent establishment in Japan, certain types of income (for example, rent, royalties) are exempt from withholding tax if taxed together with income from Japanese business income. As indicated, the tax may generally be taken as a credit against the ultimate tax liability of the recipient. However, no tax credit is allowed for income tax withheld on dividends in the case of foreign corporations.

G. PERSONAL TAX

While similarities between the taxation of companies and individuals do exist in Japan, the above refers largely to companies. Accordingly, outlined below are the basic rules and rates applicable to individuals. Given the complexity of this area, it is necessary to stress the need to seek professional advice. Non-resident taxpayers are taxed only on their Japanese source income. Non-permanent resident taxpayers are taxed on both Japanese source income plus that part of non-Japanese source income that is paid in and/or remitted to Japan. A permanent resident taxpayer is taxed on his worldwide income.

Individuals are generally classified on the following basis:

Period of Residence	Classification
Up to 12 months	Non-resident
12 months to 60 months	Non-permanent resident
More than 60 months	Permanent resident

National individual tax:

Taxable income (Y)	Rate	Deduction (Y)
0–1,950,000	5%	
1,950,000–3,300,000	10%	97,500
3,300,000–6,950,000	20%	427,500
6,950,000–9,000,000	23%	636,000
9,000,000–18,000,000	33%	1,536,000
Above 18,000,000- 40,000,000	40%	2,796,000
Above 40,000,000	45%	4,796,000

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Calculation: Taxable income × tax rate –deduction = national tax.
In response to the need for additional funds to deal with the aftermath of the earthquake in 2011, a surcharge of 2.1% of the national personal tax liability has been added to the national personal tax rate for 25 years from January 2013.
Retirement income, interest and timber income are each taxed separately from other income.

H. TREATY WITHHOLDING TAX RATES

	Dividends[1] (%)	Interest (%)	Royalties (%)
Treaty countries:			
Armenia	15/0	10	0/10
Australia	10/5/0	10	5
Austria	20/10	10	10
Azerbaijan	15/0	10	0/10
Bahamas	–[2]	–[2]	–[2]
Bangladesh	15/10	10	10
Belarus	15/0	10	0/10
Belgium	15/10	10	10
Bermuda	–[2]	–[2]	–[2]
Brazil	12.5/0	12.5	12.5/15/25
Brunei	10/5	10	10

	Dividends[1] (%)	Interest (%)	Royalties (%)
Bulgaria	15/10	10	10
Canada	15/5	10	10
Cayman	–[2]	–[2]	–[2]
China	10/0	10	10
Czech Republic	15/10	10	0/10
Denmark	15/10	10	10
Egypt	15	–[2]	15
Fiji	–[2]	–[2]	10
Finland	15/10	10	10
France	10/5/0	10	0
Georgia	15/0	10	0/10
Germany	15/10	10	10
Guemsey	–[2]	–[2]	–[2]
Hong Kong	10/5	10	5
Hungary	10/0	10	0/10
India	10/0	10	10
Indonesia	15/10	10	10
Ireland	15/10	10	10
Israel	15/5	10	10
Italy	15/10	10	10
Jersey	–[2]	–[2]	–[2]
Kazakhstan	15/5	10	5
Korea, Republic of	15/5	10	10
Kuwait	10/5	10/0	10
Kyrgyzstan	15/0	10	0/10
Liechtenstein	–[2]	–[2]	–[2]
Luxembourg	15/5	10	10
Macau	–[2]	–[2]	–[2]
Malaysia	15/5	10	10
Mexico	15/0/5	10/15	10
Moldova	15/0	10	0/10
Netherlands	10/5/0	10	0
New Zealand	15/0	10/0	5
Norway	15/5	10	10
Oman	10/5	10	10
Pakistan	5/7.5/10	10	10
Philippines	15/10	10/15	15/10
Poland	10/0	10	0/10
Portugal	10/5	10/5/0	5
Romania	10/0	10	10/15
Russia	15/0	10	0/10
Samoa	–[2]	–[2]	–[2]
Saudi Arabia	10/5	10/0	5/10
Singapore	15/5	10	10
Slovak Republic	15/10	10	0/10
South Africa	15/5	10	10
Spain	15/10	10	10
Sri Lanka	20/0	–	0/7.5
Sweden	10/0	10/0	0

	Dividends[1] (%)	Interest (%)	Royalties (%)
Switzerland	10/5/0	10	0
Tajikistan	15/0	10	0/10
Thailand	20/15	10/25	15
Turkey	15/10	10/15	10
Turkmenistan	15/0	10	0/10
UAE	–[2]	–[2]	–[2]
Ukraine	15/0	10	0/10
United Kingdom	10/0/5	10	0
United States	10/0/5	0/10	0
Uzbekistan	15/0	10	0/10
Vietnam	10/0	10	10
Virgin Island	–[2]	–[2]	–[2]
Zambia	0	10	10

1 The lower rate applies to dividends paid to foreign corporations that own a particular percentage of share capital or voting power in the Japanese company paying the dividend. Please refer to the relevant treaty to determine the exact conditions required for the lower rate to apply.
2 The domestic rate applies – there is no rate specified in the treaty.

JORDAN

MEMBER FIRM

City	Name	Contact Information
Jordan	Mohammed Khattab	+962795572746 mkhattab@pkf.jo

BASIC FACTS

Full name:	The Hashemite Kingdom of Jordan
Population:	7.3 million (2013 PRB)
Capital:	Amman
Major language:	Arabic
Major religion:	Islam
Monetary unit:	Jordanian dinar (JOD)
Internet domain:	.jo
International dialling code:	+962
Ministry of Finance website:	www.mof.gov.jo

KEY TAX POINTS

- Domestic companies are subject to income tax on worldwide income, although income from the export of goods is exempt until 31 December 2015, most of the time this exemption will be extended. Foreign companies are subject to tax on income from Jordanian sources.
- Special rates of corporate income tax apply to certain industries including transport, construction, banking and other financial industries.
- Capital gains are taxed at the appropriate corporation tax rate if the assets are subject to depreciation rules.
- Credit for foreign taxes is generally only available where a relevant double tax agreement is in place.
- No withholding tax is charged on the payment of dividends by Jordanian companies. However, withholding taxes are charged on the payment of interest, royalties and other charges to both residents and non-residents.
- Income tax is payable by residents and non-residents on salaries earned from any employment in Jordan.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The Jordanian Tax year is a calendar year starting on 1 January until the 31 December of each year.

The taxpayer might change might change the Tax year to be compatible with his business.

COMPANY TAX

Domestic companies are subject to income tax on all its sources of income wherever arising. Foreign working branches (companies) are subject to income tax only on their income from Jordanian sources.

Export sales of goods are only income tax exempted until 31 December 2015, most of the time the tax department might extend this exemption, the taxpayer should maintain regular audited accounting records with a separate cost centre for export activities.

Export sales of some services are exempted including accounting services, computer services, feasibility studies services and IT services.

Dividends received from domestic companies are exempt from tax.

Company tax is levied as follows:

Domestic companies and foreign operating branches:	Rate
Banks	35%
Major telecom companies, electricity distribution and generation companies, mining companies, insurance and re-insurance companies, brokerage, legal persons who practice financial leasing.	24%
Industrial sector	14%
All legal persons except what was stated above	20%

FOREIGN NON-OPERATING COMPANIES
SECURITIES TRANSACTION TAX

Security Transaction Tax is not applicable in Jordan.

CAPITAL GAINS TAX

Capital gains are taxed at the appropriate corporation tax rate if the assets are subject to depreciation rules.

TONNAGE TAX FOR SHIPPING INDUSTRY

Tonnage Tax for shipping industries is not applicable in Jordan.

DIVIDEND DISTRIBUTION TAX

Profits from stocks and dividends distributed by a resident to another resident are exempted, except profits of mutual investment, funds of banks and financial companies.

BRANCH PROFITS TAX

Jordanian companies' branches operating outside the Kingdom, and foreign investments if the source of capital was originated inside the Kingdom are subjected to 10% tax ratio, based on net income declared in their final accounts which are certified by an external certified auditor.

SALES TAXES / VALUE ADDED TAX (VAT)

The rates of the sales tax are:

- 16% as a general rate for goods and services;
- 4% for specified agricultural products, fruits, meat, vegetables and live animals;
- Zero rate for a list of specified products like energy-saving products and pharmaceutical industry inputs.

A state government initiative to promote industrial growth provides sales tax exemption and defers the payment of the tax payable on goods and services at importation.

FRINGE BENEFITS TAX

There is no separate fringe benefits tax. Benefits provided by employers to their employees are subject to income tax, computed in the prescribed manner. Employers are obliged to withhold payable income tax on all benefits provided to employees on their behalf. If the company adopts provident funds or insurance plans, employers are required to contribute

LOCAL TAXES:
STAMP DUTY

Stamp Duty of 0.6% is payable on all transactions with governmental and publicly traded corporations.

LAND AND PROPERTY TAX
No tax is levied on land property except for improvement taxes. However, real estate property is subject to tax at a variable rate between 2% to 5% of a credited value.

OTHER TAXES:
CUSTOMS DUTY
Customs Duty is payable on goods imported into Jordan. The rates of basic Customs Duty may reach up to 30% depending on the governmental strategy.

RESEARCH AND DEVELOPMENT
Research and development expenses can be deducted whenever incurred.

WEALTH TAX
Wealth tax is not applicable in Jordan.

GIFT TAX
Income from prizes, which its value or amount exceeds 1,000 JOD is subjected at the rate of 15% and the withheld amount is considered a final tax.

B. DETERMINATION OF TAXABLE INCOME

Any income incurred in or from the Hashemite Kingdome of Jordan for any person regardless of the place of payment shall be subject to income tax. Generally, to be deductible, an expenditure must be assigned to generate taxable income. Some expenses require a special treatment.

Non-resident taxpayers pay tax only on Jordanian earned income.

The assessment year is the period of 12 months from 1 January until 31 December.

DEPRECIATION
Depreciation allowance is available as per the following rates depending on the nature of asset:

Buildings (depending upon its nature)	2% to 10%
Furniture and Fixtures	10% to 15%
Plant and Machinery	10% to 25%
Intangible Assets (patents, trademarks, know-how, licences, copyrights, etc)	According to IFRS
Ships	20%

Assets used for less than 180 days in the year of acquisition are entitled to half of the normal depreciation allowance. Depreciation not set off against current year's income can be carried forward for set off against any future income for unlimited period.

STOCK / INVENTORY
The valuation of closing stock is normally completed on the basis of cost or market value, whichever is lower. The accepted valuation methods include FIFO, weighted average cost or other valuation methods in accordance with IFRS. The valuation basis is to be consistently followed.

INTEREST DEDUCTION
Interest incurred or paid on borrowings used for business purposes is tax deductible within the same year as mentioned below:

(a) For new businesses, interest incurred prior to commencement of commercial production is to be capitalised.
(b) Interest paid for financing another taxpayer is not deductible.
(d) Interest paid by banks, financial companies and financial leasing companies is wholly deductible.

Interest paid by banks, financial companies and financial leasing companies is wholly deductible.

EXPENDITURE INCURRED FOR EXEMPT INCOME
Expenditure incurred in earning an exempted income from tax is not tax deductible. With regards to the exempted income from trading in dividends, stocks, bonds, equity loan, treasury bonds, mutual investment funds and currencies, the non-deductible amount shall be 25% of the exempted income. In all cases, the non-deductible amount should not exceed the allowable expenses.

LOSSES
Business losses can be set off against any other income in the same assessment year

and against business profits. Losses can be carried forward not exceeding (5) years.

Losses for activities outside the Kingdom are deducted from the activity's profits. There are no provisions for carrying losses backward.

Export losses cannot be carried forward.

MINIMUM ALTERNATE TAX (MAT)

MAT is not applied in Jordan.

FOREIGN SOURCED INCOME

Jordanian companies' branches operating outside the Kingdom, and foreign investments if the source of capital was originated inside the Kingdom are subjected to 10% tax ratio.

Any income for a resident person from sources outside of the Hashemite Kingdom of Jordan shall be subject to tax, provided that it originates from money or deposits from inside the Kingdom.

Income for a non-Jordanian resident fiscal person is exempt from income tax if this income incurred outside of Jordan.

INCENTIVES

In addition to the incentives which are available for export sales of goods, the investment Law provides tax and customs exemptions on certain new projects. In case of an undertaking located in a Special Economic Zone, the tax incentives for the first ten years are normally 75%.

Input sales tax for export sales is refundable.

FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings are only taxable for companies.

C. FOREIGN TAX RELIEF

UNILATERAL TAX CREDIT WHERE THERE IS NO TAX TREATY

Where a resident of Jordan has paid tax in any country with which Jordan does not have a tax treaty, credit is not available for such tax payment in Jordan.

TAX CREDIT UNDER TAX TREATIES

Jordan has entered into tax treaties with many countries. Under applicable tax treaty, Jordanian residents paying taxes in other countries can claim credit in Jordan for foreign tax payments as mentioned in each treaty.

D. CORPORATE GROUPS

There are no provisions in Jordan for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a deduction for the excess portion.

F. WITHHOLDING TAX

The law dictated that the legal person should deduct and pay a rate of 5% as a down payment of the fees and wages paid to a resident person of :

1- Doctors
2- Lawyers
3- Engineers
4- Auditors
5- Consultants
6- Authorized persons for taxpayers (Tax Advisors).
7- Insurance and Re-insurance brokers.
8- Arbitrators
9- Customs brokers.
10- Real estate brokers
11- Arbitrators by commissions.
12- Financial brokers.
13- Shipping brokers by commissions.

14- Any other persons which are identified under instructions.

Income from royalties and any other non-exempted income paid by a resident to a non-resident person directly or indirectly is subject to withholding tax at the rate of 10% and the withheld amount shall be considered a final tax.

G. EXCHANGE CONTROL

There are no exchange control rules in Jordan.

H. PERSONAL TAX

Jordanians and other non-Jordanians resident individuals are both subject to the same rules and taxes are assessed on income in, or from, Jordan. Taxable income is the gross income less the following deductions (exemptions):

- Tax on physical person:
A 12,000 JOD yearly exemption for resident natural person.
B 12,000 JOD yearly exemption for dependents.
C 4,000 JOD yearly exemption for natural person and dependents to cover medical treatment, education, housing loans interests, Murabaha on housing, technical, engineering and legal services, provided that invoices or supporting documents are presented.
Income tax according to the following ratios:
A First 10,000 JOD are subjected to 7% ratio.
B Second 10,000 JOD are subjected to 14% ratio.
C Any amount above that is subjected to 20% ratio.

A non-Jordanian resident pays tax only on income from Jordanian sources of income. Income from stocks and dividends distributed by a resident is considered as exempt income for individuals.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Under the Jordanian domestic laws, the withholding tax rates for non-treaty countries are as follows:

Non-Treaty Countries	Rates
Dividends	0%
Interest	10%
Royalties	10%

In some cases, the double tax agreements between Jordan and the overseas territories reduce the rates of withholding tax applicable to those listed above to be zero.

KAZAKHSTAN

MEMBER FIRM

City	Name	Contact Information
Astana	Kulbarshyn Bazarbekova	kazakhstan@pkf.com

BASIC FACTS

Full name:	Republic of Kazakhstan
Capital:	Astana
Main languages:	Kazakh (state); Russian (official)
Population:	17,948,816 (2014 estimate)
Major religion:	Islam, Christianity
Monetary units:	Kazakhstan Tenge (KZT)
Internet domain:	.kz
Int. dialling code:	+7-6xx, +7-7xx

KEY TAX POINTS

- Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.
- The standard rate of corporate income tax is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

- Capital gains are included within the taxable income of a company and taxed at the regular corporate income tax rates; capital gains are not subject to a separate taxation. Please note that certain capital gains are taxed by withholding tax from the payment for non-residents.
- An overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.
- VAT is charged on the realisation of goods and services and the importation of goods. The current rate of VAT is 12%.
- Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).
- Certain transactions are subject to transfer pricing rules which impose arm's length pricing for tax purposes.
- Exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control.
- Employment taxes are withheld from an employee's income on a monthly basis. Employees are required to make retirement contributions of 10% of gross monthly remuneration not exceeding 75,000 times the minimum wage.
- Social Security is payable by all employers at a rate of 11% on salaries, etc. and payable by employers at a rate of 5% on the income of the employee, up to a maximum of ten times the minimum monthly wage.

A. TAXES PAYABLE

COMPANY TAX

Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.

A company is considered resident if it is established under Kazakhstan law or is a legal entity established in accordance with the laws of a foreign state if its governing body or place of actual management is in Kazakhstan.

Tax is charged on all business income generated in Kazakhstan and abroad (including capital gains) with relief for tax deductible expenses. The standard rate of corporate income tax is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

The tax year is the calendar year. Annual income tax returns must be filed by 31 March following the end of the tax year. Companies are required to make advance payments of tax on a monthly basis.

The following categories of tax payers have the right not to assess and make advance payments of corporate income tax:

- Taxpayers whose tax adjusted income for the period two years before the one in question does not exceed 325,000 times a monthly calculation index as determined under Kazakhstan tax law each 1 January;
- Newly-established tax payers – for the tax period in which the company registered with the state justice authorities as well as in the following tax period; and,
- Non-resident companies newly registered with the tax authorities as taxpayers operating in Kazakhstan via a permanent establishment and not via a branch or representative office – in the tax period in which the company was registered with the tax authorities as well as in the following tax period.

CAPITAL GAINS TAX

Capital gains are included within the taxable income of a company and taxed at the regular corporate income tax rates; capital gains are not subject to a separate taxation. Please note that certain capital gains are taxed by withholding tax from the payment for non-residents.

BRANCH PROFITS TAX

Overseas companies with permanent establishments in Kazakhstan are required to pay corporate income tax on the profits generated by their permanent establishments. In addition, the overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.

VALUE ADDED TAX

VAT is charged on the realisation of goods and services and the importation of goods. The current rate of VAT is 12%.

The following transactions are subject to a zero rate:

- Export of goods;
- Turnover from production under subsurface management contracts providing for

VAT exemption for imported goods;
- International transport services.

The following are exempt from VAT:
- The realisation of residential land and buildings
- Financial services including security transactions, banking and other transactions performed by banks and institutions authorised under their license to perform particular banking transactions and transactions performed by other non-licensed entities under the legislative acts of Kazakhstan;
- Financial leasing of assets provided that certain requirements are met;
- Medical and veterinary goods and services as per the list of goods and services set by the Government of Kazakhstan;
- Services and works in the area of culture, science and education; and,
- The services of lawyers and public notaries.

VAT is also payable on services and works provided or performed by non-residents, if performed in the Republic of Kazakhstan. The tax period for VAT is the calendar quarter and payers are required to submit their VAT returns to the local tax authorities for each tax period not later than the 15th day of the second month following the tax period. VAT for each tax period must be paid no later than 25th of the second month following the tax period.

FRINGE BENEFIT TAX
Certain benefits granted by an employer to employees in kind or as material benefits are treated as part of the employee's taxable income. These include:
- Providing employees with goods and services at a reduced rate;
- Written-off debts
- Cost of property received from the employer without charge. For services provided on a free-of-charge basis the taxable benefit is the expense incurred by the employer in connection with providing such services;
- Payment by employer for goods and services provided to the employee by third parties; and,
- Employer's expenses towards payment of insurance premiums under insurance contracts of its employees.

WITHHOLDING TAX
All income paid from Kazakhstan sources, is subject to withholding taxes. The relevant rates are as follows:

Income	Rate
Dividends	15%
Interest	15%
Royalties	15%
Capital gains	15%
Insurance premiums (payable on insuring risks in Kazakhstan)	20%
Insurance premiums (payable on policies reinsuring risks in Kazakhstan)	5%
International transport services	5%
All other income	20%

LOCAL TAXES – EXCISE TAX
This is payable by individuals and entities that produce or import excisable products, including gasoline and diesel fuel.

The tax period is a calendar month and the tax is payable not later than 20th of the month following the tax reporting period. The Declaration must be made no later than the 15th of the second month following the tax reporting period.

OTHER TAXES
REAL ESTATE TAX (PROPERTY TAX)
Real estate tax is payable by legal entities and individuals who own:
1) Buildings and structures regarded as fixed assets or property investments under the international standards of financial reporting and Kazakhstan Law on accounting and financial reporting; and,
2) Buildings and structures that are the property of the state but which have been transferred temporarily into private ownership for the purposes of improvement.

The standard rate for legal entities is 1.5%. Individual entrepreneurs and legal entities applying the simplified regime are subject to the rate of 0.5%. Individual persons are subject to a tax of 0.05% to 1% on a progressive scale.

The tax is paid on a quarterly basis, with the exception of individuals, who must pay by 1st October of the tax year in which the tax arose. Legal entities and individual entrepreneurs provide a declaration not later than 31 March following the tax reporting period.

LAND TAX

This is payable by individuals and entities on land in respect of which they have:

- The right of ownership;
- The right of permanent land use; and,
- The right of the primary grant of temporary land use.

Base rates are determined by the Tax Code, although local agencies may reduce or increase these rates within prescribed limits.

The tax reporting period is the calendar year. Legal persons (including sole proprietors) are required to make quarterly advance payments and provide a declaration no later than 31 March following the tax reporting period.

TAX ON VEHICLES

This is payable by individuals and entities who own or lease vehicles which are subject to state registration in Kazakhstan. Tax rates are determined monthly depending on engine size, capacity and number of seats.

Legal persons must pay current charges by 5 July of the tax period and provide a declaration not later than 31 March following the tax reporting period.

ADDITIONAL OTHER TAXES

Additional other taxes include:

1. A tax on the use of mineral resources;
2. Gaming tax payable by legal entities and persons carrying on a gambling business based on the tables, machines etc. in use; and,
3. A fixed tax payable by legal entities and businesses that provide services using certain types of assets (e.g. skittle alleys, karts and billiard tables).

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

Tax deductions are available for the depreciation of fixed assets including intangible assets and investment properties. The tax code sets out the following depreciation rates:

Rate	Asset
10%	Buildings and structures
25%	Machinery and equipment
40%	Computing equipment
15%	Others

STOCK / INVENTORY

Inventories are dealt with for the purposes of taxation in accordance with international standards of financial reporting and Kazakhstan Laws on accounting and financial reporting.

DIVIDENDS

Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).

There is no withholding tax on dividends paid to non-residents or resident individuals providing that the following conditions are met:

- The shares on which the dividends are paid have been held for a period of not less than three years; and,
- 50% or more of the share capital equity of the company paying the dividends is not owned by persons carrying on mineral extraction and other sub-soil mining activities in Kazakhstan.

INTEREST DEDUCTIONS

Interest expenses are generally deductible, although there is a general restriction, where the debt to equity ratio exceeds 6:1 or 9:1 for financial institutions. This restriction applies to interest payable to related parties and persons incorporated in low-tax countries.

LOSSES

Trading and capital losses may be carried forward for up to 10 years. Losses from

the sale of shares and securities may be utilised against gains arising from the sale of such assets. Losses cannot be carried back.

FOREIGN SOURCED INCOME

Overseas income and gains are taxable along with domestic income and gains under normal Kazakhstan tax rules. If a resident of Kazakhstan owns 10% or more of the authorised capital of a non-resident legal entity registered in a State with a preferential taxation regime, a share of the profits share is included in the taxable income of the resident.

These rules apply where the overseas company pays tax at less than 10% or where there are confidentiality laws in the relevant foreign jurisdiction.

C. FOREIGN TAX RELIEF

Income taxes paid overseas by resident taxpayers on foreign-sourced income are creditable against corporate or individual income tax in Kazakhstan if the document certifying the payment of tax overseas is made available.

The amount available for offset is the lower of the following:
1) The amount of tax actually paid in the foreign state;
2) The amount of income tax on income from sources outside the Republic of Kazakhstan, calculated in the Republic of Kazakhstan.

D. CORPORATE GROUPS

There are no special provisions relating to the taxation of groups of companies in Kazakhstan.

E. RELATED PARTY TRANSACTIONS

Certain transactions are subject to transfer pricing rules which impose arm's length pricing for tax purposes. These include the following transactions involving a related party where:
1) The other entity is incorporated in a low-tax jurisdiction;
2) The transaction is a barter transaction;
3) The other entity has recognised losses according to its tax returns for the two tax periods immediately preceding the year of transaction;
4) The other party benefits from tax incentives or preferential tax rates;
5) The transactions involve the off-set of debts; and,
6) The transactions are between related parties.

F. EXCHANGE CONTROL

Exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control.

G. PERSONAL INCOME TAX

Non-resident individual persons pay tax on their income sourced in Kazakhstan. A foreign person is considered resident if they:
- Reside permanently in Kazakhstan (i.e. spends at least 183 days there out of a 12-month period ending in the tax year); and,
- Are a payer of individual income tax at the rate of 10% on all income with the exception of dividends (subject to 5% tax from source).

Individuals generating income from business activities are subject to a tax similar to corporate income tax, although small and medium businesses are subject to a special tax regime.

Capital gains arising on the sale of the following are subject to a 10% tax:
- Real estate;
- Transportation vehicles owned for less than a year by the taxpayer;
- Securities and shares in a legal entity.

Personal deductions available to all employees include:
1) Minimum monthly wage;
2) Mandatory pension contributions as prescribed by the legislation of the Republic of Kazakhstan on pensions;
3) Voluntary pension contributions;
4) Premiums paid on endowment policies;
5) Payment of interest on loans received in the housing construction savings banks to conduct activities to improve living conditions in the territory of the Republic

of Kazakhstan, in accordance with the laws of the Republic of Kazakhstan on housing construction savings; and,

6) Expenses for medical services (except cosmetic surgery).

Employment taxes are withheld from an employee's income on a monthly basis. Persons generating income other than employment income are required to file a tax return for each calendar year. This tax return has to be submitted not later than 31 March of the following year. Individuals with business activities must settle any outstanding tax arrears within ten days from filing their tax returns. Employees are required to make retirement contributions of 10% of gross monthly remuneration not exceeding 75,000 times the minimum wage.

Social Security is payable by all employers at a rate of 11% on salaries, etc. and payable by employers at a rate of 5% on the income of the employee, up to a maximum of ten times the minimum monthly wage.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (1) (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	15 (7)	15 (7)	15 (7)
Treaty Countries:			
Austria	15/5 (1)	10	10
Azerbaijan	10	10	10
Belarus	15	10	15
Belgium	15/5 (1)	10	10
Bulgaria	10	10	10
Canada	15/5 (1)	10	10
China (People's Republic)	10	10	10
Czech Republic	10	10	10
Estonia	15/5 (2)	10	15
Finland	15/5	10	10
France	15/5 (1)	10	10
Georgia	15	10	10
Germany	15/5 (2)	10	10
Hungary	15/5 (2)	10	10
India	10	10	10
Iran	15/5 (3)	10	10
Italy	15/5 (1)	10	10
Japan	15/5	10	10
Korea, Republic of	15/5 (1)	10	10
Kyrgyzstan	10	10	10
Latvia	15/5 (2)	10	10
Lithuania	15/5 (2)	10	10
Malaysia	10	10	10
Moldova	15/10 (2)	10	10
Mongolia	10	10	10
Netherlands	15/5/0 (4)	10	10
Norway	15/5 (1)	10	10
Pakistan	15/12.5 (1)	12.5	15
Poland	15/10 (3)	10	10
Romania	10	10	10
Russia	10	10	10
Singapore	10/5 (5)	10	10

	Dividends (1) (%)	Interest (%)	Royalties (%)
Slovak Republic	15/10 (6)	10	10
Spain	15/5	10	10
Sweden	15/5 (1)	10	10
Switzerland	15/5/0 (5)	0/10	10
Tajikistan	15/10 (6)	10	10
Turkey	10	10	10
Turkmenistan	10	10	10
Ukraine	15/5 (2)	10	10
United Kingdom	15/5 (1)	10	10
United States	15/5 (1)	10	10
Uzbekistan	10	10	10

Notes:

1. Unless indicated otherwise, the lower rates in this column apply if the recipient company owns at least 10% of the capital or the voting power of the paying company, as the case may be.
2. This rate applies if the recipient company owns at least 25% of the capital or the voting power of the paying company, as the case may be.
3. The rate applies if the recipient company owns at least 20% of the capital or the voting power of the paying company, as the case may be.
4. The zero rate applies if the recipient company owns 50% of the capital of the paying company and that participation has a value of at least US$ 1 million, and the head office's state of residence has secured the participation. The 5% rate applies if the recipient company owns at least 10% of the capital of the paying company.
5. This rate applies if the recipient company has a direct holding of at least 25% of the capital of the company paying the dividends.
6. This rate applies if the recipient holds at least 30% of the capital of the paying company.
7. Where payments are made to entities registered in a tax haven (according to a list), the rate of withholding tax is 20%.

KENYA

MEMBER FIRM

City	Name	Contact Information
Nairobi	Michael Mburugu	+254 20 4270000 mmburugu@ke.pkfea.com

BASIC FACTS

Full name:	The Republic of Kenya
Population:	44 million (2013 PRB)
Capital:	Nairobi
Major languages:	Swahili, English
Major religion:	Christianity
Monetary unit:	Kenyan shilling (KES)
Internet domain:	.ke
International dialling code:	+254
Ministry of Finance website:	www.treasury.go.ke

KEY TAX POINTS

- Resident and non-resident companies are subject to income tax on income accrued or derived from Kenya. Different rates apply to resident and non-resident companies.
- Capital Gains Tax (CGT) was re-introduced with effect from 1 January 2015. The rate of tax is 5% of the net gain on the transfer of property. It is a final tax and cannot be offset against other income taxes.
- VAT is chargeable on imports and the supply of goods and services in Kenya. The standard rate is 16%. Certain goods and all exports are zero-rated. Some goods and services such as unprocessed agricultural products and financial services are exempt.

- Withholding tax is chargeable on dividends paid by Kenyan companies to residents (except companies with at least a 12.5% shareholding) and non-residents. Compensating tax is also payable on the distribution of untaxed profits (such as those derived from capital gains).
- Foreign tax relief is limited only to countries which have a Double Taxation Agreement with Kenya.
- Kenyan resident individuals are taxed on Kenyan-source income and on income from employment or services rendered abroad. Resident individuals who carry on a business partly within and partly outside Kenya are also liable for tax on the entire profits of the business. Non-residents are taxable on any income from employment with, or services rendered to, an employer resident in Kenya or the permanent establishment in Kenya of a non-resident employer.

A. TAXES PAYABLE

COMPANY TAX

Company tax is based on computed tax profits as follows:

Turnover tax:	3% of turnover (with effect from 1 January 2007 for turnover of up to KES 5,000,000)
Resident companies:	30%
Non-resident companies:	37.5%

CAPITAL GAINS TAX

Capital Gains Tax (CGT) was re-introduced effective 1st January 2015. The rate of tax is 5% of the net gain on the transfer of property. It is a final tax and cannot be offset against other income taxes.

BRANCH PROFITS TAX

Branch of a foreign entity pays tax at the rate of 37.5%.

SALES TAXES/VALUE ADDED TAX (VAT)

The VAT rates are 16% and 0%. Exports are zero rated. Some goods and services such as unprocessed agricultural products and financial services are exempt.

FRINGE AND EMPLOYMENT BENEFITS TAX

Generally, non-cash benefits are taxable on the higher of the cost incurred by the employer or the fair market value. The taxable value is added to the emoluments for tax purposes. Exempt if aggregate total does not exceed KES 36,000 per annum.

MOTOR VEHICLES

The benefit is the higher of 2% per month of the initial cost of the vehicle or the prescribed rates. For leased vehicles the benefit is the cost of leasing.

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HOUSING

For non-executive directors the benefit is the higher of 15% of total income (emoluments - for a whole time service director), fair market rental value and rent paid. For agricultural employees it is 10% of emoluments. For other employees it is the higher of rent paid and 15% of emoluments.

LOANS TO EMPLOYEES

Loans to employees are taxed at a corporate tax rate on the difference between the interest rate prescribed by the Commissioner and the actual interest rate paid by the employee.

OTHER BENEFITS

The taxable benefit of furniture is 1% of cost per month, telephone is 30% of the cost per month, and employee share ownership plans (ESOPs) is the difference between the market price of shares and the offer price at the date the option is granted.

LOCAL TAXES

Employment income is taxed on a withholding tax (WHT) basis known as Pay As You Earn (PAYE) at a graduating scale of 10% - 30%.

OTHER TAXES

LAND RATES

Land rates are based on the percentage of the site value.

NATIONAL SOCIAL SECURITY FUND (NSSF)

Contributions are set at the rate of a combined minimum of 12% of the pensionable earnings made up of equal contributions of 6% by the employee and employer. The contributions for the year 2014 have been set to an upper limit of KES 2,160 per

employee earning above KES 18,000 per month. However, an employee earning below the Lower earnings limit of KES 6,000 will contribute up to a maximum of KES 720. Effective date for the new NSSF Act is yet to be set due to impending court case.
The old NSSF contributions set at 10% of monthly income up to a maximum of KES 400 per month, half paid by the employer and the balance by the employee are currently being applied.

NATIONAL HOSPITAL INSURANCE FUND (NHIF)

Payments are set at graduated scale rates starting at KES 30 per month to a maximum of KES 320 per month.

However, new rates are set to take effect as from 1st April 2015 where contributions will be subject to a minimum of KShs 150 and a maximum of KShs 1,700.

SINGLE BUSINESS PERMIT

Depending on the type of business, this permit costs a minimum of KES 5, 000 to a maximum of KES 10,000.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

The rates for capital allowances are as follows:

Wear and tear:	**Rate**
Tractors/heavy vehicles	37.5%
Computers hardware, copiers, scanners	30%
Other motor vehicles, aircrafts	25%
Ships, plant, machinery, furniture and equipment	12.5%
Telecommunication equipment	20%
Computer software	20%
Loose tools and implements (straight-line)	33.3%
Industrial building allowances:	
Factories (2.5% up to 2009)	10% from 1 January 2010
Prescribed hotels-(up to 2006 was 4%)	10% from 1 January 2010
Prescribed low-cost residential housing developments	5%
Hostels or approved educational building-(from 2007 was 10%)	50% from 1 January 2010
Commercial Buildings	10% up to 31 December 2012
Commercial Buildings with services	25% from 1 January 2010
Residential Buildings with services	25% up to 31 December 2012
Farm works	**100% from 1 January 2010**
Investment deductions eligible for building and machinery for manufacture (from 2008)	100%
Investment deductions eligible for construction of a building or purchase and installation of machinery of 200m or over outside Nairobi, Mombasa & Kisumu	150%
Manufacturing under Bond – combined investment deduction	100%
Shipping investment deduction	40% of cost of ship
Purchase of filming equipment by licensed film producers	100%
Mining allowance (on capital expenditure or mining)	
Year 1	40%
Years 2–7	10%

DEPRECIATION

This is an accounting expense which is not allowable for tax purposes but wear and tear allowances as shown above, are provided for in law.

STOCK/INVENTORY

The cost of sales is deducted as allowable expenditure before arriving at the accounting profits. General provisions on slow moving stock and stock write offs may be allowable

in arriving at the taxable profit based on certain established criterion.

CAPITAL GAINS AND LOSSES

CGT has been reintroduced and is now taxable at a rate of 5% which is a final tax, effective 1st January 2015.

DIVIDENDS

Dividends are taxed on a WHT basis which is final tax. Expenses are therefore not allowable on the dividends' income or any other income of the taxable person.
Dividends are tax-exempt for resident companies controlling more than 12.5% shareholding. Dividends received by financial institutions shall be deemed to be income chargeable to tax.

However, compensating tax (corporation tax) may arise if non-taxed income is distributed, e.g. capital gain or profits on capital allowances. This is arrived at through an annual Dividends Tax Account which captures the movement of dividends received and paid and takes into consideration taxes paid by the entity.

INTEREST DEDUCTIONS

Interest incurred wholly and exclusively in the production of income is tax allowable. However, where a company is controlled by a non-resident person together with four or fewer resident persons, the interest deductibility is restricted only to the extent that the total indebtedness of the company does not exceed three times the paid-up share capital and revenue reserves or an amount of deemed interest (thinly capitalised).
The Commissioner of Income Tax is empowered to prescribe the form and manner in which deemed interest is to be computed. Realised foreign exchange losses are deferred as long as the company is thinly capitalised.

LOSSES

Tax losses can be carried forward to be offset against future taxable income. However this is subject to a five year limit effective 1 January 2010.
The tax loss is only allowable on taxable income derived from the same specific source. These sources are:
(a) income from renting or occupation of immovable property
(b) income from employment
(c) income from agriculture, horticulture, forestry, etc
(d) income from withdrawals from a registered pension/provident fund by employer
(e) business activities
Losses are, however, not transferable from one entity to another.

FOREIGN SOURCED INCOME

Income that is not income accrued or derived from Kenya is not assessable in Kenya except:
(a) employment income for an employee who at the time of employment was a resident person in respect of any employment by him outside or inside Kenya.
(b) business activities carried out across borders; and
(c) foreign bank branches' income on investments or trading abroad using locally generated income.

INCENTIVES

Capital deductions are allowable and provided for on assets based on the asset classification.

A ten year tax holiday is available to certain designated enterprises that undertake activities consisting of the manufacture of goods for exports only (under the Export Processing Zones). At the end of the tax holiday, a reduced rate of tax of 25% is available.

A lower rate of corporation tax at 27%, 25% and 20%, for the first 3-5 years for companies newly listed on a securities exchange, with at least 20%, 30% and 40% respectively, of the issued share capital listed.

Tax exemptions apply for organisations undertaking charitable, medical, alleviation of poverty, and religious activities.

C. FOREIGN TAX RELIEF

Foreign tax relief is limited only to countries which have a Double Taxation Agreement with Kenya.

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Kenya has Double Tax Agreements with the following countries:

UK,	Mauritius
India,	France
Germany,	East African Community
Zambia,	South Africa
Norway,	Denmark and Canada.
Sweden,	

D. CORPORATE GROUPS

Generally for tax purposes, a corporation tax rate of 30% applies to all incorporated companies irrespective of groups in Kenya. The rate is 37.5% for non-resident companies.

E. RELATED PARTY TRANSACTIONS

Related party transactions are allowable expenses if incurred wholly and exclusively in the production of income and taxed as income if earned or accrued in Kenya as business activities.

Companies which have related party transactions are required to prepare and document Transfer pricing Documentation, as per the Kenyan Transfer Pricing Rules effective 1 July 2006.

F. WITHHOLDING TAX

The relevant rates are as follows:

	Resident	Non-Resident
Artists and entertainers	–	20%
Management fees	5%	20%
Professional fees	5%	20%
Training fees (inclusive of incidental costs)	5%	20%
Winnings from betting and gaming (w.e.f. 1 Jan 2014)	20%	20%
Royalties	5%	20%
Dividends (nil for resident shareholders with>12.5%)	5%	10%
Equipment (movable) Leasing	N/A	5%
Interest (bank)	15%	15%
Interest (Housing bond-HBI)	10%	15%
Interest Two-year government bearer bonds	15%	15%
Other bearer bonds interest	25%	25%
Rents - buildings(immovable)	N/A	30%
Rents- others (except aircraft)	N/A	15%
Pensions/provident schemes (withdrawal)	10-30%	5%
Insurance commissions	10%	20%
Consultancy and agency (from 1 July 2003)	5%	20%
Contractual (from 1 July 2003)	3%	20%
Telecommunication services/ Message transmission	–	5%
Natural Resource Income (w.e.f. 01/01/2015)	5%	20%

G. EXCHANGE CONTROL

There are no foreign exchange controls applicable in Kenya at present, and foreign currency is freely transferable in Kenya.
The Proceeds of Crime and Anti-Money Laundering Act provides that any transaction which involves the movement of US$10,000 or more must be supported by documentary proof of the reason of such a transfer.

H. PERSONAL TAX

The tax rates are as follows:

Yearly income (KES)			Rate
0	to	121,968	10%
121,969	to	236,880	15%
236,881	to	351,792	20%
351,793	to	446,704	25%
Over		446,704	30%

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The withholding tax rates are as follows:

	United Kingdom	Germany & Canada	Denmark, Norway, Sweden & Zambia	India
	(%)	(%)	(%)	(%)
Management and professional fees	12.5	15	20	17.5
Royalties	15	15	20	20
Dividends	10	10	10 (i)	10
Interest	15	15	15	15
Pension and retirement annuities	5	5	5	5
Entertainment and sporting events	20	20	20	20
Promoting entertainment or sporting events	20	20	20	20
Rent - immovable property	30	30	30	30
Rent - Other than immovable property	15	15	15	15
0% if dividend subject to tax in Zambia				

K

KOREA

MEMBER FIRM

City	Name	Contact Information
Seoul	Sangho Han	+82-2-3453-8411 shhan@doac.co.kr

BASIC FACTS

Full name:	The Republic of Korea
Population:	50.2 Million (2013 PRB)
Capital:	Seoul
Major languages:	Korean
Major religions:	Buddhism, Christianity
Monetary unit:	KRW
Internet domain:	.kr
International dialling code:	82
Ministry of Strategy and Finance website:	http://english.mosf.go.kr/

KEY TAX POINTS

- Corporation tax is imposed at the national level under the Corporation Tax Law (CTL). Korea-incorporated companies are required to prepare their financial statements according to Korea Generally Accepted Accounting Principles (GAAPs).
- Capital gains are included in ordinary corporate income, but in relation to disposals of certain types of property, there is a separate additional tax which is a part of corporate income tax.
- Value Added Tax (VAT) is imposed on the supply of goods and on imports of goods. VAT paid on purchases (input tax) is creditable against the VAT charged on sales (output tax). The standard VAT rate is 10%. The export of goods and the provision of international services are zero-rated.
- Various tax incentives aimed at achieving specific national economic objectives have been provided under the tax law.
- A person who has a domicile or has resided in Korea for one year or longer is subject to income tax on all income derived from sources both within and outside Korea. Individuals are tax at progressive rates up to KRW 90.1 million + 38% of the amount exceeding KRW 80 million.
- Withholding tax applies to certain payments made to non-resident corporations without a permanent establishment in Korea at rates from 2% to 25%.

A. GENERAL INFORMATION

Taxes in Korea comprise national and local taxes. National taxes are divided into internal taxes, customs duties, and three earmarked taxes; the local taxes include province taxes and city & county taxes. Internal taxes consist of direct taxes (income tax, corporation tax, and inheritance and gift tax), indirect taxes (value added tax, individual consumption tax, liquor tax, stamp tax and securities transaction tax), three earmarked taxes (transportation, energy and environment tax (or TEE tax), education tax and agriculture and fishery community special tax), and one holding tax (comprehensive real estate tax).

TAX LAWS AND REGULATIONS

A Presidential Decree may be set in order to enforce the tax laws. The Minister of Finance and Economy also enacts Ministerial Decrees to enforce the Presidential Decree, to make rulings and authoritative interpretations of the laws, and to enforce the decrees. In addition to the Presidential and Ministerial Decrees, the Commissioner of the National Tax Service may issue administrative orders and rules to ensure the consistent application of the laws. The courts of justice have the final authority in interpreting the tax laws, and the rulings and interpretations by tax authorities do not bind.

The Constitution also provides for the principle of local autonomy. Under this principle, local governments are given the right to assess and collect local taxes. The Local Tax Law, the Presidential Enforcement Decree on Local Tax Law, and the Ministerial Enforcement Decree on Local Tax Law are enacted under the Constitution.

B. CORPORATE INCOME TAX

Corporation tax is imposed at the national level under the Corporation Tax Law (CTL). Companies subject to corporation tax in Korea can be classified into two types: domestic or foreign and for-profit or non-profit. For tax purposes, a company with its head or main office in Korea is deemed to be a domestic company and is liable to tax on its worldwide income. Otherwise, it is considered to be a foreign company, and the tax liabilities of foreign companies are limited to Korean-source income. Capital gains are included in ordinary corporate income, but in relation to disposals of certain types of property, there is a separate additional tax which is a part of corporate income tax.

DETERMINATION OF TAXABLE INCOME

Korea-incorporated companies are required to prepare their financial statements according to Korea Generally Accepted Accounting Principles(GAAPs). The GAAPs are closely modeled on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The accounting profits are adjusted in accordance with Korea Tax Law to arrive at the taxable income whose computation shall follow the GAAPs or practices, except where the Korea Tax Law specifically provides otherwise. The corporation tax is assessed on the income(including capital gains) during each business year and liquidation income (non-profit domestic and foreign corporations are exempted) except income derived from property of public welfare trusts.
Expenses must be incurred wholly and exclusively for the production of income in order to be tax deductible unless specifically disallowed or restricted (e.g. entertainment expenses exceeding the prescribed limits, non-business expenses, excessive or unreasonable expenses, penalties, fines, losses on valuation, etc.).

INTEREST DEDUCTIONS
Interest expenses are tax deductible unless they are incurred in respect of non-taxable income or are regarded to be of a capital nature.

THIN CAPITALIZATION RULES
Where a domestic corporation borrows funds from a foreign controlling shareholder, or from a third party under a payment guarantee (including the offer of a security, etc. for guarantee of payment) by the foreign controlling shareholder, and such borrowings exceed three times as much as the equity shares contributed with shares, etc. by the relevant foreign controlling shareholder, the interest paid and discount fee as to the relevant amount in excess shall be deemed to have been disposed of as a dividend.

STOCK/INVENTORY
A corporation may elect one of the following methods of inventory evaluation and submit a report on its evaluation method by the due date.
1. Cost method
(a) Individual cost method
(b) First-in first-out method
(c) Last-in first-out method
(d) Weighted average cost method
(e) Moving average cost method
(f) Cost of sale rebate method

2. Lower of the price estimated by the cost method and the market price estimated by Financial Accounting Standards

CAPITAL GAINS AND LOSSES
Capital gains and losses from the transfer of property are included in taxable income & expense and thus subject to corporation tax. In addition, in relation to disposals of certain types of property, there is a separate additional tax which is part of corporate income tax. Gains from the transfer of other financial assets are also taxable.

DIVIDENDS
Dividends paid by Korea companies are taxable income. Foreign sourced dividends remitted into Korea are also subject to corporation tax. However, to avoid double taxation on the dividend income, special rules of proportion of exclusion of gains are applied. In case of a holding company established in accordance with Anti-trust and Fair Trade Law from its subsidiaries, dividend income is not recognized as gains to a certain extent. Also dividend income received by a corporation other than holding companies from its subsidiaries is not recognized as gains to a certain extent with different ration.

CAPITAL ALLOWANCE
Capital allowances, not like normal depreciation, are not granted for plant and machinery acquired and used in a trade or business.

TAX LOSSES
Losses denote the amount of losses and expenses incurred by transactions that decrease the net assets of the corporation, except for the refund of capital or shares, appropriation of surplus, or what may be prescribed in the Corporation Tax Law. The unutilized tax losses can also be carried forward for 10 years.

TAX INCENTIVES
With an ultimate view of contributing to development of the sound economy, various tax incentives aimed at achieving specific national economic objectives have been provided under the tax law. Korea has a comprehensive list of tax incentives and development schemes to attract investments and to assist investors in expanding their businesses. However, most incentives expire automatically within one to five years unless they are extended and some incentives newly are included every year. So tax incentives are to be checked when its application is necessary.
Highlights of key incentives and schemes are summarized below.

1. Categories of tax Incentives on Small and Medium-Sized Enterprises(SME)
   The tax incentives below provided to SMEs are intended to reduce the concentration of economic wealth by conglomerates and to strengthen the economy. Enterprises are objectively classified based on the number of employees or the amount of capital or turnovers, and all SMEs satisfying the criteria can receive tax benefits.
(a) Reserves for investment
(b) Tax credit for investment
(c) Tax incentives for newly established SMEs
(d) Special tax incentive for SMEs

2. Categories of tax Incentives for Research and Human Resources Development

The tax incentives below are basically provided to all businesses that meet the given objective conditions without any discrimination.

(a) Reserves for technology and human resources development
(b) Tax credit for technology and human resources development
(c) Tax credit for investment in facilities for technology and human resources development
(d) Tax Exemption for income from technology transfer
(e) Non-taxation on capital gains of venture capitals

3. Tax Incentives for the International Capital Transactions
(a) In some cases where interest and commission are paid, income tax or corporation tax shall be exempt.

(2) Tax exemption for dividend income from overseas resources development business

4. Tax Incentives for the Encouragement of Investment
The tax incentives are basically provided to all businesses that meet the given objective conditions without any discrimination.

5. The provisions associated with taxation on Reorganization
The provisions were introduced to facilitate the restructuring by reducing the tax burden that can be a hindrance to the restructuring process such as business reorganization, re-engineering, and financial structure improvement. These provisions are not specific to any particular companies or industries.
Developed countries including the U.S. are also known not to levy tax on reorganization (so-called tax-free reorganization) when certain requirements are met.

6. Tax Incentives for the Balanced Development
Tax incentives were introduced to effectively deal with problems such as pollution and traffic congestion in Seoul and metropolitan areas caused by concentration of population and industrial facilities in the area and to develop underdeveloped areas.

7. Tax Incentives for the enhancement of social welfare

8. Tax Incentives on Interest and Other Income

9. Foreign Direct Investment
In the aftermath of the Asian financial crisis, the government has been advocating a series of comprehensive reform measures in the corporate, financial, and labor sectors to address some of the more fundamental problems in the economy. Because stimulating foreign investment and injecting market competition into the domestic economy are believed to be critical to the success of the reform drive, the government has accelerated market liberalization in such areas as mergers and acquisitions (M&A), securities, capital transactions, foreign exchange, and the real estate market, virtually opening up all of the previously restricted markets to both portfolio investment and foreign direct investment (FDI).

With respect to FDI which entails acquisition of a controlling interest in a foreign firm or affiliate (e.g., a branch or subsidiary) unlike the passive and interest-driven portfolio investment, the enactment of the Foreign Investment Promotion Act (FIPA) in September 1998 is noteworthy. The principal objective of FIPA is to attract FDI by:

(a) eliminating burdensome regulations and anti-competitive market restrictions;
(b) creating a more liberalized, transparent and favorable business environment for foreign businesses and investors; and
(c) expanding tax incentives such as tax exemptions and reductions for extended periods.

CREDIT FOR TAX PAID ABROAD

Where a domestic corporation has paid or is liable to pay foreign corporation tax abroad, the tax amount paid or payable abroad is deducted from the corporation tax up to an amount equivalent to the ratio of the income from foreign sources to the total taxable income. If the foreign tax amount paid or payable exceeds the prescribed creditable limit against the corporation tax payable for the year, the excess portion may be carried over for 5 years.

The foreign tax paid by a qualifying subsidiary is eligible for foreign tax credit against the dividend income of a parent company if an existing tax treaty between Korea and the country of which the foreign corporation is a resident allows it. A qualifying subsidiary is one in which a domestic corporation owns 20% or more of its shares for more then 6 consecutive months after the date of dividend declaration.
When income from foreign sources earned by a domestic corporation is exempt from tax in a source country, nevertheless the exempted amount of income will be taken into account in calculating the foreign tax credit to the extent that the tax treaty allows.

C. VALUE ADDED TAX (VAT)

VAT is a broad base consumption tax aimed at taxing the final consumer of the goods and services. An entity or person who engages in the supply of goods or services independently in the course of business, whether or not for profit, is liable to value added tax. Taxpayers include individuals, corporations, national and local governments, associations of local authorities, any bodies of persons, and unincorporated foundations of any other organizations are generally subject to Value Added Tax. The VAT taxpayer has to file a quarterly VAT return to declare the Output VAT collected and the Input VAT incurred. They will pay (or claim) the difference (after netting the Output VAT against the Input VAT) together with the VAT return. Value added tax is imposed on the supply of goods and on imports of goods. VAT paid on purchases (input tax) is creditable against the VAT charged on sales (output tax).The standard VAT rate is 10%. The export of goods and the provision of international services are zero-rated.
In general, the taxable period for VAT is divided into two.
(1) First period: January 1 to June 30
(2) Second period: July 1 to December 31

D. RELATED PARTY TRANSACTIONS

Under the domestic tax law, related party transactions have to satisfy the arm's length principle. The NTS can make adjustments if it is of the opinion that the arm's length principle is not applied appropriately by the taxpayer

E. NON-RESIDENT INCOME TAXATION

A succinct overview of taxation on non-residents is presented below to help non-resident taxpayers understand the provisions of the Korean Tax Code related to taxation for non-residents.

Individual income tax

	Resident	Non-Resident
Definition	Residence or domicile in Korea for more than 183 days	Any person not deemed a resident
Taxable Place	Residence or domicile	Place of business (fixed base) or place of income source
Tax Liability	Worldwide income	Income from sources within Korea
Methods of Taxation	Global Taxation Scheduled taxation for capital gains, retirement income, and timber income Withholding taxation	Global taxation (in case of fixed base) Scheduled taxation for capital gains, retirement income, and timber income Withholding taxation

Corporate Income taxation

	Taxation Resident corporation	Non-resident corporation
Definition	A corporate business entity with its head or main office in Korea	A corporate business entity with its head or main office outside Korea
Taxable place	Head or main office	Permanent establishment or place of income source
Tax liability	Worldwide income	Income from sources within Korea
Income repairing	Global taxation Special additional tax	Global taxation (in case of permanent establishment) Special additional tax Withholding tax (in case of no permanent establishment) Scheduled taxation (timber income and capital gains)

Taxation on Non-resident Corporations with Permanent Establishment (as of April 2014)

Taxable income (Tax base)	Tax rates and tax brackets
Under 200 million won	10%
200 million won ~ 20 billion won	20 million won + 20% of the amount over 200 million won
Over 20 billion won	3.98 billion won + 22% of the amount over 20 billion won

Withholding tax

Taxation on Non-Resident Corporations without Permanent establishments Items of Income	Current Domestic Rates
Interest	25%
Dividends	25%
Real Estate Income	*
Lease Income	2%
Business Income	2%
Independent Personal Services	20%
Capital Gains Income	*
Timber Income	*
Royalties	25%
Capital Gains from Securities Transaction	Lesser of 10% of sales or 25% of the gains
Miscellaneous Income	25%

* Tax rates applied to non-resident corporations without a permanent establishment are identical to those applied to non-resident corporations with a permanent establishment. However, if there is a tax treaty between Korea and the country of non-resident corporations, the tax rate in the treaty applies if it is lower than the domestics tax rate.

F. INCOME TAX

A person who has a domicile or has resided in Korea for one year or longer is subject to income tax on all income derived from sources both within and outside Korea. Korean public officials, directors and personnel engaged in overseas service on behalf of an employer who is a Korean resident, or a domestic company is deemed to be residents of Korea. Resident individuals deriving employment income and rental income is subject to income tax based on the following progressive rates. Various personal reliefs are available to resident individuals.

Table of Basic Tax Rates

(as of April 2014)

Tax Base of Global Income	Tax Rates
12 million won or less	6% of tax base
12 million won ~ 46 million won	0.72 million won + 15% of the amount exceeding 10 million won
46 million won ~ 88 million won	5.82 million won + 24% of the amount exceeding 40 million won
88 million won ~ 300 million won	15.9 million won + 35% of the amount exceeding 40 million won
Over 300 million won	90.1 million won + 38% of the amount exceeding 80 million won

A Korea citizen is considered tax resident if the individual normally resides in Korea except for temporary absences that are consistent with the claim to be a resident. A foreigner is considered resident in Korea for tax purposes if the individual is physically present or exercises a Korea employment for 183 days or more during the basis year. A foreigner can select a flat tax rate of 17.5% without any deduction up to 2014.

NON-RESIDENT INCOME TAXATION

A non-resident is liable to tax on income derived from sources within Korea. Two methods of taxation are applied: global taxation and separate taxation. Global taxation is applied to non-resident taxpayers who have a place of business in Korea or those with income from real estate located in Korea (excluding capital gains from the transfer of land or buildings). All domestic source income is subject to global taxation, except for severance pay, capital gains, and timber income, all of which are taxed in the same manner as they would be if earned by a resident. Withholding taxation is applied to each domestic item of income of non-residents who do not have a place of business in Korea and do not have income from real estate located in Korea.

Income from domestic sources includes followings;

1. Interest income
2. Dividend income
3. Real estate income
4. Lease income of vessels, aircraft, etc.

5 Business income
6 Personal service income
7 Capital gains
8 Timber income
9 Wage and salary income
10 Royalties, rents, or any other consideration
11 Gains arising from the transfer of investment securities or shares
12 Other income

G. TREATY WITHHOLDING TAX RATES

TAX TREATIES

As of the end of March, 2003, Korea has entered into bilateral tax treaties with 55 countries all over the world. In addition to the primary objective of avoiding international juridical double taxation, tax treaties serve purposes such as promoting exchanges of advanced technology and capital from abroad as well as encouraging business expansion of domestic companies in foreign countries.
The chart shows the withholding tax rates applicable under the Korea tax treaties that are currently in force. The domestic withholding tax rate will apply if it is lower than the treaty rate.
There are various limitations on these withholding taxes for residents of countries with a tax treaty with Korea. For dividends, interest, and royalties, the withholding tax rates are limited as follows.

Country	Withholding Rates in outward Remittances		
	Dividends (%)	Interest (%)	Royalties (%)
Australia	15	15	15
Austria	10, 15	10	10
Bangladesh	10, 15	10	10
Belgium	15	10	10
Brazil	15	10, 15	15, 25
Bulgaria	5, 10	10	5
Canada	15	15	12
China	5, 10	10	10
Czech Republic	5, 10	10	10
Denmark	15	15	10, 15
Egypt	10, 15	10, 15	15
Fiji	10, 15	10	10
Finland	10, 15	10	10
France	10, 15	10	10
Germany	10, 15	10, 15	10, 15
Greece	5, 15	8	10
Hungary	5, 10	0	0
India	15, 20	10, 15	15
Indonesia	10, 15	10	15
Ireland	10, 15	0	0
Israel	5, 10	7.5, 10	2, 5
Italy	10, 15	0	10
Japan	12	12	12
Kuwait	10	10	15
Malaysia	10, 15	10	10, 15
Mexico	0, 15	5, 10, 15	10

KUWAIT

MEMBER FIRM

City	Name	Contact Information
Kuwait	Tariq M. Bouresli	+965 53 3333 83 tareq@pkf-kuwait.com

BASIC FACTS

Full name:	Kuwait
Population:	3.5 million (2013 PRB)
Capital:	Kuwait City
Major languages:	Arabic
Major religion:	Islam
Monetary unit:	Dinar (KD)
Internet domain:	.kw
International dialling code:	965
Ministry of Finance website:	http://en.mof.gov.kw/

KEY TAX POINTS

- The taxable presence of a foreign entity is determined by whether it carries on a trade or business in Kuwait and not on whether it has a permanent establishment or place of business in Kuwait.
- The individuals (Kuwaiti or Foreign national) and Kuwaiti companies are not subject to taxes on income
- Foreign corporate bodies engaged in commercial activities in Kuwait are liable to pay flat 15% income tax on the net taxable income.
- Income tax is imposed on the profit of a business in Kuwait as calculated by the normal commercial criteria, using generally accepted accounting principles (GAAP) including accrual basis. For expenses to be deductable, they must be incurred in the generation of income in Kuwait. However, Provisions are not deductable for tax purposes. For contract accounting, revenue is recognized by applying Percentage of Completion Method.

A. TAXES PAYABLE

CORPORATE INCOME TAX

K

The Tax Decree of 1955 (Amiri Decree No 3 of 1955) as amended by Law No. 2 of 2008 and the Executive Byelaw governs taxation in Kuwait along with various tax treaties with a number of foreign nations. These decrees are supplemented by Administrative orders, Executive Rules and Circulars issued by the Kuwait Tax Authority. Under the above, foreign companies described in the decree as ‘bodies corporate’ which carry on business or trade in Kuwait are taxable. The term ‘bodies corporate’ refers to an association that is formed and registered under the laws of any country or state and is recognised as having a legal existence entirely separate from that of its individual members. Partnerships fall within this definition.

Income Tax is not payable by Companies wholly owned by the nationals of Kuwait or other GCC countries. However Kuwaiti or GCC companies with foreign ownership are subject to taxation to the extend of foreign ownership. Income tax is imposed only on the profits and capital gains of foreign corporate bodies conducting business or trading in Kuwait, directly or through an agent.

Under Law No 19 of 2000, a 2.5% tax is imposed on the annual net profits of Kuwaiti companies listed on the Kuwait Stock Exchange as National Labour Support Tax. Kuwaiti shareholding companies are required to pay 1% of net profit for Zakat.

Foreign companies can carry on business in Kuwait either through an agent or joint venture or as a minority shareholder in a locally registered shareholding company. Tax is levied on the foreign company’s share of the profit plus any amounts receivable for interest, royalties, commissions, technical services, management fees etc.

Upon commencement of business, foreign companies are required to register themselves with the Tax Department within 30 days and apply for a Tax Card. A taxpayer may follow one calendar year comprising consecutive 12 months as the first accounting period. For the first and last accounting periods, it is possible to obtain approval for a period shorter or longer than 12 months up to a maximum period of

18 months.

A tax declaration in the national currency Kuwaiti Dinar and in Arabic, is to be submitted to the Tax Department in a specified format, accompanied by audited financial statements and other specified documents. The Tax Department requires that the declaration and the supporting statements to be certified by an accountant in practice in Kuwait who is also registered with the Ministry of Commerce and Industry and accredited by the Ministry of Finance.

If a foreign company has more than one activity in a similar line of business in Kuwait, either directly or indirectly through subsidiary companies, income from all activated is to be aggregated for tax purposes. Business losses cannot be carried forward for more than 3 years.

The applicable flat tax rate is 15% on taxable income. It is possible to pay the tax due in four equal instalments, if not paid as one deposit along with the Tax Declaration.

PERSONAL TAX

There is no personal income tax or wealth tax in Kuwait.

B. DETERMINATION OF TAXABLE INCOME

Tax liabilities are generally computed on the basis of profits disclosed in audited financial statements adjusted for tax depreciation and other deductions of all expenses and costs spent on realizing such income. The Tax Inspector has a right to disallow any expense that is deemed excessive on inspection, conducted during an assessment.

GROSS INCOME

Gross Income will include:

(a) Income derived from rendering of services in Kuwait;
(b) Income from leasing of property located in Kuwait;
(c) Income from operating any manufacturing, industrial, or commercial enterprise in Kuwait;
(d) Income from purchasing and selling of property, goods and maintaining a permanent office in Kuwait where contracts of purchase and sale are executed;
(e) Income earned from selling, renting, etc. any trade mark, design or copyright;
(f) Profits from disposal of assets;
(g) Commissions from representation or brokerage;
(h) Profits from any contracts performed in Kuwait.

DEDUCTIONS - TAX DEPRECIATION

The permissible rates of depreciation, applied using the straight-line method, include 4% a year for a building, 20% for plant and machinery, 15% to 20% for motor vehicles and 15% for office furniture.

DEDUCTIONS - BUSINESS EXPENSES

For expenses to be deductible, they must be incurred in the generation of income in Kuwait. Such expenses must be supported by adequate documentary evidence. Such expense include:

(a) Salaries, wages and end of service benefits;
(b) Taxes and fees except Income Tax;
(c) Grants, donations and subsidies paid to licensed Kuwaiti public or private agencies;
(d) Expenses of Head Office.

The following expenses are normally disallowed for tax purposes.

(a) Personal or private expense or any other expense not related to business;
(b) Criminal penalties;
(c) Reimbursable losses;
(d) Provisions as opposed to accruals are not accepted for tax purposes. Thus, terminal benefits are only deducted when paid out, and debts are only being written off for tax purposes, once they are proved irrecoverable;
(e) Interest is accepted if it is paid directly by the branch to a bank in Kuwait and is reasonable in relation to the activities of business in Kuwait;
(f) Salaries paid outside Kuwait to staff working abroad, except where the contract specifically requires technical work to be performed abroad;
(g) Transfer pricing of materials and equipment imported. The tax authorities deem the following profit margins for the imported materials:
(i) Imports from head office: 15% of related revenue;
(ii) Imports from related parties: 10% of related revenue;
(iii) Imports from third parties: 5% of related revenue.

The deemed profit as above is normally subtracted from the cost of materials and

equipment claimed in the tax declaration.

HEAD OFFICE OVERHEADS

The tax authorities allow the following deductions from income as a contribution towards expenses incurred by the head office of a foreign company:

(a) For contractors and consultants operating through an agent: 1.5% of revenue, reduced by any amounts paid or payable to sub-contractors;
(b) For foreign companies participating with Kuwait companies in the execution of a contract: 1% of the foreign company's share of the contract revenue reduced by amounts paid to sub-contractors;
(c) For insurance companies: 1.5% of the net premiums;
(d) For banking institutions: 1.5% of direct revenue realised in Kuwait.

C. FOREIGN TAX RELIEF

No specific unilateral measures exist for the avoidance of double taxation, but if taxable income has suffered foreign tax, the foreign tax will usually be allowed as a deduction from income.

D. WITHHOLDING TAX

There are no withholding taxes in Kuwait. There are however retentions made on payments due to foreign companies until such time as they satisfy their Kuwait customer that they have dealt with their Kuwaiti tax obligations. Under Ministerial Order No 44 of 1985, all government departments, public bodies and privately owned and government owned companies are required to withhold final payments due to entities, which should not be less than 5% of the total contract value, until such entities present a tax clearance from the Tax Department. Failure to comply with these rules could result in disallowance of the related contract costs by the Tax Department.

E. TAX TREATIES

Kuwait has entered into tax treaties with several countries, for avoidance of double taxation. Kuwait is a signatory of the Arab Tax Treaty and the GCC Joint Agreement, both of which allows for avoidance of double taxation in most areas. Comprehensive double taxation treaties are available with Austria, Belarus, Belgium, Canada, China, Cyprus, Croatia, Ethiopia, France, Germany, Hungary, Indonesia, Italy, Jordan, Korea, Lebanon, Mauritius, Mongolia, Netherlands, Pakistan, Poland, Romania, Russia, Serbia and Montenegro, Singapore, Switzerland, Syria, Tunisia, Turkey, Ukraine and United Kingdom.

The Algeria and South Africa treaties are under finalization. Kuwait has also concluded limited double taxation agreements in respect of income arising from international sea and/or air transport with several countries.

F. TAX DEVELOPMENTS

New requirements for the submission of tax declaration and compliance process were introduced through Executive Rules and Circulars, which increases the disclosures, analysis and information to be submitted along with the tax declaration. Further tax payers are to submit a report on actual basis applying the same adjustments as per the latest assessment order, within the 3 months following the tax filing.

Ministry of Finance is currently studying the implementation of VAT law in Kuwait, anticipated to be in line with the Master framework agreement to be signed and agreed by all GCC member states.

G. TAX INCENTIVES

Kuwait has a number of tax incentives as follows.

(a) Leasing and Investment Companies Law No 12 of 1998 allows the formation of investment and leasing companies having their principal place of business in Kuwait, with Kuwaiti or foreign shareholders. The law grants a five-year tax holiday to non-Kuwaiti founders and shareholders of such companies, beginning on the date of establishment of the companies.
(b) Law no 116 of 2013 regarding Promotion of Direct Investment in Kuwait, which replaces the Direct Foreign Capital Investment Law (DIFCL) No 8 of 2001 provides a tax holiday up to ten years with respect to non-Kuwaiti shareholders shares of the profits from the qualifying projects. An additional tax holiday for a similar period is granted for further investment in an already approved project. Also exemption from taxes and custom duties is available for import of machineries, spares, raw materials etc., under Direct Investment Scheme.
(c) Businesses set up in the Kuwait free trade zone for carrying on specified

operations are exempt from taxes on operations conducted in the zone and foreign entities can own 100% of such businesses.

(d) Kuwait has begun to use build, operate and transfer (BOT) method in respect of some large infrastructure projects. Tax and tariff concessions may be built into a BOT contract.

As per circular No 48 of 2013, issued by the Tax Department regarding treatment of exempted companies, the exempted companies shall, however, comply with the provisions of submission of tax declaration, inspection and assessment procedures like other companies in order to be eligible for exemption.

LATVIA

MEMBER FIRM

City	Name	Contact Information
Riga	Maruta Zorgenfreija	+371 67333647 maruta.zorgenfreija@pkf-latvia.lv

BASIC FACTS

Full name:	Republic of Latvia
Population:	2 million (2013 PRB)
Capital:	Riga
Major languages:	Latvian, Russian
Major religions:	Christianity
Monetary unit:	1 lats (LVL) = 100 santims
Internet domain:	.lv
International dialling code:	+371
State Revenue Service:	www.vid.gov.lv/

KEY TAX POINTS

- Resident taxpayers are subject to corporate income tax on their worldwide income. Foreign entities are subject to tax on income earned in Latvia. Branches of foreign entities are subject to tax on worldwide income attributable to the branch. Corporate income tax rate is 15%.
- Capital gains of companies are treated as ordinary income and taxed accordingly unless specifically exempt.
- The general rate of VAT is 21%. A reduced rate of 12% is applied to certain products and services. Intra Community supply of goods (to a customer registered as a VAT payer in another Member State) is zero-rated.
- Foreign income tax suffered at source may be credited against the corporate income tax charge calculated for a taxation year.
- In respect of related party transactions, when determining taxable profit, accounting profit shall be increased for the difference between market price and transaction price if goods, fixed assets, services are sold/purchased to/from non-resident related parties or resident related parties enjoying tax holidays, or companies within the tax group, or related persons.
- Withholding tax is levied at standard rates on certain payments made by Latvian residents to non-residents. If a double tax treaty exists between Latvia and the relevant country, reduced rates or exemptions may be applied.

In 2015, Latvian residents are liable to personal income tax at a flat rate of 23% on their worldwide income. Non-residents are liable to personal income tax at a flat rate of 23% on their Latvian source income.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES:
COMPANY TAX

A company is resident in Latvia if it is registered, or required to be registered, in Latvia. Resident taxpayers are subject to corporate income tax on their worldwide income. Foreign entities are subject to tax on income earned in Latvia. Branches of foreign entities are subject to tax on worldwide income attributable to the branch.

Companies may choose the accounting and taxation period which does not necessarily have to be the calendar year and the length of the taxation (accounting) period is 12 months. Only the first accounting period can be longer than 12 months (subject to a maximum of 18 months). Taxable income is based on accounting profit which is adjusted according to the provisions of the Corporate Income Tax Act. Tax is charged

on profits at the rate of 15%. Companies are required to make advance payments of tax based on the prior year tax amount.

Shipping companies may alternatively apply tonnage tax.

CAPITAL GAINS TAX
Capital gains are treated as ordinary income and taxed accordingly, unless specifically exempt (see capital gains and losses).

BRANCH PROFITS TAX
Branch offices are treated as domestic companies. Branches of foreign entities are subject to tax on worldwide income attributable to the branch.

VALUE ADDED TAX (VAT)
The general rate of VAT is 21%. A reduced rate of 12% is applied to certain products and services such as medical goods (according to the list approved by the Cabinet of Ministers), baby food, supplies of books, mass media, inland public transportation services, hotel services (accommodation) and supplies to individuals of heating. Exports and related services are zero-rated. Several types of supplies are VAT exempt. These include sale of land (except development land with building permission issued after 31 December 2009) and used real estate; supply of medical services; rental of apartments to individuals; and most banking and insurance services.

Intra-Community supply of goods (to a customer registered as a VAT payer in another Member State) is zero-rated.

A transaction that involves a Latvian taxable person acquiring goods in Latvia from a taxable person registered in another Member State will qualify as an intra-Community acquisition within the meaning of the VAT Act. When the Latvian taxable person receives the goods from a supplier, this person will charge VAT on the acquisition and will recover this amount as input tax in the same month (reverse charge accounting).

The VAT registration threshold is EUR 50,000.

There is a 20% restriction on deducting input tax on light passenger cars that are purchased, rented or imported and on their running costs including fuel and repairs (except where the car is used for passenger and carrying goods, taxi services, lease services, and some other specialised services).

VAT is not deductible on representative cars (cost exceeding EUR 50 000).

Reverse charge accounting applies to construction services supplied in Latvia. VAT is to be calculated by a customer rather than a supplier of construction services (both VAT payers in Latvia); the customer pays the supplier without VAT, and calculates and shows VAT as input and output tax (if services have been acquired to make taxable supplies). The VAT Act provides a list of construction services to which reverse charge accounting applies (such as preparing a construction site, construction of supporting and non-supporting elements or structures for a building, internal decoration etc.).

FRINGE BENEFITS TAX
Most fringe benefits granted to employees are subject to payroll taxes. A few benefits are tax exempt. These include health and accident insurance premiums paid on agreements concluded by employers on behalf of their employees; and contributions to private pension funds or life insurance premiums on the employee's behalf. Health and life insurance premiums and contributions to private pension plans that are no higher than 10% of gross remuneration of an employee in the taxation year are not subject to payroll taxes. Certain conditions need to be met and health and accident insurance premiums may not exceed EUR 426.86.

LOCAL TAXES
Local authorities are permitted to levy stamp duties. They may be levied on transactions such as obtaining a building permit; placements of advertisements at public locations; organising public trading events, etc.

REAL ESTATE TAX
Real estate tax is paid by Latvian and foreign companies and individuals that have title (registered with the Land Registry) or legal possession of real estate in Latvia i.e. land, buildings and engineering structures - roads, bridges, pipelines, communication lines, power station structures, fencing, etc.

The standard rate of real estate tax applicable to land, buildings (except residential buildings) and constructions is 1.5% of cadastral value. The local authorities have the right to set the rate of real estate tax within a range of 0.2 - 3%. If the local authority

fails to announce a different rate by 1 October for the following year, the standard rate of 1.5% will apply for that following year.

From 2014 the local authorities, when issuing binding regulations, have rights to apply 3% tax rate for buildings that exceed certain construction works' duration, starting from the next month after the construction term expires till the month when the building acceptance document is signed. Tax is calculated on the cadastral value of land, buildings and engineering structures. Some classes of real estate are exempt of tax such as state or municipal real estate used for performing certain functions.

A progressive rate has been set for residential houses and any parts of non-residential buildings that are functionally used for living and not used in a trade or business:

- 0.2% of cadastral values up to EUR 56,915;
- 0.4% of cadastral values exceeding EUR 56,915, but not exceeding EUR 106,715;
- 0.6% of cadastral values exceeding EUR 106,715.

A double rate of 3% (standard rate 1.5% plus additional rate 1.5%) applies to uncultivated land capable of agricultural use. If such property, in addition, is not maintained in accordance with regulatory requirements, the local authority can set a rate of up to 4.5% consisting of maximum allowable rate 3% plus additional rate 1.5% for uncultivated land.

OTHER TAXES

Stamp Duty is payable on registration of title to real estate with the Land Book at 2% of purchase price (or cadastral value if higher), up to a maximum of EUR 42,686.

B. DETERMINATION OF TAXABLE INCOME

Taxable income includes income from all activities of the company and capital gains. The accounting profit before tax (as per the income statement) is adjusted in accordance with the corporate income tax rules.

DEPRECIATION

For tax purposes, tangible fixed assets used in a business should be depreciated using the reduced balance method. The rates are as follows:

Type of Assets	Rate (%)
Buildings, structures and perennial plantings	10
Technology and energy installations, fleet, railway	20
Computer hardware and software	70
Oil exploration and extraction platforms	15
Aircraft, light motor vehicles in general	30
Other fixed assets	40

There is an incentive for the acquisition of new production technological equipment. For tax depreciation purposes, the amount to be depreciated is the cost of equipment multiplied by a coefficient.

The coefficient to be applied in respect of equipment acquired in 2014-2020 is 1.5. Such equipment may not be sold within the next five years from acquisition in order to benefit from the enhanced allowances.

No capital allowances are available on investment property accounted for at fair value. Representative vehicles (cars) worth (which cost) more than EUR 50,000 excluding VAT may not be depreciated for tax purposes and all costs associated with their usage and maintenance shall be treated as non-deductible expenses for income tax purposes.

Intangible assets should be depreciated on a straight-line basis over the following period:

Type of Intangible Asset	Years
Concessions	10
Patents, licences and trademarks	5
Research and development costs	1

Any other intangible assets, which are not included in the above categories, cannot be depreciated for tax purposes.

STOCK / INVENTORY

Inventories are generally valued at the lower of cost and market value. Cost may be determined on the basis of FIFO or weighted average cost (as per accounting rules). Unrealised loss (amount of write-down to market value) is not deductible for income tax purposes.

CAPITAL GAINS AND LOSSES

The amendments to the Corporate Income Tax (CIT) Act which took effect on 1 January 2013 include provisions that should make Latvia a more attractive country for holding companies. From 2013, income from the disposal of shares is exempt from CIT. This exemption does not apply to a gain on the sale of shares of companies located in tax haven countries. Losses from sale of shares are not deductible for CIT purposes.

Other capital gains, in general, are taxed as ordinary income (at 15%).

Payment of tax on profits arising on the sale of an asset may be deferred if the company acquires a functionally similar asset within 12 months before or after the old equipment is disposed of. The gain is rolled over into the base cost of the new asset and becomes chargeable when the new equipment is sold. This provision does not apply to works of art, antiques, jewellery, investment properties, long term investments held for sale; motorcycles, watercraft, aircraft, and light passenger vehicles.

Capital losses on other assets are deductible from ordinary income.

Interest from public debt securities of issuers from EU and EEA countries is tax exempt.

DIVIDENDS

Dividend income received by a Latvian company is tax exempt. Only dividends received from tax havens attract CIT (at 15%).

Dividends paid by Latvian companies to non-resident companies (other than those registered in tax havens) are exempt from withholding tax.

In 2014 a new concept of extraordinary dividends was introduced in the Commercial Law.
According to the Commercial Law, the companies are allowed to include in its Articles of Association a provision allowing to pay interim (extraordinary) dividends based on profit earned in the period from the last day of the previous year to the end of the interim period. There are special rules set by law which the company has to comply with in order to pay interim dividends; the amount of the dividend should not exceed 85% of the interim profit, the interim accounts should be prepared and the company must not have tax debts at the moment of making dividend decision and some others.

INTEREST DEDUCTIONS

There are thin capitalisation rules for interest deductions. Interest charges exceeding statutory limits are not deductible for tax purposes. There are two restrictions on interest deduction with which the company should comply (if taxable income requires adjustments under both criteria, it should be adjusted only for the larger amount).

- Interest paid is disallowed to the extent that it exceeds the amount of the relevant loan multiplied by 1.57 times the annual weighted average rate of interest on loans issued to non-financial Latvian businesses as determined by the Bank of Latvia for the tax period;
- Taxable income should be adjusted where the associated liabilities exceed four times the shareholders' equity at the beginning of the tax year, less any revaluation reserve and any other reserves not made as a result of profit.

The restriction does not apply to interest paid to credit institutions, including EU registered credit institutions.

The following interest payments are fully deductible:

- Interest paid on borrowings from credit institutions in Latvia, other Member States, EEA member states or countries with which Latvia has an effective double tax treaty (DDT);
- Interest paid on borrowings, leases from a financial institution which:
  (1) Is a resident of Latvia, EU Member State, EEA or a country with which Latvia has a DDT;
  (2) Provides lending services or finance leases and is monitored by the particular country's bodies formed to supervise credit institutions or the financial sector;
- Interest paid on debt securities in public trading.

Any amount exceeding the allowed interest for the tax period cannot be carried forward.

LOSSES
Tax losses incurred up to 2007 can generally be carried forward for eight years. Tax losses arising in 2008 and later may be carried forward indefinitely.

FOREIGN SOURCED INCOME
Tax is levied on resident companies on all profits arising from foreign sources in the same way as income from Latvian sources.

INCENTIVES
Research and development costs related to the economic activity of the taxpayer may be written off in the year in which they are incurred. Where the value of a project is not included in the value of fixed assets, research and development costs include costs related to the preparation of technical documentation.

From 2014 new relief for conducting scientific and development activity has been introduced allowing to apply coefficient 3 to certain costs directly associated with this activity (e.g. employing scientific workforce, purchasing research services from specialized scientific institutions).

C. FOREIGN TAX RELIEF

Foreign income tax suffered at source may be credited against the corporate income tax charge calculated for a taxation year. Relief for tax paid abroad is available upon presentation of documents provided by the competent tax authority of the country concerned and evidencing the amount of foreign tax suffered. The amount credited is calculated for each country separately and may not exceed the Latvian tax on such income.

D. CORPORATE GROUPS

The concept of tax (corporate) group is relevant for transfer pricing as prices applied between companies in a tax group shall be in line with market prices. Direct or indirect ownership of at least 90% is a necessary condition for membership of a group. The parent must be a resident individual or legal entity or resident in a country with which Latvia has a double tax treaty or in an EEA country. It is not allowed to transfer tax losses within a tax group.

E. RELATED PARTY TRANSACTIONS

In respect of related party transactions, when determining taxable profit, accounting profit shall be increased for the difference between market price and transaction price if goods, fixed assets, services are sold/purchased to/from non-resident related parties or resident related parties enjoying tax holidays, or companies within the tax group, or related persons.

Adjustments may be made to reduce profits chargeable to tax where a company enters into a transaction with a related person, a related foreign company, a resident company enjoying tax holidays, or other company belonging to the same tax group and the transaction has not been entered into on arm's length terms, provided the transaction partner has increased its taxable income. The provision applies if the transaction partner is a Latvian resident or resident of other EU country or EEA country with which Latvia has a DTT, and if the company (tax payer) files with the State Revenue Service confirmation from the tax authorities of the other country that taxable income has been increased to reflect arm's length pricing.

F. WITHHOLDING TAX

Withholding tax is levied on the following payments made by Latvian residents to non-residents.

Dividends	0% (15% if payments to companies registered in tax havens; 30% - in case of payments of extraordinary dividends to tax haven entities)
Management and consulting services	10%
Interest payments to related companies (non-banks)	0%
Bank interest payments to related banks	0%
Copyright	0%
Other intellectual property	0%

Rental payments (in respect of property located in Latvia)	5% (except rent of aircraft used in international traffic, as well as payments for rights to use production, commercial or scientific equipment; for these types of payments – 0%)
Sale of real estate	2% of proceeds of sale (includes also income from sale of shares of companies where real estate comprises more than 50% of company's total assets)

Note: All payments to companies registered in tax havens, except payments for purchases of goods and for purchases of public securities registered in EU or EEA countries, attract 15%, unless specifically agreed with the tax authorities. However, the mentioned purchases shall be performed at market prices to apply exemption.

The rates given above are standard rates. If a double tax treaty exists between Latvia and the relevant country, reduced rates or exemptions may be applied. A Latvian company paying the income to a non-resident company can apply these exemptions/ lower tax rates only if the recipient of income has submitted the valid residence certificate stating that the recipient is resident in that country (certificate to be approved by tax authorities) before the actual payment is made.

A residence certificate should be approved by the local State Revenue Service office and is valid tor five fiscal years.

G. EXCHANGE CONTROL

There is no exchange control in Latvia.

H. PERSONAL TAX

In 2015 Latvian residents are liable to personal income tax at a flat rate of 23% on their worldwide income. This includes all income (except income from capital and capital gains) after deductions such as social insurance contributions paid by employees, allowances, deductible expenses unless specifically exempt. However, salary income earned by Latvian residents in another EU or EEA country or a country with which Latvia has a DTT is not taxed in Latvia provided income has been taxed in the other country.

Benefits paid by EU/EEA countries to Latvian residents are tax exempt. Non-residents are liable to personal income tax at a flat rate of 23% on their Latvian source income. The tax year is the same as the calendar year. The same rate of 23% generally applies to salary income and to trading income. There are special rules for micro-companies paying micro-company tax. The personal income tax rate from 2016 will be 22%.

All residents are entitled to a monthly non-taxable personal allowance which, in 2015, amounts to EUR 75, and an allowance for each dependent of EUR 165.

Tax in respect of salaries, bonuses and most other types of payments made by Latvian companies is withheld at source and remitted to the tax authorities. If the recipient of income is registered as a sole trader, he/she is responsible for calculating and paying income tax.

Income from capital (such as interest and dividends) is taxed at a rate of 10% which is withheld at source. Dividend income is deemed to be earned when the dividend distribution decision is made (except in respect of dividends of public listed companies). The withholding tax must be paid to the tax authorities by the 5th day of the following month.

Capital gains are taxed at a rate of 15%.
A capital gain is the difference between the selling price and acquisition cost of a capital asset, or the difference between any surplus assets received on a company's liquidation and the original investment, or the down payment on a sale that is not completed. Capital assets include shares, investments in partnerships, and other financial instruments, investment fund certificates, debt instruments, real estate, intellectual property.

Non-resident individuals shall pay tax on income (capital gain) from selling real estate and other capital assets, except publicly traded financial instruments. However, a disposal of shares in a company is deemed to be a disposal of real estate (and thus subject to 15% tax) when real estate comprises more than 50% of the company's total assets either during the year of disposal or in the previous year. The proportion of real estate is calculated at the beginning of the year.

Benefits from the private use of company vehicles are not subject to income tax

provided the merchant pays light corporate vehicle tax on cars owned or held; the taxable amount depends on the engine capacity only. If light corporate vehicle tax is paid, car related expenses (fuel, maintenance, rent) can be treated as a deductible expense also for corporate income tax purposes.

SOCIAL INSURANCE CONTRIBUTIONS

Social insurance contributions are paid by both the employer and employee. The total rate for resident employees is 34.09% of gross employment income (including salary, bonuses, benefits in kind etc.), 10.50% of which is paid by the individual (withheld from gross salary) and 23.59% by the employer. Special rules apply to Latvian residents employed by foreign companies, foreign nationals employed by foreign companies (performing work in Latvia) and self-employed individuals.

In 2015 the income subject to social insurance contributions is capped; the maximum amount per year is EUR 48,600.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Latvia has tax treaties with the following countries: Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Italy, Ireland, Israel, Kazakhstan, Korea, Kyrgyzstan, Lithuania, Luxembourg, Macedonia, Malta, Mexico, Moldova, Montenegro, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovak Republic, Slovenia, South Korea, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, United Kingdom, United States and Uzbekistan.

Please note that the treaty has been concluded between Latvia and the former Serbia and Montenegro.

From 2014, payments of dividends, interest and royalties by Latvian companies to non-resident companies are tax free.

Management and consulting fees in general attract 10% withholding tax; zero rate is applied if DTT exemption applies (residence certificate submitted to the Latvian company paying income to non-resident).

LEBANON

MEMBER FIRM

City	Name	Contact Information
Beirut	Elie Chartouni	+961 1493220 (ext.101) eliechartouni@pkhb.com

BASIC FACTS

Full name:	Lebanese Republic
Population:	4.8 million (2013 PRB)
Capital:	Beirut
Major languages:	Arabic
Major religion:	Islam, Christianity
Monetary unit:	Lebanon pound (LBP)
Internet domain:	.lb
International dialling code:	+961
Customs website:	www.customs.gov.lb

KEY TAX POINTS

- Lebanese resident companies and Lebanese branches of foreign companies are subject to corporate income tax at a rate of 15%. Branches are subject to a 10% distribution tax on the amount of the profit after deduction of income tax.
- Companies are generally not taxed on income from an overseas source.
- Capital gains are generally taxed at a rate of 10%.
- VAT applies to imports and the supply of goods and services in Lebanon. The rate is 10% although there are many goods and services exempted from the tax.
- Income tax is charged on all individuals earning wages, salaries, other remuneration or consideration for services rendered in Lebanon.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
Lebanese resident companies are subject to Lebanese corporate tax on profits of any business carried on in Lebanon at a tax rate of 15%. Individuals and Partners in a private company are subject to tax on profits, after deduction of family allowances, on a progressive scale as follows:
- 4% on income below LBP 9,000.000;
- 7% on the income bracket between LBP 9,000,000 and LBP 24,000,000;
- 12% on the income bracket between LBP 24,000,000 and LBP 54,000,000;
- 16% on the income bracket between LBP 54,000,000 and LBP 104,000,000;
- 21 % on the income bracket above LBP 104,000,000.

Business income tax is imposed on net business income earned in the preceding year. Tax returns of limited liability companies must be filed by 31 May in the year following the year of income.

CAPITAL GAINS TAX
Gains on the sale of fixed assets are principally taxed at a rate of 10%.

BRANCH PROFITS TAX
Branches of foreign companies are liable to the same income tax as Lebanese companies in respect of their profits realised in Lebanon. Profits earned by branches of foreign companies are deemed to be distributed dividends and are subject to 10% distribution tax on the amount of the profit after deduction of business income tax.

VALUE ADDED TAX (VAT)
VAT applies to imports and the supply of goods and services in Lebanon. The rate is 10% although there are many goods and services exempted from the tax.

FRINGE BENEFITS TAX
There is no fringe benefits tax in Lebanon.

LOCAL TAXES
There are no local taxes in Lebanon.

OTHER TAXES:
STAMP DUTY
Stamp Duty is payable on documents at a rate of 0.3% unless otherwise provided by law. The general rate applies to issue share capital, leases and other agreements, etc. The rate is reduced to 0.15% in respect of commercial bills.

TAXATION ON TEMPORARY LABOUR
Lump sum wages are subject to 3% tax, regardless of its amount and without any deductions. What is meant by lump sum wages of temporary labour is the amount paid to perform temporary quantitative work based on pieces or quantity.

TAXATION OF PUBLIC CONTRACTORS
All contractors awarded public works are taxed, regardless of their entities' legal status, on a 10% deemed profit basis at a maximum tax rate of 15%.

SOCIAL SECURITY - NSSF
Contributions to social security fund are as follows:
- Family allowances: 6% of the employee monthly salary with a ceiling of LBP 1,500,000 per month;
- Sickness: 9% of the employee monthly salary with a ceiling of LBP 1,500,000 per month out of which the employee pays 2%
- Termination indemnity: 8.50% of the employee's total monthly salary.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits consist of all revenues earned by the enterprise after deduction of all charges necessary for carrying out the business.

DEPRECIATION
The amount of annual depreciation of fixed assets is fixed by the Ministry of Finance. The taxpayer may choose the rate he or she regards as appropriate, providing it falls within these minimum and maximum depreciation rates. Depreciation rates vary from 2% to 30% depending on the type of assets. Depreciation of land and goodwill is not acceptable for tax purposes.

STOCK / INVENTORY
Inventory of goods is valued at cost for tax purposes.

DIVIDENDS
The income tax law provides tax on distribution of dividends by Lebanese limited liability companies at a rate of 10% of the dividend paid. The distribution tax is payable regardless of whether the paying company is exempt from business income tax. Under certain conditions the rate is reduced to 5%.

INTEREST DEDUCTIONS
Interest on business loans is normally deductible.

LOSSES
Losses can be carried forward for a period of three years following the year in which they were incurred.

FOREIGN SOURCED INCOME
Income tax in Lebanon is territorial in general. Only profits realised in Lebanon and income derived from an activity in Lebanon is subject to Lebanese income tax.

INCENTIVES
The following enterprises are exempt from corporate tax: education institutions, cooperative associations, trade unions, Lebanese maritime and airline companies, public institutions which do not compete with the private sector, holding companies and offshore companies.

Medium and long-term credit banks are exempted from corporate tax in respect of the first seven years of operation.

Offshore companies are liable to an annual lump sum of LBP 1,000,000 that is to be paid to the income tax department.

Holding companies are subject to an annual tax computed on its total share capital plus reserves as follows:
- 6% on the first LBP 50,000,000;
- 4% on the second LBP 30,000,000;
- 2% on amounts exceeding LBP 80,000,000 providing that the total tax amount does not exceed LBP 5,000,000.

In addition, certain industrial activities are exempt when they relate to the economical development of the country and they fulfil certain legal requirements.

TAXATION BASED ON TURNOVER
Certain enterprises are not taxed on the actual net profits realised but apply a percentage of the annual turnover to arrive at their taxable profits. This is the case for:
- Insurance companies;
- Contractors, in respect of sums received from work undertaken for the account of governmental institutions.

TAX ON INTERESTS RECEIVED
Interest received from bank deposit accounts, certificates of deposit, Lebanese treasury bills, debentures, etc. is subject to a tax of 5%.

C. FOREIGN TAX RELIEF

There are no unilateral measures for the avoidance of double taxation.

D. CORPORATE GROUPS

Corporate groups are not generally recognised in Lebanon.

E. RELATED PARTY TRANSACTIONS

Any income indirectly transferred abroad to an enterprise established outside Lebanon, which controls or is controlled by the Lebanese corporation, may be added back to taxable income by the tax authorities unless it is at an arm's length transaction.

F. WITHHOLDING TAX

Remuneration paid to non-residents for services rendered in Lebanon are subject to a withholding tax at a rate of 7.50%. This rate is reduced to 2.25% when the sums paid relate to business activities.

G. EXCHANGE CONTROL

There are no restrictions concerning the repatriation of profits, income and capital nor are there any restrictions on the convertibility of currency.

Residents can freely import and export national banknotes. They may own, deal in, export and import gold. Residents may own foreign currencies and foreign securities, and may maintain bank balances abroad.

Non-residents can freely import and export national banknotes. They may maintain foreign currency accounts with banks in Lebanon.

H. PERSONAL TAX

Income tax law imposes a tax on all wages, salaries and other remuneration and consideration of services rendered in Lebanon. The tax is imposed on an income received in a preceding year after deduction of family allowances.

The fiscal year is a Gregorian calendar year.

Individual income tax rates on wages and salaries are as follows:

Income (LBP)	Rate
1 to 6,000,000	2%
6,000,001 to 15,000,000	4%
15,000,001 to 30,000,000	7%
30,000,001 to 60,000,000	11%
60,000,001 to120,000,000	15%
More than 120,000,001	20%

Every traveller leaving Lebanon through airports or harbours is subject to a departure fee of
LBP 50,000 for economy class and LBP 70,000 for business and first class.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

In order to avoid double taxation of some income, treaties have been entered into with various countries to regulate bilateral relations. The Lebanese double taxation treaty network is one of the widest in the Middle East region with more than 30 treaties signed with different countries.

Title	Signed
Algeria	26 March 2002
Armenia	16 September 1998
Bahrain	7 August 2003
Belarus	19 June 2001
Bulgaria	1 June 1999
Cuba	4 February 2001
Cyprus	18 February 2003
Czech Republic	28 August 1997
Egypt	17 March 1996
France	24 July1962
Gabon	20 February 2001
Iran	22 October 1998
Italy	22 November 2000
Jordan	31 October 2002
Kuwait	21 January 2001
Malaysia	20 January 2003
Malta	23 February 1999
Malta	- Amending Protocol 16 April 2009
Morocco	20 October 2001
Pakistan	31 August 2005

Poland	26 July 1999
Qatar	23 November 2005
Romania	28 June 1995
Russia	7 April 1997
Senegal	19 October 2002
Sudan	09 March 2004
Sultanate of Oman	12 April 2001
Syria	12 January 1997
Tunisia	24 June 1998
Turkey	12 May 2004
United Arab Emirates	17 May 1998
Ukraine	22 April 2002
Yemen	29 September 2002

LESOTHO

MEMBER FIRM

City	Name	Contact Information
Maseru	Adache Sunday	+266 2832 4750 lesotho@pkf.com

BASIC FACTS

Full name:	Kingdom of Lesotho
Capital:	Maseru
Main languages:	English, Sesotho
Population:	2,067,000 (2009 estimate)
Major religion:	Christianity
Monetary units:	Lesotho Loti (LSL)
Internet domain:	.ls
Int. dialling code:	+266

KEY TAX POINTS

- A company is liable to tax separately from its members, and dividends are only taxable if they are from unqualified income. A manufacturing Company is taxed at a special rate of 10% on profits whilst a non-manufacturing Company is taxed at a standard rate of 25% on profits.
- Capital gains and losses: A taxable gain or loss on disposal of an asset is the difference between its adjusted cost base and proceeds. No tax implication arises from the disposal of assets, such as a private residence or motor vehicle, provided they are not used in the production of income subject to tax.
- A branch of a non-resident company in Lesotho is subject to tax at the standard rate of tax of 25% on repatriated income in addition to income tax on the chargeable income of the branch.
- VAT is a broad based tax levied on the supply or consumption of goods or services including supplies to Government. It is also levied on imported goods and services. Only registered persons can operate VAT and registration may be on a compulsory, mandatory or voluntary basis. The VAT registration threshold is M 850,000. There are four rates of VAT; 0%, 5%, 14% and 15%.
- Fringe Benefits Tax (FBT) is imposed on employers who provide their employees with fringe benefits. The Income Tax Act specifically identifies certain fringe benefits, all other benefits fall under the definition of employment income hence taxable to employees.
- Lesotho is a member of the Southern African Customs Union (SACU) which links all members by a single tariff and no Customs Duty applies between them i.e. the SACU is treated as a single Customs territory.
- Taxable business income is determined after the off-set of allowable deductions such as capital allowances and business expenses and available tax losses.
- Personal tax is based on residency. An individual is a resident if they have a place of abode in Lesotho, are present in Lesotho for more than 182 days in any consecutive period of twelve months (which includes all or part of the year of assessment), are an official of the Lesotho Government posted overseas during the year of assessment or have a resident lifestyle.

- For a country with which Lesotho has concluded a double taxation agreement, dividend, interest, royalty and natural resource payments are subject to 25% withholding tax (a royalty on technology is subject to 15% withholding tax. Statutory withholding (non-treaty) tax rates range from 5% to 30%

A. TAXES PAYABLE

The National government administers taxes through the Lesotho Revenue Authority (LRA) and levies may be charged by both the National government and district councils.

COMPANY TAX

A company is defined as a body corporate or unincorporated, whether created or recognized under the law in force in Lesotho or elsewhere, but does not include partnership or trust. A company is liable to tax separately from its members, and dividends are only taxable if they are from unqualified income.

A manufacturing Company is taxed at a special rate of 10% on profits whilst a non-manufacturing Company is taxed at a standard rate of 25% on profits.

CAPITAL GAINS TAX

A taxable gain or loss on disposal of an asset is the difference between its adjusted cost base and proceeds (see below under 'capital gains and losses').

PERSONAL ASSETS

No tax implication arises from the disposal of assets, such as a private residence or motor vehicle, provided they are not used in the production of income subject to tax.

SPECIAL SITUATIONS

A number of special situations are identified in the Act in respect of which special rules apply.

1. **Loss on Disposal to an Associate**
   Where an asset is disposed of at a loss to an associate, the loss is not recognized for tax purposes. In such a situation, the asset is deemed to have been sold by the disposer and acquired by the buyer for its adjusted cost base at the date of disposal.

2. **Asset Depreciation under the Pooling Method**
   Gains and losses do not normally arise where assets are depreciated using the pooling method. However, there is a required treatment for three particular situations.
   - Where, after disposal, there is a credit balance on the pool, then that credit balance is treated as a gain and forms part of Business Income.
   - Where, after all the assets in a pool have been disposed of, a debit balance remains, then that debit balance is treated as a loss and is an allowable deduction against Business Income.
   - Where the balance in a pool is less than M500 and there have been no additions to the pool during the year, then that balance is an allowable deduction against Business Income.

3. **Transfer between Spouses and Former Spouses**
   Where an asset is transferred between spouses or between former spouses as part of a divorce settlement, a taxable disposal has not arisen. In such cases the (former) spouse is deemed to have acquired the asset at its adjusted cost base to the other (former) spouse as at the date of transfer. Correspondingly, the (former) spouse transferring the asset is deemed to have disposed of it for its adjusted cost base at the date of transfer.

4. **Involuntary Conversion and Re-investment**
   Special treatment is available for situations when an asset is involuntarily disposed of and a similar asset is acquired. Such situations cover, for example, compensation under an insurance policy for the destruction of an asset or a payment for the compulsory acquisition of an asset.

   If the proceeds are less than the adjusted cost base, then the loss is allowable. The new asset is deemed to have been acquired at its actual cost. Please note:

   - If the full amount of the proceeds is re-invested in a new asset, no chargeable gain arises and the new asset is deemed to have been acquired for the adjusted cost base of the asset disposed of.
   - If the full amount of the proceeds is not re-invested in a similar asset then the un-invested proceeds to the extent that they form part of any gain are taxable. The newly acquired asset is deemed to have been acquired at the

adjusted cost base of the asset disposed of.

5. **Transfer of Assets on Death**
   Where an asset is transferred to a personal representative or beneficiary on the death of a taxpayer a disposal for tax purposed is not dement to have arisen. In such a situation, the personal representative or beneficiary is deemed to have acquired the asset for its market value at the date of death or its adjusted cost at the date of death if that is higher.

6. **Contribution of Asset to Partnership**
   Where a taxpayer transfers an asset to a partnership a part of the contribution of capital to the partnership and the taxpayer `s interest in the partnership exceeds 50% after the contribution of the asset then no gain or loss is deemed to have arisen on the disposal of the asset. The taxpayer is deemed to have disposed of the asset for its adjusted cost base at the date of transfer and the partnership is deemed to have acquired it for that amount.

BRANCH PROFITS TAX

A branch of a non-resident company in Lesotho is subject to tax at the standard rate of tax of 25% on repatriated income in addition to income tax on the chargeable income of the branch.

Repatriated income is the chargeable income of the branch minus:

- Lesotho income tax paid on that chargeable income;
- Any profits reinvested in the branch; and,
- And every repatriation of moneys by the branch is treated for tax purposes as having been made first out of the branch income, notwithstanding that it may be treated otherwise in the records of the branch.

VALUE ADDED TAX (VAT)

Prior to July 2003, a Sales Tax was in operation and this contributed to the Government Budget until 30 June 2003. From 1 July 2003 the Sales Tax ceased and was replaced by Value Added Tax (VAT) in accordance with the VAT Act (passed by Parliament in 2001).

VAT is a broad based tax levied on the supply or consumption of goods or services including supplies to Government. It is also levied on imported goods and services and referred to as a 'destination based tax' because it is levied at the place where the consumption of service occurs.

Supplies subject to VAT must be made by a registered vendor and they must not be an exempt supply i.e. a small businesses not registered for VAT cannot levy VAT on supplies to the final consumer.

Only VAT registered persons can operate VAT i.e. charge VAT on their sales invoices. Registration for VAT purposes can either be on a compulsory, mandatory or voluntary basis. The VAT registration threshold is M 850,000.

(1) Compulsory VAT registration is required within 14 days where a person conducts business in Lesotho and it is clear that within a 12 month period their turnover of taxable supplies will exceed M 850,000. In saying this however, the following persons are required to register for VAT purposes, regardless of the threshold:

    a) National, regional or public authorities who carry on enterprises;
    b) Auctioneers; and,
    c) Persons carrying on an enterprise outside Lesotho whose goods or services are consumed in Lesotho.

(2) Mandatory Registration: The Commissioner of VAT can direct a person to register for VAT when their turnover exceeds the registration threshold i.e. it is mandatory for them to register because the annual turnover is the determining factor.

(3) Voluntary Registration: VAT registration can be applied for where the turnover is less than the registration threshold. The Commissioner of VAT can approve such a registration at his discretion. Entrepreneurs often opt to voluntarily register for VAT purposes in order to recover input VAT paid on purchases.

Suppliers of exempt services such as banking services, educational services, etc. cannot register for VAT even if the annual turnover exceeds the threshold. If the supplier provides both the exempt and taxable services, the Commissioner will consider the taxable supplies.

The VAT tax period is one month. VAT is payable or claimable on or within twenty days

after the end of the month.

There are four VAT rates in Lesotho:
a) 0% for exports of goods and services and on maize meal, maize (grain), bread, milk, beans, peas, agricultural inputs (fertilizers, seeds and livestock feed, unmalted sorghum), hens eggs and paraffin intended for use as fuel for cooking, illuminating or heating;
b) 5%: utilities e.g. telephone and electricity services;
c) 14%: other supplies of goods and services e.g. groceries; and,
d) 15%: alcohol and tobacco products.

VAT may be accounted for on either an accrual (or invoice) basis or a cash (payment) basis.

Restrictions to claim input VAT apply to:
a) Expenses for private use;
b) Expenses incurred prior to two months before registering for VAT;
c) Vendor on cash basis but who has not paid the expense;
d) Entertainment of customers and clients in restaurants, theatres and night clubs;
e) Staff refreshments such as coffee, tea and other snacks;
f) Catering services acquired for staff canteens and dining room;
g) Subscription fees for sporting or recreational clubs;
h) Christmas lunches and parties, including hire of venues;
i) Beverages, meals and other hospitality and entertainment supplied to customers and clients at product launches and other promotional events and etc.

By way of exception to the above, the input tax incurred in relation to vendors who are in the business of supplying entertainment and meals and refreshments for organizers of seminars and similar events may however be claimed.

Penalties for non-compliance and fraud:
There are two types of additional tax or fines for failing to a return or to pay by due date as well as acts of fraud. There are fines which are imposed by Commissioner of Vat and those imposed by courts. Some penalties for non-compliance and fraud are shown below:

Infringement	Penalty / Additional tax
1. Late submission of a return	Additional tax of 3% per month or part thereof of the VAT payable
2. Late payment of VAT	Additional tax of 3% per month or part thereof of the outstanding VAT amount
3. Failure to file a return or pay	An offence which is liable on conviction to a fine
4. Incorrect or false return or other declaration	Criminal offence which is liable on conviction to a fine or up to 2 years in prison
5. Fraudulent evasion	Criminal offence which is liable on conviction to a heavy fine or up to six years in prison

FRINGE BENEFITS TAX
Fringe Benefits Tax (FBT) is imposed on employers who provide their employees with fringe benefits. The Income Tax Act specifically identifies fringe benefits as; car, housing, utilities, domestic assistance, meal or refreshment, medical, loan, debt waiver and excessive superannuation contributions. All other benefits will then fall under the definition of employment income hence taxable to employees.

Certain benefits provided by an employer are however exempt, such as:

a) Meals or refreshments provided in a canteen, cafeteria, or dining room operated by or on behalf of the employer solely for the benefit of the employees and which is available to all non-casual employees on equal terms.
b) Medical fringe benefit available to all non-casual employees on equal terms.
c) A fringe benefit relating to exempt employment income.
d) A fringe benefit, the value of which is so small as to make accounting for it unreasonable or administratively impractical.
e) Provision of a security guard
f) Housing fringe benefit to the extend it is in excess of 20% of an employee's remuneration for the year of assessment in which the benefit is provided.
g) Fringe benefits provided to a domestic assistant.

For the purpose of meals and refreshments and medical fringe benefits, a non-casual employee is defined as an employee who does not meet any of the following two conditions:
a) An employee who is employed under a single contract, arrangement or

understanding which is for a fixed period of less than one month. However, if the contract is subsequently renewed, such that one has been employed for more than one month from the commencement of the original contract, that person is a non-casual employee; or,

b) An employee who works for less than 15 hours per week over the course of a month.

The total of all taxable values provided to an employee in the year of assessment is divided by 65% to gross it up to a taxable amount. FBT is 35% of the taxable amount and is an allowable deduction to the employer.

Employers are required to make returns and payments of FBT within 14 days after every quarter.

LOCAL TAXES

Local taxes In Lesotho are sometimes referred to as domestic taxes. These include VAT already mentioned above, Pay-As-You-Earn (PAYE) and Corporate tax (CIT). PAYE is charged on employment income and CIT is charged on company profits

OTHER TAXES – CUSTOMS DUTY

The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland. The SACU Secretariat is located in Windhoek, Namibia. SACU was established in 1910, making it the world's oldest Customs Union. Negotiations to reform the 1969 Agreement started in 1994, and a new agreement was signed in 2002. The new arrangement was ratified by SACU Heads of State.

The Economic structure of the Union links the Member states by a single tariff and no Customs Duties between them. The Member States form a single Customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the Member States for products originating in these countries; and there is a common external tariff that applies to non-members of SACU.
This is shared according to the revenue sharing ratio.

INTEREST RECEIVABLE

Interest payable to a resident of Lesotho by a resident of Lesotho, other than an individual, is subject to a withholding tax of 10%.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

Tax depreciation can be claimed on the capital cost of premises (normally limited to industrial premises) and equipment including those for non-subsistence farming. The two methods of claiming tax depreciation (capital allowances) are the Single Asset Method or the Pooling Method.

Declining Balance Depreciation Rates:

Group	Assets	Rate
1	Automobiles; Taxis; Light General Purpose Trucks; Tractors for use Over-the-road; Special Tools and Devices	25%
2	Office furniture; Fixtures, and Equipment Computers and Peripheral Equipment and Data Handling Equipment; Buses; Heavy General Purpose Trucks; Trailers and Trailer Mounted Containers; Construction Equipment	20%
3	Any depreciable asset not included in another Group	10%
4	Railroad Cars and Locomotives and Railroad equipment; Vessels, Barges, Tugs and Similar Water Transportation Equipment; Industrial Buildings; Engines and Turbines; Public Utility Plant	5%

SINGLE ASSET DEPRECIATION

The Single Asset Method is similar to the Reducing Balance Method of accounting and applies where a taxpayer has not elected for pooling to apply.

No matter whether a pooling election has been made, single asset depreciation will apply to depreciable assets that are only partly used in the production of income that is subject to tax, and to assets in group 4.

POOLING OF ASSETS

Where pooling of assets applies, the depreciation allowance is calculated separately

for each pool by applying the rate of depreciation for the pool against the balance of the pool at the end of year of assessment.
Where consideration is received on the disposal of assets during a year of assessment and the amount exceeds the closing balance of the pool, the excess consideration is treated as a gain from the disposal of fixed assets and included in gross taxable income i.e. it is treated as business income.

If no assets have been added to the pool during the year of assessment, and the closing balance of the pool is less than M500, the taxpayer is permitted to write off the pool balance as a deduction.

Single Asset Method	Pooling Method
Depreciation allowance is granted for the period during the year that the asset is in use i.e. dates when the fixed assets were purchased and disposed of must be kept.	The assets are depreciated on the basis that they were acquired exactly half way through the year.
This method is always applicable to Group 4 assets and to all other assets when pooling has not been elected for.	It only applies when it is elected for. Once elected for, the election is irrevocable. It cannot be applied to Group 4 assets.
When the asset is disposed, a gain or loss may occur which will form part of the business income or a deduction against the business income respectively.	Gains and losses do not arise on disposal as the proceeds are deductible from the pool. However where all the assets are disposed and a balance remains, the balance is an allowable deduction. If the balance of the pool is a credit, then it forms part of the business income in the year in which it arises.
It requires the maintenance of detailed asset registers.	It does not require the maintenance of detailed asset registers.
It can be applied to assets both fully and partially used in the production of income, subject to an apportionment of the amount attributable to the production of income.	It cannot be applied to assets partially used in the production of income.

FARMING ASSETS

Tax depreciation can be claimed on assets of non-exempt farming activities. The method depends on when the asset was acquired and whether an election has been made by the taxpayer, although farm buildings may be treated separately.

STOCK / INVENTORY

A cash-basis taxpayer may calculate the cost base of trading stock on the prime-cost or absorption-cost method, and an accrual-basis taxpayer must calculate the cost base of trading stock on the absorption-cost method.

The value of trading stock on hand at the end of the year of assessment is the lower of its cost base or market value at that date. Where particular items of trading stock are not readily identifiable, a taxpayer may account for the trading stock on the first-in-first-out method or the average-cost method.

CAPITAL GAINS AND LOSSES

Depreciable Business Assets

The adjusted cost base of depreciable business assets is the tax written down value on the date of disposal. Where the proceeds are less than the tax written down value, the loss is an allowable deduction against Business Income.

Non-Depreciable Business Assets

Non-depreciable business assets, which may include office buildings, fall into two categories.

a) Non- depreciable Business Assets Held at 1st April 1993:

   The adjusted cost base of the asset is deducted from the proceeds. In the case of such assets, the adjusted cost base is the higher of original cost or market value as at 1st April 1993.

Where the proceeds exceed the adjusted cost base, then the gain forms part of Business Income. Where the proceeds are less than the adjusted cost base, the loss is an allowable deduction. However, the loss is only allowable to the extent that there is an actual loss. Thus, if the proceeds exceed the original cost but not the value as at 1st April 1993, the loss is not allowable deduction. This is a no gain, no loss situation.

b) Non- depreciable Assets Acquired After 1st April 1993:

The adjusted cost base of the asset is deducted from the proceeds. The only adjustments to cost base are capital improvements. Where the proceeds exceed adjusted cost base, then that gain forms part of business income. Where the proceeds are less than the adjusted cost base, then that loss is an allowable deduction against Business Income.

Farming assets – depreciable and non-depreciable
The tax legislation now distinguishes between commercial farming (not exempt from income tax) and subsistence farming (exempt from income tax). The tax treatment of such disposals would be similar to other asset disposals except for the following transitional provisions:

- The cost base of any farming asset disposed which was purchased before 31st March 1996 is equal to its market value on 31st March 1996. This applies to trading stock and other assets. This is to ensure that the individual is only taxed in respect of the gain or loss accruing after the removal of the exemption i.e. from 31 March 1996.

It is important to note that while the market value as at 31st March 1996 is taken as the cost base for disposals of commercial farming assets, the adjusted cost base as at 31st March 1996, arrived at by assuming that the single asset method of depreciation has been applied since acquisition of the asset, is taken for depreciation purposes.

Now, for the purposed of disposal, the cost base would again depend on whether the asset is depreciable or not:
- For depreciation assets, gains are calculated as the proceeds less the tax written down value taking account of notional allowances for pre 1st April 1996 assets.
- For non-depreciable assets, the higher of the market value as at 1st April 1996 and original cost is used as the cost base for disposal purposes.

The tax treatment of these assets is similar to business assets except that the 1st April 1993 date is substituted for the 1st April 1996.

Investment assets – immovable property
Such investment assets fall into two categories:

a) Land and buildings giving rise to rental income; and,
b) Shares in companies whose primary assets consist of investments in immovable properties.

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Determining whether land or buildings are investment assets or business assets depend on whether rental income is being derived from the asset.

These assets are grouped into two categories; those held at 1st April 1993 and those acquired after 1st April 1993. For assets held at 1st April 1993 there is a different calculation method to establish the cost base. If the asset has been held for more than twelve months, then the adjusted cost of the asset can be increased for the effects of inflation between 1st April 1993 and the date of disposal.

Where the proceeds exceed the adjusted cost base, there is an allowable loss which can be off-set against any gains arising from the disposal of any investment asset (movable or immovable). Any unutilised loss can be carried forward for set-off against future gains. However, the amount of the loss that is allowed is restricted to the extent that the loss is an actual loss. It is therefore necessary to make a comparison between the proceeds and the original cost. If, on this basis, there is a profit, then the loss is not allowable. If there is a loss, only the actual will be allowable.

Investment assets – not immoveable property
For purposed of calculating the tax implications on the disposal of these assets, they are divided into two categories:

a) Investment Assets held at 1 April 1993

The adjusted cost base (higher of original cost or market value as at 1st April 1993) of the asset is deducted from the proceeds. Where the proceeds exceed

the adjusted cost base, the gain forms part of Property Income. Where the proceeds are less than the adjusted cost base, then there is an allowable loss. Such loss can be off-set against any gains arising from the disposal of any investment asset (movable or immovable). Any unutilized loss can be carried forward for set-off against future gains. However, the amount of the loss that is allowed is restricted to the extent that the loss is an actual loss. It is therefore necessary to make a comparison between the proceeds and the original cost. If on this basis there is a profit, then the loss is not allowable.

b) Investment Assets acquired after 1 April 1993

The treatment of such disposals is straight-forward. Where the proceeds are less than the original cost then the loss is an allowable loss. Such loss can be off-set against any gains arising from the disposal of any investment asset (movable or immovable). Any unutilized loss can be carried forward for set-off against future gains.

DIVIDENDS

A resident company which pays a dividend is liable to pay advance corporation tax at the rate of 25/75 of the dividend payment except to the extent that the distribution is made out of qualified income (manufacturing Income subject to the 10% special rate and dividends received from another resident company). ACT is an advance payment of the company's income tax liability on its distributed profits and is not an additional tax. A company may credit ACT against its income tax liability, including instalments of income tax.

A resident company must, within seven days of paying dividends, file a return of ACT stating:

a) The amount of dividends paid;
b) ACT payable; and,
c) The amount of ACT which has been satisfied by way of set-off in accordance with Section 87(4).

Where there has been no set-off of ACT it must be paid within seven days of the dividend payment. This payment can be carried forward indefinitely for set-off against future tax liability.

A dividend paid by a resident company is not included in the gross income of a resident individual. This in effect means that the maximum rate of tax on a manufacturing dividend is 10% and on a non-manufacturing dividend is 25%. It also permits passage of dividends between resident companies without any further liability to taxation.

Redemption of shares

On redemption of shares, a company may purchase a certain proportion of shares from each shareholder or from certain number of shareholders. If the former approach is adopted then the redemption is on pro-rata basis otherwise not on pro-rata basis. Where the redemption is on pro-rata basis, the gains or losses are treated normally. However, where the redemption is not on pro-rata basis, the gain is treated as distribution to the shareholders and therefore the company has to account for ACT like on ordinary dividends.

Disguised dividends

There may be a number of transactions between a company and a member of the company or an associate of a member, which are, in substance, a distribution and as such will be treated as a dividend for the purpose of ACT. Where the transaction is with an associate of a member, the dividend is treated as having been paid to the member and not the associate.

Dividend stripping

Dividend stripping occurs where a company, just before it is to pay dividends out of its qualified income (which does not attract ACT), is bought by another company. The acquiring company receives the dividends and then subsequently sells the acquired company at a loss.

The Commissioner has the discretion to treat a dividend paid as part of a dividend stripping transaction and not paid out of qualified income. Under such a direction the tax-payer will be liable to ACT in respect of the dividends.

LOSSES

Individuals

Where business income of an individual taxpayer is exceeded by deductions relating to that income, the loss (being the amount of the excess):

- May not be deducted against other income of the taxpayer but shall be carried forward; and,

- May be deducted in determining the chargeable business income in subsequent years of assessment.

Where property income of an individual taxpayer is exceeded by deductions relating to that income, the loss (being the amount of the excess):

- May not be deducted against other income of the taxpayer but shall be carried forward; and,
- May be deducted in determining chargeable property income in subsequent years of assessment.

Companies

Where the taxpayer is a company, the excess of the deductions allowed over the taxpayer's gross income shall be carried forward and may be deducted in determining chargeable income in subsequent years of assessment.

Where manufacturing income of a resident company is exceeded by the deductions relating to that income, the loss (being the amount of the excess):

- May not be deducted against other income of the company but shall be carried forward; and,
- May be deducted in determining the chargeable manufacturing income in subsequent years of assessment.

Losses on disposal of business assets

A loss arising from the disposal of a business asset, whether or not the asset was on capital or revenue account, is allowed as a deduction.

Unutilised capital losses on disposal of investment assets

Losses on disposal of investment assets are only allowed to the extent of gains derived by the taxpayer from the disposal of investment assets by the taxpayer. Any unutilized losses in a year of assessment can be carried forward indefinitely for future set-off against chargeable gains arising on disposal of investment assets.

FOREIGN SOURCED INCOME

Foreign-sourced income from employment income in a foreign country derived by a resident individual is exempt from income tax if the income is chargeable to tax in the foreign country.

The table below illustrates how certain individuals are taxed on foreign and Lesotho sourced-income.

Individual	Employment income	Business income	Property income	Other income
Resident citizens and permanent residents	Worldwide except if sourced and taxed abroad	Worldwide	Worldwide	Worldwide
Diplomat residents	Foreign source taxable if exempt	Lesotho source only	Lesotho source only	Lesotho source only
Lesotho diplomats	Foreign service allowance is exempt	Worldwide	Worldwide	Worldwide
Expatriates	Worldwide	Worldwide (except foreign disposal)	Worldwide (except foreign disposal)	Worldwide
Non-resident	Lesotho source only	Lesotho source only	Lesotho source only	Lesotho source only

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INCENTIVES

There are several incentives relating to taxation in Lesotho, namely:

- The manufacturing tax rate is reduced to 10%;
- The deduction of pension contributions from the gross income which is before tax and its exemption when receiving the payment;
- The exemption of dividends to a resident individual from a resident company;
- A tax exemption for subsistence farming by a resident individual;
- An interest deduction to the individual as specified in the legislation (sections 27 and 158)

C. FOREIGN TAX RELIEF

A resident taxpayer is entitled to a foreign tax credit against their liability to Lesotho

income tax in respect of any foreign income tax borne directly or indirectly by the resident on foreign-source income subject to Lesotho tax.

The foreign tax credit is calculated by applying the average rate of Lesotho income tax to the foreign-source income reduced by any deduction properly allocated to that income. The calculation is made separately for business income and for other income.

Foreign income tax borne by:
- A partnership is treated as borne by partners
- A trustee (where the income on which the trustee was assesses is included in the gross income a beneficiary under this Order is treated as borne by the beneficiary.
- A beneficiary (where the income on which the beneficiary was assessed is included in the income of a trustee under this Order) is treated as borne by the trustee.

Where a resident company is entitled to both a credit for advance corporation tax and a foreign tax credit, the foreign tax credit shall be applied first.

For the purpose of the above, the average rate of Lesotho income tax is the percentage that the Lesotho income tax, before the foreign tax credit, is of chargeable income of the taxpayer and in the case of a taxpayer with both business and other income, the average rate of tax is to be calculated separately for both categories of income. Foreign income tax includes foreign withholding tax but does not include a foreign tax designed to raise the foreign tax level on the income so that the taxation of the country of residence of the taxpayer is reduced.

D. CORPORATE GROUPS

There is no group basis of taxation in Lesotho.
A company is liable to tax separately from its members, and dividends are only taxable if they are from unqualified income.

A manufacturing company is taxed at a special rate of 10% on profits. A non-manufacturing company is taxed at standard rate of 25% on profits.

E. RELATED PARTY TRANSACTIONS

Loss on disposal to an associate
Where an asset is disposed of at a loss to an associate, then the loss is not recognized for tax purposes. In such a situation, the asset is deemed to have been sold by the disposer and acquired by the buyer for its adjusted cost base at the date of disposal.

Transfer between spouses and former spouses
Where an asset is transferred between spouses or between former spouses as part of a divorce settlement, a taxable disposal has not arisen. In such cases the (former) spouse is deemed to have acquired the asset at its adjusted cost base to the other (former) spouse as at the date of transfer. Correspondingly, the (former) spouse transferring the asset is deemed to have disposed of it for its adjusted cost base at the date of transfer.

F. PERSONAL INCOME TAX

Personal tax is based on residency. An individual is a resident if they:
- Have a place of abode in Lesotho;
- Are present in Lesotho for more than 182 days in any consecutive period of twelve months which includes all or part of the year of assessment;
- Are an official of the Lesotho Government posted overseas during the year of assessment;
- Have a resident lifestyle.

Interest
The first M 500 of interest derived from a single savings account with a registered financial institution resident in Lesotho by a resident individual is exempt from income tax.

As the Lesotho branch of a non-resident financial institution is deemed to be a resident company under Section 6(2), an account held with such a branch qualifies for the exemption. An account held with a foreign branch of a non-resident financial institution does not however qualify for exemption, and the interest paid on such an account is fully taxable with a credit for any foreign tax (such as withholding tax) paid on the interest.

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Treaty Rates:
The withholding tax rates applicable to countries with which Lesotho has concluded a double taxation agreement are as follows:
- Dividend, interest, royalty and natural resource payments is subject to 25%; and
- A royalty on technology is subject to 15%.

Non-Treaty Rates:
The statutory withholding tax rates are as follows:
- Interest: 10%;
- Liquidator: 10%;
- Superannuation fund: 25%;
- Resident contractor: 5%;
- Non-resident contractor: 10%;
- Non-resident Individual: 25%;
- Resident Individual: Marginal rates are currently 20% up to M 51,670 and then 30% above.

Libya

MEMBER FIRM

City	Name	Contact Information
Tripoli	Dr. Tarek Mohamed Brigh	+218 91 32 36 465 t_brig@hotmail.com

BASIC FACTS

Full name:	State of Libya
Capital:	Tobruk
Main languages:	Arabic
Population:	6.2 million (2014 estimate)
Major religion:	Islam
Monetary units:	Libyan Dinar (LYD)
Internet domain:	.ly
Int. dialling code:	+ 218

KEY TAX POINTS

- Companies are subject to corporate tax at a rate of 20% applied to their taxable income and Jehad tax at 4% of taxable income.
- Employment (salaries and wages) tax is calculated on an employee's base salary plus any allowances at a maximum rate of 10%. Other taxes levied on personal income include a Jehad tax at 3% of taxable salary income and Solidarity Fund contribution at 1% of taxable salary income.
- Social security contributions (INAS) are payable by all employees working in Libya whether local or foreign, based on gross income with a total of 15% (3.75% employee contribution, 11.25% employer contribution).
- Capital gains are treated as ordinary business income and taxed at the general corporate income tax rate of 20%.
- Libya does not impose any Value Added Tax (VAT).

A. TAXES PAYABLE

In Libya, There shall be subjected to tax any income resulting in Libya from any assets existent therein, whether material or immaterial or from any activity or work therein.
The latest income tax law has been issued on 28th of January, 2010 listed under number (7) of the year 2010. The new laws has come into force as from 28/04/2010, replacing the old Income Tax Law no (11) of 2004.

FEDERAL TAXES AND LEVIES:
Libya is not a federation country; therefore, there are no federal taxes.

COMPANY TAX
Incomes resulting in Libya and abroad for the national companies and branches of foreign companies in Libya, whatever the type of their activity or purpose might be, are subjected to corporate tax. The companies shall mean the general companies and the private joint-stock companies. The branches of foreign companies shall mean the aspects of activity and capitals, as performed by the foreign companies in Libya, whatever their organization or legal status may be. Companies are liable to corporate

income tax on their profits stemming from any business they carry on in Libya. They are subjected to company tax at rate of corporate tax of 20% of taxable income and Jehad tax at 4% of taxable income.

In some cases where a foreign company is not registered in Libya, deemed profit tax based on estimated profit (mostly 20% - 60% of total income) may apply and taxed at the general corporate income tax rate. Likely, deemed profit tax may apply to companies that do not record their books and accounts in accordance with the local regulations.

Salaries and Wages Tax
The salaries and wages tax is calculated on the base salary plus any allowances and taxed as follow:-

1- Allowance: 1,800 L.D for single person, 2,400 L.D for married person, plus, 300 L.D for every child (per annum).
2- Tax rate is calculated after the personal allowance deductions and employee contribution of INAS deductions. The rates are 5% for the first 12,000 L.D per annum, and 10% for the exess amount.
3- Other taxes levied on personal incomes are include, Jehad tax at 3% of taxable salary income, and Solidarity Fund at 1% of taxable salary income.

Social security contributions (INAS):
The contributions are payable by all employees working in Libya whether local or foreign, based on gross income with a total of 15% (3.75% employee contribution, 11.25% employer contribution).

CAPITAL GAINS TAX
Capital gains are treated as ordinary business income and taxed at the general corporate income tax rate of 20%. Proceeds of sale of any business asset and liquidation proceeds received during the tax period are included in business profit.

BRANCH PROFITS TAX
Branch's income of foreign companies registered in Libya are calculated and taxed on the same basis of corporate income tax.

SALES TAX / VALUE ADDED TAX
Libya does not impose any VAT.

FRINGE BENEFITS TAX
In general, cash benefits paid to employees are added to their salary and taxed accordingly. There are, however, some exceptions (such as, travel allowances, telephone allowance, fuel allowance and the use of a company car.

LOCAL TAXES
Special tax (Jehad tax) is imposed on wages, companies, duties on certain business activities, and some customs duties. This tax is payable under Law no: 44/1970 and is levied on personal incomes at 3% and corporate profits at 4%.

OTHER TAXES
Certain legal transactions are subject to registration duties. These include:

- Stamp duty on certain transactions at varying rates as well fixed duties. For more information about Libyan stamp duty law no: (12) of (2004) and its amendment no (8) of (2010). http://tax.gov.ly/laws.aspx?lawid=12
  For example; Contract negotiated in Libya must be registered with the Tax Department within 60 days of signing the contract. Contracts are subjected to a 1% Stamp Tax on the value of the contract plus 0.05% on the 1% Stamp Tax.
- Customs, excise and other taxes charged by the Customs and Excise Department.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
Generally, expenses incurred wholly and exclusively for the purpose of the business are deductible. However, specific rules apply in respect of certain categories. For example, the general expenses or fees for services or interests or commissions charged by the foreign company to its branch in Libya shall be only considered in the amount deemed necessary for achieving the purposes of the branch, at maximum of (5%) of the administrative expenses approved by the Tax department, provisions and reserves are not permissible deductions for tax purposes.

DEPRECIATION AND AMORTIZATION
Depreciation of assets used in business activities must be computed at a maximum annual percentage. For tax purposes, the straight-line method is normally adopted, and depreciation rates shall not exceed the following:

	Annual rate of depreciation (%)
Buildings with machineries installed on it	3
Other Buildings	2
Passenger Vehicles	20
Trucks	10
Vessels	4
Ferries and fishing boats	4
Aircrafts	8
Furniture for offices, houses, stores	10
Furniture for hotels cafes, restaurants and hospitals	20
Furniture for camps outside cities	20
Office machineries	10
Electric generators	15
Computers and related equipment	20
Computer programs	10
Other machineries	15
Start-up fees (at establishing the company) is normally amortized within the next five years	20

STOCK/INVENTORY

Inventories are mostly valued at cost and calculated on a FIFO basis. However, the method chosen must be applied consistently.
Inventory reserves are not permissible deductions for tax purposes.

CAPITAL GAINS AND LOSSES

As mentioned above, capital gains and losses are usually taxable as ordinary income.

DIVIDENDS

Dividends received from other companies will be subjected to tax at the tax rate applicable to business income and is considered as “other income in P&L statement”.

INTEREST DEDUCTIONS

Interest payable is generally tax deductible on an accruals basis.
However, interest payable on taxes, fines and penalties are not deductible. Also, interest derived from loan finance received from shareholders is not deductible.

LOSSES

Losses of fiscal year may be carried forward up to five years. Losses may not be carried backwards. If the ownership of a company changes part way through the next years of loss’ year, the general loss deduction will be only be applied on their shares percentage.

FOREIGN SOURCED INCOME

Tax authorities levy taxes on resident companies on all profits arising from foreign sources in the same way as income from local sources. Except, income raised for person as salaries.

INCENTIVES

In 2010, Libyan authority promoted Libyan and foreign companies to invest in Libya. The Law no 9/2010 aims at the promotion of national and foreign capital investment, with the purpose of setting up investment projects, within the scope of the state’s general policy and the objectives of economic and social development, in order to particularly ensure achievement of the following goals:

- Technically upgrade and qualify Libyan cadres and elevate their efficiency, in order to acquire advanced skills in addition to opening employment opportunities.
- Endeavour to introduce know-how and technology and thereof inserted into the Libyan economy.
- Contribution towards setting up, developing or rehabilitating economic, service and production units, in a manner that assists such units to compete and be introduced into the world markets.
- Achievement of development in the relevant area
- Increase and diversify income sources
- Control energy consumption
- Utilize locally available raw material

The investment project, subject to the provisions of this Law, shall enjoy the main following privileges:

- Exemption of the machinery, equipment and apparatuses necessary for the execution of the project, from all taxes, customs duties, import fees, service charges and other fees and taxes of a similar nature.
- Exemption of the investment project from income tax for any activity, for the first 5 years.
- Exemption of commodities produced for export, from production tax, customs duties and such charges imposed on exports.
- Exemption of stamp duty payable in accordance with the effective legislation.
- Other exemptions are available for certain projects and some nationalities companies.

However, the Executive Regulation of this Law shall decide the conditions and rules necessary for the execution of invested companies.

C. FOREIGN TAX RELIEF

Double Taxation Agreement with Libya has been made with some countries such as:

- Valid agreements such as with Egypt, Tunisia, Sudan, Italy, Malta, India, Kuwait, Saudi Arabia, Algeria, Pakistan.
- Finished but unvalid agreements such as with France, Russia, Belarus, England, Syria, Ukraine
- In process agreements such as with Jordan, Iran, Spain, Slovakia, Switzerland, Portugal, Germany, Austria, Serbia, Bosnia

D. CORPORATE GROUPS

There is no group basis tax option in Libya. Each company has to fill-in its tax returns separately including the holding company.

E. RELATED PARTY TRANSACTIONS

Related party transactions negotiated at arm's length are treated the same as non-related party transactions.

F. EXCHANGE CONTROL

Foreign companies are able to transfer distributable annual net interests and revenues achieved by the foreign capital invested in the project.
However, abroad transfer is regulated by the Central Bank of Libya and such an authorisation from the bank is necessary.

G. PERSONAL INCOME TAX

Resident and Non-resident individuals are subject to tax only on their Libyan salaries income at the same rates mentioned above.
Other sourced income (other than registered as a company) is taxed according to its source. Tax on income from agriculture is levied at a flat rate 0%; income on commercial activities is 15%; Tax on income from industry and crafts is levied at 10%; tax on income from profession activities is levied at 15%; and income derived from partners share entity is levied at 10%.

LUXEMBOURG

MEMBER FIRM

City	Name	Contact Information
Luxembourg	Paul Leyder	45 80 78 1 pleyder@hrtfidalux.lu

BASIC FACTS

Full name:	Grand Duchy of Luxembourg
Population:	543,000 (2013 PRB)
Capital:	Luxembourg
Area:	2,586 sq km (999 sq miles)
Major languages:	French, German, Luxembourgish
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents

Internet domain:	.lu
International dialling code:	+352
Ministry of Finance website:	www.mf.public.lu

KEY TAX POINTS

- Luxembourg resident companies are subject to tax on their worldwide income. Non-resident companies are taxable in Luxembourg only on certain Luxembourg-sourced income.
- Corporate income tax is levied at a rate of 21% calculated on the taxable income (20% if the taxable income is less than EUR 15,000). The corporate tax rate is increased by a surcharge for the employment fund and a municipal business tax, which is payable at rates that vary in different areas.
- VAT is applied on the supply of goods and services within Luxembourg and on the supply to non-VAT registered persons or entities within the EU.
- Capital gains are in principle regarded as ordinary business income and are taxed at the normal income tax rates. Exemptions and roll-over relief apply in some cases.
- Net worth tax is charged on companies' business assets, after deductions.
- Foreign income tax may be credited against domestic income tax up to the amount of the domestic tax.
- Profits and losses of Luxembourg group companies may be pooled (tax integration) under certain conditions.
- Transactions by a company with shareholders and related parties must be at arm's length.
- In general, withholding tax is levied on dividends paid by resident companies. Dividends paid to companies within the EC Parent-Subsidiary Directive are exempt. Withholding tax is charged on interest paid to individuals (but not to companies) but is not charged on royalties.
- Resident individuals pay tax on their worldwide income. Non-resident individuals are only taxable on specific Luxembourg-sourced income.
- Inheritance tax rates vary according to the degree of relationship and the value inherited.

A. TAXES PAYABLE

COMPANY TAX

Luxembourg resident companies are subject to income tax on their worldwide income. Relief from taxation might be available for certain type of income either based on Luxembourg internal tax law (see below: taxation of capital gains and dividends) or based on double tax treaties concluded by Luxembourg. A company is considered resident in Luxembourg if it has its corporate address or its central management in Luxembourg.

Non-resident companies are taxable in Luxembourg only on certain Luxembourg-sourced income.
Income tax is composed of corporate income tax and municipal business tax.
Corporate income tax is levied at a rate of 21% calculated on the taxable income (20% if the taxable income is less than EUR 15,000). Corporate income tax is increased by a contribution of 7% to the employment fund. Thus, the aggregate corporate income tax rate amounts to 22.47% (21.4% if the taxable income is less than EUR 15,000).
Municipal business tax is levied at a rate varying between 6.75% and 12% depending on the municipality where the company has established its business. For companies established in Luxembourg City, municipal business tax is levied at 6.75% of their taxable income. Companies established in Luxembourg City are thus taxed at a combined income tax rate of 29.22%.

Starting 2013, companies resident in Luxembourg are subject to a minimum corporate income tax of EUR 3,210 (i.e. corporate income tax of EUR 3,000 plus contribution to the employment fund of 7%) if the sum of their financial fixed assets, amounts owed by affiliated undertakings and by undertakings with which the company is linked by virtue of participating interests, transferable securities, as well as cash at bank, in postal cheques accounts, cheques and in hand, exceed 90% of the balance sheet total at their fiscal year end. Starting as of the tax year 2015, the minimum corporate income tax is reduced to EUR 535 (i.e., corporate income tax of EUR 500 plus contribution to employment fund of EUR 35), if the balance sheet total does not exceed EUR 350,000.

If the above rule does not apply (i.e. if the sum of the financial fixed assets, amounts owed by related parties, transferable securities and cash is less than 90% of the balance sheet total), the minimum corporate income tax due by a resident company depends on the balance sheet total as at fiscal year-end. The minimum corporate income tax due varies as follows:

Balance sheet total as at fiscal year end	Minimum corporate income tax (EUR)	Contribution to the employment fund (EUR)	Total minimum corporate income tax (EUR)
Does not exceed EUR 350,000	500	35	535
Exceeds EUR 350,000 without exceeding EUR 2,000,000	1,500	105	1,605
Exceeds EUR 2,000,000 without exceeding EUR 10,000,000	5,000	350	5,350
Exceeds EUR 10,000,000 without exceeding EUR 15,000,000	10,000	700	10,700
Exceeds EUR 15,000,000 without exceeding EUR 20,000,000	15,000	1,050	16,050
Exceeds EUR 20,000,000 -	20,000	1,400	21,400

The minimum corporate income tax is a prepayment, which may be set off against future tax liabilities if these exceed the minimum corporate income tax. The minimum corporate income tax is not refundable and may not be reduced by certain tax credits.

CAPITAL GAINS TAX

Capital gains are in principle regarded as ordinary business income and are taxed at the normal income tax rates. Exemptions and roll-over relief apply in some cases.

BRANCH PROFITS TAX

No special tax is levied on branch profits. Luxembourg branches of non-resident companies are subject to corporate income and municipal business tax at the same rates as Luxembourg resident companies. Luxembourg branches are, however, not subject to the minimum corporate income. Luxembourg branches of non-resident companies are only taxed on the income attributable to the Luxembourg branch. Relief from taxation might be available for certain type of income based on Luxembourg internal tax law (see below: taxation of capital gains and dividends).

SPECIAL REGIMES AND MEASURES

Family wealth management company (société de gestion de patrimoine familial or abbreviated SPF)

The SPF is exempt from corporate income tax, municipal business tax and net wealth tax, but is subject to an annual subscription tax of 0.25% calculated based on the share capital and share premiums. The activities of the SPF are limited to holding and managing certain financial assets. The SPF may not carry out any trade or business. Finally, the shares of the SPF may, with certain limited exceptions, only be owned by individuals.

Holding companies (société de participations financières or abbreviated Soparfi)

Holding companies are fully taxable Luxembourg resident companies that take advantage of the provisions of the participation exemption (see below: taxation of capital gains and dividends).

Investment funds

Investment funds include the common investment fund (FCP), the Investment Company with variable capital (SICAV) and the Investment Company with fixed capital (SICAF). Investment funds may be used both for undertakings for collective investments in transferable securities (UCITS) or alternative investments funds (AIF). Investment funds are subject to the approval and supervision of the financial sector supervising authority, i.e. the "Commission de Surveillance du Secteur Financier" (CSSF).

Investment funds are exempt from income and net wealth tax. Investment funds are, however, subject to:

(a) an annual subscription tax of 0.01% and 0.05% calculated on a quarterly basis on the value of shares held by institutional investors or private investors respectively
(b) VAT on intra-community acquisition of goods (if exceeding EUR 10,000);
(c) VAT on purchased services not linked to the management of the fund.

The decision rendered by the Court of Justice of the European Union (case C-275/11 – GfBK dated 7 March 2013) has confirmed the position traditionally adopted in

Luxembourg, i.e. the VAT exemption is applicable to investment advisory services rendered by third parties to an investment management company relating to investments in transferable securities.

Further to the implementation of the "AIFM" Directive in local law, the VAT exemption also applies:
- to the management entities of Alternative Investment Funds (AIF); and
- to entities (i) established within the EU similar to entities benefiting from the VAT exemption regime in Luxembourg and (ii) under the supervision of an organism similar to the CSSF or to the "Commissariat aux Assurances".

Certain double tax treaties signed by Luxembourg apply to investment funds incorporated as a SICAV or SICAF. In general, an investment fund constituted as a FCP does not benefit from double tax treaties.

Specialized Investment Fund (SIF or Fonds d'Investissement Spécialisé)
Compared to the traditional investment funds, the SIF has greater flexibility with regard to its investment policy and less regulatory constraints due to the fact that it is reserved for professional or well-informed investors. There are no initiator/promoter requirements. SIFs are also subject to the agreement and supervision of the CSSF.
SIFs are exempt from income and net wealth taxes. SIFs are, however, subject to:
(i) an annual subscription tax of 0.01% calculated on a quarterly basis on the net asset value of the fund
(ii) VAT on intra-community acquisition of goods (if exceeding EUR 10,000);
(iii) VAT on purchased services not linked to the management of the fund.

Securitization vehicle (organisme de titrisation)
Securitization vehicles are used to convert assets, liabilities and risks into transferable securities. A securitization structure typically involves an originator, the vehicle and the investors. The originator transfers assets of any type to the vehicle. The vehicle issues securities and uses the funds collected to pay for the purchase of the assets.
Two types of structures are available:
(a) the securitization fund, which is subject to similar rules as investment funds, except that no subscription tax is levied;
(b) the securitization company, which is a fully taxable entity that qualifies for the application of tax treaties and EU directives.

Only securitization vehicles issuing securities to the public on a continuous basis have to be authorized and are supervised by the CSSF to carry out their activities.

For securitization companies, any commitments to investors or creditors, such as for the payment of dividends or interest, qualify as a tax deductible expense. This leads, in most cases, to full tax neutrality. Since 2013, securitization companies are subject to the minimum corporate income tax. Securitization companies are exempt from net wealth tax.

Distributions of proceeds by a securitization vehicle to its investors qualify as interest payment for Luxembourg income purpose no matter whether the securities owned by the investors qualify as equity or debt and consequently are not subject to withholding tax.

Securitization vehicles are exempt from VAT except:
(i) on intra-community acquisition of goods (if exceeding EUR 10,000);
(ii) on purchased services not linked to the management of the securitization vehicle.

Venture capital companies (société d'investissement à capital risque or abbreviated SICAR))
A SICAR is a specific vehicle for collecting venture capital from professional or well-informed investors. A SICAR can be set up as a tax transparent limited partnership or as a non-transparent corporate entity. SICARs are approved and supervised by the Commission for the Supervision of the Financial Sector. SICARs may invest in assets with high-risk/increased return perspectives. They are subject to few restrictions but may have a flexible investment policy with no diversification rules or leverage restrictions. Umbrella SICARs are able to create multiple investment compartments with specific investment policies.

SICARs set-up in the form of corporate entities are fully taxable entities and qualify for the application of tax treaties and EU Directives.

SICARs are exempt from net wealth tax, subscription tax and income tax on any income from securities (dividends, capital gains) and from cash held for future qualifying investments.

Non-resident beneficiaries are exempt from tax in Luxembourg on income derived from these companies.
SICARs under the supervision of the CSSF can benefit from the exemption of VAT except:
(i) on intra-community acquisition of goods (if exceeding EUR 10,000);
(ii) on purchased services not linked to the management of the SICAR.

Special limited partnership (société en commandite spéciale or abbreviated SCSp)
The law transposing the AIFM Directive into domestic law, has introduced the SCSp as a new legal entity into Luxembourg company law.

The SCSp is designed to take over the simplicity of the Anglo-Saxon limited partnership, namely: flexibility, confidentiality, limited investor liability and tax transparency. The SCSp is a limited partnership formed between a general partner (GP) who has unlimited liability, and one or more limited partners (LPs) whose liability is limited to the amount of their contribution to the partnership.

From a Luxembourg company law perspective the SCSp has no legal personality. The absence of legal personality means that the SCSp is not subject to the same Luxembourg company law requirements as other entities, with the result that it is not required to file financial statements with the company registry. In addition limited partnerships are not required to disclose investor identity or the investors' contributions in the SCSp.

The SCSp is transparent for Luxembourg corporate income and net worth taxes. As a consequence, the SCSp is, in principle, not subject to corporate income tax. Instead, the partners are subject to income tax on their share in the profits of the SCSp. Non-resident partners in an SCSp are, however, only taxable in Luxembourg on their share in the profits of the SCSp if the activity of the SCSp qualifies as a commercial activity within the meaning of the Luxembourg income tax law. If the activity of the SCSp qualifies as a commercial activity, the SCSp is in addition subject to Luxembourg trade tax.

On 9 January 2015, the Luxembourg tax administration clarified that the activity carried out by investments funds incorporated under the legal form of a Luxembourg SCSps (or even a SCSs) does not qualify as a commercial activity within the meaning of the Luxembourg income tax law, unless at least one of the limited partners is a corporate entity that owns an interest of at least 5% in the SCSp (or SCS).

Shipping Register
In addition to specific and general incentives, shipping companies are in principle, only subject to corporate income tax (22.47% if taxable income exceeds EUR 15.000) and enjoy simplified rules with respect to social security and wage tax.

VALUE ADDED TAX (VAT)
VAT applies to the supply of services and goods made by a taxable person in Luxembourg, intra community acquisitions of goods from another Member states realized by a taxable person or by a non-taxable legal entity and to importations of goods from outside the European Union no matter whether the importation is made by a taxable or non-taxable person.

A **taxable person** is any person who carries out an independent economic activity on a regular basis, regardless of the aim, the results or the location of the activity.
A taxable person carrying out an economic activity in Luxembourg should **register** to Luxembourg VAT within 15 days from the beginning of its economic activity. There is no threshold for the VAT registration.

Similarly, non-taxable legal entities carrying out intra-community acquisitions of goods and services are required to register for VAT.

No VAT grouping is available under Luxembourg VAT law.
Taxable persons are in, in principle, required to file **monthly VAT returns**, as well as an annual recapitulative VAT return. If the annual turnover does not exceed EUR 620,000, only quarterly VAT returns, as well as an annual recapitulative VAT return will be due. If the annual turnover is below EUR 112,000, only an annual VAT return will be due.
The filing of the VAT returns has to be done electronically by using the VAT administration's portal called "eTVA".

As of 2015, the **VAT rates** have been increased by 2% points. Thus the standard VAT rate has increased from 15% to 17%, the intermediate rate form 12% to 14% and the reduced rate from 6% to 8%. The "super-reduced rate" remains unchanged at 3 %.
In principle, a taxable person may **deduct** 100% of **input VAT paid or declared** from

the output VAT collected on its turnover. No deduction is, however, available if the goods and services purchased are used for the supply of services which are exempt from VAT and which do not give right to a deduction of input VAT. In this latter case input VAT may not be recovered at all.

The Luxembourg circular n° 765 providing the Luxembourg VAT authorities' position for the determination of the deductible portion of input VAT remains applicable in 2015. According to this circular, the deductibility of input VAT has to be determined based on the real use method. This means that a VAT taxable person that carries out operations that give the right to recover input VAT and operations that do not give right to recover input VAT, has to determine for each expense it incurs to which activity it relates. Thus, input VAT paid on expenses that are relating to the activity that gives right to recover input VAT can be recovered for the full amount. On the other hand, input VAT on those expenses that are relating to the activity that does not give right to recover input VAT cannot be recovered at all.

Expenses that are not directly relating to either activity should be apportioned between the different activities based on the most accurate allocation keys such as:

- Turnover subject to VAT versus turnover not subject to VAT;
- Surface used to generate turnover subject to VAT versus surface used to generate turnover not subject to VAT;

For those expenses that cannot be apportioned between either activity, the general pro-rata method continues to be applicable.

The **Electronic audit file ("Fichier audit informatisé AED" or FAIA)** was introduced in Luxembourg by the law dated 19 December 2008. The FAIA is based on the 2005 OECD SAF-T recommendation. It is an electronic file that should contain all the information pertaining to economic activity of a taxable person.

The FAIA aims at ensuring an easier, smoother and cheaper process for the audit of accounting information and documentation by Luxembourg VAT authorities.

From 1st January 2011 onward, all VAT audits performed by the Luxembourg VAT authorities were supposed to be based on electronic documents available in the FAIA. However, due to some enforcement constraints, the effective implementation of FAIA was practically delayed. The VAT authorities now plan to enforce the FAIA more widely in 2015.

Upon request from the Luxembourg VAT authorities, any taxable person that has an electronic accounting system must be able to provide the Luxembourg VAT authorities with a structured XML file including all the relevant accounting information.

Since 1st January 2015, Luxembourg introduced the **Mini-One-stop-shop (MOSS)** in its legislation allowing any taxable person, supplying telecommunication services, television and radio broadcasting services and electronically services to non-taxable persons located in Member States of the European Union, to declare and to pay VAT in relation to these supplies via a web-portal in the Member State in which they are identified. This simplification measure is optional. The registration must be made by the taxable person itself. However, since March 2015, day-to-day management of a company in relation to VAT MOSS may be delegated to a representative.

OTHER TAXES

There is no stamp or registration duty on the transfer of shares or goodwill in Luxembourg. Other Luxembourg taxes include:

- Net wealth tax is levied at a rate of 0.5% calculated on the taxable net assets as at 1 January. Companies resident in Luxembourg are subject to net wealth tax on their worldwide net assets. Relief from net wealth tax is available for certain type of assets either based on Luxembourg internal tax law (e.g. shareholdings qualifying for the participation exemption and certain qualifying intellectual property rights) or based on double tax treaties concluded by Luxembourg (e.g. real estate property located abroad, foreign permanent establishments). Net wealth tax may be reduced up to the amount of corporate income tax due beyond the minimum corporate income tax (including the contribution to the employment fund and before deduction of tax credits) by allocating an amount corresponding to five times the amount of the net wealth tax to be reduced to a special net wealth tax reserve. The allocation to the net wealth tax reserve must be maintained for five years. Non-resident companies are subject to net wealth tax only on certain Luxembourg assets (e.g. branch located in Luxembourg; real estate located in Luxembourg).
- A subscription tax is payable by SPFs (0.25%) and investment funds (0.05% or 0.01%, see also above)
- Gift taxes are due on donations, inheritance taxes under certain circumstances upon successions

- Registration duties are due on real estate transfers, the payment of share capital and under certain circumstances upon the transfer of receivables. On real estate transfers, registration duties range from 7% to 10% depending on the municipality where the real estate property is located. Contributions to the share capital of a company are subject to a lump sum registration duty of EUR 75.
- Real estate located in Luxembourg triggers land tax.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company corresponds to the difference between the taxable income and allowable deductions. All business expenses are, in principle, deductible. Expenses linked to exempt income are deductible to the extent that they exceed exempt income.

DEPRECIATION

Methods available are the straight-line depreciation and the declining balance at rates reflecting useful life of the relevant asset. Land may not be depreciated. Buildings and intangible assets may only be depreciated by the straight-line method.

STOCK/INVENTORY

Inventory includes raw materials, work in progress, finished goods and real estate bought for resale. Valuation is at the lower of production or purchase cost and market value. Accepted valuation methods include FIFO, LIFO and any other method if justified and applied consistently.

CAPITAL GAINS AND LOSSES

In principle, capital gains from the sale of business assets are taxed at the ordinary income tax rate. There is a roll-over-relief for profits realized upon the sale of real estate or non-depreciable assets. Capital losses are tax deductible. Capital gains/losses generally correspond to the difference between the sales price reduced by ancillary costs relating to the sale and the book value of the asset being sold.

Capital gains from the sale of substantial shareholdings are tax exempt. Substantial shareholdings are shareholdings of at least 10% or of an acquisition cost of at least EUR 6,000,000 held for 12 months. The exemption applies to shareholdings in subsidiaries that are within the scope of the EU Parent-Subsidiary directive (2011/96/E), or that are incorporated as fully taxable companies that are subject to an income tax which is comparable to Luxembourg corporate income tax (i.e. the income tax amounts at least to 10.5% and is calculated on a taxable base which is determined in a similar way as the income subject to Luxembourg corporate income tax).

Capital gains realized upon the disposal of shares are not exempt from corporate income tax and municipal business tax for an amount corresponding to the sum of the expenses related to the shareholding and any write-down recorded on the shareholding that reduced the tax base of the company in the year of disposal or in the previous financial years. This rule is known as the “recapture rule”.

An 80% exemption applies to the capital gain realized upon the sale of certain qualifying intellectual property rights. A recapture mechanism provides that capital gains remain taxable up to the amount of the expenses which were fully deductible from the taxable income in prior years.

INCOME FROM INTELLECTUAL PROPERTY

A partial tax exemption applies to income derived by a Luxembourg resident company from qualifying IP rights acquired or developed after 31 December 2007, except those acquired from an associated company. The partial exemption amounts to 80% of the net income (i.e. gross royalty income less economically relating expenses) derived from the qualifying IP rights. This partial exemption applies also to capital gains from the disposal of qualifying IP.

IP such as copyrights on software, patents, trademarks (including “service marks”), domain names, designs, and models qualify for the partial exemption. Literary or art copyrights, plans, formulas, trade secrets and similar rights are disallowed for the partial exemption.

DIVIDENDS

In principle, dividends constitute a fully taxable income. However, dividends from substantial shareholdings are tax exempt. Substantial shareholdings are direct shareholdings of at least 10% or of an acquisition cost of at least EUR 1,200,000, which are continuously held for at least 12 months (the 12 month holding period can also be met prospectively). The exemption applies to all subsidiaries that are within the scope of the EU Parent-Subsidiary Directive (2011/96/EU) or that are incorporated as a fully taxable company subject to an income tax comparable to Luxembourg

corporate income tax (i.e. the income tax amounts at least to 10.5% and is calculated on a taxable base which is determined in a similar way as the income subject to Luxembourg corporate income tax).

Expenses, including interest expenses and write-downs, in direct economic relation with the shareholding out of which the exempt dividend is paid will be non-deductible for tax purposes up to the amount of exempt dividend derived during the same financial year. On the other hand, expenses exceeding the amount of the exempt dividend received from such shareholding during the same financial year remain deductible for tax purposes. Such excess may create tax losses that can be carried forward without any limit in time.

Dividends from fully taxable companies in which the recipient does not have a substantial shareholding are 50% tax exempt.

INTEREST DEDUCTIONS

Interest on loans that finance investments intended to generate taxable income is deductible without any limitation, to the extent that the interest rate is at arm's length. Interest associated with exempt income is deductible only to the extent that it exceeds such exempt income.

Even though there are no formal thin-capitalization rules provided for by the Luxembourg tax law, the Luxembourg tax authorities require an 85-to-15 debt-to-equity ratio for the financing of shareholdings owned by Luxembourg companies.
In the case this ratio would not be respected, the Luxembourg tax authorities could disallow interest paid on the portion of the debt exceeding the 85-to-15 ratio.

LOSSES

Losses may be carried forward indefinitely. No carry-back is allowed.

FOREIGN SOURCED INCOME

Foreign sourced income is generally taxable under domestic law, unless it is exempt from Luxembourg income tax based on a double tax treaty concluded by Luxembourg or based on internal Luxembourg tax law.
Foreign sourced income that is typically exempt from Luxembourg income tax based on double tax treaties concluded by Luxembourg includes business profits attributable to permanent establishments located in a treaty country, as well as income derived from real estate properties located in a treaty country.
Foreign sourced income that is typically exempt based on Luxembourg tax law includes dividends and capital gains from substantial shareholdings, as well as royalty income from IP rights qualifying for the Luxembourg IP regime.
Luxembourg has no CFC ('controlled foreign company') legislation.

INCENTIVES

- A tax credit is available for qualifying capital expenditures. The investment tax credit is calculated as follows:

(a) 12% of the difference between the value of total depreciable fixed tangible assets other than real estate and the average value of such assets during the last five years

(b) 7% on investments up to EUR 150,000 in such assets during the tax year and 2% on investments exceeding EUR 150,000. For investments linked to environmental protection or adaptations enabling the hiring of disabled persons, the rates are 8% and 4% respectively.

Unused investment tax credits may be carried forward for 10 years

- Other incentives are available for various investments, company creations, company reorganizations, research and development activities, creation and development of innovative industrial or service-providing businesses and investments in view of the protection of the environment. Incentives may be granted in various ways such as capital grants and subsidies, loans from the national investment bank, interest subsidies, promotional assistance, tax exemptions and state guarantees, as well as access to fully equipped land, at low cost, in certain business parks.
- Incentives for film production are available by way of selected financial incentives granted through the Luxembourg film fund and by way of transferrable audio-visual certificates issued by the Luxembourg State to film production companies for qualifying production cost. Audio-visual certificates give right to a tax credit of 30% of their nominal amount without exceeding 30% of the holder's taxable profits. Audio-visual certificates may be assigned to companies deriving business profits from Luxembourg. This incentive is in effect until 2015.
- The investment in the development of new products, the launching of the production phase and the initial marketing thereof may benefit from the issuance of venture-capital certificates. Venture-capital certificates are issued to investors providing funds to companies realizing qualifying investments. Venture-capital

certificates provide its holder with a tax credit of 30% of its nominal amount without exceeding 30% of the holder's taxable profit. Venture capital certificates may be assigned once.

- Hiring unemployed individuals was incentivized by way of a tax credit of 15% calculated on the monthly salary paid to qualifying hires over a period of 36 months after hiring. This incentive is not available anymore as of 2015. However, unused incentives granted before 31 December 2014 can be carry forward for 10 years.
- Incentives for vocational training consist of a tax credit of 10% or a subsidy of 14.5% of qualifying expenses such as planning, evaluation, travel, catering and registration fees.
- Other incentives include export financing (Ducroire).

C. FOREIGN TAX RELIEF

Foreign income tax may be credited against domestic income tax up to the amount of the domestic income tax. If the foreign tax exceeds domestic income tax, the excess is generally allowable as a deduction against taxable profits. No relief is available for the underlying income tax on dividends from foreign companies. In general, Luxembourg tax treaties provide for an exemption of income from foreign real estate and foreign permanent establishments from Luxembourg taxation.

D. CORPORATE GROUPS

Tax consolidation allows affiliated subsidiaries to combine their respective tax results with the tax result of the parent company of the consolidated group. Tax consolidation members may include Luxembourg resident companies and Luxembourg permanent establishments of non-resident companies.
Each group member must be held for at least 95%, directly or indirectly, by a fully taxable Luxembourg resident company or the permanent establishment of a non-resident fully taxable company. If the subsidiary contributes substantially to the structural improvement of the domestic economy, the tax consolidation may also be granted if the parent company is holding only 75%.
In the case of a tax consolidation, the minimum corporate income tax is calculated as if each company which is part of the tax consolidation would be taxed on a standalone basis. However, the aggregate amount of minimum corporate income taxation may not exceed EUR 21,400.

E. RELATED PARTY TRANSACTIONS

Transactions by a company with its shareholders and related parties have to be at arm's length. If transactions between related parties are not at arm's length, they may give rise to hidden profit distributions.
On 19 December 2014, the Luxembourg parliament adopted a law which amongst other aligns the Luxembourg definition of the arm's length principle to the arm's length principle included in the article 9 of the OECD Model Tax Convention and which extends the application of the arm's length principle to all intra-group transaction. The law also extends the general documentation and substantiation requirements to the documentation and substantiation of intra-group transactions.
The law does not contain specific transfer pricing documentation requirements.
It also continues to be possible to obtain confirmation from the Luxembourg tax authorities on the arm's length character of intra-group transaction. However, in order to obtain a binding clearance from the Luxembourg tax authorities it is required that the company requesting the clearance meets certain organizational and economic substance requirements.

F. WITHHOLDING TAX

DIVIDENDS

Dividends paid by special purpose vehicles such as SPFs, investment funds and SICARs are not subject to withholding tax. Dividends paid by fully taxable companies are subject to a 15% withholding tax. The withholding tax on dividends may be reduced by applicable tax treaties.
Dividends paid to companies (or its Luxembourg permanent establishments), which (i) are within the scope of the EU Parent-Subsidiary directive or, which are (ii) fully taxable at an income tax comparable to Luxembourg corporate income tax and resident in treaty countries or member countries of the Espace Economique Européen (EEE), are exempt from withholding tax if at the date when the dividends are put at its disposal, the beneficiary holds or commits itself to hold a direct shareholding representing at least 10% of the capital of the distributing company or an acquisition price of at least EUR 1.2 million for a period of at least 12 months. An indirect shareholding through a Luxembourg or foreign partnership comparable to a Luxembourg partnership is deemed to be held directly.

INTEREST

Interest payments are in principle, exempt from withholding tax.
Further to the EU Savings Directive (2003/48/EC) interest paid to individuals resident in the EU has however been subject to a 35% withholding tax. As of 1st January 2015, the 35% withholding tax on interest payments to individuals is replaced by an automatic exchange of information.
Interest paid by Luxembourg paying agents to individuals resident in Luxembourg is subject to a 10% final withholding tax.

ROYALTIES

In general, Luxembourg does not levy withholding tax on royalties, except on income from the copyright of literary or artistic work.

G. MISCELLANEOUS

ADVANCE TAX CLEARANCE

Under specific circumstances, it is possible to obtain a confirmation from the Luxembourg Tax Authorities for the interpretation of specific provisions of the Luxembourg tax law.
With effect as of 1st January 2015, the advance tax clearance or tax ruling practice is formalized in Luxembourg tax law.
In order to be valid, the advance tax clearance request must contain certain minimum information.
Advance tax clearances are available for both companies and individuals.
An advance tax clearance will be valid for a maximum period of 5 years.
Advance tax clearances requested for company will be reviewed and commented by an advance tax clearance commission. As of 1st January 2015, the request of an advance tax clearance may also trigger a fee that is payable to the Luxembourg Tax Administration. Such fee ranges between EUR 3.000 and EUR 10.000 depending on the volume and the technical complexity of each request.
An anonymous executive summary of the advance tax clearance may be published in the annual report of the Direct tax authorities.
Subject to certain conditions, companies carrying out an intra-group financing activity may continue to obtain Advance Pricing Agreements confirming the spread to be realized on the considered financing activity. The advance pricing agreements follow the same rules as the advance tax clearance.

AUTOMATIC EXCHANGE OF INFORMATION ON INTEREST PAYMENTS

On 25 November 2014, Luxembourg has adopted the automatic exchange of information with respect to interest payments made by a Luxembourg paying agent to individuals or residual entities within the meaning of the EU Savings Directive that are resident in another EU member state or in an associated territory.
The automatic exchange of information will cover interest payments made on or after 1st January 2015. The first exchange of information will take place in 2016 before 30 June.

THIN CAPITALIZATION RULES

Luxembourg tax law does not contain any specific thin-capitalization rules, except for SPFs. In principle, a company's debt financing is not limited to a percentage of its paid-in capital. However, the tax authorities may challenge debt/equity ratios exceeding 85/15 for companies engaged in holding activities.

CHAMBER OF COMMERCE FEE

Membership of the Chamber of Commerce is mandatory for all Luxembourg commercial companies and branches. The fee is based on taxable profits (before losses carried forward) and ranges from 0.025% to 0.20%.
The minimum annual contribution amounts to EUR 70 (partnerships and limited companies) and EUR 140 for any other corporations (due even by company in a loss position).
Holding companies listed as such must pay a lump-sum contribution of EUR 350.

LIMITATION OF CORPORATE TAX DEDUCTIBILITY OF "GOLDEN HANDSHAKES"

Voluntary departure indemnities or dismissal indemnities above EUR 300,000 are not tax deductible for employers.

ISLAMIC FINANCE

A circular issued by the Luxembourg tax authorities provides guidance with regard to the tax treatment of certain Islamic finance instruments.
A circular has also been issued by the Luxembourg VAT Administration. Special Purpose Vehicles incorporated in the framework of "murabah" and "ijara" contracts qualify as taxable persons for VAT purposes.

VAT FREE ZONE
Luxembourg has a temporary VAT exemption regime providing for VAT neutral treatment for transactions concerning goods stored in specific locations.

TAX REPRESENTATIVE
A circular issued by the Luxembourg VAT Administration states that a tax representative can be appointed by taxable persons established outside the EU under certain circumstances.

ABUSE OF LAW
Under the abuse of law doctrine, the tax authorities may challenge fictitious or abnormal transactions and schemes that are entered into for the sole purpose of avoiding taxes.

H. PERSONAL TAX

Individuals resident in Luxembourg pay income tax on their worldwide income.
Individuals are considered to be **resident** in Luxembourg if they have their domicile or their habitual abode in Luxembourg. Based on Luxembourg internal law the latter is the case if the individual has been present in Luxembourg for more than six months. In the case a double tax treaty, residence is determined with reference to the rules provided for by the relevant double tax treaty.
Non-resident individuals are only taxable on certain specific Luxembourg-sourced income.
The **tax base** consists of assessable income less certain special allowable deductions. Assessable income includes: business income, income from agriculture and forestry, income from self-employment, employment income, pensions and annuities, income from investments and savings, rental income and other income, including capital gains.
Since 2010, highly qualified workers which are hired in the international labor market may, during a five year period, benefit from certain tax exempt compensations.
Interest earned by resident taxpayers on certain savings is subject to a 10% final withholding tax.
Capital gains are taxable as other income if they derive:
- from any assets held less than six months prior to disposal
- from the sale of shareholdings in Luxembourg companies exceeding 10%
- from the sale of real estate located in Luxembourg, except if the real estate constitutes the taxpayer's main residence.

The law transposing the AIFM Directive into domestic law has also formalized the rules applicable to the taxation of income from carried interest realized by certain employees of an alternative investment fund (AIF) or of its management company.
Income from **carried interest** realized by certain employees of an AIF or of its management company is taxed as "Other income" at 25% of the global tax rate applicable to that individual's taxable income (i.e. at maximum at 10.9%). To benefit from this tax regime, the individual may not have been a Luxembourg tax resident or subject to income tax in Luxembourg on its professional income during a five years period preceding the implementation of these provisions.

Income tax due **on employment income** is withheld at source. Similarly **income tax** is withheld at source on dividends paid by Luxembourg companies.
The **final amount** of income tax due for a particular tax year is to be paid after the notification of a tax assessment by the tax authorities. Income tax due for a particular year is fixed by taking into account tax credits for foreign income taxes, income tax withheld at source in Luxembourg and advance tax instalments paid for the relevant year. **Advance tax instalments** are paid on a quarterly basis and are fixed based on the balance remaining due according to the latest income tax assessment.
Income tax is calculated based on progressive income **tax rates.** The rates indicated below exclude a 7% contribution to the employment fund. The contribution is increased to 9% in the case the taxable income is exceeding EUR 151,020 for tax payers taxed at the tax classes 1 and 1a) or exceeding EUR 301,020 for tax payers taxed at the tax class 2.

Taxable income (EUR)	Marginal rate (class 1)
0–11,265	0%
11,265–13,173	8%
13,173–41,793	marginal increase of 2% per slice of EUR 1,908
41,793-100,000	39%
Above 100,000	40%

On extraordinary income, income tax is calculated at preferential tax rates. Extraordinary income includes, for instance, income from the sale of businesses, capital gains

on substantial shareholdings sold after more than six months of purchase, one off payment of (supplementary) pension benefits (entered into by employee).
Capital gains on substantial shareholdings sold after more than 6 months after their purchase are taxed at half the global income tax rate. The global income tax rate corresponds to the effective income tax rate arising on a tax payer's total taxable income and does thus not exceed 21.8% (including the contribution to the employment fund).
The minimum tax rate for non-residents is 8.56% except for capital gains on real estate, where the rate for resident persons is applicable.
In view of taxation, individual resident tax payers are allocated to 2 different tax classes. The allocation to the relevant class depends upon marital status

Marital status	Age below 64 on 1 Jan	Age above 64 on 1 Jan
Single	1 or 1a **	1a
Married	2	2
Separated*	1 or 1a **	1a
Divorced*	1 or 1a**	1a
Widow*	1 or 1a **	1a

* Class 2 continues to apply for the year when the marital status has changed and the three following years (119.3.c)
** 1 applies without children, 1a with children
For class 1, the general tax rates apply.
For class 2, the total income of both spouses is split into 2 halves and each half is taxed at the income tax rates applicable to class 1.
For class 1a lower rates apply with a maximum advantage of EUR 1,467.
Non-resident tax payers may benefit from tax class 2 if they earn more than 50% of professional income in Luxembourg.
Resident taxpayers married to non-residents may benefit from tax class 2 if the household earns at least 90% of its professional income in Luxembourg (income earned with EU institutions is not taken into account).
Non-resident individuals may, under certain conditions, elect to be treated as resident taxpayers. In that case, they are assessed by taking into account their worldwide income for income tax purposes. They would also be entitled to the deductions and allowances available to resident taxpayers.
Tax credits and **child bonuses** amount to:
EUR 300 per year for self-employed persons, employees or pensioners.
EUR 750 for tax payers in class 1a.
There is a monthly bonus of EUR 76.88 per child under the age of 18 or above such age (max 27 years) in case of students.
Contributions for **social security** coverage are indicated in the table below (valid as at 1st January 2015).

Social contributions in %	Private sector workers	
Paid by	Worker	Employer
Illness	3.05	3.05
Pension	8.00	8.00
Accident	–	1.10
Old age care	1.4	–
Mutual Insurance	–	0.51 - 3.04
Health check	–	0.11
Temporary budget balancing tax (TBBT)	0.5	0.5
Total	12.45	12.73-14.89

Notes:
A minimum monthly wage applies in Luxembourg. It amounts to EUR 1.922.96 (EUR 2,307.55 for qualified workers). Wages are linked to inflation index. The current inflation index has been fixed in October 2013 (index = 775.17). The new index will apply when inflation exceed 2.5%
Contributions are levied on the actual professional income which cannot be lower than the minimum wage. No contributions are levied on the portion of the professional income which is exceeding five times the minimum wage. This ceiling does not apply for Old Age care. Old Age care is levied on all assessable income. For salaries a monthly deduction of EUR 480.74 applies.

Inheritance tax is due in Luxembourg if the deceased has been resident in Luxembourg. Inheritance tax is due on all net assets allocated to the heirs, except on

real estate property located abroad and in certain cases on movable assets located abroad, no matter where the heirs are resident. Inheritance tax rates vary depending on the degree of relationship existing between the deceased and the heirs:

Transfer	nominal rate in the limit of compulsory portion
In direct line between descendants and ancestors	exempt
Between spouses with / without living descendants	exempt/5%
Between sisters and brothers	6%
Between uncles or aunts and nephews or nieces, between adopter and the descendants of the adoptee	9%
Between granduncles or grandaunts and grandnephews or grandnieces, between the adopter and the descendants of the adoptee	10%
Between other relatives and non-related persons	15%

In principle, inheritance tax rates are increased depending on the value allocated to the heirs. The increase of the inheritance tax rates varies between 10% (i.e. for a taxable value received by an heir amounting between EUR 10,000 and EUR 20,000) and 220% (for a taxable value allocated to an heir exceeding EUR 1,750,000).

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The below table reflects the lower of the tax treaty rate and the rate under Luxembourg domestic income tax law.

Dividend distributions to companies resident in treaty countries are in principle covered by the Luxembourg participation exemption regime (specific conditions to be met, also see under section F).

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Non-treaty countries:	15	0	0
Armenia	15/5/0	0	0
Austria	15/5/0	0	0
Azerbaijan	10/5/0	0	0
Bahrain	10/0	0	0
Barbados	15/0	0	0
Belgium	15/10/0	0	0
Brazil	25/15/0	0	0
Bulgaria	15/5/0	0	0
Canada	15/5/0	0	0
China	10/5/0	0	0
Czech Republic	15/5/0	0	0
Denmark	15/5/0	0	0
Estonia	15/5/0	0	0
Finland	15/5/0	0	0
France	15/5/0	0	0
Georgia	10/5/0	0	0
Germany	15/10/0	0	0
Greece	7.5/0	0	0
Guernsey	15/5/0	0	0
Hong Kong	10/0	0	0
Hungary	15/5/0	0	0
Iceland	15/5/0	0	0
India	10/0	0	0
Indonesia	15/10/0	0	0
Ireland	15/5/0	0	0
Isle of Man	15/5/0	0	0

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	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Israel	15/10/5/0	0	0
Italy	15/0	0	0
Japan	15/5/0	0	0
Jersey	15/5/0	0	0
Kazakhstan	15/5/0	0	0
Korea (South)	15/10/0	0	0
Laos	15/5/0	0	0
Latvia	10/5/0	0	0
Liechtenstein	15/5/0	0	0
Lithuania	15/5/0	0	0
Macedonia	15/5/0	0	0
Malaysia	10/5/0	0	0
Malta	15/5/0	0	0
Mauritius	10/5/0	0	0
Mexico	15/5/0	0	0
Moldova	10/5	0	0
Monaco	15/5/0	0	0
Morocco	15/10/0	0	0
Netherlands	15/2.5/0	0	0
Norway	15/5/0	0	0
Panama	15/5/0	0	0
Poland	15/5/0	0	0
Portugal	15/0	0	0
Qatar	10/5/0	0	0
Romania	15/5/0	0	0
Russian Federation	15/10/0	0	0
Saudi Arabia	15/5/0	0	0
San Marino	15/0	0	0
Seychelles	10/0	0	0
Singapore	10/5/0	0	0
Slovak Republic	15/5/0	0	0
Slovenia	15/5/0	0	0
South Africa	15/5/0	0	0
Spain	15/0	0	0
Sri Lanka	10/7.5/0	0	0
Sweden	15/0	0	0
Switzerland	15/5/0	0	0
Taiwan	15/10/0	0	0
Tajikistan	15/0	0	0
Thailand	15/5/0	0	0
Trinidad and Tobago	10/5/0	0	0
Tunisia	10/0	0	0
Turkey	20/5/0	0	0
United Arab Emirates	10/5/0	0	0
United Kingdom	15/5/0	0	0
United States[4]	15/5/0	0	0
Uzbekistan	15/5/0	0	0
Vietnam	15/10/5/0	0	0

1 For dividends, the lower rate is applicable under specific conditions and generally

if the recipient holds at least 25% or 10% of the share capital of the distributing company. EU Directive 2011/96/EU provides for the exemption of dividends to qualifying shareholders.

2 Luxembourg does not levy withholding tax on interest. EU Directive 2003/49/EC provides for an exemption for qualifying subsidiaries for outbound interest to related parties.

3 Luxembourg abolished withholding tax on royalties from 1 January 2004 (except on income from the copyright of literary or artistic work).

4 The "limitations of benefits clause" in the US treaty (1996) is in many aspects more favorable than in other new US treaties.

Treaties signed with Albania, Andorra, Botswana, Brunei, Croatia, Cyprus, Estonia (new treaty), Hungary (new treaty), Ireland, Kirghizstan, Kuwait, Lithuania, Mauritius, Oman, Serbia and Montenegro, Singapore, Tunisia, and Uruguay have not yet been ratified. The withholding tax in these treaties and amendments are not reflected in the table below.

Following treaty negotiations have been initialed with Egypt, Lebanon, New Zeeland, Pakistan, Senegal, Syria and United-Kingdom (amendments to existing treaties).

MALAYSIA

MEMBER FIRM

City	Name	Contact Information
Kuala Lumpur	Brian Wong	+603 6203 1888 brianw@pkfmalaysia.com

BASIC FACTS

Full name:	Federation of Malaysia
Population:	29.8 million (2013 PRB)
Capital:	Kuala Lumpur
Area:	329,847 sq km (127,355 sq miles)
Major languages:	Malay (official), English, Chinese dialects, Tamil, Telugu, Malayalam
Major religions:	Islam, Buddhism, Taoism, Hinduism, Christianity, Sikhism
Monetary unit:	1 ringgit = 100 sen
Internet domain:	.my
International dialling code:	+60
Inland Revenue Board of Malaysia website:	www.hasil.org.my

KEY TAX POINTS

- Taxable income of companies is generally subject to corporate tax at the rate of 25% [with effect from Year of Assessment (YA) 2009]. To simplify and ease the administrative burden under the previous tax imputation system, a single-tier tax system has been introduced with effect from YA 2008. Under this new system, income tax imposed on a company's chargeable income is a final tax and dividends distributed are exempted from tax in the hands of the shareholders. Companies with credit balances which do not elect to switch over to the single-tier system were allowed to use the credit balances for the purpose of dividend distribution during a transitional period of six years until 31 December 2013, or until the credit balances are reduced to zero.
- Income tax in Malaysia is imposed only on income. Capital gains are not taxed, except those arising from transactions in real property or shares in Real Property Companies.
- A resident is taxed on income accrued in or derived from Malaysia. However, a resident company carrying on a business of banking, insurance or sea or air transport is also taxed on income derived from outside Malaysia and received in Malaysia.
- Tax incentives are given for companies carrying on certain favoured activities including energy conservation services and the managing of Islamic funds.
- All manufacturers (including contractors) and importers are subject to sales tax. The basic rate of 10% applies to all goods not specifically exempted or taxed under a reduced (5%) or increased (15%) rate. However, sales tax will be abolished and replaced by the Goods and Services Tax (GST) with effect from 1 April 2015.
- Service tax is levied on goods and services provided by certain businesses, including hotels, restaurants, legal, accounting and insurance businesses.

Service tax will be abolished and replaced by GST with effect from 1 April 2015.

- From 1 January 2008, under the single-tier system all dividends from resident companies are exempt in the hands of shareholders at all levels.
- Resident companies within a group of companies may enjoy group relief incentive. Up to 70% of the adjusted loss may be surrendered to companies within the group.
- Under Section 140A of the Income Tax Act 1967 (the Act),the Director General of Inland Revenue (DGIR) is empowered to make adjustments based on Arm's Length Principle as set out under the OECD Transfer Pricing Guidelines on the transfer prices in relation to related party transactions and interest charges for intra-group financial assistance under the thin capitalization provisions.
- There is no withholding tax on dividends paid by Malaysian resident companies. There is withholding tax on payments of interest, royalties and technical fees made to non-residents, although there are exemptions for certain types of interest payment.

Malaysian taxation is territorial in scope, whereby income derived from sources in Malaysia is subject to tax. With effect from the YA 2004, income received in Malaysia by any person other than a resident company carrying on the business of banking, insurance, sea or air transport derived from sources outside Malaysia is exempted from tax.

Malaysia currently adopts a Self-Assessment tax regime (SAS) whereby taxpayers have the responsibility to assess the extent of their tax liability and bear the onus of disclosure and representation of information.

Under the SAS, the tax authorities will conduct tax audits on taxpayers to ensure proper compliance in respect of returns submitted, failing which penalties will be imposed on tax adjustments made.

Based on the Budget 2014 announcement, GST would be implemented from 1 April 2015 and standard GST rate is fixed at 6%. The proposed GST will replace the Sales Tax and Service Tax (please refer details provided below).

A. TAXES PAYABLE

CORPORATE TAX

Resident and non-resident companies in Malaysia are generally subject to corporate tax at the rate of 25% (will be reduced to 24% with effect from YA 2016). However, if a resident company meets the requirements of a small and medium enterprise (SME), it will enjoy a lower tax rate for its first MYR 500,000 of its chargeable income (CI). Please refer to the summary of tax rates as set out in the following:

	Corporate Tax Rates YA 2009 to YA 2015	Corporate Tax Rates YA 2016 and onwards
SMEs** (resident company*):		
- First MYR 500,000 of chargeable income (CI)	20%	19%
- Chargeable income > MYR 500,000	25%	24%
Non-SMEs and Non-resident companies	25%	24%

* A company is tax resident in Malaysia if its management and control is exercised in Malaysia. Management and control is normally considered to be exercised at the place where directors' meetings are held.

** To qualify as a SME, the paid up capital of the resident company in respect of ordinary shares must be not more than MYR 2.5 million at the beginning of the basis period; and is not part of a group of companies where any of its related companies has a paid up capital in ordinary shares of more than MYR 2.5 million at the beginning of the basis period.

Under the SAS, every company is required to provide an estimate of its tax payable for a YA, 30 days before the beginning of the basis period. The estimate submitted for a particular YA cannot be less than 85% of the estimate/revised estimate of tax payable for the immediate preceding YA. The company is required to pay the estimated tax payable in equal monthly instalments according to the number of months in its basis period. Following from the Budget 2015 announcement, in order to be exempted from filing of a tax estimate for a period of 2 years commencing from the YA in which SME commences operations, the SME must be a tax resident and incorporated in Malaysia.

All companies must file the annual corporate tax returns within 7 months from the end

of the accounting period. Effective from YA 2014, it is mandatory for companies to submit tax returns via e-filing and the said return must be based on audited financial statements certified by the approved accountants.

The following are some of the key aspects of the Malaysian income tax system and administration:

SINGLE TIER DIVIDEND SYSTEM

To simplify and ease the administrative burden under the previous tax imputation system, a single tier dividend system has been introduced with effect from YA 2008 and the old tax imputation dividend has been fully phased out by 31 December 2013. Under this new dividend system, income tax imposed on a company's chargeable income is a final tax and dividends distributed are exempted from tax in the hands of the shareholders.

ADVANCE RULING

With effect from 1 January 2007, a taxpayer may request an advance ruling from the DGIR on the interpretation and application of any provision of the Act to a particular type of arrangement or transaction.

GROUP RELIEF FOR NON-SME COMPANIES

With effect from YA 2006, group relief is made available to the non-SME resident companies to allow its current year losses to be utilized by its related company within the group, subject to the conditions met.

Under this provision, a company may elect irrevocably to surrender up to 70% of its current year tax losses to set off against the chargeable income of its related company. The following are some of the key conditions to be fulfilled for the claim of group relief:

- Both claimant and surrender companies must be locally incorporated companies and have same accounting period;
- Has paid up capital of more than MYR 2.5 million at the beginning of the basis period; and
- 70% direct/indirect shareholding requirements.

TRANSFER PRICING REGULATION

In line with the introduction of transfer pricing legislation in 2009, a new Transfer Pricing Guidelines 2012 has been issued by the DGIR on 20 July 2012 to replace the Transfer Pricing Guidelines issued on 2 July 2003.

Specific provisions have been established to empower the DGIR to make adjustments based on the Arm's Length Principle as set out under the Organization for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines on transfer prices in relation to related party transactions and interest charges for intra-group financial assistance under the thin capitalization provisions.

It was recently announced by the Malaysian Government that the implementation of thin capitalisation rules has been deterred to 31 December 2015.

ADVANCE PRICING ARRANGEMENTS

Advance Pricing Arrangements Guidelines 2012 were introduced by the DGIR on 20 July 2012 to explain the manner in which a company may apply for an Advance Pricing Arrangements from the DGIR via a prescribed form. This represents an agreement between the company and the DGIR that establishes the transfer pricing methodology to ascertain the prospective arm's length transfer prices in relation to related party transactions between the company and its foreign affiliates under specific terms and conditions.

REAL PROPERTY GAINS TAX

Malaysia does not impose capital gains tax on disposal of capital assets or related transactions, except tor the disposal of real property or shares in Real Property Companies which fall within the ambit of Real Property Gains Tax Act 1976.

The Real Property Gains Tax (RPGT) has been re-introduced with effect from 1 January 2010. Gains arising from the disposal of real property and any interest, option or other right in or over such land or shares in real property companies (collectively known as chargeable assets) would be subject to RPGT. Certain disposal of real property assets between family members or within the group of companies may qualify for relief, subject to the conditions met.

The determination of RPGT rates depend on the holding period of real properties and shares in real property companies as follows:

Date of disposal from the date of acquisition	Rates provided under Schedule 5 of RPGT Act 1976		Effective rates (Exemption Order)	Budget 2012	Budget 2013
	Old Rates		With effect from 1.1.2010	With effect from 1.1.2012	With effect from 1.1.2013
	Companies	Individuals and non-corporate entities	All categories of owners	All categories of owners	All categories of owners
Within 2 years	30%	30%	5%	10%	15%
3rd year	20%	20%	5%	5%	10%
4th year	15%	15%	5%	5%	10%
5th year	5%	5%	5%	5%	10%
6th year	5%	Nil	Nil	Nil	Nil

With effect from 1 January 2014, the RPGT rates on the gains from disposal of real properties and shares in real property companies are reviewed as follows:

Date of Disposal	Real Property Gains Tax Rates		
	Companies	Individual (Citizen & Permanent Resident)	Individual (Non-Citizen)
Within 3 years from date of acquisition	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th year and following years	5%	0%	5%

STAMP DUTY

Stamp Duty is chargeable on certain instruments or documents. The rate of duty (either fixed rate or ad valorem) varies according to the nature of the instruments I documents and transacted value. The following are rates of Stamp Duty for some common instruments and documents:

Stamp Duty for charge or mortgage (including that under the Syariah), bond, covenant, debenture (not being a marketable security)	
Loan for the purposes of SMEs approved by Ministry of Finance:	
For an amount not exceeding MYR 250,000 of the aggregate loans or of the aggregate financing under the Syariah in a calendar year	MYR 0.50 for every MYR 1,000 or fractional thereof
For each additional MYR 1,000 not exceeding MYR 1,000,000	MYR 2.50 for every MYR 1,000 or fractional thereof
For each additional MYR 1,000 or part thereof	MYR 5.00

Stamp Duty for conveyance, assignment, or transfer of property	
On the first MYR 100,000 (value of property)	MYR 1.00 per MYR 100 or part thereof
On the next MYR 400,000 (value of property)	MYR 2.00 per MYR 100 or part thereof
In excess of MYR 500,000 (value of property)	MYR 3.00 per MYR 100 or part thereof

Stamp Duty on loan agreements	
All loan agreements (except education loans)	Ad valorem of MYR 5 for every MYR 1,000 or part thereof – effective from 1 January 2009
Education loan agreements	Fixed at MYR 10

Stamp Duty on service agreement instruments executed on or after 1 January 2011		
All service agreements (one tier)		Ad valorem rate of 0.1%
Multi-tier service agreement: Non-government contract	First level Subsequent level(s)	Ad valorem rate of 0.1% MYR 50.00
Government contract	First level Second level Subsequent level(s)	Exempted Ad valorem rate of 0.1% MYR 50.00

Stamp duty on construction contract instruments		
Non-government contract	First level Subsequent level(s)	Ad valorem rate of 0.1% MYR 50.00 and any stamp duty paid in excess will be remitted
Government contract	First level Second level Subsequent level(s)	Exempted Ad valorem rate of 0.1% MYR 50 and any stamp duty paid in excess will be remitted
Projects that are cancelled by the parties who had offered the contracts, and stamp duty for all such contracts had been paid		Only the Stamp Duty at the ad valorem rate will be refunded. Stamp Duty at the fixed rate of MYR 50 will not be refunded.

Certain disposal of assets between family members or within the group of companies may qualify for relief or exemption, subject to the conditions met.

INDIRECT TAXES

Currently, service tax and sales tax are the two major types of consumption taxes levied and charged on certain taxable services and taxable goods in Malaysia. It has been announced by the Malaysian government in the Budget 2014 that the service tax and sales tax will be abolished and replaced by the GST of which the implementation date is 1 April 2015.

GOODS AND SERVICES TAX (GST)

An overview of the proposed GST model to be implemented in Malaysia is summarized as follows:

Scope of Tax

- GST is to be charged on goods and services at all levels starting from production, manufacture, wholesale and retail;
- GST is to be charged on goods and services supplied within the country or imported into the country;
- Supplies made by the Federal and State Government departments are not within the scope of GST except for some services prescribed by the Minister of Finance;
- Supplies made by the local authorities and statutory bodies in relation to regulatory and enforcement functions are not within the scope of GST; and,
- GST charged on all business inputs such as capital assets and raw materials is known as input tax whilst GST charged on all supplies made (sales) is known as output tax. For eligible businesses, the input tax incurred is fully recoverable from the Government through the input tax credit mechanism.

ZERO-RATED SUPPLY

Zero-rated supply means goods and services sold by businesses that are charged GST at zero rate. For such businesses, GST paid on their inputs can be claimed as credits. Examples of goods and services subject to GST at zero rate are:

- Agriculture products (paddy and vegetables);
- Foodstuff (rice, table salt, sugar, plain flour, milk and cooking flour);
- Livestock supplies (live animals and unprocessed meat of cattle, buffaloes, goats, sheep and swine);
- Poultry (live and unprocessed meat of chickens and ducks);
- Eggs (fresh and salted);
- Fish, prawns, cuttlefish, crabs, oysters, cockles and lobsters;
- Supply of treated water (excluding distilled water, de-ionised water, oxygenised water and mineral water) to domestic consumers;

- Supply of the first 300 units of electricity to a domestic household for a minimum period of twenty eight days per billing cycle;
- Goods supplied to designated areas (e.g. Labuan, Langkawi and Tioman) from Malaysia; and,
- International services.

Note: The above list is not exhaustive.

EXEMPT SUPPLY

Exempt supply means goods and services sold by businesses that are exempt from GST. For such businesses, GST paid on their inputs cannot be claimed as credits. Examples of goods and services exempted from GST are as follows:

- Land used for residential or agriculture purposes or general use;
- Buildings used for residential purposes;
- Financial services;
- Private education services;
- Childcare services;
- Private healthcare services;
- Transport services;
- Tolled highway or bridges;
- Funeral, burial and cremation services; and,
- Supplies made by societies and similar organisations.

Note: The above list is not exhaustive.

STANDARD RATE

The standard GST rate is 6%.

THRESHOLD

The threshold for mandatory registration under GST is the business with an annual sales value of MYR 500,000 and above. Businesses below the threshold are not required to register but may register on a voluntary basis.

SERVICE TAX (TO BE ABOLISHED W.E.F. 1 APRIL 2015)

- Service tax is a single stage tax applicable to certain prescribed services in Malaysia and the current rate of service tax is 6%. The Royal Malaysian Customs Department (Customs) is the enforcement agency which is responsible for the implementation of existing service and sales system in Malaysia.
- Generally, the imposition of service tax is subject to a specific threshold of the annual turnover (i.e. ranging from MYR 150,000 to MYR 300,000 and etc.) based on the types of taxable services supplied by a taxable person. The threshold would not be applicable for certain prescribed professional and consultancy services.
- A taxable person which meets the requirements set would need to be licensed under the Service Tax Act 1975 before it could collect the service tax from its customers and remit it to the Customs.
- Professional services provided by a company to companies within the same group will generally be exempted from service tax, subject to meeting certain terms and conditions.
- Any service tax that falls due during any taxable period, which is two calendar months, shall be paid to the Customs within 28 days from the expiry of the taxable period.

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SALES TAX (TO BE ABOLISHED W.E.F. 1 APRIL 2015)

- Sales tax is a single stage tax imposed on taxable goods manufactured locally and/or imported. “Taxable goods” means goods of a class or kind not for the time being exempted from sales tax. Generally, all exports are exempted from sales tax.
- Sales tax is an ad valorem tax and can be computed based on the value of taxable goods sold, used, disposed of, or imported.
- Manufacturers of taxable goods are required to be licensed as a licensed manufacturer and registered with the Royal Malaysian Customs Department and to levy, charge and collect the tax from their customers. For imported goods, sales tax is collected from the importer upon the release of taxable goods from customs control.
- Any sales tax that falls due during any taxable period, which is two calendar months, shall be paid to the Customs within 28 days from the expiration of the taxable period.

IMPORT DUTIES

- Import duties are levied on goods that are subject to import duties and imported into the country.

Import duties are generally levied on an ad valorem basis but may also be imposed

on a specific basis.
- The rate of import duty on dutiable goods is dependent on the classification of the goods under the Customs Duties Order 2007. Malaysia adopts a coding or classification system commonly referred to as the Harmonised System which was established under the International Convention on the Harmonised Commodity Description and Coding System. Malaysia may enjoy preferential rates of duty under the relevant free trade agreements.
- Qualifying goods originating from China, Japan, Korea, Pakistan, Australia, New Zealand, India, Chile and ASEAN countries imported into Malaysia may enjoy preferential rates of duty under the relevant free trade agreements.
- The ad valorem rates of import duties range from 0% to 60%. Raw materials, machinery, essential foodstuffs, pharmaceutical products and certain tourism related and daily use products are generally non-dutiable or subject to duties at lower rates.

EXPORT DUTIES
- Export duties are generally imposed on the country's main commodities. The Ad valorem rates of export duty range from 0% to 20%.
- The rate of export duty on dutiable goods is dependent on the classification of the goods under the Customs Duties Order 2007.
- For the purposes of computing export duty, the value of the goods is the price which an exporter would receive for the goods calculated to the stage where such goods are released by Customs at the place of export.

EXCISE DUTIES
- In Malaysia, excise duties are imposed on a selected range of goods manufactured in Malaysia and selected imported goods, including motor vehicles.
- Unless exempted from licensing, a manufacturer of tobacco, intoxicating liquor or goods subject to excise duties must have a licence to manufacture such goods. A warehouse licence is required for storage of goods subject to excise duty.
- Goods which are subject to excise duty include:
  - Beer, stout and other intoxicating liquors {e.g. cider and perry, rice wine, mead, brandy, whisky, rum and tafia, gin);
  - Cigarettes containing tobacco;
  - Motor vehicles;
  - Playing cards.
- As a general rule, duty is payable at the time the goods leave the place of manufacture or any other place under excise control.
- No excise duty is payable on dutiable goods that are exported.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
With effect from YA 2000 (current year basis), capital allowances for qualifying capital expenditure incurred by taxpayers have been categorised as follows:

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Type of Assets	Initial Rate	Annual Rate
Heavy machinery and motor vehicles	20%	20%
Plant and machinery (general)	20%	14%
Others	20%	10%
Assets with a lifespan not exceeding two years	N/A	Replacement basis
Small value assets (of value less than RM1,000 each)	N/A	100% (N1)

Industrial building allowances are available for certain types of qualifying industrial buildings at the following rates:
- Initial rates ranging from 0% to 10%; and
- Annual rates ranging from 3% to 10%.

Qualifying capital expenditures incurred for the following equipment are given accelerated capital allowances (ACA) as follows:

Equipment	Claim Period
Security control and surveillance	One year (N2)
Information and communication technology	One year (N3)
Environmental protection	Three years

N1: Total capital allowance claim shall not exceed MYR 10,000 except for SMEs. However, with effect from YA 2015, the total value of each asset for the purpose of claiming of special allowance for small value assets be increased from MYR1,000

to MYR1,300. The maximum limit of total special allowance for small value assets claimable for each YA by non-SME be increased from MYR10,000 to MYR13,000.

N2: ACA be extended for another three years to YA 2015 and include equipment such as safety mirrors and panic buttons.

N3: ACA be extended for another three years to YA 2016.

INVESTMENT INCENTIVES

Malaysia offers a wide range of tax incentives for foreign and local investors to promote investments in selected industry sectors and/or promoted areas. Malaysia has today become an export-driven economy spurred on by high technology, knowledge-based and capital-intensive industries and the Economic Transformation Programme (ETP) has been introduced by the government to propel and transform Malaysia into a high-income nation by 2020. Hence, the investment incentives have been designed to focus on these areas particularly the 12 National Key Economic Areas (NKEAs) identified under the Malaysian Economic Transformation Programme (ETP). The major types of tax incentives available in Malaysia are Pioneer Status, Investment Tax Allowance and Reinvestment Allowance.

PIONEER STATUS (PS)

- An income tax exemption ranging from 70% to 100% (depending on the type of promoted products and/or activities) on a company's statutory income for a period of five years.
- The PS is generally favourable for companies expecting to generate large profits within a short time upon commencement of production of promoted products and/or activities.
- The exemption period may be extended for another further five years depending on the type of promoted products and/or activities.

INVESTMENT TAX ALLOWANCE (ITA)

- The ITA is an alternative incentive to PS which is preferable for capital intensive projects involving promoted products and/or activities.
- The ITA is accorded to the qualifying person in addition to the normal capital allowances available on the same asset.
- Generally, the rate of the ITA is 60% on the qualifying capital expenditure incurred on qualifying plant and machinery and can be used to offset up to 70% (or 100% in certain promoted products and/or activities) of the statutory income.
- The exemption period may be extended for a further five years depending on the type of promoted products and/or activities.
- PS and ITA are mutually exclusive.

REINVESTMENT ALLOWANCE (RA)

- RA is available for manufacturing companies that reinvest their capital to embark on:
- Expansion of existing production capacity;
- Modernisation or automation of production facilities;
- Diversification into related products.
- RA is also available to companies engaged in agricultural projects (eg. cultivation of rice, maize, fruits, vegetables, tubers and roots, livestock farming, spawing, breeding or culturing aquatic products, etc.)
- The RA is accorded to the qualifying person in addition to the normal capital allowances available on the same asset.
- Generally, the rate of the RA is 60% on the qualifying capital expenditure incurred on factory, plant or/and machinery and can be used to offset up to 70% (or 100% in certain circumstances) of the statutory income. Strict interpretation of types of "qualifying capital expenditure" need to be observed by the taxpayer in claiming the benefit accorded under this tax incentive.
- RA will only be given to a company which has been operating for not less than 36 months and is not applicable for an asset purchased by a company from a related company within the group.
- The incentive period is 15 years from the first year of claim and the RA is mutually exclusive to both PS and ITA as well as various tax incentives in Malaysia.
- RA claimed by any qualifying person will be clawed back if the qualifying asset is disposed of within five (5) years from the date of acquisition.

OTHER INDUSTRIES WHICH MAY QUALIFY FOR TAX INCENTIVES IN MALAYSIA

- Biotechnology industries;
- Venture capital companies;
- Operational headquarters;
- International procurement centres;
- Regional distribution centres;

- Real estate investment trusts;
- Treasury management centre;
- Kuala Lumpur international financial district;
- New 4 and 5 Star Hotels in Peninsular Malaysia and Sabah and Sarawak;
- Profit-oriented private schools and international schools;
- Profit Oriented Private Schools and International Schools;
- Provider of industrial design services in Malaysia;
- Business Trust;
- Child care centres and pre-school education;
- Angel investor;
- Global incentive for trading programme;
- Medical tourism.

EXTENSION OF APPLICATION PERIOD OF TAX INCENTIVES

To further promote the advancement of green technology and efficient utilisation of energy, the application period for tax incentives granted to companies which undertake the following promoted activities will be extended until 31 December 2015:

- Companies generating energy from renewable sources;
- Companies generating renewal energy for own consumption;
- Companies providing energy conservation services;
- Companies which incur capital expenditure for energy conservation for own consumption.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR APPROVED FOOD PRODUCTION PROJECTS

The application period for the above incentive will be extended until 31 December 2015 and applications need to be submitted to the Ministry of Agriculture and agro-based industry for approval.

EXTENSION OF TAX INCENTIVES FOR COMMERCIALIZATION - OF PUBLIC SECTOR RESEARCH AND DEVELOPMENT (R&D) FINDINGS

The existing tax incentives for the investor company and the subsidiary company be extended to the commercialization of non-resource based R&D findings. Non-resource based activities I products are subject to the list of promoted activities I products under the Promotion of Investments Act 1986.

C. WITHHOLDING TAXES

Certain types of payments to non-residents are subject to withholding tax at the following rates:

Type of Payment	Rates
Special classes of income (Note 1)	10%
Interest	15%
Royalties	10%
Contract payments (Note 2)	10% + 3%
Other income [Section 4(f)] (Note 3)	10%
Withdrawal of contribution made to a PRS (note 4)	8%

Notes:

(1) Special classes of income (Section 4A) include:

(i) Amounts paid in consideration of services rendered by the person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from, such person;

(ii) Amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;

(iii) Rent or other payment, made under any agreement or arrangement for the use of any moveable property.

Payments on technical advice, assistance or services rendered overseas will not be liable to withholding tax.

According to Public Ruling 1/2014, disbursements and reimbursements incurred for non-residents are also subject to withholding tax except for disbursements on hotel accommodation in Malaysia.

(2) The 10% withholding tax is for non-resident contractor's tax liabilities while the 3% is for the tax of employees of the non-resident contractor. Withholding tax for contract payments is not the final tax.

(3) Section 4(f) income refers to gains and profits not specifically provided for under Section 4 of the Act, including commissions and guarantee fees (effective from 1 January 2009).
(4) Where withdrawal of contributions from a Private Retirement Scheme (PRS) by an individual is made before the age of 55 (other than by reason of death or permanent departure from Malaysia), the PRS scheme provider (as approved under Section 139Q of the Capital Markets and Service Act 2007) is required to apply the withholding tax mechanism in remitting 8% tax to the Malaysian tax authority (proposed in Budget 2013).

Effective from 1 January 2011 for the YA 2011 and subsequent YA, in addition to the late payment penalty, the DGIR is empowered to impose a penalty for incorrect returns under Section 113(2) of the Act if a tax deduction on the expenses subject to withholding tax is claimed and such withholding tax and penalty are not paid by the due date for submission of the tax return that relates to such expenses

D. PERSONAL TAX

Tax residency status of an individual person in Malaysia is generally determined by the number of days the individual is present in Malaysia during a particular calendar year. Generally, an individual is a tax resident in Malaysia if the individual is present in Malaysia for 182 days or more during a particular calendar year. An individual tax resident is entitled to several tax reliefs, tax rebates, scaled tax rates and exemptions, as set out below.

Tax Reliefs (Effective YA 2013)	MYR	
Taxpayer	9,000	
Husband/wife/alimony payments	3,000	(Limited)
Disabled taxpayer	6,000	(Further deduction)
Disabled wife/husband	3,500	
Child relief (<18 years old per child)	1,000	
Child aged 18 years old and above, not married and receiving full-time tertiary education	1,000	
Child aged 18 years old and above, not married and pursuing diploma or above qualification in Malaysia / bachelor degree or above outside Malaysia (per child)	6,000	
Disabled child - Additional exemption of MYR 6,000 for every disabled child aged 18 years old and above, not married and pursuing diploma or above qualification in Malaysia / bachelor degree or above outside Malaysia	6,000	
Medical expenses for parents	5,000	(Limited)
Medical expenses for serious diseases	6,000	(Limited) [See Note 1]
Basic supporting equipment for disabled	6,000	(Limited) [See Note 2]
Life insurance and Employees Provident Fund	6,000	(Limited)
Private Retirement Scheme and annuity premium	3,000	(Limited)
Insurance premiums for education or medical benefits	3,000	(Limited)
Education fees incurred on qualifying courses	5,000	(Limited)
Purchase of books, journals, magazines and publications	1,000	(Limited)
Purchase of computer	3,000	(Limited)
Net savings in Skim Simpanan Pendidikan Nasional	6,000	(Limited) [See Note 3]
Purchase of sports equipment	300	(Limited)

Tax Rebates (Effective YA 2009)	MYR
Rebate given to taxpayer with chargeable income not exceeding MYR 35,000:	400
Additional rebate for spouse with no income and elects for combined assessment:	400

Zakat, Fitrah and any other Islamic religious dues:	Full rebate

NOTES:
With effect from YA 2015, it is proposed that the relief for medical expenses for taxpayer, spouse and children on serious diseases be increased from MYR5,000 to MYR6,000.

With effect from YA 2015, it is proposed that the relief for expenses incurred for basic supporting equipment for disabled taxpayer, spouse, child and parent be increased from MYR5,000 to MYR6,000.

The relief of up to MYR 6,000 is given for amounts deposited into Skim Simpanan Pendidikan Nasional established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 for his or her child. This is applicable from YA 2012 to YA 2017.

Non-residents are not eligible to claim relief and rebates and are subject to a tax of 26% on his/her taxable income (will be reduced to 25% effective from YA 2015 onwards).

With effect from YA 2013, the tax rates for resident individual are as follows:

Taxable Income		YA 2013 onwards		YA 2015 onwards	
MYR		Tax rate %	Tax Payable MYR	Tax rate %	Tax Payable MYR
on the first	2,500		0		0
on the next	2,500	0	0	0	0
on the first	5,000		0		0
on the next	5,000	2	100	1 (Note 1)	50
on the first	10,000		100		50
on the next	10,000	2	200	1 (Note 1)	100
on the first	20,000		300		150
on the next	15,000	6	900	5 (Note 1)	750
on the first	35,000		1,200		900
on the next	15,000	11	1,650	10 (Note 1)	1,500
on the first	50,000		2,850		2,400
on the next	20,000	19	3,800	16 (Note 2)	3,200
on the first	70,000		6,650		5,600
on the next	30,000	24	7,200	21 (Note 2)	6,300
on the first	100,000		13,850		11,900
on the next	50,000	26	13,000	24 (Note 3)	12,000
on the first	150,000		26,850		23,900
on the next	100,000	26	26,000	24 (Note 3)	24,000
on the first	250,000		52,850		47,900
on the next	150,000	26	39,000	24.5 (Note 4)	36,750
on	400,000		91,850		84,650
Above	400,000	26		25 (Note 5)	

NOTES:
1 The tax rates for resident individuals be reduced by 1% for the chargeable income bands from MYR 5,001 to MYR 50,000.
2 The tax rates for resident individuals be reduced by 3% for the chargeable income bands from MYR 50,001 to MYR 100,000.
3 The tax rates for resident individuals be reduced by 2% for the chargeable income bands from MYR 100,001 to MYR 250,000.
4 The tax rate for resident individuals be reduced by 1.5% for 1he chargeable income band from MYR 250,001 to MYR 400,000.

5 For chargeable income above MYR 400,000, the tax rate for resident individuals shall be reduced by 1%.
6 Preferential tax rate is available for the following categories of taxpayers:
- Effective from YA 2010, the employment income of an individual who is a knowledge worker residing in Iskandar Malaysia and is employed in a qualifying activity would be taxed at 15% of the individual's chargeable income.
- Effective from YA 2012, the employment income of an approved individual under the Returning Expert Programme would be taxed at 15% of the individual's chargeable income for a period of five years subject to terms and conditions met.

MALTA

MEMBER FIRM

City	Name	Contact Information
Birkirkara	George M Mangion	+356 21 484373 gmm@pkfrnalta.com

BASIC FACTS

Full name:	Republic of Malta
Population:	448,000 (2013 PRB)
Capital:	Valletta
Area:	316 sq km (122 sq miles)
Major languages:	Maltese, English
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.mt
International dialling code:	+356
Ministry of Finance, the Economy and Investment website:	www.mfin.gov.mt

KEY TAX POINTS

- Malta operates the full imputation system where dividends paid by a Maltese company carry a tax credit equivalent to the tax paid by the company on the distributed profits.
- Shareholders are taxed on the gross dividend but are entitled to tax credits of the tax paid by the company on the profits so distributed.
- Malta does not have CFC Rules, Thin Capitalisation or transfer pricing rules.
- Malta does not have net wealth tax and inheritance tax.
- Tax payers (both individuals and companies) who are ordinarily resident and domiciled in Malta are subject to income tax in Malta on their worldwide income and certain capital gains.
- Malta operates the "remittance basis". Taxpayers who are either not ordinarily resident or are not domiciled in Malta are subject to tax on their income arising in Malta and on their foreign income only if that is received in Malta. In such case, foreign capital gains are not taxable in Malta even if received in Malta.
- Malta does not impose withholding tax on payment of dividends, interest or royalties, although there are some exceptions.

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A. TAXES PAYABLE

COMPANY TAX

A company incorporated in Malta is deemed to be both domiciled and resident in Malta from the date of incorporation. A company not incorporated in Malta is considered resident in Malta if the management and control of its business is exercised in Malta. Companies which are resident and domiciled in Malta are subject to income tax on their world wide income at a flat rate of 35%. In certain circumstances, depending upon the business activity from which the profit has been generated, recipients of dividend income may become entitled to refunds of company tax paid. In certain circumstances, these refunds reduce the effective tax burden on distributed profits to between 0% and 10%.

Companies that are either resident or domiciled are taxable in Malta on the remittance basis. Therefore, income and taxable chargeable gains arising in Malta and on foreign income received in Malta. Foreign capital gains are not taxable, regardless of whether received in Malta. Companies that are neither not resident nor domiciled (i.e. incorporated) in Malta are only chargeable to tax in Malta in respect of income and gains arising in Malta.

The refundable tax system applies both to profits allocated to Maltese Taxed Account as well as to profits allocated to its foreign income account. Refunds are available both to residents and non-residents. A registered shareholder in receipt of dividend from a company that is registered in Malta may claim a refund six-sevenths of the tax paid by the company on that income. The rate of refund is reduced to a refund of five-sevenths when profits on which the dividend is distributed consists of passive interest and royalties. When double taxation relief has been claimed, the registered shareholder is entitled to a two thirds refund of Maltese tax paid.

CAPITAL GAINS TAX

Capital gains are subject to tax if they are derived from the transfer (including any alienation under any title) of:

- immovable property;
- securities, defined as shares and stock and such like instruments that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return, units in a collective investment scheme and units and such like instruments relating to linked long term business of insurance;
- business, goodwill, business permits, copyright, patents, trademarks and trade-names;
- beneficial interest in a trust;
- interest in a partnership; and
- market value of shares through a change in the issued share capital or voting rights of a company.

No tax is payable by non-residents on capital gains arising on transfers of company shares or securities except where such gains are derived from the transfer of shares or securities in companies whose assets consist wholly or principally of immovable property situated in Malta.

VALUE ADDED TAX (VAT)

VAT is imposed on importation of goods into Malta, on every intra-Community acquisition into

Malta and on every supply of goods and services made in Malta for a consideration in the course of business. The standard VAT rate in Malta is 18%. A reduced rate of 7% VAT applies to the supply of hotel accommodation and 5% on certain supplies including electricity, confectionery, medical accessories and printed matters, items for the exclusive use of disabled and works of arts, collectors' items and antiques.

Also, certain supplies are zero-rated (known as exempt with credit supplies). These include exports and export-related services, the transfer of goods placed or while they are placed under a customs duty suspension regime, international transport of person, the supply and repair of commercial aircraft and vessels, food (excluding confectionery and food supplied in the course of catering), pharmaceuticals and intra-Community supplies of goods to persons registered for VAT purposes in another EU state.

Other exemptions are termed exemptions without credit. When the activity of the business consists of or includes exempt without credit supplies, the input tax relating to those supplies is not recoverable. Exempt without credit supplies include: the transfer and the letting of immovable property (excluding inter alia commercial letting and hotel accommodation), insurance services, credit, banking and certain investment services, lotto and lotteries including remote gaming, health and welfare, cultural services and education.

VAT on Intra-Community acquisitions

When a taxable person makes an intra-Community acquisition in Malta, i.e. he receives a supply of goods from a person who is registered in another EU State where such goods are transported from one EU State to another, he will be liable for the payment of VAT in Malta on that transaction, unless the goods are exempt from VAT.
Acquisition VAT is also imposed on any other person (other than a private individual) who makes an intra-Community acquisition of goods with a value exceeding Eur10,000. Such persons may also opt to account for and pay such VAT if their intra-Community acquisitions do not exceed this amount.

VAT on imports

VAT is imposed at the rate of 18% (and at 5% in respect of the goods subject to a reduced rate of VAT mentioned in the preceding paragraph) of the taxable value of the goods that are not in free circulation in the EU and that are imported into Malta. It is collected by the Comptroller of Customs on behalf of the Commissioner of VAT at the time of the release of the goods together with any duties payable on the imports. A number of importations are exempt from VAT.

Changes to the Place of Supply of telecommunications, broadcasting and electronically supplied services

As of 1st January 2015, the place of supply of telecommunications, broadcasting and electronically supplied services is the place of the customer meaning that Maltese operators are obliged to account for and charge the tax of the Member States of the European Union where their customers are founded which could be a compliance burden if the supplier as customers established in different Member States of the European Union. Therefore, operators have two options for complying with this legal obligation- register and comply with the VAT rules of all the Member States of The European Union where their customers are located; or register under the MINI One Stop Shop (MOSS) which is a simplification measure which the EU Commission proposed to ease compliance.

VAT Treatment of Yacht and Aircraft Leasing
For the purpose of VAT, the lease of the boat is a supply of services with the right of deduction of input VAT by the lessor, where the right of input VAT applies. For sailing boats or motor boats over 24 meters in length there is a 30% reduction in the effective VAT rate subject to certain terms and conditions. In addition, Malta provides for a leasing set-up by means of which a lower effective rate of VAT can be availed of for the use of aircraft in the EU airspace. This is achieved through a VAT aircraft leasing procedure newly launched and that allows the payment of VAT exclusively on the portion of use of the aircraft within the EU.

VAT will also be refunded in the following scenarios:

- Eligible expenses incurred by private schools for the construction of new buildings;
- On the acquisition of new cars provided they satisfy certain criteria relating to size and emissions;
- On the acquisition of a new bicycle (capped at €150); and
- On the cost of sports equipment acquired by sports associations recognised by the Malta Sports Council.

OIL BUNKERING TAX
A flat rate of tax per metric ton is charged on the bunkering of certain fuel oils used for ships and their machinery and supplied free from customs and other duties. The payment of the tax is due immediately upon the release of the fuel from the bonded installation, marine terminal or marine facility on the quantity of fuel measured or calculated by Customs as having been released.

STAMP DUTY
A duty is levied on documents relating particularly to transfers of property, marketable securities (including shares), insurance policies, and auction sales. Duty on transfers of immovable property is at the rate of 5% of which 1% provisional tax is paid upon the entering of a promise of sale agreement. The rate of duty of the transfer of shares in Property Company is 5%, and, otherwise reduced to 2% on market value.

There are a number of limitations and exemptions apply, including an exemption from duty on transfers of immovable property between companies forming part of the same group, transfers of shares upon certain restructuring of holdings within a group of companies, a reduced rate of duty on the acquisition of property to be used as one's ordinary residence as well as division of immovable property between co-owners. Also, an exemption is being afforded to first time property buyers till 30th June 2015 whereby no duty is charged on the first Euro 150,000 where the buyer did not previously own or hold immovable property in Malta directly or indirectly.

WEALTH AND CAPITAL TAXES
No taxes are levied on net wealth as such. In the case of corporations, no tax is levied on the basis of the capital of the business, but an annual registration fee, which may reach a maximum of Euro1,400 (paper submission) or Euro1,200 (electronic submission), is charged by reference to the company's authorised share capital.

BETTING AND LOTTERIES
Winnings are not subject to tax, but a gaming tax is chargeable on licensed entities. The amount and calculation of the tax depends on the type of licence held and where this is calculated by reference to the entity's betting results, it is capped at Eur466,000. Betting and lotteries are strictly regulated.

SOCIAL INSURANCE CONTRIBUTIONS
Social insurance contributions in respect of an employed person are payable both by the employer and by the employee. The rate is, in each case, is equivalent to 10% of the basic wage payable by each of the employee and employer. However, this is subject to a maximum and minimum rate. Currently the minimum weekly contribution stands at € 16.63 (or 10% of basic weekly wage if this is lower but the employer continues to pay the said minimum). The maximum weekly contribution varies depending on the age of the employee. In respect of an employee born before 1/1/1962, the maximum

weekly contribution stands at € 34.31 whereas in the case of an employee born on or after 1/1/1962, the maximum weekly contribution stands at € 41.83.

COMPANY'S ADMINISTRATION AND COMPLIANCE

TAX YEAR

The default tax year for a company is 31 December, that is a calendar year. A company may apply to the Commissioner of Inland Revenue to adopt a financial year other than 31 December.

Filing of Tax Returns and Payment

The directors of every company are required to furnish the shareholders annually at a general meeting with a set of financial statements. Financial statements submitted to shareholders may be prepared either in IFRSs as adopted by the EU, or GAPSE. The annual financial statements, together with the director's report and auditors' report must be filed with the Registrar of Companies within ten months from the end of the financial year. The financial statements must be approved by at least two directors for companies.

Companies are bound to make three provisional tax payments computed by reference to the amount of tax chargeable in previous year. The provisional tax is payable in three installments: 20% by 30 April, 30% by 31 August and 50% by 21 December. Provisional tax payments are on account of the final tax liability. A tax return must be filed within nine months from the year end or 31 March of the following year, whichever is later. Penalties are imposed for failure to file a return on time or submitting an incorrect tax return. A final tax payment is due by the date the tax return is submitted. Interest is payable at the rate of 0.75% per month or part thereof on any unpaid balances and outstanding refunds.

Exemptions

In certain circumstances, a company may qualify for an exemption from paying provisional tax payments and final tax payment is due within 18 months after the year end.

B. DETERMINATION OF TAXABLE INCOME

The audited financial statements of the company will normally form the basis of the tax computation, but adjustments will be necessary in order to arrive at the company's income chargeable to tax. The general rule is that tax deductions are allowed only with respect to expenses incurred wholly and exclusively in the production of the income but the law contains special rules on various items. Adjustments would typically include the write-back of depreciation and a deduction for statutory capital allowances, the write-back of provisions and of expenses that do not satisfy the tax deduction rules, and the application of other special income tax rules such as those relative to the determination of income from the letting of immovable property and of capital gains.

Taxation of Dividends: Participation Exemption

With effect from 1 January 2007, income and gains derived by a company registered in Malta from a participating holding or from the transfer of such holding are 100% exempt from tax. A participating holding is found where a company resident in Malta holds equity shares in another entity and the former

(a) holds directly at least 10% of the equity shares of the company invested in, which holding confers an entitlement to at least any two of the following rights:
  - (i) Right to vote;
  - (ii) Right to profits available for distribution;
  - (iii) Right to assets available for distribution on a winding up; or

(b) is an equity holder which holds an investment of a minimum sum of EUR 1,164,000 (or the equivalent sum in another currency)and the investment is held for an uninterrupted period of not less than 183 days; or

(c) Is an equity shareholder and is entitled to purchase the balance of the equity shares or has the right of first refusal to purchase such shares or is entitled to sit as, or appoint, a director on the Board; or

(d) Holds the shares or units for the furtherance of its own business and the holding is not held as trading stock for the purpose of a trade.

Malta's participation exemption is also extended to holdings in other entities, such as a Maltese limited partnership (the capital of which is not divided into shares), a non-resident body of persons (with similar characteristics to the Maltese limited partnership) or a collective investment vehicle that provides for limited liability of investors, provided the above conditions for the application of the participation exemption are satisfied. The PE is also available to branch profits, and the following income is exempt from tax:

- Income attributable to a permanent establishment (including a branch) of a Maltese company where the PE is situated outside Malta, and
- Gains derived from the transfer of such permanent establishment.

OTHER CONDITIONS FOR APPLICATION OF THE EXEMPTION

With respect to dividends, the participation exemption is applicable if the entity in which the participating holding is held:
is resident or incorporated in a country or territory which forms part of the European Union; or
is subject to tax at a rate of at least 15%; or
has 50% or less of its income derived from passive interest or royalties; or
is not a portfolio investment and it has been subject to tax at a rate of at least 5%.

The conditions for the application of the participation exemption with respect to dividends do not apply in the case of gains derived from the alienation of a participating holding. Such gains are therefore exempt with no further conditions.

Where the participating holding relates to a non-resident company, an alternative to the participation exemption is the full (100%) refund. The relative dividends and capital gains will be taxed in Malta (subject to double tax relief), however, upon a dividend distribution, the shareholders are entitled to a full refund (100%) of the tax paid by the distributing company.

INTEREST DEDUCTIONS

There is no interest ceiling limitations or debt to equity ratio. Sums payable by such person by way of interest upon any money borrowed by the tax payer, where the Commissioner is satisfied that the interest was payable on capital employed in acquiring the income is deductable.

CAPITAL ALLOWANCES RULES

A taxpayer is not allowed to claim accounting depreciation as a deduction but may claim the statutory capital allowances on fixed assets used in the production of his income. The assets that
qualify for capital allowances are:

- Plant and machinery, including machinery, equipment, fixtures, motor vehicles and similar fixed assets and
- Industrial buildings and structures, including hotel buildings but excluding the cost of land.

The rules specify the minimum number of years over which the cost of the industrial buildings and various categories of plant and machinery may be written off. In the case of industrial buildings an initial deduction of 10% and 2% annual deduction of the cost of the acquisition of the asset is available. All wear and tear allowances are computed on the straight line method.. Capital allowances may only be deducted from income derived from the activity in which the respective assets are used. The rules allow for proportional deduction where the asset is used partly in the production of income and partly for other purposes.
When an asset that qualified for capital allowances is sold, transferred, destroyed, or otherwise put out of use, a balancing statement is to be prepared. If the tax written down value is higher than the value on disposal, the difference is allowed as a further capital allowance (balancing allowance). If the tax written down value is lower, the difference represents a balancing charge, but the charge cannot exceed the total capital allowances granted on that asset. The balancing charge is either added to the taxpayer's chargeable income or, at the option of the taxpayer and subject to specific conditions, deducted for capital allowances purposes from the cost of acquisition of any fixed asset replacing the asset that has been disposed of.

CAPITAL AND TRADING LOSSES

Trading and Capital Losses incurred in a trade or business may be carried forward indefinitely. The carry back of losses is not allowed.

BRANCH PROFITS TAX

A branch of an oversea company (the business of which is managed and controlled outside Malta) would be taxable in Malta only on income arising in Malta and on income arising outside Malta but received in Malta. The income of the branch would be taxed at the same rate as that of a Maltese company. Non-resident shareholders of overseas companies may qualify for refunds of tax, provided that the relevant conditions are satisfied. Malta does not impose branch remittance tax.

TAX ON TRANSFER OF IMMOVABLE PROPERTY

With effect from 1st January 2015, a taxpayer may no longer opt to be taxed at 35% on the capital gain. A final withholding tax of 8% (previously 12%) of the property's value will apply on all transfers of immovable property subject to two exceptions and a transitional measure as follows:

- A final withholding tax of 10% of the property's value will be applicable on transfers of property which was acquired prior to 1st January 2004;
- A final withholding tax of 5% of the property's value will be applicable on

transfers of property which is transferred not later than five years from the date of acquisition where the transferor is an individual who does not habitually trade in property;

As a transition measure, the current system will continue to apply to any transfers of property which occur following the entry into force of this new system where the Commissioner for Revenue was notified of the prospective transfer by 17th November 2014 by way of registration of the promise of sale or notification of the transfer.

TAX ON RENTAL INCOME

In 2014 the Government introduced the option to landlords to be taxed at the rate of 15% on the gross income from rented property. This is being introduced as an incentive to regularise the local rent market.

SUPPORT MEASURES – MICRO INVEST SCHEME

Investment aid primarily takes the form of tax credits. Eligible enterprises will benefit from tax credits calculated as a percentage of the value of the investment project and wages costs. A tax credit equivalent to 45% of the costs incurred may be approved for enterprises operating from Malta and a further 20% additional bonus is applicable to those operating from Gozo. The maximum eligible tax credit may not exceed €30,000 for Maltese based and €50,000 for Gozo based enterprises respectively over any period exceeding three consecutive years. Each year there are various incentives and schemes proposed in the Budget measures to target different areas.

ADVANCE REVENUE RULINGS

Maltese tax law allows a tax payer to apply for an advance revenue ruling. The ruling binds the tax position for five years and renewable for a further five-year period unless there is a change in the law. If the law on the particular subject is changed during the operation of a ruling, that ruling remains binding either until the end of the relative five-year period or for two years following the amendment, whichever is the shorter. The advance rulings are available in a number of situations including whether a transaction constitutes tax avoidance, whether a holding qualifies as a participating holding and determining the tax treatment of a transaction that constitutes international business. Revenue rulings on matters not specified in the law are not legally binding.

SPECIAL TYPES OF ENTITY

Maltese law provides for a favourable fiscal framework for the provision of financial services, and endeavours to establish Malta as an attractive, regulated international business centre.

(i) Collective Investment Schemes

A fundamental concept which was introduced under the Collective Investment Scheme rules is the classification between prescribed and non-prescribed funds. Such classification determines the tax treatment of the Collective Investment Scheme and its investors.

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A prescribed fund is a resident fund that has declared that the value of its assets situated in Malta at a particular date equals at least 85% of the value of its total assets. Withholding tax on such funds varies between 10% and 15% depending on the type of income. Tax at 15% will be withheld on any capital gains realised by resident investors on disposal of non-prescribed funds (i.e. funds whose assets are non-Maltese).

Dividends paid by a non-resident non-prescribed fund to a resident investor carry a final 15% withholding tax. Dividends paid to non-resident investors are exempt from withholding tax.

(ii) Funds and Fund Managers

Fund Managers are taxed at 35%, as are Investment Services companies, but are entitled to claim an exhaustive list of reliefs such as a double deduction of salaries paid to Maltese personnel in the first ten years of commencement. Fund Managers may opt to be regulated by the Highly Qualified Persons Rules (see H. Personal Taxes below for more details).

Funds themselves which, if set up as a separate vehicle, may also be set up as a SICAV or unit trust, are exempt from income tax in Malta but may not benefit under any of the tax treaties.

It is proposed that the VAT exemption relating to fund management is extended to supplies of services consisting of the management of collective investment schemes licensed under the Investment Services Act.

(iii) Captive Insurance Companies

Captive insurance companies (also known as affiliated insurance companies under Maltese law) are taxed as a normal company. With effect from July 2004, it has also been possible to set up a protected cell company. Both captives and protected cell companies are taxed as ordinary companies in Malta and are, therefore, entitled to the refunds stipulated above. Insurance contracts entered into by licensed entities are

not subject to VAT while insurance contracts covering risks that are located outside of Malta are not subject to Stamp Duty.

(iv) Trusts
A trust is an obligation which binds a person or persons (called the 'trustees') to deal with property over which they have control (called 'the trust property') for the benefit of persons (called the beneficiaries) or for a charitable purpose in accordance with the terms of the trust. The setting up of trusts in Malta is regulated by the Trusts and

(v) Trustees Act.
In certain cases, trusts are considered to be transparent for tax purposes, in the sense that income attributable to a trust is not charged to tax in the hands of the trustee if it is distributed to a beneficiary. Also, when all the beneficiaries of a trust are not ordinary resident and domiciled in Malta and when all the income attributable to a trust does not arise in Malta, there is no tax impact under Maltese tax law. Beneficiaries are charged to tax on income distributed by the trustees. Income attributable to a trust that is not so distributed to beneficiaries is charged to tax in the hands of the trustee at the rate of 35%.
As the trust itself merely consists of property and/or other assets, there is no economic activity carried on and, therefore, it is outside the scope of VAT. Since the trustee's services essentially consist of management and administration of assets, it is considered that any sums that the trustee is entitled to appropriate from the trust assets by way of remuneration do not constitute a consideration for services rendered. Therefore, no economic activity is deemed to be carried out, where such remuneration is specified under the terms of the deed of the trust. However, if the trustee exploits the property of the trust for a consideration, this exploitation is considered as an economic activity and, if such activity is taxable under Maltese VAT legislation, the trustee has to register for VAT in Malta.

(vi) Foundations
Under Maltese law foundations may be treated as companies for tax purposes and are subject to the normal corporate tax rate. Foundations may also opt to be taxed in the same manner as a trust. In such cases the relevant provisions governing taxation of trusts will apply.

(vii) Shipping Activities
Income derived by licensed shipping companies from shipping activities is exempt from income tax in Malta, provided that (i) all registration fees and tonnage taxes have been duly paid and (ii) separate accounts have been kept clearly distinguishing the payments and receipts related to shipping activities from payments and receipts in respect of any other business. Any income derived by a ship manager from ship management activities is also exempt. Furthermore, any gains /income derived from the transfer of a tonnage ship, and/or shares in the said tonnage ship, which is owned, chartered, managed, administered or operated by the shipping organisation, are also exempt from tax. Non-resident officers and employees of the shipping organisation are exempt from paying social security contributions in Malta. Furthermore, there is no duty chargeable in respect of instruments involving the registration or transfer of general matters concerning shipping organisations.

(viii) Aviation Companies
The Parliament has enacted a new Aircraft Registration Act, 2010 to encourage the aviation industry in Malta which regulates the registration of aircraft and aircraft mortgages. Highlights of the aviation tax package include:

- Any income which is derived from the ownership, leasing or operation of aircraft or aircraft engines which is used for or employed in the international transport of passengers or goods is exempt from tax in Malta, since such income is deemed to arise outside Malta for Maltese income tax purposes.
- Competitive capital allowances of the aircraft and other related objects for wear and tear spans, for instance a minimum of 6 years for an aircraft airframe.
- No withholding taxes on lease and royalty payments made by Maltese lessees to non-residents in respect of aircraft operated in the international transport of passengers or goods.
- No withholding taxes on interest payments made by Maltese lessees to non-resident financial lessors.
- Fringe benefit exemption: fringe benefits arising from the private use of aircraft by non-residents individuals who are shareholders, employees or officers of companies involved in the international transport of goods or passengers are not taxable.
- Recent amendments allow for an eligible employment with an undertaking holding an air operators' certificate, to be subject to the Highly Qualified Persons' Rules (refer to section H).

C. FOREIGN TAX RELIEF

Malta provides for four types of relief from international double taxation, namely:

- **Treaty relief**

Treaty relief is available by way of credit for foreign tax paid on income from a territory with which Malta has concluded a double tax treaty. Treaty relief is generally provided in the form of an ordinary credit, limited to the amount agreed between Malta and the relevant foreign territory. The tax suffered in a relevant foreign territory applies on the basis of the ordinary credit method (based on a source-by-source and country-by-country basis).
Malta has an extensive tax treaty network, with most treaties following the OECD Model.

- **Unilateral relief**

Relief from double taxation is also possible on a unilateral basis where tax is suffered outside Malta on income received from a country with which Malta has not concluded a treaty Any tax suffered outside Malta, would, limitedly to the Malta tax charge on the income, be allowed as a credit against tax chargeable in Malta.

- **Relief in respect of Commonwealth income tax**

Commonwealth Tax Relief is available in respect of income tax or tax of a similar nature charged under any law in any country of the Commonwealth, if the law of such Commonwealth country has provided for relief in respect of tax charged on income both in that Country and in Malt

- **Flat-rate foreign tax credit (FRFTC)**

FRFTC takes the form of a notional tax credit of 25% for deemed foreign taxes incurred on qualifying income. This type of relief is only available to companies and on income allocated to the foreign income account and does not require evidence of the foreign tax actually paid.

D. CORPORATE GROUPS

Two companies resident in Malta neither of which is resident for tax purposes in any other country shall be deemed to be members of a group of companies if one is the 51% subsidiary of the other or both are 51% subsidiaries of a third company resident in Malta.
For the purposes of the group relief provisions, a company shall be deemed to be a 51% subsidiary of another company if:

- more than 50% of its ordinary share capital and voting rights are owned directly or indirectly by the parent company; and
- the parent company is beneficially entitled either directly or indirectly to more than 50% of any profits available for distribution to the ordinary shareholders of the subsidiary company; and
- the parent company would be beneficially entitled either directly or indirectly to more than 50% of any assets of the subsidiary company available for distribution to its ordinary shareholders. on a winding up.

Companies which are resident for tax purposes in Malta but also in another tax jurisdiction will not benefit from Group Relief Provisions.

E. RELATED PARTY TRANSACTIONS

There is no specific transfer pricing legislation. Malta has a general anti-avoidance provision which gives the Commissioner of Inland Revenue (CIR) the right to disregard any artificial or fictitious scheme that reduces the amount of tax payable by the taxpayer. Additionally, where the sole or main purpose of the taxpayer is to obtain any advantage which has the effect of avoiding, reducing or postponing liability to tax, the CIR may determine the liability to tax.

F. WITHHOLDING TAXES

Malta does not impose withholding tax on dividends, interest and royalties except for a 15% withholding tax when untaxed profits are paid to a resident individual.

G. EXCHANGE CONTROLS

Malta does not have any exchange controls.

H. PERSONAL TAX

Personal income tax is paid on all income tax accruing in or derived from Malta and on income accruing in or delivered from abroad by persons domiciled and ordinarily

resident in Malta. Income arising outside Malta to a person who is not ordinarily resident in Malta or not domiciled in Malta will be taxed only if it is received in Malta. Expatriate employees are not considered to be ordinarily resident in Malta if they do not work or reside in Malta for more than 183 days in any one-year. The term income involves gains and profits from any trade, business, profession or vocation; gains or profits from any employment or office; dividends and interest; pensions, annuities or other annual payments; and rents, royalties or other profits derived from ownership of property.

Personal Income Tax Rates for the Year 2015

The highest personal income tax rate of 35% applicable to individuals who earn less than €60,000 is further reduced to 25% under single, married and parent computations. Income over €60,000 will remain taxable at 35%. The tax rate applicable to an individual earning income from dividends remains as was applicable prior to the changes to the tax brackets in 2013. The tax free bracket has been kept at €8,500, however persons earning only the minimum wage are not subject to tax on the whole amount (refer to table below). This also applies to pensioners whose pension does not exceed the minimum wage. The married rates of tax shall also be applicable to those persons joined under a civil union.

Rates	Single Computation Tax Bands	Married Computation Tax Bands	Parent Computation Tax Bands
0%	up to €8,500	up to €11,900	up to €9,800
15%	€8,501 - €14,500	€11,901- €21,200	€9,801 - €15,800
25%	€14,501- €19,500	€21,201- €28,700	€15,801- €21,200
25%[1]	€19,501- €60,000	€28,701- € 60,000	€21,201- €60,000
35%	over €60,000	over €60,000	over €60,000

[1] Not applicable to dividend income which remains taxable at 35%.

FRINGE BENEFITS

Certain benefits such as use of cars for private purposes, rent, school fees, free meals as well as share options are added to the salaries of employees and taxed accordingly. All cash allowances paid to employees with the exception of cash allowances paid in respect of the use of employee-owned cars for business purposes are equally fully taxable. Employees are responsible for the disclosure of fringe benefits provided by third parties over which the employer has no control.

INCENTIVE FOR INVESTMENT SERVICES EXPATRIATES

Qualifying Expatriates who are employed in an Investment Services Company may opt for a 10-year exemption on certain fringe benefits, including accommodation expenses, use of a car, a subvention of €600 a month and school fees for their children.

HIGHLY QUALIFIED PERSONS RULES

From 1 January 2010, subject to terms and conditions, an individual who is not an ordinary resident in Malta, and who derives income subject to tax in Malta, under a qualifying contract of employment, received in respect of work or duties carried out in Malta, may elect for this income to be charged at a flat rate of 15%. The minimum employment income for basis year 2015 must be €81,457, while any employment income over €5,000,000 is not subject to tax. Eligible employment includes certain classes of employment with licensed companies under the terms of the Financial Institutions Act, licensed gaming companies as well as with aviation companies.

The Residence Programme Rules (RPR)

The program is effective from 1 July 2013 and applies to EU/EEA /Swiss Nationals. The applicant must be an individual is not a citizen of Malta and is not domiciled in Malta and must hold “Qualifying Property Holding”. Purchased property, after 1 July 2013, for at least €275,000 if in the north of Malta, €220,000 if the property is in Gozo or in the south of Malta; or rented property for at least €9,600 per annum if in the north of Malta and €8,750 if the property is in Gozo or in the south of Malta. Qualifying property holding must not be a shared property and must be occupied as the principal place of residence worldwide

TAX STATUS

- Flat rate of Malta income tax of 15% on income remitted to Malta (as opposed to progressive personal tax rates of up to 35%) of main applicant and certain dependents and can claim double taxation relief;
- Minimum tax payment of €15,000 per annum (no additional minimum tax payment in respect of dependents;
- Any other realised income including realised capital gains arising in Malta on

the transfer of a capital asset (other than immovable property situated in Malta) chargeable to Malta income tax at 35%;
- Any realised capital gain on the transfer of immovable property situated in Malta subject to a final tax of 12% of the transfer value (unless opt for 35% on resulting capital gain if disposal made within 12 years of date of purchase);
- Any realised capital gain arising outside of Malta falls outside the scope of Malta income tax in view of non-Malta domicile of individual and irrespective of whether remitted to Malta or not.

GLOBAL RESIDENCE PROGRAMME RULES (GRR)

Similar to the position under the RPR Rules, any foreign income derived by beneficiaries or their dependents and remitted to Malta is taxed at the reduced rate of 15%(flat rate) subject to the satisfaction of the conditions included therein. In addition other tax benefits are similar under both programs. The conditions to be satisfied under the GRR (including the conditions in relation to the qualifying property holding) are substantially in line with the conditions of the RPR.

MALTA INDIVIDUAL INVESTOR PROGRAMME

Malta is presently one year into the successful running of its Individual Investor Program (IIP) by virtue of which successful Applicants are granted a Maltese passport by way of privilege after a minimum twelve month period from application date. This grants holders the privilege of Maltese citizenship as well as a freedom of movement with the European Union. For the duration of the application process applicants (together with their dependents on option) are furnished with a residence card that grants them freedom of movement for a circa twelve month period within all Schengen countries. The IIP is centric to the satisfaction of a number of requirements chief amongst which is a 650,000 contribution to the National Social and Development Fund, amongst other requirements to hold immovable property and Government bonds for a minimum five year period.

Since the Contribution is classified as such it carries no fiscal burden and is therefore non-taxable. Tax implications may arise given the Applicants choice of taking up residence in Malta during the application process, as well as after obtaining citizenship. The considerations here vary on a case by case basis and must accordingly be treated as such. PKF Malta is fully equipped with the necessary expertise, skill and resources to provide our clients with tailored advice in this regard.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Malta has concluded various treaty agreements with 70 countries so as to mitigate international double taxation. The following table illustrates of the treaty withholding tax when dividends, interest and royalties respectively are paid to Maltese residents. For detailed information, it is highly advisable to consult the relevant tax treaty.
Note that there is no withholding tax on dividends and on interest and royalties (if not effectively connected with a permanent establishment in Malta) paid to non-residents. Therefore, in most cases, the applicable withholding tax rate will actually be 0%. Where there is no rate mentioned (denoted by a -), there is no specified treaty rate (in other words, the domestic rate applies).

The table is already updated

Country	Dividends			Interest	Royalties
	Minor Share-holding	Major Share-holding	% share to qualify		
Albania	15	5	25	5	5
Australia	15	15		15	10
Austria	15	15		5	10
Bahrain	0	0		0	0
Barbados	15	5	5	5	5
Belgium	15	15			
Bulgaria	30	30		0	10
Canada	15	15		15	10
China	10	5	25	10	
Croatia	5	5		0	0
Cyprus	15	15		10	10
Czech Republic	5	5		0	5
Denmark	15	0	25	0	0

Egypt	10	10		10	12
Estonia	15	5	25	10	10
Finland	15	5	10	0	0
France	15	5	10	10	10
Germany	15	5	10	0	0
Greece	10	5	25	8	8
Hong Kong	0	0		0	3
Hungary	15	5	25	10	10
Iceland	15	5	10	0	5
India	15	10	25	10	15
Ireland	15	5	10	0	5
Israel	15	0	10		0
Italy	15	15		10	10
Jordan	10	10		10	10
Korea	15	5	25	10	0
Kuwait	15	10		0	10
Latvia	10	5	25	10	10
Lebanon	5	5		0	5
Libya	15	15		15	15
Lithuania	15	5	25	10	10
Luxembourg	15	5	25	0	10
Malaysia	0	0		15	15
Montenegro	10	5	25	10	10
Morocco	10	6.5	25	10	10
Netherlands	15	5	25	10	10
Norway	15	15		10	10
Pakistan	0	15	20	10	10
Poland	15	5	20	10	10
Portugal	15	10	25	10	10
Qatar	0	0		0	5
Romania	5	5		5	5
Russia	10	5		5	5
San Marino	10	5	25	0	0
Saudi Arabia	5	5		0	
Serbia	10	5	25	10	
Singapore	0	0	0	10	10
Slovakia	5	5		0	5
Slovenia	15	5	25	5	5
South Africa	15	5		10	10
Spain	5	0	25	0	0
Sweden	15	0	10	0	0
Switzerland	15	0			0
Syria	0	0		10	18
Tunisia	10	10		12	12
UK	10	10		10	10
Uruguay	15			10	
USA	15	5	10	15	10

Malta is continually in the process of enhancing its double taxation network, the link below provides the latest signing and ratifications with contracting states as they occur and is continuously updated: http://www.mfsa.com.mt/pages/viewcontent.aspx?id=196

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MAURITIUS

MEMBER FIRM

City	Name	Contact Information
Port Louis	Michael Lo	+230 208 0878 pkf.mu@intnet.mu

BASIC FACTS

Full name:	Republic of Mauritius
Capital:	Port Louis
Main languages:	French, English, Mauritian Creole, Mauritian Bhojpuri
Population:	1.3 million (2014 estimate)
Major religions:	Hinduism, Christianity
Monetary units:	Mauritian Rupee (MUR)
Internet domain:	.mu
Int. dialling code:	+230

KEY TAX POINTS

- A corporation resident in Mauritius is subject to tax on its worldwide income. A non-resident corporation is liable to tax on any Mauritius source income, subject to any applicable tax treaty provisions. Corporations are liable to income tax on their net income, currently at a flat rate of 15%.
- Value-Added Tax (VAT) is charged by VAT registered entities at the standard rate of 15% on goods and services supplied by them in Mauritius. Certain supplies are exempted or zero-rated.
- Certain local taxes apply including excise duty, land and property taxes and customs duties.
- Personal income tax is chargeable at a flat rate of 15% for individuals resident in Mauritius.
- There is no capital gains tax.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The main income tax legislation in Mauritius is the Income Tax Act 1995 as amended by subsequent Finance Acts. Corporate and Personal Taxes are embodied under one heading of Income Tax and are payable by all resident companies and individuals on non-exempt income derived from Mauritius and from other sources. The profits of all Resident 'Sociétés' (Partnerships) are taxable in the hands of the partners in proportion to their profit sharing ratio. A non-resident société is liable to income tax as if the société was a company. 'Resident', in relation to an income year, means:

- a company which is incorporated in Mauritius or has its Central Management and control in Mauritius
- an individual who:
  - (a) has his/her domicile in Mauritius unless his/her permanent place of abode is outside Mauritius
  - (b) has been present in Mauritius in that income tax year for a period of, or an aggregate period of, 183 days or more or has been present in Mauritius in that income year and the two preceding income years for an aggregate period of 270 days or more
- a société which has its registered office address in Mauritius and includes a société which has at least one partner resident in Mauritius
- trust – where the trust is administered in Mauritius and a majority of the trustees are resident of Mauritius or where the settlor of the trust was resident in Mauritius at the time the instrument creating the trust was executed
- any other association – an association or body of persons which is managed or administered in Mauritius.

CORPORATE TAXATION

The rate of tax applicable for all companies is 15% on the companies' profit which consist of business/trading profits and passive income.

ALTERNATIVE MINIMUM TAX (AMT)

Where in the case of a company the normal tax payable is less than 7.5% of its book profit, the tax payable for that income year is deemed to be 7.5% of its book profit or 10% of any dividends declared in respect of that year, whichever is the lesser. This alternative minimum tax is applicable in certain specific cases.

GLOBAL BUSINESS COMPANIES

Corporations holding Category 1 Global Business Licence (GBC1) pay tax at a rate of 15%.

Pursuant to the Foreign Tax Credit Regulation Act 1996, a GBC1 which does not pay tax in a foreign jurisdiction on its foreign income earned outside Mauritius, is presumed to have paid tax elsewhere and can claim tax credit of 80% of its income resulting in an effective tax rate of 3% only.

Corporations Holding Category 2 Global Business Licence (GBC2) are exempt from tax.

DUE DATES FOR PAYMENT OF TAX

Companies must file tax returns and pay any income tax not later than six months from the end of the month in which the accounting period ends.

ADVANCE PAYMENT SYSTEM (APS)

Companies, unit trust schemes, collective investment trusts, cells of a protected cell company, société holding Category 1 Global Business Licence, must submit an APS Statement in respect of each of the three months period commencing the first day of the accounting year and pay any tax in accordance with the APS Statement within three months from the end of the quarter. This is applicable to companies having an annual turnover exceeding Rs 4M.

CAPITAL GAINS TAX

There is no Capital Gains Tax in Mauritius.

BRANCH PROFITS TAX

There is no Branch Profits Tax in Mauritius.

WITHHOLDING TAX

Dividends

Mauritius does not levy withholding tax on dividends by resident companies.

Interest

No withholding tax on interest paid to non-resident companies.

VALUE ADDED TAX (VAT)

VAT is charged on taxable supplies (both goods and services) made in Mauritius at a standard rate of 15%.

Certain items such as basic foodstuffs and medical and educational services are exempt while exports are zero rated.

The threshold for VAT registration is a turnover of taxable supplies exceeding Rs 4m per year. VAT Registration is compulsory irrespective of the annual turnover of a person engaged in a certain business or profession.

FRINGE BENEFITS TAX

Employees receiving any advantage in money or money's worth are taxed thereon. Certain types of income are exempt:

- rent and housing allowance for certain persons
- passage benefits, limited to 6% of basic salary
- the first Rs 1.5 million of lump sum paid on retirement or death.

LOCAL TAXES

All taxes are on a 'national' basis but municipal and district councils are empowered to levy property tax, entertainment tax and certain licences.

B. DETERMINATION OF TAXABLE INCOME

The taxable income is determined by ascertaining the assessable income and then deducting any expenditure or loss in the income year to the extent to which it is exclusively incurred in the production of gross income (other than 'emoluments'). For emoluments, the expenditure must be wholly, exclusively and necessarily incurred in performing the duties of an office or employment.
The unauthorised deductions are:

- investment, expenditure or loss of a capital, private or domestic nature, fine
- expenditure or loss incurred in the production of exempt income or which is recoverable under a contract of insurance or indemnity
- income tax or foreign tax
- any expenditure incurred in providing business entertainment or gifts.

CAPITAL ALLOWANCES
Annual allowances are available on capital expenditure incurred exclusively in the production of gross income. The rate of annual allowance varies from 5% to 100% depending on the type of asset and is calculated on the base value or on cost.

DIVIDENDS PAID BY RESIDENT COMPANIES
Dividends paid by resident companies are exempted.

ROYALTIES
Royalties paid to a non-resident are exempted from tax for the following companies/ trusts:
(i) a company holding a GBC1 Licence out of its foreign source income
(ii) a bank in so far as the royalty is paid out of gross income derived from its banking transactions with non-residents and corporation holding a GBC2 Licence
(iii) by a trust.

INTEREST RECEIVED
The following type of interest are exempt from tax.
Interest payable on:
(i) a balance maintained in a bank by an individual who is not resident in Mauritius
(ii) savings and fixed deposit account held by an individual, a société or a succession
(iii) call and deposit amounts held with any bank by a GBC1.
(iv) interest paid to a non-resident not carrying on any business in Mauritius by:
 (a) a GBC1 out of its foreign source income or
 (b) by a bank in so far as the interest is paid out of gross income derived from its banking transactions with non-residents and corporation holding Global Business Licence

LOSSES
Losses can be carried forward (but not backwards) for set off against income derived in the five succeeding income years provided that there is continuity; i.e. that 50% in nominal value of the allotted shares and not less than 50% of the paid up capital was held by or on behalf of the same person. If a company engaged in manufacturing activities is taken over by another company or two or more companies engaged in manufacturing activities merge into one company, any unrelieved loss of the acquiree may be transferred to the acquirer in the income year in which the takeover or merger takes place on such conditions relating to safeguard of employment of the companies. Losses arising from annual allowance on capital expenditure cannot be carried forward.

FOREIGN SOURCED INCOME
Income derived from outside Mauritius by a resident is taxable in the normal manner subject to double taxation relief.

INCENTIVES
Presently, most incentives have been removed. The exceptions are:
(a) deduction of twice the emoluments paid to a disabled person
(b) transfer of loss of a manufacturing company by another company on take over or merger
(c) additional investment allowance on capital incurred on the acquisition of state-of-art technological equipment by a manufacturing company.
(d) tax relief on the interest paid by an individual on a housing loan, subject to conditions.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
Every profitable company and resident société are required to spend 2% of its chargeable income of the preceding year to implement:
 (a) an approved programme by the company
 (b) an approved programme under the National Empowerment Foundation or
 (c) Finance an NGO.

For the purpose of CSR, a company does not include:
(a) a company holding a GBC1 Licence
(b) a bank holding a banking licence under the Banking Act in respect of its income derived from its banking transactions with non-resident or corporation holding Global Business Licence
(c) An Integrated Resort Scheme (IRS) Company
(d) A non-resident société, a trust or a trustee of a unit trust scheme.

GLOBAL BUSINESS COMPANIES
Global business companies (companies, trusts, sociétés) have special fiscal regimes and incentives such as customs duty remission and concessionary income tax rates for expatriates. Generous tax credits are available to those companies.

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OFFSHORE TRUSTS
Resident trusts are taxed at 15%. Deemed tax credit of 80% is available to the trusts. Non-resident trusts and their non-resident beneficiaries are exempt from taxes.

SOCIÉTÉ (PARTNERSHIP)
Every partner of a société holding a GBC1 Licence is liable to income tax in respect of its share at the rate of 15%.

C. FOREIGN TAX RELIEF

Unilateral relief is provided for in the Income Tax Act. In the event of double taxation, relief is by way of an ordinary credit. The taxpayer may elect to claim the credit on aggregate foreign-source income or on a source-by-source basis.

D. CORPORATE GROUPS

The general rule is that no group relief is allowed except in a few special cases.

E. RELATED PARTY TRANSACTIONS

The tax authorities may adjust the liability of a taxpayer where it considers that a transaction has not been entered into or carried out by persons dealing at arm's length. It must be of the opinion that avoidance or reduction of liability of tax was the main purpose of such a transaction.

F. WITHHOLDING TAX

The rates for withholding taxes are as follows:

	Residents		Non-residents	
	Companies	Individuals	Companies	Individuals
Interest	0%	0%	15%	15%
Royalties	10%	10%	15%	15%
Rent	5%	5%	5%	5%
Contract	0.75%	0.75%	0.75%	0.75%
Services	3%	3%	10%	10%
Payments made by central government or local authority for procurement of goods/ services	1-3%	1-3%	10%	10%

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G. PERSONAL TAX

TAX YEAR
The fiscal year is on a calendar year basis.
Income Tax is payable by residents on non-exempt income derived from Mauritius less allowable deductions including interest on housing loan, subject to conditions. Employers deduct income tax from each salary payments of all individual taxpayers. The personal tax rate is 15%.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The rates for treaty countries are as follows.

Treaty countries	Dividends (%)	Interest (%)	Royalties (%)
Barbados	5	5	5
Bangladesh	10	–[1]	–[1]
Belgium	5/10	10	0
Botswana	5/10	12	12.5
China	5	10	10
Congo	0/5	5	0
Croatia	0	0	0

Treaty countries	Dividends (%)	Interest (%)	Royalties (%)
Cyprus	0	0	0
Egypt	5/10	10	12
France	5/15	–[1]	15
Germany	5/15	0	10
Guernsey	0	0	0
India	5/15	–[1]	15
Italy	5/15	–[1]	15
Kuwait	0	0	10
Lesotho	10	10	10
Luxembourg	5/10	0	0
Madagascar	5/10	10	5
Malaysia	5/15	15	15
Monaco	0	0	0
Mozambique	8/10/15	8	5
Namibia	5/10	10	5
Nepal	5/10/15	10/15	15
Oman	0	0	0
Pakistan	10	10	12.5
Rwanda	10	10	10
Senegal	0	0	0
Seychelles	0	0	0
Singapore	0	0	0
South Africa	5/15	0	0
Sri Lanka	10/15	10	10
State of Qatar	0	0	5
Swaziland	7.5	5	7.5
Sweden	0/15	0	0
Thailand	10	10/15	5/15
Tunisia	0	2.5	2.5
Uganda	10	10	10
United Arab Emirates	0	0	0
United Kingdom	10/15	–[1]	15
Zimbabwe	10/20	10	15
Zambia	5/15	10	5

1 Same rate as under domestic law.

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MEXICO

MEMBER FIRM

City	Name	Contact Information
Guadalajara	Mario Camposllera	+52 33 3634 7159 mcamposllera@pkfmexico.com
Guadalajara	Carolina Ramírez	+52 33 3634 7159 cramirez@pkfmexico.com
México, D.F.	Ricardo Martínez	+52 55 5097 3234 rmartinez@pkf-mexico.com

BASIC FACTS

Full name:	United Mexican States
Population:	117.5 million (2013 PRB)
Capital:	Mexico City
Area:	1.96 million sq km (758,449 sq miles)

Major language:	Spanish
Major religion:	Christianity
Monetary unit:	1 peso = 100 centavos
Internet domain:	.mx
International dialling code:	+52
SHCP website:	www.shcp.gob.mx

KEY TAX POINTS

- All income obtained by companies resident in Mexico is taxed, regardless of the source.
- Every state in Mexico requires specific contributions from its inhabitants, the largest being property tax. In some states employers are charged tax on wages paid to employees.
- Assets tax is charged on the value of a taxpayer's assets.
- The Treasury may alter the tax loss or profit where transactions between related parties are not made at market prices. Taxpayers are obliged to carry out an annual transfer pricing study.
- A controlled foreign companies' regime applies to transactions realised in specific countries or regions.
- Individuals will be subject to an additional fee of 10% on dividends or profits distributed by corporations resident in Mexico. Additionally, individuals who receive dividends from foreign companies shall be required to make payment of an additional 10% tax
- Resident individuals are taxed on their worldwide income. In the case of foreign income, taxes paid abroad are generally credited against taxes payable in Mexico.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES:
COMPANY TAX

Tax is calculated for each calendar year, comparing income obtained less allowable deductions. Currently, the corporate tax is 30% of taxable profits.

All income obtained by companies is taxed, regardless of the source, except in the case of branches of foreign companies. Branches are taxed based on income attributable to the branches.

Foreign companies, branches and persons established in Mexico which obtain income abroad are allowed to credit any foreign taxes paid against Mexican taxes payable by them up to the total local tax applicable in each case.

As of FY 2014, with the entry into force of the New Income Tax Law new rules are expected to establish the credit of income tax paid abroad, among which are the following:

- In case of indirect interest, the crediting would proceed the entity must reside in a country with which Mexico has a broad information-sharing agreement.
- It is stated that limiting the crediting will be established by each country.
- In the case of dividends, new obligations are foreseen:
  - (a) The creditable tax and credit limit must be calculated for each fiscal year;
  - (b) Keep a specific record for this identification since the acquisition of the equity interest, which should contain information on earnings on which dividends are distributed even if they relate to previous years;
  - (c) Failure to identify elements for the financial year to which those profits corresponds to, they will be deemed as a FIFO (first profits generated are the first to be distributed);
  - (d) To have the supporting documentation.

Failure to comply with the above requirements, accreditation will not be able to be done.

In the case of Permanent Establishment in Mexico, the crediting can only be made by those revenues attributable to the PE which may have been object of withholding tax.

The new provisions provide that a foreign tax paid abroad is considered as income tax when complying with SAT rules and is covered by a treaty to avoid double taxation in force to which Mexico is a part of.

CAPITAL GAINS TAX

Taxable profits on the sale of land, securities and other assets are calculated by deducting the tax cost from the selling price. The tax cost is based on the original cost of the asset being sold, adjusted for inflation for the period during which the asset

was owned.

The procedure for determining the gain on disposal of shares is generalized by establishing shareholder with a shareholding of up to 12 months, the option to calculate the fiscal cost considering the proven acquisition cost decreased from paid reimbursements and dividends.

Loss from the sale of shares and other securities is deductible only if certain requirements are met, and may be offset against profits obtained in the same year or in the following five years.

BRANCH PROFITS TAX

Branches compute income tax in the same manner as companies established in Mexico and apply the 30% corporate tax rate on taxable income.

Branches are entitled to deduct expenses incurred both abroad and in the country provided that certain conditions are met. In respect of the prorate expenditures, payments made by tax payer will not be deductible when such payments are also deductible for a related party resident in Mexico or abroad, except that the related party accumulates earned Income in the same fiscal year or the following.

Remittances sent abroad in the form of payments of invoices, interests, royalties, reimbursement of expenses or for any other reason are subject to withholding tax of between 25% and 28% and are deductible for income tax purposes if adequately supported.

VALUE ADDED TAX (VAT)

Companies and persons who engage in the business of selling, rendering services, leasing, importing or exporting goods are subject to VAT. In most cases, this tax does not represent an expense for the companies or persons since it is collected from the consumer of the goods or services and paid monthly to the tax authorities.

The VAT paid on purchases of goods and services received can be offset against the VAT collected and payable. In the case that the VAT paid exceeds the VAT collected in a given period, companies and persons are entitled to be refunded for the difference by the tax authorities or, under certain conditions, to offset the VAT receivable against other taxes payable.
The following rates apply in general, depending on the type of activity:

- 0% in the case of priority activities such as basic foods, medicines, agricultural, exports, etc.;
- 16% for all other activities.

The law provides for specific exemptions on certain other activities.

From 1 July 2006, tourists are reimbursed for the VAT tax charged upon the sale of Mexican merchandise when departing to their home countries by air or sea.

FRINGE BENEFITS TAX (FBT)

Specified employee benefits provided to employees over and above those required by law are exempt from income tax up to certain limits and are deductible for companies insofar as they are granted to all employees.

LOCAL TAXES

Every state in the Mexican Republic requires specific contributions from its inhabitants, the largest being property tax. Some states tax wages paid to employees at an average of 2%.

In the Federal District (Mexico City), employers (physical persons and companies) must pay 2.5 % on wages paid to their employees every month.

Real estate is subject to a bi-monthly payment based on the official assessed value of the property. The maximum bi-monthly rate paid amounts to approximately 0.065%.

OTHER TAXES

SOCIAL SECURITY PAYMENTS

All employers must register their employees with the Mexican Institute of Social Security which provides benefits to them for job-related and other disabilities, as well as pensions and death benefits.

Amounts paid for each employee to the Institute are computed on the basis of all payments made to the employee for wages and benefits, with few exceptions that meet certain requirements. These include savings, food, prizes for attendance and punctuality, as well as a portion of overtime and profit-sharing.

Approximately one third of the payments are withheld by the employer from the employees' wages and the other two thirds are paid by the employer.

Both employee and employer contributions should be made by the employer on a monthly basis.

Beginning FY 2014, it is required to issue digital tax receipts for wages paid by employers to each of employee.

NATIONAL HOUSING FUND FOR WORKERS (INFONAVIT)

The objective of this Institute is to provide housing for all workers, usually favouring workers in low-income brackets.

The employer, on behalf of the employees, must make bi-monthly contributions to the Institute of 5% of the wages and benefits paid with a limit of 25 'minimum monthly wages' (approximately MXN $52,575.00). As in the case of social security, contributions and benefits received by employees from the Institute are tax-exempt. With this payment, the employers comply with their constitutional obligations to provide housing for employees.

FOREIGN TRADE TAXES

Customs duties are maintained both for import as well as for export. Duties on export are minimal or none and import duties average 20%, depending on each specific item. In accordance with the North American Free Trade Agreement (NAFTA), duties on imports from the United States and Canada will be gradually eliminated over a 15 year period and will disappear completely at the end of that time. Beginning in 1994, Mexico eliminated taxes on the importation of specific products from the United States and Canada.

SPECIAL TAXES

Taxes on production and services are levied on relatively few items such as the importation and sales of cigars, alcoholic beverages and supplying agency services for brokerage, distribution, flavoured drinks, etc of said goods. There is also a special tax on telephone services. A tax on new automobiles and vehicle ownership is applied directly to purchasers and owners of automobiles.

TAX ON PURCHASE OF REAL PROPERTY

A tax of 1% to 5% of the assessed value of the property is paid by the buyer on all purchases of property. The federal government works with the states of the Republic so that in co-operating states only the local tax applies with no levy of federal tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income of companies is computed taking into account all income received less deductions allowed by law. The law mentions certain specific items which are not considered income. These include: capital gains, recognition of the equity method of accounting, revaluation of assets and capital.

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ALLOWABLE DEDUCTIONS

In general terms, all expenses needed to generate income and recorded pursuant to IFRS may be deducted, except in specific cases where there are certain limits and special rules for deduction.

Allowable deductions include sales discounts, bad debts, interest paid and losses due to exchange and inflation.

Non-deductible expenses include taxes, costs of representation, commercial credits, provisions to estimated reserves, etc.

Investments in certain assets can be deducted in the tax year at a discount, beginning in 2007.

The new Income Tax Law provides that payments for interest, royalties or technical assistance to a foreign entity that controls or is controlled by the taxpayer, will not be deductible when:

(a) The entity receiving the payment is considered to be transparent except where the transaction is carried out at market value and its shareholders or partners are then subject to income tax on income through the foreign company;
(b) Payment is considered non-existent for tax purposes in the country where the alien is located;
(c) The foreign entity receiving the payment does not consider it as taxable income.

Nor are deductible payments that are also deductible for a related party resident in

Mexico or abroad, unless the related party accumulates income generated by the taxpayer, either in the fiscal year or the following.

DEPRECIATION AND AMORTISATION

Deduction for investment in tangible or intangible assets is allowed by the law through the depreciation or amortisation of such assets. Freight and handling, insurance, commissions and fees are allowed in addition to the purchase value of the asset. Depreciation and amortisation are calculated for full months commencing with the month when the asset was purchased and using the straight-line method with no allowance for estimated disposal values.

As a general rule, all types of assets except land, may be depreciated or amortised for tax purposes. The basic depreciation and amortisation tax rates allowed are as follows:

Outlays made prior to commencing operations	10%
Industrial buildings and warehouses	5%
Machinery and equipment	10% except on assets used for specific activities
Furniture and fixtures	10%
Cars, vans and trucks	25%
Leasehold improvements	Lease terms
Environmentally-friendly machinery and equipment	100%

STOCK / INVENTORY

Purchases of raw materials, goods in process or finished goods intended for sale are deductible under the cost of sales system when sold by the company. Taxpayers may choose either method of inventory valuation indicated below:

(I) First in - First Out (FIFO);
(ii) Identified Cost;
(iii) Average Cost;
(IV) Retailer.

INFLATION

The law recognises the effects of inflation on taxpayer's debts and financial assets so that, in the case of assets, the view is taken that there is a loss of purchasing power of said assets with the passing of time and, in the case of liabilities, a gain is recognised. For such purpose, an annual average of financial assets and debts are determined. The inflation factor is applied to the delta obtained comparing the assets and debts, when the debts are higher there will be a taxable income, and when the assets amount is higher there will be a deduction.

INTEREST DEDUCTIONS

A thin capitalisation regime was incorporated into the law in 2005 in relation to loan finance obtained by Mexican-resident companies from overseas. Taking both related party and non-related party debt into account, interest payments are not deductible where the debt/equity ratio exceeds 3:1. Companies that do not meet this ratio will have a term of five years to reduce it in equal proportions per year. These rules do not apply to financial institutions. The interest paid that exceeds this ratio will be non-deductible. From 1 January 2007 onwards, only loans with foreign parties on which the company is required to pay interest are taken into account in determining the debt/equity ratio.

LOSSES

Tax losses may be used to offset taxable income obtained during the following ten years. The amount of tax losses is uplifted for inflation for the period from July of the year when they occur to June of the year when they are offset.

EMPLOYEE PROFIT SHARING

All employees of a company are entitled to a share of its profits. The profit sharing is computed each year at the rate of 10% of taxable income if any. There are certain specific items described in the law which have to be added or deducted from the taxable income for profit sharing computation purposes. Most of these relate to differences in the treatment of inflation accounting.

From 1 January 2005, profit sharing paid in one year is deductible from the after tax profit or loss of the following year.

INCENTIVES

The Federal Revenue Law establishes the following incentives for the FY 2015:

- Fiscal tax credit against Income Tax for consumption of diesel in business or

transportation activities.
- Refund of the Special Tax on Production and Services from consumption of diesel in agriculture activities.
- Fiscal tax credit against Income Tax of the fees for use of toll roads.
- Exemption of the New Car Tax for sale or imports of electric vehicles.
- Exemption of the Tax on imports of natural gas.

C. FOREIGN TAX RELIEF

CONTROLLED FOREIGN CORPORATIONS / TAX HAVENS

The CFC regime when enacted was based on a geographical conception such that it only applied to transactions realised in specific countries or regions (Black List). Currently, this regime applies to income wherever derived where the tax charged was less than 75% of the tax that would have been paid in Mexico.

Income is not subject to the CFC regime where the Mexican company does not control the overseas company or less than 20% of its annual income is passive income. For this purpose, control is that which allows the parent to decide the timing of distributions of dividends or profits.

D. CORPORATE GROUPS

The new Income Tax Law provides the elimination of Tax Consolidation regime, however, it grants the possibility to benefit from the following schemes:

- Continue to tax under the consolidation regime until FY 2017, for which determination of tax must continue to be calculated in the same way as in the prior legislation. Once completed the aforementioned period, the taxpayer must choose one of the two taxation schemes indicated below.
- Avail to new rules for determining the tax under the scheme of "deconsolidation" under which tax must be calculated and reported within the time specified by the new Income Tax Law. The tax charge resulting from the deconsolidation will have to be paid to the tax authorities as follows:
  - 25% by the last day of May 2014.
  - 25% by the last day of April 2015.
  - 20% by the last day of April 2016.
  - 15% by the last day of April 2017.
  - 15% by the last day of April 2018.
- In lieu of the tax consolidation regime, it is created a new optional regime of inclusive corporations in which payment of tax is partially deferred by three fiscal years.

E. RELATED PARTY TRANSACTIONS

The Secretary of the Treasury is empowered to alter the tax loss or profit in the case of transactions between related parties made at prices other than market prices, including sales or purchases, loans, rendering of services, lease or sale of real property, as well as use or transfer of intangible assets, when they are not realised at a fair market value.

Taxpayers are obliged to carry out an annual transfer pricing study. Taxpayers must apply the best method rule. As a default, this is taken to be the Comparable Uncontrolled Price Method (CUP), unless the taxpayer can prove that such a method is not applicable.

Since 2014, the maquiladoras (Related Parties) are required to perform the calculation of safe harbour or submit an advance transfer pricing agreement (APA)

For the application of the benefits contained in tax treaties and in the case of transactions between related parties, the tax authorities may request the resident abroad to demonstrate the double juridical taxation through a under oath statement.

F. WITHHOLDING TAXES

DIVIDENDS

From FY 2014 individuals will be subject to an additional fee of 10% on dividends or profits distributed by corporations resident in Mexico. Entities distributing dividends are required to withhold tax and will pay it together with the interim payment of the corresponding period.

Additionally, individuals who receive dividends from foreign companies shall be required to make payment of an additional 10% tax, by the 17th of the following month in which the income is received.

INTEREST
The withholding tax payable on interest to non-residents depends on the type of interest in a range from 4.9% to 21% for payments to banks and other financial institutions and 35% in other cases.

ROYALTIES
Royalties payable to non-residents are taxed at the following rates:

For the right to use railroad wagons	5%
Other categories of royalties	25%
Royalties paid to residents of countries with a preferential tax regime	40%

G EXCHANGE CONTROL

There are no exchange restrictions in Mexico. Foreign currencies can be freely bought, sold and sent or transferred abroad. However, since 2010 there are limitations to USD cash transactions.

H ELECTRONIC ACCOUNTING

Taxpayers are required to have its accounting transactions in electronic fashion based on account catalogs and codes issued by tax authorities. They also have to send part of their accounting information in the following terms:
- From January 2015 taxpayers with income of 4,000,000.00 or more in the tax year 2013 have to send their accounting information.
- From January 015 taxpayers with income lower than the one indicated above have to send their accounting information.

Tax authorities may perform electronic reviews of the accounting information sent by taxpayers.

PERSONAL TAXES
Persons residing in Mexico calculate their annual tax on their total income generated both in the country and abroad. In the case of foreign income, taxes paid abroad are generally credited against taxes payable in Mexico.

There are specific rules for each type of personal income such as: wages, fees, capital gains, dividends, etc. In the case of wages, the taxes are withheld by the employer.

In the case of salaries paid by a foreign company to a foreigner working in Mexico, personal taxes have to be computed and paid, except when the foreign company has no branch or fixed base in the country and the person spends less than 183 days in the country during the year.

There are only a few personal expenses that a taxpayer can deduct from their income which are as follows:
(a) School transportation for their children (only in certain cases);
(b) Medical and dental fees, including hospital expenses for the taxpayer, spouse, direct-line ascendants or descendants;
(c) Funeral expenses for the persons mentioned under (b) above;
(d) Donations to authorised entities;
(e) Contributions for employee retirement;
(f) Medical insurance payments;
(g) Interest paid related to mortgage loans for the purchase of family home.

From 2011, there is a decree in effect that allows the deduction on school tuition payments from basic up to High School level. Specific amounts and rules apply.

Provisional payments have to be made on a monthly basis by the employer and the annual taxes must be calculated at the end of each year. Personal tax rates apply up to a maximum rate of 35% in the case of foreign residents.

The following tax rates apply to Mexican residents:

Monthly Taxable Income (MXN)	Tax due on lower limit (MXN)	Marginal rate on excess (%)
Up to 496.07	0	1.92
496.08 - 4,210.41	9.52	6.40
4,210.42 - 7,399.42	247.24	10.88

Monthly Taxable Income (MXN)	Tax due on lower limit (MXN)	Marginal rate on excess (%)
7,399.43 - 8,601.50	594.21	16.00
10,298.36 - 20,770.29	1,090.61	21.36
20,770.30 - 32,736.83	3,327.42	23.52
32,736.84 - 62,500.00	6,141.95	30.00
62,500.01 - 83,333.33	15,070.90	32.00
83,333.34 - 250,000.00	21,737.57	34.00
250,000.01 and above	78,404.23	35.00

I TREATY WITHHOLDING TAX RATES

Mexico is negotiating with Slovenia, Estonia, Hong Kong, Latvia, Lebanon, Lithuania, Malaysia, Malta, Morocco, Nicaragua, Pakistan, Qatar, Thailand, Turkey and Ukraine. The following rates apply:

	Dividends[1] (%)	Interest (%)	Royalties (%)
Treaty countries:			
Australia	15/0	15/10	10
Austria	10	10	10
Bahrein	0	10/4.9	10
Barbados	10	10	10
Belgium	15/5	15/10	10
Brazil	15/10	15	15
Canada	15/5	10	10
Chile	10/5	15	15
China	5	10	10
Czech Republic	10	10	10
Denmark	15/0	5/15	10
Ecuador	5	15	10
Estonia	0	10/4.9	10
Finland	0	10/15	10
France	5/0	15/10	15/0
Germany	15/5	10	10
Greece	10	10	10
Hong Kong	0	10/4.9	10 (Since April 2014)
Hungary	10/5	10	10
India	10	10	10
Indonesia	10	10	10
Iceland	15/5	10	10
Ireland, Republic of	10/5	5/10	10
Israel	10	10	10
Italy	15	15	15/0
Japan	15/5	10/15	10
Korea	15/0	5/15	10
Kuwait	0	10/4.9	10
Luxembourg	15/8	10	10
Latvia (Letonia)	10/5	10	10
Lithuania	15/0	10	10
Netherlands	15/5	10/15	10
New Zealand	15/5	5/10	10
Norway	15/0	10/15	10
Panama, Republic of	7.5/5	10/5	10

	Dividends[1] (%)	Interest (%)	Royalties (%)
Poland	5/15	10/15	10
Portugal	10	10	10
Qatar	5	10	10
Romania	10	15	15
Russia	10	10	10
Singapore	0	5/15	10
Slovak, Republic of	0	10	10
Spain	15/5	5/15	10/0
South Africa, Rep. of	10/5	10	10
Sweden	15	10/15	10
Switzerland	15/0	10/5	10
United Kingdom	0	10/15	10
United States	10/5	15/10	10
Uruguay	5	10	10

NOTES
1 The lower rate applies provided the corporate shareholder holds a minimum percentage of share capital or voting power in the payer which varies depending on the country concerned. Individual tax treaties should be consulted to determine the applicable rate in particular circumstances.

MONTENEGRO

MEMBER FIRM

City	Name	Contact Information
Beograd	Petar Grubor	+ 381 11 30 18 445 petar.grubor@pkf.rs

BASIC FACTS

Full name:	Montenegro
Capital:	Podgorica
Main languages:	Montenegrin (also Serbian, Bosniak, Albanian and Croatian)
Population:	620,029 (2011 census)
Major religion:	Christianity
Monetary units:	Euro (EUR)
Internet domain:	.me
Int. dialling code:	+382

KEY TAX POINTS

- Resident legal entities in Montenegro are liable to pay tax on their worldwide income and non-resident entities on the income derived from local sources. Non-resident taxpayers are taxed on their Montenegrin-sourced income or income attributed to their Montenegrin permanent establishment (PE).
- Capital gains are included in the tax base and subject to 9% tax. Capital losses could be carried forward on the account of future capital gains for 5 years.
- Non-residents carrying out business in Montenegro through a permanent establishment are taxed on their Montenegrin-source income at a rate of 9%. A branch is considered to be a permanent establishment.
- The main principles of the Montenegrin VAT are in line with the European Union (EU) Sixth Directive guidelines. Value Added Tax (VAT) is charged at a standard rate of 19%, however, certain supplies are taxed at a reduced 7% rate (e.g. bread, milk, books, medicines, and computers) and 0% rate (e.g. export of goods, supply of gasoline for vessels in international traffic).
- Residents of Montenegro are subject to personal income tax on their worldwide income. Non-residents are subject to income tax on their income from Montenegrin sources under the same rules as residents.
- Personal income tax is levied at the rate of 15% on gross personal income above EUR 720 per month, while personal income tax for income below EUR 720 per month is subject to a personal income tax rate of 9%. The tax rate on revenues from interest paid to non-residents is 5%.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

A resident is a legal entity which is incorporated or has a place of effective management and control on the territory of Montenegro. Resident legal entities in Montenegro are liable to pay tax on their worldwide income and non-resident entities on the income derived from local sources.

Non-resident taxpayers are taxed on their Montenegrin-sourced income or income attributed to their Montenegrin permanent establishment (PE).

The tax year is the calendar year. The tax return for the current year should be submitted to the tax authorities by 31st March of the then following year.

Taxable income is established on the basis of accounting profit disclosed in the annual profit and loss statement, further adjusted in the tax return.

The tax rate is flat and amounts to 9%.

CAPITAL GAINS TAX

Capital gains are included in the tax base and subject to 9% tax. Capital losses could be carried forward on the account of future capital gains for 5 years.

BRANCH PROFITS TAX

Non-residents carrying out business in Montenegro through a permanent establishment are taxed on their Montenegrin-source income at a rate of 9%. A branch is considered to be a permanent establishment.

SALES TAX / VALUE ADDED TAX

The main principles of the Montenegrin VAT are in line with the European Union (EU) Sixth Directive guidelines. Taxable supplies are subject to a general 19% VAT rate; however, certain supplies are taxed at a reduced 7% rate (e.g. bread, milk, books, medicines, and computers) and 0% rate (e.g. export of goods, supply of gasoline for vessels in international traffic). Prior to 1st July 2013, the standard VAT rate was 17%.

In principle, the VAT base is comprised of consideration (in cash, goods, or services) received for supplies, including taxes, except VAT (e.g. customs, excise duty), and direct costs (e.g. commissions, cost of packing, transport). If the consideration is not paid in cash, or if an exchange of goods for services takes place, the tax base will be the market value of the goods or services received at the time of supply.

Registration for VAT in Montenegro may be either voluntary or mandatory. Voluntary VAT registration is possible for small taxpayers who have not realised turnover exceeding EUR 18,000 in the last 12-month period. Once registered, a company may not apply for deregistration for at least three years. VAT registration is mandatory for an entity that realises turnover exceeding the EUR 18,000 threshold in any 12-month period.

VAT is calculated and paid on a calendar-month basis (i.e. a VAT return must be submitted and VAT liability cleared monthly). VAT calculated on imports is paid along with customs duties.

FRINGE BENEFITS TAX

Employment income includes all receipts paid or provided to an individual based on employment (salaries, pensions, benefits in kind, insurance premiums, benefits, and awards above the non-taxable thresholds). Income generated through other types of personal engagements similar to employment (e.g. temporary jobs) is also considered employment income.

While employees are the taxpayers, the employer is responsible for calculating and withholding personal income tax (PIT) on behalf of its employees.

Employment income is subject to withholding tax at a flat rate of 9%. Gross salary exceeding EUR 720 is subject to 15% PIT. The 15% rate applies to the part of the salary exceeding EUR 720, while the 9% rate applies to the part of the salary below (and including) EUR 720.

Social security contributions for pension and disability insurance, health insurance, and unemployment insurance are calculated and withheld by an employer from the salary paid to an employee. Unlike the other two types of social security contributions, pension and disability insurance contributions are subject to a specific annual cap (EUR 50,350 for 2013).

Social security contributions are payable by the employer and employee at different rates. The amount borne by the employer is treated as an operating cost while the portion payable by the employee is taken from the gross salary.

The rates paid by the employer are as follows:
- Pension and disability insurance 5.5%.
- Health insurance 3.8%.
- Unemployment insurance 0.5%.

The rates paid by the employee are as follows:
- Pension and disability insurance 15%.
- Health insurance 8.5%.
- Unemployment insurance 0.5%.

LOCAL TAXES
No local (i.e. municipality) corporate income taxes exist in Montenegro.

OTHER TAXES
Customs Duties
There are no export duties in Montenegro, nor is it forbidden to export any goods. Exceptionally, the Montenegrin government can impose quantity limitation of exports only in case of critical shortage of certain goods or for the purpose of protection of non-renewable natural resources, under certain conditions.
Customs duties are paid on goods imported into the customs territory of Montenegro in accordance with the rates and tariffs set forth in the Customs Tariffs, which is in line with the harmonized system of tariff codes prescribed by the World Trade Organization (WTO). Customs duties can be levied in two manners, as ad valorem or specific duty per unit of goods.
For agricultural - alimentary products, a combined duty has been determined, that is, both ad valorem and specific duty are charged simultaneously. Ad valorem duties are prescribed within the scope from 0% to 30%. Specific duties range from EUR 0.04 per 1 kg to EUR 1 per 1kg.
Customs rates stipulated by international agreements are only applied to goods of preferential origin from countries covered by such agreements. The most important free trade agreements that Montenegro signed are with the European Union, the European Free Trade Association (EFTA), the Central European Free Trade Agreement (CEFTA) states, Russia, Turkey, and Ukraine.

Excise duty
Legal entities that are importers or producers of the following products are subject to the excise duty:
- Alcohol and alcohol beverages.
- Tobacco products.
- Mineral oils, their derivatives, and substitutes.
- Coffee and coffee products.
- Mineralized water with sugar or aroma.

Excise duty can be prescribed as a fixed amount and/or as a certain percentage (ad valorem).

Property Tax
Property tax is payable by legal entities who own or have user rights over real estate located in Montenegro. The annual tax is levied at proportional rates, ranging from 0.1% to 1% on the market value of assets as of 1st January of the current year. In case of acquisition of new property, the taxpayer is obligated to submit a tax return to the tax authorities within 30 days from the acquisition date (i.e. registration return for property tax) and to declare annual property tax by the submission of annual returns. Tax is payable in two instalments, based on decisions issued by the tax authorities.

Real Estate Transfer Tax
Transfer tax of 3% is payable on the acquisition of ownership rights over immovable property. The taxable base is the market value of the immovable property at the time of the acquisition. A taxpayer (i.e. the acquirer of immovable property) is obligated to self-assess a tax liability, submit a tax return, and settle a tax liability within 15 days from the contract date.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION

Depreciable assets are tangible and intangible assets with a useful life of at least one year and an individual acquisition value of at least EUR 300. Intangible and fixed assets are divided into five depreciation groups, with depreciation rates prescribed for each

group (I - 5%, II - 15%, III - 20%, IV - 25%, and V - 30%). A straight-line depreciation method is prescribed for assets classified in the first group (real estate), while a declining-balance method is applicable for assets classified in the other groups.

STOCK/INVENTORY
Inventory is valued by applying the average weighted cost method or the first in first out (FIFO) method. If another method is used for book purposes, an adjustment for tax purposes should be made.

CAPITAL GAINS AND LOSSES
Capital gains realised by the sale or transfer of real estate or other property rights, as well as shares and other securities, are subject to the 9% CPT rate.

Capital gains may be offset against capital losses occurring in the same period. A capital loss may be carried forward for five years.

DIVIDENDS
Dividend income of the recipient is exempt from CPT in Montenegro if the distributor is a Montenegrin corporate taxpayer.

INTEREST DEDUCTIONS
Interest expenses are generally deductible if they are business related and properly documented. Also, interest and related cost of loans paid out to a creditor with the status of a related party are recognised as expenses only in the amount that does not exceed market interest rates between unrelated parties. The exceeding amount is not recognized as an expense, but it is included in the taxable profit and subject to 9% CPT. Interest paid out to non-resident legal entities (unless it is revenue of a PE of a non-resident legal entity) is subject to WHT levied at 9%.

LOSSES
Carry forward of losses is available for 5 years. Carry back of losses is not allowed.

FOREIGN SOURCED INCOME
A Montenegrin resident receiving foreign income is granted a tax credit in the amount of the tax paid abroad but limited to the amount that would be calculated using Montenegrin rates. There are no provisions that provide for the possibility that taxation of income earned abroad may be deferred.

INCENTIVES
The CPT Law provides only two tax incentives related to businesses: one for newly established businesses in non-developed municipalities and one for non-governmental organisations. The latest CPT amendments introduced a discount of 6% that is applied on the amount of the calculated CPT liability and is available to taxpayers that settle their tax liability by the prescribed deadlines (i.e. tax liability for the previous year should be settled not later than 31 March of the current year).

Tax exemption for newly established business in underdeveloped municipalities

Newly established production companies located in underdeveloped municipalities are entitled to an eight year tax exemption. The maximum amount of tax exemption for the period of eight years is limited to EUR 200,000. The incentive is applicable to companies whose business units are established in underdeveloped regions. In that case, tax holiday is proportional to the amount of profit generated by such unit over the total profit for the period of eight years from establishment of the unit. The tax incentive is not applicable to a taxpayer operating in the sectors of (i) primary production of agricultural products, (ii) transport, (iii) shipbuilding, (iv) fishery, (v) steel production, (vi) trade, and (vii) catering, except primary catering facilities.

Tax exemption for non-governmental organisations

Non-governmental organisations (NGOs) registered for business activity are permitted to decrease the corporate tax base by EUR 4,000, with the condition that profit is used for realisation of the main goals of an NGO.

C. FOREIGN TAX RELIEF

Resident taxpayers are entitled to a tax credit up to the amount of corporate tax paid in another country on income realised in that country. This tax credit is equal to the tax paid in another country but may not exceed the amount of the tax that would have been paid in Montenegro.

D. CORPORATE GROUPS

Tax consolidation is permitted for a group of companies in which all of the members are Montenegrin residents and the parent company directly or indirectly controls at least 75% of the shares in the other companies. Each company files its own tax return, and the parent company files a consolidated tax return for the entire group. Each company is taxed based on its contribution to the consolidated taxable profit (or loss) of the group. Tax consolidation is binding for at least five years.

E. RELATED PARTY TRANSACTIONS

The difference between the transfer price and arm's-length price is included in the taxable profit and is taxed accordingly. Parties considered to be related are the parties between whom special relations exist, which could directly impact the conditions or economical results of the transaction between them. Methods permitted in determining arm's-length price are the comparable uncontrolled price (CUP) method (as the primary method), resale minus method, or cost plus method. There are no other rules or guidelines introduced apart from the above rules in respect to transfer pricing.

F. EXCHANGE CONTROL

There are no exchange controls in Montenegro.

G. PERSONAL INCOME TAX

Residents of Montenegro are subject to personal income tax on their worldwide income. Non-residents are subject to income tax on their income from Montenegrin sources under the same rules as residents.

Personal income tax is levied at the rate of 15% on gross personal income above EUR 720 per month, while personal income tax for income below EUR 720 per month is subject to a personal income tax rate of 9%. Tax rate on revenues from interest paid to non-residents is 5%.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Montenegrin CPT Law imposes WHT on income realised from a Montenegrin source and distributed to a non-resident. The scope of the WHT applies to dividends and profit distribution, capital gains, interest, royalties, intellectual property rights fees, and rental income, as well as fees for consulting, market research, and audit services.

Distributions of dividends and share of profits are also subject to WHT if the recipient is a Montenegrin resident (either an individual or legal entity).

The general WHT rate is 9%.

Application of a double tax treaty (DTT) may reduce or eliminate Montenegrin WHT. To qualify for the beneficial rates prescribed by the treaty, a non-resident must prove tax residency of a relevant treaty country and beneficial ownership over the income. In order to qualify for a preferential tax rate according to a DTT, a non-resident will need to provide the tax residency certificate filled out and stamped by the relevant authority of its country of residence.

Although Serbia is regarded as the legal successor of the Serbia and Montenegro State Union that ceased to exist in June 2006, the Republic of Montenegro, upon its Decision on Independence (dated 3rd June 2006), continues to honour international treaties that were applicable in the State Union, including those executed by State Union's legal predecessors (Federal Republic of Yugoslavia and Socialist Federal Republic of Yugoslavia, i.e. former Yugoslavia). However, a quite low statutory WHT rate of 9%, which was enacted after the most of the treaties had been introduced, is usually more beneficial than treaty rates.

The list of the treaties is provided below:

	Dividends (1)	Interest	Royalties
Non-treaty	9	9	9
Treaty:			
Albania	5/15	10	10
Azerbaijan	10	10 (7)	10
Belgium	10/15	15	10

	Dividends (1)	Interest	Royalties
Belorussia	5/15	8	10
Bosnia and Herzegovina	5/10	10	10
Bulgaria	5/15	10	10
China	5	10	10
Croatia	5/10	10	10
Cyprus	10	10	10
Czech Republic	10	10	5/10
Denmark	5/15	0	10
Egypt (2)	5/15	15	15
Finland	5/15	0	10
France	5/15	0	0
Germany	15	0	10
Hungary	5/15	10	10
India (3)	5/15	10	10
Ireland	5/10	10	5/10 (4)
Italy	10	10	10
Korea	10	10	10
Kuwait	5/10	10	10
Latvia	5/10	10	5/10 (4)
Macedonia	5/15	10	10
Malaysia	0 (5)	10	10
Malta	5/10	10	5/10 (4)
Moldova	5/15	10	10
Netherlands	5/15	0	10
Norway	15	0	10
Poland	5/15	10	10
Romania	10	10	10
Russia	5/15	10	10
Serbia	10	10	5/10 (4)
Slovak Republic	5/15	10	10
Slovenia	5/10	10	5/10 (6)
Sri Lanka	12.5	10	10
Sweden	5/15	0	0
Switzerland	5/15	10	10
Turkey	5/15	10	10
Ukraine	5/10	0/10 (7)	10
United Arab Emirates	5/10 (8)	10	5/10 (4)
United Kingdom	5/15	10	10

MOROCCO

MEMBER FIRM

City	Name	Contact Information
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BASIC FACTS

Full name:	Morocco
Population:	32.9 million (2013 PRB)
Capital:	Rabat
Major language:	Arabic

Major religion:	Islam
Monetary unit:	Moroccan Dirham (MAD)
Internet domain:	.ma
International dialling code:	+212
Portal of the Ministry of Economy and Finance :	www.maroc.ma/en/electronic-participations/portal-ministry-economy-and-finance

KEY TAX POINTS

- Moroccan corporations are subject to a unitary tax system called the corporate tax 'impôt sur les sociétés' or IS system.
- The normal rate of corporation tax is 30% with a 37% rate applying to leasing companies and credit institutions.
- The standard rate of Value Added Tax is 20% and applies to all suppliers of goods and services, except those taxed at other rates or those who are exempt. A reduced rate of 10% applies to specific items.
- Dividends paid to a non-resident are subject to a 15% withholding tax unless the rate is reduced under an applicable tax treaty. Interest on loans obtained from a non-resident and royalties paid to non-residents are subject to a 10% withholding tax (subject to treaties).

A. TAXES PAYABLE

GENERAL REGIME

The Moroccan taxation system consists of direct and indirect taxes. Indirect taxes provide a greater source of tax revenue than the direct taxes. Moroccan corporations are subject to a unitary tax system called the corporate tax 'impôt sur les sociétés' or IS system.

The system is statutory and contains a package of incentives designed to encourage both Moroccan and foreign investors. For example, in order to promote foreign investment the Budget Law for 2014 exempted permanently from corporate tax the Fund "AFRICA 50" created by the African Development Bank.

From 2014, the taxation of agricultural incomes, which were until 2013 exempted from income tax, is established.

The key measures introduced by the Budget Law for 2015 are summarized as follows:

- Exemption from personal income tax on the gross monthly salary income capped at 10,000 dirhams paid by companies created between 1 January 2015 and 31 December 2019 and within the limits of 5 employees;
- Increase of the VAT exemption period for investment goods from 24 to 36 months from the start of activity;
- Transfer prices: the Budget law 2015 establishes a procedure to taxable businesses in Morocco, having direct or indirect dependency links with companies outside of Morocco to conclude with the fiscal Administration prior agreement on the method of determining transfer prices between them for a period not exceeding four years. This measure will enable these companies to benefit from a legal guarantee against the risk of calling into question the method of determining prices.

CORPORATE INCOME TAX

The definition of 'corporation' covers limited liability companies, limited partnerships by shares, general and limited partnerships in which at least one partner is a corporate entity, civil companies, branches of foreign corporations, public sector companies having profit-oriented activity and joint ventures having business-oriented activity. General partnerships and limited partnerships in which all partners are individuals may elect to be taxed under the corporate tax regime. The same applies to joint ventures in which all parties are individuals.

The normal rate is 30% with a 37% rate applying to leasing companies and credit institutions. Foreign contractors carrying out engineering, construction or assembly projects relating to industrial or technical installations may opt to be taxed at a rate of 8% calculated on the total contract price net of VAT and similar taxes.

MINIMUM CORPORATE TAX CONTRIBUTION

Companies are always subjected to a minimum contribution (Cotisation Minimale; CM) of 0.5% of the annual turnover. The CM is based on turnover, income from interest, subsidies, bonuses or donations received. The CM is not payable by companies during their first 36 months of operation. However, the legal entities liable to Corporate Income Tax which do not have a turnover must pay a minimum contribution. As from 2014, this

minimum contribution is raised at MAD 3,000 (MAD 1,500 previously).

There are also specific rates of corporate income tax detailed as follows:
- 8.75% applying to companies that operate in free zones export, during the 20 consecutive years following the fifth year of full exemption and service companies with the status of "Casablanca Finance City" in accordance with the laws and regulations, beyond the five years of exemption;
- 10% for organisations with regional or international status "Casablanca City Finance", according to the laws and regulations, from the first year of granting such status and optionally for offshore banks during the 15 first consecutive years following the date of obtaining approval;
- 10% applying for companies with a fiscal net income of less than or equal to MAD300,000;
- 17.5% for companies operating in some northern and southern regions and also for companies exporting products or services after the total exemption from corporate tax for a period of five consecutive years calculated from the year in which the first export operation was performed.

Companies are taxed on the difference between their trading income and expenditure. Business expenses incurred in the operation of the business are generally deductible unless specifically excluded. Expenses not permitted include: fines, penalties, interest on shareholder loans where the stock is not fully paid up, and interest on shareholder loans in excess of the official annual interest rate.

Morocco operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax only on income generated from activities carried on in Morocco. Foreign corporations are subject to taxation on income arising in Morocco if they have, or are deemed to have, a permanent establishment in Morocco. A company is resident in Morocco if it is incorporated there or its place of effective management is in Morocco.

The calendar year is normally the fiscal year although a company may opt for a different fiscal year. Accounts for income tax purposes must be filed within three months after the end of the relevant accounting period.

Corporate tax is payable in four equal instalments, based on the prior year's assessment. The actual amount payable is adjusted in the three months following the end of the accounting period. Foreign companies that have elected for the 8% default taxation must submit a declaration of their turnover before 1 April following each calendar year.

TAXATION OF AGRICULTURAL INCOME (COMMON MEASURE TO BOTH PERSONAL INCOME TAX AND CORPORATE INCOME TAX)

First, the definition of Agricultural Income as set by the article 46 of the General Tax Code is profoundly amended. According to the Budget Law for 2014, Agricultural Incomes encompass "profits made by farmer/cattle breeder and derived from all activities inherent in animal/plant operating cycle and whose revenues are intended to human or animal feed, as well as the treating/processing activities of these revenues, apart from their transformation by industrial means."

As from 1st January 2014, incorporated farms making a turnover superior or equal to MAD 5 million during three (3) consecutive fiscal years are subject to Corporate Income Tax.

On the other hand, incorporated farms with a turnover below such threshold keep their current status, under which they are totally and permanently exempted from CIT (article 6-1-A-29 of the General Tax Code).

The taxation of incorporated farms or farmers will follow this timetable:

Period	Threshold
From 1st January 2014 to 31st December 2015	Turnover superior or equal to MAD 35 million.
From 1st January 2016 to 31st December 2017	Superior or equal to MAD 20 million.
From 1st January 2018 to 31st December 2019	Turnover superior or equal to MAD 10 million.

Thus, starting from 1 January 2020, all farms making a turnover superior or equal to MAD 5 million operated either through a corporation or not will be subject to Corporate Income Tax or Personal Income Tax.

However, farmers liable to tax are exempted from instalment payments for the first taxable fiscal year (article 170 of the GTC).

Incorporated farms and farmers benefit temporary from reduced tax rates for the five years:
- Tax rate of 17.5% for incorporated farms subject to corporate tax for the five consecutive years, starting with the first taxable year;
- Tax rate of 20% for tanners subject to Personal income tax.

SOCIAL CONTRIBUTION
A tax called social contribution (contribution sociale) comes into force from January 2013 to December 2015. This tax is applied to the net income (after income tax) of the entities.

Net income MAD	Tax Rate
15,000,000 – Less than 25,000,000	0.5%
25,000,000 – Less than 50,000,000	1.0%
50,000,000 – Less than 100,000,000	1.5%
Over 100,000,000	2.0%

BRANCH REMITTANCE TAX
A 15% branch remittance tax is imposed on profits remitted to the head office. The Moroccan-sourced income of Moroccan branches of foreign companies is subject to income tax at the ordinary corporate rate of tax.

The taxable income is calculated as if the branch was a separate entity from the foreign company.

VALUE ADDED TAX
The Value Added Tax (VAT) is a non-cumulative tax levied at each stage of the production and distribution cycle. Thus, suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT. The standard VAT rate is 20% and applies to all suppliers of goods and services, except those taxed at other rates or those who are exempt. A reduced rate of 10% applies to specific items such as banking and credit services, leasing, gas, water and electricity.

Two types of exemptions from VAT are provided. The first is an exemption with credit, equivalent to the zero tax concept, which applies to exports, agricultural materials and equipment, and fishing equipment. The second is an exemption without credit - ie the seller receives no credit for input VAT paid. This exemption applies to basic foodstuffs, newspapers and international transport services.
Within the framework of the future tax reform, the Government intends to radically overhaul the value-added tax (VAT) system, notably by progressively aligning the VAT rates, and eventually limiting the number of rates to two, namely a 10% and 20% rate of VAT.

As from 1 January 2014, the rates of the following products are amended: Raw sugar, raw logs, some categories of farm equipment and catering services directly provided by the company to the staff are now subject to the rate of 10%.

The 20% rate applies to equipment and fishing nets, dried raisins and dried figs, candles and paraffin.

The 10% rate applies to food for cattle feed (previously subject to the 7% rate). Finally, the rate of 20% applies to commercial vehicles, alimentary fats and margarines (14% previously).

Before the Budget Law for 2014, the right of deduction arose at the end of the month following the establishment of the Customs receipts or full or partial payment of bills on behalf of the beneficiary. As from 1 January 2014, the right of deduction of VAT begins at the end of the month of the establishment of Customs receipts or at the end of the month of the full or partial payment of bills on behalf of the beneficiary. As a result, the "one-month lag" rule is abolished.

BUSINESS TAX
A business tax or "taxe professionnelle" is levied on individuals and enterprises that habitually carry out business in Morocco. The business tax is applied on the annual rental value of business premises (rented or owned) capped at MAD 50 million net of VAT. The tax rates range from 10% to 30% with exemption for the five first years of activity.

URBAN PROPERTY
Owners of real estate are subject to urban property tax on the rental value of the property. The same applies to owners of machines and appliances that are integral parts of the establishment producing goods or services.

PROPERTY TAX
Property tax is assessed on the rental value of the property. The general property tax rate is 10% of the assessed rental value, as determined by the local tax authorities.

If the property is used as a primary residence, only 25% of the assessed rental property value is subject to tax. Properties occupied as a main or second residence are taxed at progressive rates as follows:

Tax Base MAD	Tax Rate
Up to 5,000	Nil
5,000 – 20,000	10%
20,000 – 40,000	20%
Over 40,000	30%

CUSTOMS DUTIES
All goods and services may be imported. Goods deemed to have a negative impact on national production, however, may require an import licence. Products from the EU are fully exempted from March 2012. Cars, household items and also semi-finished products for local industry are reviewed. The rates fall for products brought from the outside world. Some materials and products, however, are exempted, especially those imported under the investment charter, imported under customs economic systems and those using renewable energies. Value added tax is also payable on goods imported into Morocco.

CAPITAL GAINS TAX
Individuals earning capital gains from selling property are subject to tax on property profits. Profits on the sale of property are taxable at 20% of any profit but with a minimum tax of 3% of the sale price. The taxable gain is computed by deducting the following from the selling price:
- Acquisition price and incidental costs;
- Transfer costs;
- Investment expenses;
- Interest payments.

Capital gains from the sale of a property which has been the primary residence of the taxpayer are not subject to tax under some qualifications:
- The property has been the seller's primary residence for at least six years;
- The property has been the seller's primary residence for at least four years on the day of the sale, and the property area does not exceed 100 sq. m. and the profit does not exceed MAD 250,000;
- The profit made on one or more transfers by individuals within a calendar year whose total value does not exceed MAD 140,000.

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B. DETERMINATION OF TAXABLE INCOME

CAPITAL GAINS
Morocco instituted a tax on the proceeds from a company's stocks, shares and comparable income (TPT), distributed by companies based in Morocco and paying taxes on corporations. The tax of 10% is collected at the source and applies to:
- Capital interest;
- Profit percentages;
- Special allowances or the payment of fees and other compensation allotted to members of the board of directors (except for the fraction of these compensations considered as salary and subject to personal income tax (IR);
- Sums levied on profits to repay capital produced to stockholders or to buy over stocks;
- Beneficiary/founder's shares;
- Surpluses from winding up augmented by reserves built up over at least ten years ago;
- Profits made in Morocco by establishments whose home office is located abroad, as these profits are made available to such companies abroad.

LOSSES
Tax losses may be carried forward for a period of four years from the end of the loss making accounting period. However, the portion of a loss that relates to depreciation may be carried forward indefinitely. Losses may not be carried back.

DIVIDENDS

Dividends received by corporate shareholders from taxable Moroccan-resident entities must be included in business profits of the recipient company but the dividends are 100% deductible in the computation of taxable income. The participation exemption in Morocco is also applicable to dividend derived from foreign subsidiaries. The original participation exemption regime granted 100% allowance to a Moroccan recipient company of Moroccan-source dividends.

CONSOLIDATED RETURNS

Consolidated returns are not permitted. Each company must file its own return.

INTEREST DEDUCTIONS

Interest paid on loans and other debts is deductible to the extent it relates to borrowings made for income producing purposes.

Thin capitalisation rules apply to reduce the deduction available where the taxpayer is a foreign entity operating in Morocco, a foreign controlled Moroccan entity or a Moroccan resident with foreign business investments. In each of these cases, the tax deduction for interest may be reduced if the taxpayer's debt exceeds the levels permitted under the thin capitalisation provisions.

REPATRIATION OF PROFITS AND TRANSFER PRICING

In addition to paying interest and dividends, the payment of management fees, service fees and royalties are methods of repatriating profits to the non-resident associates, controllers and owners of Moroccan entities.

In these circumstances, the payments made by the Moroccan resident to the non-resident associate must reflect the market value of the goods and/or services to the Moroccan company. That is, all payments must be calculated with reference to arm's length market rates.

Where the Tax Office takes the view that the Moroccan company has paid an excessive amount for the goods and/or services, the Tax Office can disallow the deduction claimed by the Moroccan company and substitute an alternative price.

Other transactions between Moroccan taxable entities (or branches) and their related foreign entities or head offices are also subject to the transfer pricing rules. Where a Moroccan branch of a foreign company remits profits to its parent by way of management fees or service fees, the profits are not subject to withholding tax or branch profits tax.

C. FOREIGN TAX RELIEF

Since a Moroccan resident is taxed on worldwide income, the Moroccan tax system provides relief from foreign taxes paid on such worldwide income by means of a foreign tax credit. This foreign tax credit cannot exceed the Moroccan tax otherwise payable in respect of the foreign-source income.

D. WITHHOLDING TAX

Dividends paid to a non-resident are subject to a 15% withholding tax unless the rate is reduced under an applicable tax treaty. Interest on loans obtained from a non-resident is subject to a 10% withholding tax. Royalties paid to non-residents are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty.

E. PERSONAL TAXES

Individuals, regardless of nationality or activity, who have their habitual residence in Morocco are subject to a personal income tax (impot sur le revenu or IR) on their worldwide income on a progressive scale between 10% and 38%.

Individuals who do not have their habitual residence in Morocco are subject to tax only on Moroccan-source income. Habitual residence status is established by reference to one of the following:

(1) Place of permanent abode;
(2) Centre of economic interest;
(3) Duration of stay in the country exceeding 183 days within any period of 365 days.

The issue of double taxation is partially addressed by tax treaties or unilateral relief in the form of tax credit.

All compensation received by an individual is taxable, including salaries and wages, allowances, pension annuities, and all other employment benefits, investment income,

property income and income derived from the carrying out of a business or profession. Capital gains derived from the disposal of immovable property are generally subject to tax as part of the personal income of the individual, i.e. 20%.

Filing and payment: the tax return must be filed by 31 March of each year in the place where the taxpayer has his/her habitual residence or main business.

Resident individuals are assessed to tax on taxable income from January 2010 according to the following scales:

Income MAD	Tax Payable
0-30,000	Nil
30,001 - 50,000	10%
50,001 - 60,000	20%
60,001 - 80,000	30%
80,001 - 180,000	34%
Over 180,000	38%

A range of rebates are available to Moroccan resident individual taxpayers.

Employers must retain and pay any income tax due on the salaries paid to their employees the previous month within the first ten days of each month. Individuals who receive incomes from non-wage sources must file a tax declaration every year on or before 31 March.

Net rental income is taxable under the general income tax (Impot General sur le Revenu or IGR) at progressive rates. A standard deduction of 40% of the gross rental income covers the income-generating expenses in lieu of itemised deductions. As of 2014, the taxation on such rental incomes is now effective as from the first year (the exemption of rental income derived from the renting of new buildings applicable during the three-year period following the completion of the constructions is abolished).

Until 2013, retirement pensions in Morocco were subject to a 55% tax allowance on their whole annual gross amount. The Budget Law for 2014 capped this advantage by introducing a threshold reducing this advantage to 40%:

- 55% from MAD zero (0.00) to MAD 168,000;
- 40% beyond.

Furthermore, the Budget law 2014 creates the new fiscal regime of "auto-entrepreneur", applicable to individuals whose annual turnover does not exceed MAD 500,000 for commercial, industrial, and artisanal activities undertaken, and where yearly turnover does not surpass MAD 200,000 for the provision of services. Under the "auto-entrepreneur· status, individuals are subject to income tax at a rate of 1% or 2% of turnover, depending on the activity.

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Finally, the Budget Law for 2014 provides a new disposition aiming at deferring taxation on the net capital gain realized by a taxpayer who contributes the stocks he holds in one or several companies to a resident holding company liable to Corporate Income Tax.

The operation must satisfy the following conditions:

- The contribution must be carried out between 1 January 2014 and 31 December 2015;
- The value of the contributed shares must be assessed by a legally accredited accounting expert;
- The company to which the shares are contributed shall undertake to keep the shares during a minimum of 4 years from the date of the contribution;
- The taxpayer who proceeds to the contribution shall undertake, in the contribution agreement, to pay the tax on the gains he shall derive from the sale, refunding or cancellation of the stocks received in exchange for the contribution.

In case of non-respect of these formalities, the capital gains are taxed in accordance with ordinary tax rules.

SOCIAL CONTRIBUTION

This tax called social contribution (contribution sociale) is in force from January 2013 to December 2015. This tax is applied to the annual net income (salaries, dividends, etc) earned by an individual.

Net Income MAD	Tax Rate
0 - 360,000	Nil

360,001 - 600,000	2%
600,001 - 840,000	4%
Over 840,001	6%

F. OTHER TAXES

DOMESTIC CONSUMPTION TAX
As from 1 January 2014, the amount of this tax is raised to MAD 500 by hectolitre for energizing drinks, and to MAD 700 by hectolitre for wines.

TAX ON PLANE TICKETS
The Budget Law for 2014 sets out a new tax on plane tickets coming into force as of 1 April 2014. This tax will be levied on tickets purchased on international flights departing from Moroccan airports (domestic flights are exempted). However this tax will not apply to certain category of tickets, such as those for flying and security personal or for children below two (2) years old.

The amount of tax is set to MAD 100 for Economy Class and MAD 400 for Business and First Class.

SPECIAL ANNUAL TAX ON LUXURY VEHICLES
The Budget Law for 2014 raises the rates of this tax as follows:

Value of the vehicle excluding VAT	Rate
From MAD 400,000 to MAD 600,000	5%
From MAD 600,001 to MAD 800,000	10%
From MAD 800,001 to MAD 1,000,000	15%
Superior to MAD 1,000,000	20%

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Moroccan government is eager to encourage foreign investment. This is reflected by the territoriality principle for taxation applicable to corporations mentioned above.

In addition, Morocco has concluded about 47 treaties including a multilateral agreement with MAU (Maghreb Arab Union: Algeria, Tunisia, Libya and Mauritania) for the prevention of double taxation, mainly with developed countries. Morocco's list of treaty-partners include Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Romania, Spain, the United Kingdom and the United States. The treaty signed with Sweden was cancelled and has not been applicable since 2007.

Most of the tax treaties are based on the UN (United Nations) model and do not contain specific anti-abuse provisions. Reduced withholding tax rates vary from one treaty to another. Of special interest is the treaty with France which offers advantages involving self-employed foreigners and payments for technical assistance and contracts (e.g. imported supplies).

MOZAMBIQUE

MEMBER FIRM

City	Name	Contact Information
Maputo	Miguel Damas	+258 213 334 93 miguel.damas@pkf.co.mz

BASIC FACTS

Full name:	Mozambique
Population:	24.3 million (2013 PRB)
Capital:	Maputo
Major language:	Portugese
Major religion:	Christianity
Monetary unit:	Metical (MT, MZM or MTN)
Internet domain:	.mz
International dialling code:	258
Ministry of Finance website:	www.mf.gov.mz/

KEY TAX POINTS

- Resident corporations are subject to corporate income tax (IRPC) on their worldwide income. Non-resident companies with a permanent establishment in Mozambique are liable for IRPC on the income attributable to that permanent establishment.
- The standard rate of Values Added Tax is 17%. VAT is chargeable on the sale of almost all goods and services as well as on imports.
- Payments between resident companies are liable to withholding tax if they originate from certain specified income types.
- Transfer pricing legislation enables the tax authorities to make corrections to taxable income when the conditions (and prices) agreed between related parties are different from those that would have been agreed and accepted by independent entities. Taxpayers must keep the necessary documentation to support the transfer pricing policy within the group.
- Resident individuals are subject to income tax on their worldwide income while non-residents are liable to income tax only on income sourced in Mozambique.

A. TAXES PAYABLE

COMPANY TAX

Resident corporations are subject to corporate income tax (IRPC) on their worldwide income. Resident companies are those which have their head office, or place of effective management, in Mozambique.

Non-resident companies with a permanent establishment in Mozambique are liable for IRPC on the income attributable to that permanent establishment.

A non-resident company with no permanent establishment in Mozambique is taxed on the following types of income sourced in Mozambique: capital gains, dividends, interests, royalties, services and rentals.

Taxable profit is taxed, normally, at 32%. Non documented expenses are taxed at 35%.

The tax year usually coincides with the calendar year (1 January to 31 December). Exceptions must be previously approved by the Finance Minister and only applies if a company is owned, more than 50%, by another with a different tax year it may adopt that different tax year.

Tax is payable as follows:

Taxable persons	Tax payment
Resident entities whose main activity is commercial, industrial or agricultural and non-residents with a permanent establishment in Mozambique.	- Payments on account (PC) in May, July and September (5th, 7th and 9th Month after year end) - Special payments on account (PEC) in June, August and October (5th, 8th and 10th Month after year end). - The balance is due by the date when the tax return is filed – generally 31 May. (5th month after year-end)
Resident entities whose main activity is neither commercial, industrial nor agricultural.	Tax is payable by 31 May following the end of the tax year.
Non-resident entities without a permanent establishment.	Taxed by definitive withholding made by client or by independent tax return

Payments on account (PC) are estimated on the basis of 80% of previous tax year's IRPC liability, less any tax withheld at source and divided into three equal instalments.

$$PC = \frac{\text{(IRPC of previous year - withheld tax of previous year) x 80}}{\text{3 instalments}}$$

Special payments on account (PEC) are estimated on the basis of 0.5% of the sales and/or services rendered during the previous financial year, with the minimum amount of 30.000 MT and maximum of 100.000 MT, net of provisional tax payments made in the previous year and divided into three equal installments.

$$PEC = \frac{\text{(turnover of previous year x .05\% PC of previous year)}}{\text{3 instalments}}$$

Permanent establishments of non-resident companies are taxed at the rates applicable to resident companies.
When there is no permanent establishment, tax is levied at rates varying between 10%

and 20% according to the source of income.

CAPITAL GAINS TAX
Worldwide capital gains obtained by resident companies are included in taxable income. The gain (or loss) is calculated by the difference between the sales proceeds and the acquisition cost which may be updated using official inflation coefficients.

If the proceeds of the sales are reinvested in other fixed assets, within three tax years following the year of sale, 100% of the gain obtained (net of the related losses) will be excluded from taxation.

When only part of the consideration is reinvested, only the corresponding part of the gain qualifies for the relief.

BRANCH PROFITS TAX
All income attributable to the Mozambique branch (permanent establishment) is subject to corporation tax. No tax is imposed on the eventual remittances of profits to the head office.

SALES TAX/VALUE ADDED TAX (VAT)
The standard rate is 17%. VAT is chargeable on the sale of almost all goods and services as well as on imports. Usually VAT is recoverable by corporate entities.

OTHER TAXES
Municipal tax on real estate: Owners of real estate properties are subject to tax between 0.2% and 1% for urban properties depending on the municipality.

Real Estate Transfer Tax (SISA): Real Estate Transfer Tax applies to transfer of real estate property and is normally payable by the purchaser at a rate of 2%. A 10% rate applies when the purchaser of the property is a resident of a black-listed offshore jurisdiction.

Social security contributions (INSS): Social security contributions are payable by employers (4%) and employees (3%) on monthly remuneration.

B. DETERMINATION OF TAXABLE INCOME (IRPC)

Normally net income, or taxable income, is arrived at by adjusting the accounting profits for non-taxed income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

DEPRECIATION
Fixed assets can be depreciated for tax purposes. The main depreciation rates are:

Assets	Rate %
Tangible assets:	
Industrial buildings	4
Office and residential buildings	2
Machinery and installations, air conditioning, and telephone equipment	10
Lifts	8.33
Tools	25
Laboratory equipment	12.5
Telex and interior equipment	10
Furniture and filing systems	10
Typewriters and accounting machines	14.28
Computer hardware	16.66
Warehouse and filing installations:	
Of concrete	5
Of wood	6.66
Of steel	8.33
Trucks	20
Automobiles	25
Intangible assets:	
Pre-operating expenses incurred prior to the commencement of business	33.33

Deferred expenses arising in connection with increases in share capital, changes in form of business enterprises, issuance of debentures, marketing and other studies, and financial expenses incurred for the acquisition or own production of fixed assets prior to completion	33.33
Patents	10
Manufacturing licences, concessionaire agreements, and similar rights	5 *
Trademark or premium of taking over leases of real estate	**

* If some conditions are met.
** May be accepted by tax authorities if proven the decrease of the value.

STOCKS/INVENTORY

Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:

- the standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles;
- the sale price method, based on the market value less a normal profit margin;
- the special costing for basic or normal inventory, subject to prior approval of the tax authorities; and
- the costing based on market price quote, this can be used by companies selling agricultural products and other biological assets.

CAPITAL GAINS AND LOSSES

Gains obtained by non-resident entities from the disposal of shares may be exempt from tax depending on the holding period of the shares. This exemption is not applicable if the gains are obtained from a non-resident.

Period of detention of shares	Reduction %	Effective Rate
Less than one year	0%	32%
12 to 24 months	15%	27,2%
24 to 60 months	35%	20,8%
More than 60 months	45%	17,6%

DIVIDENDS

There is a full participation exemption for payment of dividends between Mozambique resident companies when the recipient of the dividends is a company that has held a participation of not less than 20% of the share capital of the distributing company for a minimum period of two years (if the investment is held for less than 2 year the law allows that the shareholders will still be exempt if the investment is held until it completes 2 years). If such conditions are not met, the dividend amount is subject to taxation.

INTEREST DEDUCTIONS

Interest is deductible on an accruals basis. The Fiscal Administration is entitled, under certain circumstances, to disallow interest payments to related parties in excess of arm's length arrangements. Thin capitalization rules are applied when the debt/equity ratio exceeds 2:1.

LOSSES

Operating losses incurred by resident companies, or by a branch of a non-resident company, may be carried forward to set off against taxable profits for five years. No carry backward is allowed.

FOREIGN SOURCED INCOME

Taxation of resident companies and permanent establishments takes into account their worldwide income. Double taxation treaties may allow to balance the tax paid overseas and IRPC.

INCENTIVES

The Investment Law grants certain tax and customs benefits depending on the amount, location and sector of investment activity.

C. FOREIGN TAX RELIEF

Foreign-sourced income, gross of tax paid abroad, is included in taxable income. A unilateral credit for foreign income tax suffered can be set off against the IRPC. Mozambique's tax treaties also apply the ordinary credit method. The tax credit is restricted to the lower of:

- the income tax paid abroad (ordinary credit method); and
- the Mozambique income tax chargeable on that foreign income.

D. CORPORATE GROUPS

There is no group basis tax option in Mozambique. Each company has to fill in its tax returns separately.

E. RELATED PARTY TRANSACTIONS

Transfer pricing legislation enables the tax authorities to make corrections to taxable income when the conditions (and prices) agreed between related parties are different from those that would have been agreed and accepted by independent entities. Taxpayers must keep the necessary documentation to support the transfer pricing policy within the group.

F. WITHHOLDING TAX

Payments between resident companies are liable to withholding tax if they are originated from:

a) Income from intellectual property or industrial as well as the provision of know-how;

b) Income derived from the use of or right to use , industrial, agricultural, commercial or scientific equipment

c) Income from investment not covered in the preceding paragraphs and property income;

d) Remuneration earned as a member of the statutory bodies of legal persons and other entities ;

e) Income from the intermediary in the conclusion of any contract and income other services rendered or used in Mozambique .

Non-resident entities without a permanent establishment are liable to a final and definitive 20% WHT that is applied on all income earned. An exception exists for (i) telecommunications and international transport, as well as the respective installation and assembly of equipment made by those same entities, (ii) construction and rehabilitation of production, transport, and distribution of electricity infrastructures in the rural zones under the public projects of rural electrification; and (iii) maritime vessels freight for fishing and coasting activities, all of which are subject to a 10% WHT rate.

G. EXCHANGE CONTROL

All transfers to and from abroad are subject to registration with the Bank of Mozambique and may not be authorized in certain circumstances. Shareholders loans or any other type of foreign loan are liable to pre-approval by the Central Bank. Other examples of operations that require pre-approval are insurance operations and guarantees operations.

H. PERSONAL TAX

Personal Income tax (IRPS) is payable by individuals on income obtained from employment, a business activity or independent profession, investment income, immovable property, capital gains, pensions and betting or gambling profits. Resident individuals are subject to income tax on their worldwide income while non-residents are liable to income tax only on income sourced in Mozambique.

Taxable Income	Tax Rate (%)	Flat rate rebate
0 - 42,000	10	-
42,000 – 168,000	15	2,100
168,000 – 504,000	20	10,500
504,000 – 1,512,000	25	25,700
over 1,512,000	32	141,540

Double taxation treaties

Mozambique has established DTT with the following countries: Portugal, Italy, Mauritius, UAE, South Africa, Macau, Vietnam, Botswana and India. Under the DTT treaties in place tax is levied at the following reduced rates:

Country	Dividends	Interest	Royalties	Capital gains
Portugal	10%	10%	10%	0% *
Italy	15%	10%	10%	0%
Mauritius	8 / 10 / 15% **	8%	5%	0%

UAE	0%	0%	5%	0% *
South Africa	8 / 15% ***	8%	5%	0%
Macau	10%	10%	10%	0%
Vietnam	10%	10%	10%	0% *
Botswana	0 / 12% ****	10%	10%	0% *
India	7,5%	10%	10%	0% *

* In case the shares sold are from a company which its value is constituted with more than 50% of immovable property, the capital gains are taxed in Mozambique.

** 8% for dividend payments by a 25% or more owned subsidiary in Mozambique to its Mauritius parent company; 10% for dividend payments by a less than 25% owned subsidiary in Mozambique to its Mauritius parent company; 15% in all other cases.

*** 8% for dividend payments by a 25% or more owned subsidiary in Mozambique to its South Africa parent company; 15% in all other cases.

**** 0% for dividend payments by a 25% or more owned subsidiary in Mozambique to its Botswana parent company; 12% in all other cases.

NAMIBIA

MEMBER FIRM

City	Name	Contact Information
Windhoek	Uwe Wolff	+264 61 220662 uwe.wolff@pkf.co.na

BASIC FACTS

Full name:	Republic of Namibia
Population:	2.4 million (2013 PRB)
Capital:	Windhoek
Major languages:	English, Afrikaans, German
Major religion:	Christianity
Monetary unit:	Namibian dollar (NAD)
Internet domain:	.na
International dialling code:	+264
Customs & Excise website:	www.mof.na

KEY TAX POINTS

- Resident and non-resident companies are only taxable on sources of income arising and deemed to arise in Namibia.
- Companies and individuals are not subject to tax on capital gains.
- VAT applies to imports and the supply of goods and services in Namibia. The standard rate is 15% although certain supplies are zero-rated.
- Tax credits are available to relieve overseas taxes paid on income deemed to accrue in Namibia.
- Individuals are subject to tax on income arising and deemed to arise in Namibia. All individuals are taxed on income at progressive marginal rates over a series of income brackets with the top tax rate being 37%.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

INCOME TAX

Income tax is source-based with certain incomes deemed to be from a Namibian source, eg interest derived from financial institutions. Tax is imposed on all receipts and accruals from a Namibian source, other than receipts or accruals of a capital nature. The taxable income of external companies is computed in the same way as for local companies. The current rate of corporate income tax is 33% commencing on or after 1 January 2013.

The reduction of the corporate tax rate for non-manufacturing and non-mining companies from 33% to 32% will be implemented and become effective for years of assessment commencing on or after 1 January 2014 as previously announced. The effective date remains uncertain as the relevant promulgation in the Government Gazette is still pending.

The rate of tax payable by manufacturing companies remains unchanged at 18% for the first 10 years of assessment as a registered manufacturer. The normal tax rate of 32% for years of assessment commencing on 1 January 2014 will apply after the 10 year period. The effective date remains uncertain as the relevant promulgation in the Government Gazette is still pending.

The tax year is the same as the financial year of the company. Tax liabilities are calculated on a self-assessment basis.

The collection of taxes is made as follows:
- Provisional Payments (1st and 2nd) are due after the first six months of the financial year and on the last day of the financial year
- A top-up payment is payable on due date for the return of Income – seven months after the end of the financial year.

Tax rates for mining, mining services and oil or gas companies.
The tax rate by hard rock mining companies and companies rendering services in connection with mining is 37.5%.
The tax rate by diamond mining companies is 55% and
The basic rate of tax payable by oil and gas extraction companies are 35%.
Oil and Gas extraction companies are also subject to additional profits tax that is calculated in terms of a complex formula contained in the Petroleum Taxation Act.

PROCEEDS ON SALE OF OIL AND GAS EXPLORATION AND PRODUCTION LICENCES

The proceeds on the sale of petroleum licences and right to explore for, develop or produce petroleum will become taxable once the Income Tax Act is amended. The effective date of the amendment is not yet announced.

RESTRAINT OF TRADE PAYMENTS

Restraint of Trade payments which were previously regarded as receipts of a capital nature and not subject to income tax will become taxable once the Income Tax Act is amended. The effective date of the amendment is not yet announced.

CAPITAL GAINS TAX

There is no capital gains tax in Namibia.

BRANCH PROFITS TAX

Normal company income tax rules apply to the Namibian branch tax profits of overseas companies.

VALUE ADDED TAX (VAT)

VAT applies to the supply of goods and services by taxable persons in Namibia and on the import of goods and services into the country.

The VAT registration threshold will be increased from N$ 200,000 to N$ 500,000. The effective date of the amendment is not yet announced.
Criteria will be introduced for voluntary VAT registration and VAT import accounts.
Mandatory security requirements will be introduced for the deferral of import VAT on goods. The effective date of the introductions of the security requirements in not yet announced.

VAT is payable at the rate of 15% of the value of the goods supplied or imported. Certain supplies are eligible for a 0% rate. These include:
- Export of goods and services and related supplies
- International transport
- Sale of a going concern
- Sale of land and buildings for residential purposes and erection of residential buildings
- Supply of municipal services to residential accounts
- Supply of mahango and maize meal
- Supply of agricultural land to be used for resettlement purposes
- Supplies made in respect of guarantees
- Supply of funeral undertaking services
- Supply of services physically rendered elsewhere than in Namibia
- Petrol, diesel and paraffin
- Certain food supplies
- Postage stamps, but excluding postage stamps supplied as a collector's piece;
- Telecommunication services to residential accounts
- Supplies by charitable organisation and similar institutions
- Supply of livestock (on the hoof)
- The supply of goods, and the repair thereof, to be used as aids by physically handicapped persons who are blind, deaf, crippled or a chronic invalid. Services

for any adjustment or modification in respect of a vehicle used for these purposes.

Exempt Supplies

- Financial services
- Medical services and services provided by hospitals
- Group finance/management companies and inter-company loans
- Residential leases and fringe-benefit accommodation
- Public transport services
- Educational services
- Management of group housing and commercial premises
- Employee organisations
- Local authorities
- Fringe benefits
- Supplies to foreign heads of State

LOCAL TAXES

Municipal taxes are payable on the value of fixed property.

OTHER TAXES

Other taxes include:

- stamp duty (on documents and marketable securities)
- transfer duties payable on property transactions
- motor vehicle licences
- royalty on minerals
- Customs and Excise duties
- Royalty tax
- non-resident's shareholders tax.
- withholding tax on interest
- withholding tax on services.

WITHHOLDING TAX ON SERVICES

The rate of withholding tax on services applicable to payments to non-residents for services of technical, managerial or consultative nature including director's fees and entertainment fees will be reduced from 25% to 10%. The effective date of the amendment has not yet been announced. Further relief may be available in terms of a double taxation agreement between Namibia and the country in which the service provider is resident.

ENVIRONMENTAL TAX

The introduction of the first phase of the environmental taxes which will include a carbon dioxide emission tax on motor vehicles, as well as taxes on incandescent light bulbs and motor vehicle tyres is expected in 2015.

EXPORT LEVY

An export levy on the export of unprocessed minerals and other natural resources will be introduced to promote domestic value-addition. This tax is likely to be in the form of the levy previously proposed on minerals, fish, game, crude oil and gas. The rate is expected not to exceed 2% of the value of the goods exported.

ROYALTY WITHHOLDING TAX

The royalty withholding tax rate applicable to royalties payable to non-residents will reduce to 9.6% (previously 9.9%) once the company tax rate of 32% becomes effective.

EXCISE DUTIES

Excise duty rates on certain alcohol and tobacco products increased effective from 25 February 2015.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

Allowances are available on plant and machinery. Tax relief is allowed on the cost of assets used in the trade, claimed over a three-year period (excluding finance charges on Hire Purchase or Lease).
Allowances on buildings used in the trade are 20% in the year they were taken into use, balance at 4% per annum for the next 20 years.
Allowances on buildings used for manufacturing purposes are 20% in the year they were taken into use, balance at 8% per annum for the next ten years. This is only applicable for 'registered manufacturers' and must be applied for.

DEPRECIATION

No depreciation is allowed in Namibia for tax purposes.

STOCK/INVENTORY
Stock is to be valued at the lower of cost or market price, usually FIFO method. LIFO may be applied for.

DIVIDENDS
Dividends are not taxable except if paid to foreign taxpayers. Double Taxation Agreements are applicable.

INTEREST DEDUCTIONS
Interest deductions are allowed in Namibia if they are incurred in the production of income.

LOSSES
Losses and profits generated by a taxpayer may be set off against each other. A net loss may be carried forward to utilise in future tax years.

Assessed losses incurred in a year of assessment from a trade carried on by a natural person may not be set off against other income of that person with effect from years of assessment commencing 1 March 2012.

FOREIGN SOURCED INCOME
Foreign income is not taxable in Namibia, except that deemed to be from a Namibian source.

INCENTIVES
MANUFACTURING INCENTIVES
A manufacturer may qualify for registered manufacturer status if its activities are beneficial to the economic development of Namibia by way of net employment creation, net value addition, replacement of imports or an increase in net exports. The benefits available to registered manufacturers include accelerated capital allowances in respect of industrial buildings and enhanced allowances for training costs and pension contributions.

EXPORT PROCESSING ZONES/STATUS
A registered manufacturer deriving income from the export of goods manufactured or produced by it to another country is entitled to an additional deduction of 25% of specified types of expenses.

INDIVIDUALS
Incentives for individuals include housing subsidies, study bursaries or loans and travelling allowances. Special deductions for contributions to pension and other retirement funds and tertiary education policies are available up to N$40,000 in total.

C. FOREIGN TAX RELIEF

A tax credit is available for foreign tax paid in respect of dividends, royalties and similar income which is also taxable in Namibia, subject to a maximum of the Namibian tax payable on the overseas income concerned.

D. CORPORATE GROUPS

Corporate groups are not taxed as groups in Namibia. The individual legal entities in a group are taxed.

E. RELATED PARTY TRANSACTIONS

There are no special rules in Namibia other than those contained in tax treaties.

F. WITHHOLDING TAX

Generally, a withholding tax (NRST) at 20% must be deducted from any dividend distributed by a company to a shareholder who is a non-resident and not carrying on business in Namibia. This rate may be reduced to 10% if the beneficial owner of the dividends is a company who holds directly or indirectly at least 25% of the share capital of the company paying the dividends.
The rate of tax can be reduced to 5% in terms of the provisions of a double taxation agreement between Namibia and a foreign country.
Royalty payments to non-residents are subject to a withholding tax based on the company tax rate applicable to the recipient company's year-end (currently 34% commencing on or after 1 January 2009) on 30% of the gross royalty tax payable.

The Ministry of Finance in Namibia introduced a withholding tax on interest, which will be levied on any interest earned or accrued to any person (other than a Namibian

company) from a Namibian banking institution and/or a unit trust. The 10% tax will be deducted from interest earned by any person on bank accounts and applicable unit trust investments. Namibian companies will, however, be taxed at the normal corporate tax rates applicable.

The 10% withholding tax on interest is a final tax and, as from the 28 February 2010 tax year, interest from a Namibian banking institution and/or a unit trust will no longer be included in taxable income on the tax returns of affected persons.

Although account holders are liable for the payment of the withholding tax, Section 34C of the Income Tax Act requires Namibian banking institutions and unit trust schemes to withhold and pay the tax on interest directly to Inland Revenue, within 20 days after the month in which the interest accrued or was received by the account holder.

The Ministry of Finance introduced a withholding tax on services rendered by non-residents and non-resident shareholder's tax. The effective date for the commencement of withholding tax on services i.e. Section 35A is 30 December 2011 for any resident in Namibia (resident and juristic persons) to withhold tax on payments for services rendered by non-residents.

The payment of management fees, consultancy fees, entertainment fees or directors' fees by a Namibian resident to a non-resident is subject to withholding tax at a rate of 25%. Amounts that have been subject to the 25% tax rate do not fall into the gross income of the recipient of the amount.

The Namibian resident must pay the withholding tax to the Revenue authorities within 20 days after the end of the month during which the withholding tax was deducted or withheld. Late payment of the withholding tax is subject to a penalty of 10% and interest as a rate of 20% per year.

G. EXCHANGE CONTROL

Exchange controls apply in Namibia.

H. PERSONAL TAX

Individuals are taxed under the same statute as companies, i.e. the Income Tax Act 1981, as amended. Generally, the income of a non-resident which is derived from Namibia is taxed in the same manner as that of a resident. Only income from a source within Namibia will be included in taxable income. Profits of a capital nature are not taxed.

All individuals are taxed on income at progressive marginal rates over a series of income brackets as follows: (Tax rates reduced effective 1 March 2013)

Taxable income (N$)			Rate
Up	to	50,000	0%
50,001	to	100,000	18% on amount exceeding N$50,000
100,001	to	300,000	N$ 9,000 plus 25% on amount exceeding N$100,000
300,001	to	500,000	N$59,200 plus 28% on amount exceeding N$300,000
500,001	to	799,999	N$115,200 plus 30% on amount exceeding N$500,000
800,000	to	1,500,000	N$205,000 plus 32% on amount exceeding N$800,000
		Over 1,500,000	N$429,000 plus 37% on amount exceeding N$1,500,000

The tax year runs from 1 March to 28 February.

Tax is determined by self-assessment with a final tax due for qualifying salaried taxpayers.

The due date for returns of Income is 30 June for most taxpayers although this is 30 September for others such as sole proprietors.

The collection of taxes is as follows:
- provisional taxes are to be paid in instalments after the first six months of the tax year and on the last day of the tax year
- a top-up payment is due on the tax return filing date.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The treaty withholding rates are made as follows:

	Dividends		Interest	Royalties
	Individuals/ companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Treaty countries:				
Botswana	10	10	10	10
France	15	5	10	10
Germany	15	10	0*	10
India	10	10	10	10
Malaysia	10	5	10	5
Mauritius	10	5	10	5
Romania	15	15	15	15
Russia	10	5	10	5
South Africa	15	5	10	10
Sweden	15	5	10	5/15
United Kingdom	15	5	20	5

* Taxable only in the state of residence of the recipient.

NETHERLANDS

MEMBER FIRM

City	Name	Contact Information
Amsterdam	Jan Roeland	20 654 11 37 jan.roeland@pkfwallast.nl
Delft	Ruud van der Linde	15 261 31 21 ruud.van.der.linde@pkfwallast.nl
Rotterdam	Wilbert van der Aalst	10 450 40 20 wilbert.van.der.aalst@pkfwallast.nl
Woerden	Frenk van Vliet	348 41 62 62 frenk.van.vliet@pkfwallast.nl

N

BASIC FACTS

Full name:	The Kingdom of the Netherlands
Population:	16.8 million (2013 PRB)
Capital:	Amsterdam; seat of government: the Hague
Area:	41,864 sq km (16,164 sq miles)
Major language:	Dutch
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.nl
International dialling code:	+31
Ministry of Finance website:	www.minfin.nl/english

KEY TAX POINTS

- Corporation tax is payable by residents and non-residents at progressive tax rates.
- There is no special tax rate for capital gains, but gains and losses are included in the company's general taxable income.

- Companies and individuals are subject to a municipal tax on the ownership of real estate in the Netherlands, based on market value. Purchasers of real estate in the Netherlands are liable to transfer tax.
- There is withholding tax on dividends (but not on interest or royalties), which Dutch residents can offset against their tax liabilities. For non-residents the tax is final.
- Under the participation exemption, dividends and capital gains arising on shareholdings by a Dutch parent company are free from corporate income tax.
- Under certain conditions, a parent company may form a 'fiscal unity' with 'wholly owned' (at least 95%) subsidiaries, so that all the companies are taxed as one.
- Individuals resident in The Netherlands are subject to personal income tax on their worldwide income. Foreign taxes on foreign-sourced income are normally relieved, either under double tax treaties or under Dutch unilateral rules. Non-residents are liable for personal income tax only on income derived from a limited number of Dutch domestic sources such as income received for duties performed within The Netherlands and income from Dutch real estate.
- There is a 'box' system for individuals, whereby there are three boxes for income (work and home; substantial interest in companies with limited liability; and savings and investment) each with their own tax rate.
- Gift tax and inheritance tax are payable by a person receiving a donation or the inheritance respectively. The rates are the same for both taxes and depend of the value of what is received and the degree of relationship.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Corporate tax is payable by corporations in The Netherlands (resident taxpayers) and by certain corporations not established in The Netherlands which receive income from sources in The Netherlands (non-resident taxpayers). The term corporation includes companies whose capital consists of shares, co-operatives and other legal entities which conduct business. The main types of corporations as referred to in the Corporation Tax Act are the joint stock company with limited liability (NV) and the closed company with limited liability (BV).

Whether a corporation is resident in The Netherlands depends on the facts and circumstances. Relevant factors include the location of the effective management, the head office and the place where the general meeting of shareholders is held. Under the Corporation Tax Act, all corporations incorporated under Dutch law are resident in The Netherlands but this may be overruled by a tax treaty.

The corporate income tax rates for 2013 are:

Taxable profit up to and including EUR 200,000	20%
Taxable profit above EUR 200,000	25%

Note that the different rates apply to bands of income rather than to the profit of the company as a whole. A company with a taxable profit of EUR 250,000 would be taxed at 20% on the first EUR 200,000 and 25% on EUR 50,000.

Taxpayers are obliged to file a tax return every year within five months following the end of the year concerned. An extension of this time limit may be permitted. Tax is payable within two months upon receipt of an assessment. A provisional assessment for the current year may be raised.

CAPITAL GAINS TAX

There is no special tax rate for capital gains but gains and losses are included in the company's general taxable income.

BRANCH PROFITS TAX

Dutch source income of non-resident companies is taxed at the same rates as applicable to resident companies. There is no additional branch profit tax.

SALES TAX/VALUE ADDED TAX (VAT)

Value added tax (VAT) is a general consumer tax included in the price paid by consumers for goods and services. Consumers pay this tax indirectly and VAT entrepreneurs remit it to the tax department. Based on EU Directives, the general types of taxable activities are:

- the supply of goods
- the rendering of services
- the acquisition of goods by entrepreneurs
- the importation of goods.

There are three rates of VAT:

- the standard rate as of 1 October 2012 is 21% (was 19%)

- a reduced rate of 6%, which mainly applies to food, books, newspapers and drugs
- the zero rate, which is mainly applied to goods and services involved in international trade, so that goods can be exported free of VAT.

The period to which VAT tax returns relate may be a month, a calendar quarter or a year, depending on the amount of turnover tax (VAT) to be paid. As of 2012 the quarterly VAT tax return is standard. The tax return must be submitted within a month of the end of the period to which it relates. The tax owed must also be paid within this period.

Excise Duty is levied on certain consumer goods, including petrol and other mineral oils, tobacco products, alcohol, alcoholic beverages and non-alcoholic beverages. Like VAT, excise duty is included in the price paid by consumers for these goods. The tax is remitted by the manufacturers and importers of the goods concerned.

The basic rule for the place of service for services to businesses (B2B services), in principle, is deemed to be where the customer resides or is established.
For services to consumers, the basic rule is that VAT is levied in the country in which the supplier is established.
The reverse charge mechanism is obligatory for VAT on cross-border services within the EC. EC listings for services provided intra-community must be completed.

The rules as of 2010 provide a simplified procedure for reclaiming EU VAT for business established within the EU. In principle, these claims are filed with the business' own national tax authorities.

FRINGE BENEFITS TAX (FBT)

Bonuses to employees are taxed at the normal income tax rates. Another method of rewarding employees is to give them options over shares in the company. Options are taxed on the difference between the market value and the option purchase price against normal tax rates.

LOCAL TAXES

There are several municipal taxes of which real estate tax is the most important. Companies and individuals are subject to a municipal tax on the ownership and the use of real estate in The Netherlands, based on the market value of the property. The amount of tax due varies widely among municipalities but is generally a comparatively small percentage of value or income of the property in question.
There are no local income taxes in The Netherlands.

OTHER TAXES

The Netherlands does not levy capital tax on the issued share capital of a BV and NV.
A 6% transfer tax is levied on the acquisition of real estate situated in The Netherlands and rights related to Dutch real estate. For residences, a reduced rate of 2% applies. Transfer tax is also levied on the transfer of shares in a so-called qualifying real estate company. A double asset threshold will have to be met in order to qualify as a real estate company: owning more than 50% real estate (foreign and Dutch) and at the same time owning 30% or more Dutch real estate.
Furthermore, 70% of the total real estate (Dutch and foreign) of the company has to be used in the "real estate business". Besides broadening the scope regarding qualifying companies, additional measures have been introduced to catch arrangements that would previously have escaped the transfer tax, such as by linking associated transactions.
The purchaser is liable for this tax.

B. DETERMINATION OF TAXABLE INCOME

Corporation tax is levied on the taxable amount. This is taxable profit received in a year less deductible costs and losses. The loss carry back period is restricted to one year and the loss carry forward period to nine years. Under a transitional provision, losses sustained up to 2002 may be set off against future profits up to financial years starting in 2011 (see hereinafter also under "Losses"). The taxable profit is also reduced by extra allowances such as investment allowances.

INVESTMENT ALLOWANCE

The Dutch law provides that investment in qualifying fixed assets generates a deduction from taxable profits. For the 2013 tax year, the deduction is only available in respect of qualifying investments of between EUR 2,300 and EUR 306,931. The deduction is calculated as set out in the following schedule:

	Investment	Investment allowance
-	€ 2.300	0

€ 2.300	€ 55.248	28% of the investment
€ 55.248	€ 102.311	€15.470
€ 102.311	€ 306.931	€15.470 decreased with 7.56% of the 7.56% of the portion of the investment which exceed €102.311
	€ 306.931	0

Higher investment allowances are permitted for energy investments (i.e. investments which are energy efficient).
The investment deduction does not reduce the costs of the assets for tax depreciation purposes. The investment deduction is subject to repayment if assets are disposed of within a certain period of time.

INNOVATION BOX

The innovation box is a corporate income tax incentive introduced to promote innovative technology development activities and investments in new technologies. A number of conditions must be fulfilled in order to qualify. Qualifying profits are effectively only taxed at 5% corporate income tax, instead of the general corporate income tax rate of 20-25%. Losses on innovative activities may be deducted at the normal rate of 20-25%. Qualifying income earned with intellectual property developed by a foreign company - via R&D contracting - on behalf of a Dutch company may fall within the scope of the innovation box in the event that management and supervision of the R&D activities would be performed from the Netherlands and those activities would form, qualitatively, a very substantial part of the activities.

DEPRECIATION

Depreciation of fixed assets for tax purposes is required by law. Tax depreciation on real estate is limited so that the tax written down value cannot be reduced below certain limits. In practice this will mean that depreciation of real estate used for investment purposes can not be depreciated below its value for real estate tax purposes. For real estate used in a business, the limit will be 50% of the value for real estate tax purposes.
Depreciation of purchased goodwill is extended from an average term of five years to a maximum charge of 10% per annum.
The general depreciation period of all other assets (such as cars, computers etc) is limited to a maximum charge of 20% per annum.
Certain business assets, not including business assets that are leased out, can be depreciated in an arbitrary manner.

STOCK/INVENTORY

The following stock valuation methods are permitted: valuation based on cost, valuation based on cost or market value (whichever is lower), or the base stock method. The cost of the stock can be determined by either the FIFO or the LIFO method.
Capital gains and losses
Capital gains or losses are assessed as normal corporate income and taxed accordingly. There is no special tax rate for capital gains.

DIVIDENDS

For Dutch residents, withholding tax can normally be subtracted from the total (personal or corporate) income tax to be paid. Foreign dividend withholding tax on dividends which are tax exempt under the Dutch participation exemption cannot be offset against Dutch taxes.

INTEREST DEDUCTIONS

Under present law the following is applicable.
Interest is generally deductible. However, when paid to shareholders or related parties or, in case of acquisition holdings and, in case of excessive participation interest, limitation rules may apply. Limitation on the deductibility of inter-company interest, inter alia, affects interest paid on debts arising from:

(a) dividends and capital repayments declared but unpaid
(b) dividends and capital repayments declared and paid when financed through an inter-company loan
(c) the acquisition of the shares of a company from a group company through an inter-company loan. The interest deduction is not denied if the taxpayer demonstrates either an overriding business reason for the transaction or the interest received by the Dutch or foreign creditor is subject to tax at a rate which is reasonable by Dutch standards ("compensatory tax requirement")
(d) thin capitalisation rules, but these rules have been abolished since 1 January 2013 together with the introduction of a deduction limitation for excessive participation interest (see hereinafter under f.) .
(e) Limitation on interest deduction concerning acquisition holdings
As of 1 January 2012 the following restrictions on interest deductions have been introduced: the interest paid or accrued on intra-group and third party debt

arising as a result of the acquisition of Dutch target companies that subsequently become part of a fiscal unity or that are merged with the target company is not deductible, if:

- the interest exceeds € 1,000,000; and
- in the case of "unhealthy financing". This is where the debt in the year of acquisition exceeds 60% of the acquisition price. This percentage subsequently declines by 5% over the following seven years to 25%.

We would like to point out that the aforementioned limitation on interest deductions does not restrict the deduction of interest on third party debts that were used to acquire target companies that do not form a fiscal unity with the Dutch acquisition company (also know as the "Bosal-gap", however see hereinafter under (f)). Furthermore, a grandfathering rule applies for acquisitions that resulted in a fiscal unity or a legal (de)merger with the target company that occurred before 15 November 2011.

(f) Deduction limitation for excessive participation interest
These new rules, introduced as of 1 January 2013, focus on the matching of exempt participation income and interest expenses. The new rules disallow the deduction of interest costs relating to excess debt deemed to be associated with the acquisition price of participations. The first € 750,000 of interest however is always deductible. Operational participations acquired from third parties in general will be excluded from this rule (so called "expansion participations"). However, be aware that the definition needs further clarification and that participations financed through specific, aggressive tax planning structures are also excluded from the exemption. The excess debt for purposes of this rule will be based on a mathematical rule. Dutch holding companies are likely to be effected by these new limitation rules if the following cumulative conditions are met:

(i) the accumulated amount of interest expenses and other financing expenses exceeds € 750,000 per annum; and
(ii) the holding company's average equity base for tax purposes during the year is lower then the average amount of the accumulated price of its subsidiaries; and
(iii) the holding company has acquired shares in subsidiaries or made capital investments in subsidiaries which do not qualify as a true expansion (of the group).

LOSSES

In general, losses may be offset against the taxable profits of the preceding year and carried forward for a period of nine years. For the (tax) years 2009, 2010 and 2011 the carry back period upon request will be three years. However, where the three year carry back facility has been used in respect of part of the losses of a particular period, any remaining unused losses for that period may only be carried forward for up to six years. The options for setting off losses for holding companies are limited.
Foreign source income
Object exemption of profits and losses of foreign permanent establishments (PE)

Up until 2012, foreign PE losses were deductible from the worldwide tax profits of Dutch taxpayers, while foreign PE profits were generally exempted. As of 1 January 2012 the following amendments apply:

- an object exemption for (active) foreign PEs, which removes the positive and negative results of the PE from the Dutch taxpayer's tax base and therefore aligns the taxation of foreign PEs more closely with foreign exempt participations
- a tax credit for foreign lowly taxed passive PEs this is applicable if the activities of the foreign PE consist primarily of passive investing or leasing and the profit of the foreign PE is not subject to a reasonable rate of taxation, (ie a tax rate generally of at least 10%); and
- a measure to allow the final liquidation losses of a PE from the Dutch taxable profit.

INCENTIVES

Tax incentives are offered towards the cost of education and training projects, improvements in working conditions and research projects. Tax incentives are also applicable to companies investing in specified locations or developing new ideas, processes or products.
Beneficial tax rules are applicable to investments by individuals in companies that invest in environmentally friendly projects.

PARTICIPATION EXEMPTION

If the participation exemption is available, dividends and capital gains arising in respect of shareholdings by a Dutch parent company are free from corporate income tax. Capital losses are only available under certain conditions such as upon liquidation

of the participation. Costs in relation to (foreign) participations will be tax deductible.
The participation exemption applies if:
- The taxpayer owns (generally) at least 5% of its subsidiary and
- The subsidiary is not held as portfolio investment ("portfolio investment subsidiary") or
- The subsidiary is a qualifying portfolio investment subsidiary.

A subsidiary is deemed to be a portfolio investment subsidiary if:
- The assets of the subsidiary on a consolidated basis consist of more than 50% of minor interests in other subsidiaries (less than 5%) or
- The subsidiary qualifies as a group financing subsidiary. A group financing subsidiary is one which (unless an exception applies), together with its own subsidiaries of at least 5%, generates more than 50% of its income from granting loans to the taxpayer or related entities. Putting assets at the disposal of the taxpayer or related entities is also considered as group financing.

A subsidiary is not held as a portfolio investment subsidiary if the motive test is met. If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. To meet the motive test, a participation may not be held with the intention of earning a return that is equal to what can be expected from normal asset management.

In practice, the motive test is met if the business conducted by the participation is in line with the business of the Dutch entity holding the participation. The motive test may also be met if the Dutch holding company carries out essential activities in the business of the subsidiary (like management, finance etc). The motive test will also be met by a Dutch holding company acting as an intermediary between the ultimate parent company and the operating subsidiaries.

If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. The tax test will be met if the subsidiary is subject to a 'realistic levy' by Dutch Tax standards. The asset test will be met if the taxpayer demonstrates that less than 50% of its directly and indirectly held assets consist of passive assets.

C. FOREIGN TAX RELIEF

A resident company is taxed on its worldwide income. Certain types of foreign sourced income (for instance income derived from foreign real estate) are exempt from tax, either unilaterally or pursuant to treaty provisions. The exemption is calculated as a pro rata reduction of the amounts of tax computed on worldwide income. As of 1 January 2012 new rules came into force concerning the treatment of foreign permanent establishments (see above under foreign source income).
Other types of foreign income are normally fully taxable in The Netherlands but a credit for foreign tax may be granted under various tax treaties or, unilaterally, with respect to dividends, royalties and interest derived from certain developing countries.

D. CORPORATE GROUPS

Under certain conditions, a parent company may form a 'fiscal unity' with one or more 'wholly owned' (95%) subsidiaries. For the purpose of corporation tax, this means that all the companies in the fiscal unity are taxed as one. The main conditions are as follows:
- the parent company must own at least 95% of the shares of the subsidiary (95% of the voting rights and 95% of the profit rights)
- the parent company and the subsidiaries must have the same fiscal year
- creation and dissolution of the fiscal unity can take place at any moment within the year
- a fiscal unity with a company which is established under the laws of a foreign country but having its business in The Netherlands is possible. A fiscal unity with a non-resident company carrying on a trade through a permanent establishment in The Netherlands is also possible.

The main advantages of a fiscal unity are that the losses of one company can be set against profits from another; that fixed assets can be transferred at book value from one company to another (subject to an anti-abuse provision); and that only one tax return has to be filed.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties that are not concluded at arm's length basis may be disregarded or may be adjusted appropriately. Special conditions exist for tax-free mergers between companies and for tax-free incorporation of a sole proprietorship.

F. WITHHOLDING TAX

Dividends, whether paid to resident or non-resident recipients, are subject to withholding tax at 15%. A reduced percentage may be provided by a double tax treaty. Resident shareholders can offset this withholding tax against their corporate or personal tax liabilities. For non-resident shareholders, the withholding tax is a final tax. However, foreign companies that are taxed in The Netherlands on income from shares in Dutch companies not part of their enterprise's assets (a so-called "substantial interest") can usually offset the dividend withholding tax.
Dividends paid by a Dutch company to a Dutch parent company that owns at least 5% of the paid up capital of that company are generally not subject to withholding tax. This equally applies to a dividend paid by a Dutch company to a European parent company that owns at least 5% of the nominal paid in capital or at least 5% of the voting rights if the tax treaty concluded between The Netherlands and the relevant EU state reduces tax on dividends on the basis of voting rights held and certain other conditions are satisfied.

G. EXCHANGE CONTROL

There are no exchange controls currently in force in The Netherlands.

H. PERSONAL TAX

Individuals resident in The Netherlands are subject to personal income tax on their worldwide income. Foreign taxes on foreign-sourced income are normally relieved, either under double tax treaties or under Dutch unilateral rules. Non-residents are liable for personal income tax only on income derived from a limited number of Dutch domestic sources such as income received for duties performed within The Netherlands and income from Dutch real estate.
The residence of an individual is determined by actual circumstances. One of the most relevant considerations is whether the individual has permanent personal or economic ties with The Netherlands.
Income tax is a tax on the annual income of individuals which is levied at a progressive rate. Personal circumstances are, however, taken into account and certain expenses are deductible. There is a personal allowance (by tax credits) dependent on individual circumstances.
The Netherlands has a system of personal income tax known as the 'box system' which works as follows:

- There are three boxes of income each with its own tax rate, one of which is progressive (Box 1) and two of which are fixed (Boxes 2 and 3).
- If the income in a box is negative, it cannot be offset against positive income in another box.
- There is only one exemption to this rule. In very special circumstances, losses of Box 2 can be offset against positive income of Box 1.

The boxes are:

- Box 1: Taxable income from work and home (the main residence only)
- Box 2: Taxable income from substantial interests in companies with limited liability (usually BV or NV)
- Box 3: Income from savings and investment.

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Box 1: The taxable income which will be taxed in Box 1 includes business income, income from employment or former employment (pension), income derived from certain periodic payments, income from other activities and income from a person's main home. This income is reduced by a number of deductible items which, broadly speaking, are associated with this income. An important one is the interest paid on a mortgage for a main home. The interest on mortgage loans entered into as of 2013 will only be tax deductible if the loan is fully repaid within 30 years at least on an annuity basis. However, some further changes may be made during 2013. Loans entered into before 1 January 2013 will be grandfathered.
The tax rates in Box 1 for 2013 are:

Taxable income in Euros	Under age 65	Above age 64
0–19,645	37%[1]	19.1%[3]
19,645-33,363	42%[2]	24.1%[4]
33,363-55,991	42%	42%
Over 55,991-	52%	52%

1 Comprises income tax of 5.85% and 31.15% social security contributions
2 Comprises income tax of 10.85% and 31.15% social security contributions
3 Comprises income tax of 5.85% and 13.25% social security contributions
4 Comprises income tax of 10.85% and 13.25% social security contributions

If an individual leases a property to a BV (or NV) in which he or she has a substantial interest (of 5% or more), the resulting income and capital gains on that property are

also taxed in Box 1.
One of the specific rules of the Dutch tax system is that interest paid on a mortgage to finance the main residence (only one per tax resident) is tax deductible. There are some specific rules which, in some cases, prevent full tax deductibility of the interest paid on mortgage. Other personal allowances are, for instance, pension premiums.

Box 2: The income from substantial interests is classified in this box. An individual who holds 5% or more of the shares (or profit-sharing certificates) of a private company with limited liability (BV) or a company limited by shares (NV) is considered to have a substantial interest. To determine whether an individual has a substantial interest, the shares of his partner, blood relatives or relatives by marriage are taken into consideration as well. Not only is income on the shares but also profits from the sale of such shares taxed in Box 2.
The tax rate is 25%.

Box 3: Income from savings and investments is taxed in this box and applies to both residents and non–residents. This box includes assets like investment portfolios, saving accounts and real estate (except the main residence which is classified in Box 1). Income from assets in this box is fixed at 4% of the total net value (assets minus liabilities) at 1 January of the fiscal year. This fixed income is taxed at a fixed rate of 30%, so the effective rate in Box 3 is 1.2% of the net equity (assets minus liabilities). Actual dividends, interests and rental income are not taxed separately. Withholding taxes on dividends on shares taken into account in Box 3 are credited against the total income tax due.
There are no local income taxes. A withholding tax (called 'wage tax') is levied on employment income. The rate of the wage tax equals the Box 1 personal income tax.

The 30% ruling
In The Netherlands there are special conditions for certain foreign employees who work for a Dutch employer for a maximum of eight years. They can obtain a 30% tax free allowance for extra territorial costs provided they perform activities in The Netherlands and have a special knowledge or capability which is not, or is rarely, available in The Netherlands. As of 2012 the "specific knowledge" criterion in principle is fulfilled if a minimum salary requirement is met. Some other restrictions have been introduced, such that the 30% ruling no longer applies for people living in a radius of 150 km from the Dutch borders. (At present there are court proceedings arguing that this restriction is in violation with EU law.)
Based on a resolution of 12 January 2010 of the Secretary of Finance for employees who work within a worldwide group and are sent to The Netherlands for less than 60 days over a 12 month period, no Dutch taxes are levied under certain conditions.

Inheritance tax
An inheritance and gift tax applies in the Netherlands. In general, these taxes are payable by the person receiving a donation or an inheritance. There are several exemptions for both gift tax and inheritance tax depending on the circumstances. The rates are the same for both taxes and depend on the value of what is received and the degree of the relationship. There is a minimum rate of 10% and a maximum rate of 40%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Netherlands do not levy withholding taxes on interest, royalties and rentals nor on personal services. The Netherlands only levy withholding taxes on (payments that qualify as) dividends.

	Individuals/ companies	Qualifying companies[1]	Participation portfolio requirement minimum[2]
	(%)	(%)	(%)
Non-treaty countries:		15	15
Treaty countries:			
Albania	15	0/5	50/25
Argentina	15	10	25
Armenia	15	5	10
Aruba	15	5/7.5[23]	25[23]
Australia	15	15	N/A
Austria	15	5[1]	25
Azerbaijan	10	5	[25]28
Bahrain	10	0	10

	Individuals/ companies	Qualifying companies[1]	Participation portfolio requirement minimum[2]
	(%)	(%)	(%)
Bangladesh	15	10	10
Barbados	15	0	10[29]
Belarus	15	5[4]	25
Belgium	15	5[1,5]	10
Bosnia	15	5	25
Brazil	15	15	N/A
Bulgaria	15	5	25
Canada	15	5	25/10[6]
China	10	10	N/A
Croatia	15	0[7]	10
Czech Republic	10	0	25
Denmark	15	0[1]	10
Egypt	15	0	25
Estonia	15	5	25
Germany	15	10	25[6]
Finland	15[8]	0[1]	5
France	15	5[1]	25
Georgia	15	0/5	50/10
Ghana	10	5	10
Greece	15	5[1]	25
Hong Kong	10	0	10
Hungary	15	5	25
Iceland	15	0[9]	10
India	15	15[25]	–
Indonesia	10	10	N/A
Ireland	15	0[1]	25[6]
Israel	15	5[10]	25
Italy	15	5/10[1,11]	10–50[11]
Japan	10	5	10
Jordan	15	5	10
Kazakhstan	15	0/5	50/10[26]
Korea	15	10[4]	25
Kuwait	10	0	10
Kyrgyzstan	15	15	N/A
Latvia	15	5	25
Lithuania	15	5	25
Luxembourg	15	2.5[1]	25
Macedonia	15	0	10
Malawi	–	–[22]	–
Malaysia	15	0	25[3]
Malta	15	5	25
Mexico	15	0[15]	10[3,6]
Moldova	15	5	25
Mongolia	15	0	10
Montenegro	15	5	25

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	Individuals/ companies	Qualifying companies[1]	Participation portfolio requirement minimum[2]
	(%)	(%)	(%)
Morocco	25	10[7]	25
Netherlands Antilles	15	5/7.5[27]	25
New Zealand	15	15	–
Nigeria	15	12.5	10[6]
Norway	15	0	25
Oman	10	0	10
Panama	15	0	15[30]
Pakistan	20	10	25
Philippines	15	10[5]	10
Poland	15	5	10
Portugal	10	0[1]	–
Qatar	10	0	7.5
Romania	15	0/5	25/10
Russian Federation	15	5[17]	25
Saudi Arabia	10	5	10
Serbia	15	5	25
Singapore	15	0	25[3]
Slovak Republic	10	0	25
Slovenia	15	5	10
South Africa	10	5	10
Spain	15	5[1]	25–50[19]
Sri Lanka	15	10	25
Surinam	20	7.5/15[20]	25
Sweden	15	0[1]	25
Switzerland	15[23]	0[7]	10
Taiwan	10	10	–
Thailand	25	5	25
Tunisia	20	0	10
Turkey	20	5	25
Turkmenistan	15	15	N/A
Uganda	5/15	0	50
Ukraine	15	5[16]	20/50
Uzbekistan	15	5	25
United Arab Emirates	10	5	10
United Kingdom	10/15	0[1]	10
United States	15	5/0	10/80
Venezuela	10	0	25
Vietnam	15	5/7[21]	25–50[21]
Zambia	15	5	25
Zimbabwe	20	10	25

1 Members of the European Community (EC) are covered by the Parent/Subsidiary Directive. Pursuant to this directive, Dutch company dividends paid to EC Companies are exempt from Dutch withholding tax provided the following conditions are met (from 1 January 2007 onwards):
(a) the EU parent is subject to corporate income tax in its state of residence;
(b) the EU parent owns at least 5% of the capital (or, in some cases, 5% of the voting power) in the Dutch company.
2 Unless mentioned otherwise, it must be a directly held participation.
3 Participation requirement: direct or indirect.

4 0% in case of direct participation of at least 50% with a minimum investment of EUR 250,000. 0% in case of direct participation if there is a guarantee of the Government of the home State of the mother company.
5 Portfolio – rate in case the dividend receiving company must pay corporate income tax over the received dividends.
6 Requires at least 25% of the capital or 10% of the voting power in The Netherlands company.
7 Unless the participation is held or solely kept to make use of the exemption/ reduction.
8 No withholding tax as long as Finland applies the imputation system.
9 Unless the dividend is set off against Irish profit: in that case 15%.
10 Israel levies 10% in special cases.
11 5% in case of participations of more than 50% of the voting shares held at least 12 months before the dividend decision. 10% in such participations if 10% – 50% of the voting shares are held.
12 Participation must have been held at least six months in the book year over which the dividend is paid.
13 No withholding tax in case of a participation (direct or indirect) of at least 50% under certain conditions.
14 Maltese tax on profit is reduced to 15% in case investment incentives are applicable on the dividend paying company and the Dutch participation exemption is applicable on the dividend receiving company.
15 5% in case the Dutch participation exemption is not applicable.
16 0% where Ukrainian company has a shareholding of at least 50% with a value of at least US$ 300,000. The 5% rate applies to a holding of at least 20%.
17 Investment requirement of at least EUR 75.000.
18 10% in case the dividend receiving company has to pay corporate income tax on the received dividends.
19 Participation requirement 50%, alone or together, if everyone at least holds 25%.
20 15% rate applicable where dividends not included in recipient's taxable base in Surinam.
21 5% in case of a direct, or indirect, participation of at least 50% and an investment of more then $10.000.000. 7% in case of a direct, or indirect, participation of 25% to 50%.
22 The domestic rate applies.
23 A 5% rate applies if the recipient company is subject to profits tax at the rate of at least 5.5%.
24 The 50% holding must also have a value of at least US$ 2m.
25 By virtue of a most favoured nation clause the rate is reduced to 10%.
26 The 0% rate applies if the Kazakhstan company owns directly at least 50% of the capital of the Netherlands company and the participation is at least US% 1m. The 5% rate applies if the Kazakhstan company owns at least 10% of the capital of the Netherlands company.
27 The 5% rate applies where the conditions for the 7.5% rate are met and the company receiving the dividend pays corporate income tax on it at rate of at least 5.5%.

An investment of at least Euros 200,000 is also required in the Netherlands company paying the dividend.
This provision shall only apply if a company that is a resident of the Netherlands is not charged to Netherlands company tax with respect to dividends which it receives from a company that is a resident of Barbados.
Holding company qualifies as Headquarter company or is directly or indirectly listed.

NEW ZEALAND

MEMBER FIRM

City	Name	Contact Information
Paihia	Jack Poutsma	+64 9 402 7926 jack.poutsma@pkfpl.co.za

BASIC FACTS

Full name:	New Zealand
Population:	4.4 million (2013 PRB)
Capital:	Wellington
Largest city:	Auckland
Area:	270,534 sq km (104,454 sq miles)
Major languages:	English, Maori

Major religion:	Christianity
Monetary unit:	1 New Zealand dollar ($NZ) = 100 cents
Internet domain:	.nz
International dialling code:	+64
HM Revenue and Customs website:	www.ird.govt.nz

KEY TAX POINTS

- Income tax is payable by New Zealand resident companies on income derived from all sources. Non-resident companies pay tax on income sourced in New Zealand.
- There is no comprehensive capital gains tax. However, where a capital asset is bought for the clear purposes of resale, any profits or gains are regarded as ordinary income.
- A value added tax called goods and services tax (GST) is levied on the supply of goods and services in New Zealand at a rate of 15%.
- There is a controlled foreign company (LTC) regime, a foreign investment fund (FIF) regime, and there are transfer pricing and thin capitalisation rules.
- Credits are available for the lesser of foreign tax paid or New Zealand tax payable on foreign income.
- Where there is at least 66% common ownership, revenue losses can be transferred between companies. Where there is 100% common ownership, dividends between companies can be exempt, consolidated returns can be lodged and revenue and capital items can be transferred.
- A look through company (LTC) regime exists whereby small closely held companies who elect to become an LTC may pass losses directly to shareholders.
- Withholding tax must be deducted from dividends to the extent that they are not imputed. Withholding tax is also deducted from interest. Dividends, interest and royalties paid to non-residents are subject to non-resident withholding tax (NRWT).
- Income tax is payable by resident individuals on their worldwide income. Non-resident individuals pay tax on New Zealand sourced income only.

A. TAXES PAYABLE

COMPANY TAX

Income tax is payable by New Zealand resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in New Zealand.

Resident companies are companies that are incorporated in New Zealand, or have their head office or centre of management in New Zealand, or control of the company is exercised by directors in New Zealand.

The tax year usually runs from 1 April to 31 March, although different balance dates are available in certain circumstances. Tax is payable in three instalments (referred to as ‘provisional tax’) if a company’s residual income tax (total tax less available credits) exceeds NZD 2,500 per annum.

Provisional tax is payable in three instalments on 28 August, 15 January and 7 May for 31 March balance dates. For taxpayers with a non-standard balance date, provisional tax is generally payable on the 28th day of the 5th, 9th and 13th months of the income year following the month of the balance date. Exceptions to this arise for those on July balance dates, due to public holidays and where the taxpayer has commenced business during the income year. Income tax returns must be filed with the Inland Revenue Department within four months of the balance date or by 31 March of the following year where the company is enrolled with a tax practitioner that has an extension of time arrangement.

The tax rate for companies is 28%.

PARTNERSHIPS

General partnerships are not separate legal entities. This means that they have no existence separate from the individual partners that comprise them. Limited partnerships have both separate legal status and flow through tax treatment.

TRUSTS

Taxation of trusts is based on the tax residence of the settler. In general terms, distributions to beneficiaries of resident trusts are taxed at beneficiaries’ marginal tax rates, provided that distributions are made in the income year or within a defined period after the end of the income year. In contrast, distributions made to beneficiaries

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of foreign trusts are classified as 'taxable distributions', which will be taxed at beneficiaries' marginal tax rates regardless of the distribution date. Trustee income is taxed at the flat rate of 33%.

The trust regime does not apply to unit trusts. Unit trusts are deemed to be companies and are taxed accordingly.

Foreign trusts (no resident settlor) are not taxed on foreign sourced income.

CAPITAL GAINS TAX
There is no comprehensive capital gains tax in New Zealand. However, where a capital asset is bought for the clear purpose of resale, any profits or gains will be regarded as ordinary income.

BRANCH PROFITS TAX
There is no branch profits tax in New Zealand. New Zealand branches of foreign companies are taxed on New Zealand-sourced income only at the corporate tax rate.

SALES TAX / VALUE ADDED TAX
There is no sales tax in New Zealand, although there are levies on sales of certain products such as alcohol, tobacco and fuel. A value added tax called goods and services tax (GST) is levied at 15% on the supply of goods and services in New Zealand. There are various exceptions including exported goods and services which are charged at 0%. Most land and buildings transactions are also zero rated as are the sale of businesses as a going concern between GST registered parties.

FRINGE BENEFITS TAX (FBT)
FBT is payable by employers on benefits provided to employees. The rate is up to 49.25% of the taxable value of the benefit provided.

The FBT year runs from 1 April to 31 March. FBT is payable and returns must generally be filed by the 20th day of the month following the quarters ending 30 June, 30 September, 31 December and 31 March.

KIWI SAVER
KiwiSaver is a workplace savings scheme designed to help New Zealanders save for their retirement. It is primarily aimed at employees but all New Zealand residents under the age of 65 may join a KiwiSaver scheme. All eligible employees starting a new job are automatically enrolled in a KiwiSaver scheme and must opt out if they do not want to be part of the scheme.

Employees contribute either 3%, 4% or 8% of their gross earnings.Employers are required to contribute to their employee's KiwiSaver account at the minimum of 3% of the employee's gross salary or wage.

OTHER TAXES
GIFT DUTY

The gift duty regime was abolished with effect from 1 October 2011. Prior to this, gift duty applied at graduated rates to transfers of property for less than market value, unless a specific gift duty exemption applied.

Other taxes include Customs and Excise Duty

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ESTATE DUTY
New Zealand no longer has any assets tax imposed on death.

LAND TAX
New Zealand does not impose a land tax, although local authorities impose "rates" to pay for their services.

STAMP DUTY
New Zealand does not impose stamp duty any longer.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined by ascertaining gross income less all allowable deductions.

Generally, to be deductible, expenses and losses must relate directly to the derivation of gross income. Certain expenditure is specifically non-deductible and special rules apply in respect of the categories listed below.

DEPRECIATION

Depreciation rates are set by the Inland Revenue. Application can be made for a special rate.

Straight-line or diminishing-value depreciation methods can be used for each particular asset. Assets acquired on or after 19 May 2005 and which cost less than NZD 500 can be expensed immediately. From the 2012 income year no depreciation allowance is available for buildings having a useful life of more than 50 years when first built.

RESEARCH AND DEVELOPMENT (R&D) TAX DEDUCTIONS

Taxpayers are allowed to allocate certain R&D tax deductions to tax years arising after the year in which the related expenditure is incurred. This means that deductions will not be lost if there is a shareholding change between when the expenditure is incurred and when the deduction is recognised by the taxpayer.

STOCK / INVENTORY

Trading stock is generally valued in accordance with accounting principles. Livestock is valued under specified schemes.

CAPITAL GAINS AND LOSSES

Capital gains and losses on disposal of assets are neither assessable nor deductible. The disposal of depreciable assets will involve tax adjustments where there is a loss on sale or depreciation recovered.

DIVIDENDS

Generally, dividends received by resident companies from other resident companies are taxable. Resident Withholding Tax (RWT) is deducted and payable at 33%, reduced by any imputation credits attached. Dividends can be imputed by attaching credits arising from tax paid by the company. The maximum rate at which imputation credits can be attached to dividends will be 28% of the gross dividend (cash dividend plus imputation credits).

A credit for overseas tax paid by a company is limited to the NZ tax payable (28%). Foreign dividends received by NZ companies are wholly exempt.

Tax on dividends received from entities with Portfolio Investor Entity (PIE) status are capped at 28% and are exempt income to the recipient if tax has been deducted at the correct rate.

INTEREST DEDUCTIONS

No interest deduction is allowed unless it is payable in deriving gross income or necessarily payable in carrying on a business tor the purpose of deriving gross income. Companies (except in limited circumstances) are entitled to automatic interest deductions.

Thin capitalisation rules limit the interest deduction available to New Zealand entities controlled by a single non-resident. LOSSES

Broadly, a company can carry forward net losses indefinitely provided a continuity of ownership (49% of minimum voting, dividend and capital rights) is maintained from the beginning of the year of the net loss, to the end of the year of carry forward.

INVESTMENT ALLOWANCES

There are no investment allowances in New Zealand.

CONTROLLED FOREIGN COMPANIES

New Zealand operates a controlled foreign companies' (CFC) regime to ensure that foreign-sourced income is included in the New Zealand resident's tax return.

CFCs with less than 5% attributable income (e.g. passive income such as rent, royalties, dividends and interest) or CFCs that are Australian resident and subject to Australian tax are not required to calculate CFC attributed income.

A foreign company will be regarded as a CFC where five or fewer New Zealand residents hold at least a 50% interest or have 'de facto' control.

FOREIGN INVESTMENT FUNDS

The Foreign Investment Fund regime complements the CFC regime and seeks to tax New Zealand residents on an accrual basis where the resident holds a non-controlling interest in a foreign entity.

C. FOREIGN TAX RELIEF

Credits are generally available for the lesser of the foreign tax paid or the New Zealand tax payable on the foreign income.

D. CORPORATE GROUPS

Where there is 66% (or greater) common ownership, tax losses can be transferred by New Zealand resident companies by way of subvention payments (where a profitable company makes a payment to a loss company up to the amount of that loss) or direct offset. Dividends between companies with 100% common ownership (a wholly owned group) are exempt.

Where there is 100% common ownership, consolidated tax returns can be lodged, and revenue and capital items transferred within the group.

LOOK-THROUGH COMPANY

A look-through company has separate legal personality for corporate law purposes but shareholders are taxed on the underlying profit and loss based on their proportionate share of interests held.

E. RELATED PARTY TRANSACTIONS

New Zealand has comprehensive transfer pricing and thin capitalisation rules to counter arrangements that seek to reduce the taxable income of New Zealand entities by shifting profits to related entities not resident in New Zealand.

F. WITHHOLDING TAXES

A 33% withholding tax must be deducted from dividends with a credit for imputation credits attached (refer to 'Dividends' above.) Withholding tax is also deducted from interest with limited exemptions.

Dividend, interest and royalty payments made to non-residents are subject to non-resident withholding tax (NRWT). The NRWT rate depends on whether the non-resident is a taxpayer of a country which has a double tax agreement with New Zealand. (Please refer to Section I below).

NRWT (Non-Resident Withholding Tax) payable on a fully imputed dividend paid to a non-resident is 0% if the non-resident has a 10% or more direct voting interest in the paying company; or the non-resident has less than a 10% direct voting interest in the company but the post-treaty tax rate for the dividend is less than 15%.

Non-resident shareholders with less than 10% direct voting interests in the paying company are able to receive a supplementary dividend and foreign investor tax credit with imputed dividends. The foreign investor tax credit offsets the 15% non-resident withholding tax deducted.

Withholding tax is also deductible from payments made to non-resident contractors, with exemptions available in certain circumstances.

Where interest is paid to non-associated parties resident overseas, a 2% approved issuer levy (AIL) can apply on election instead of NRWT.

G. EXCHANGE CONTROL

There are no exchange controls in New Zealand. While foreign investment into New Zealand is encouraged, sensitive assets are protected by the Overseas Investment Act 2005. Consent must be obtained from the Overseas Investments Office for the acquisition of significant business assets (exceeding NZD 100 million), sensitive land (non-urban land of more than five hectares, offshore islands, land adjacent to lakes and the foreshore, or land of conservational or historical significance) and fishing quotas.

H. PERSONAL TAX

Income tax is payable by New Zealand residents on their worldwide income. Non-resident individuals pay tax on New Zealand-sourced income only.

An individual is resident in New Zealand if personally present for more than 183 days in any 12-month period or if the individual has a 'permanent place of abode' in New Zealand. Individuals arriving to live in New Zealand may qualify for a temporary tax exemption on foreign income as a transitional resident. All foreign-sourced income will be exempt, except for employment income connected with employment performed

while resident in New Zealand and income from services. The exemption applies to the first 48 months (four years) following arrival in New Zealand. To qualify, an individual cannot have been tax-resident in New Zealand during the previous ten years.

Income tax is payable on gross income less allowable deductions. Gross income includes employment income, business income, rents, interest and dividends.

Employment income (salary/wages) has tax payments (PAYE) deducted from each salary/wage payment.

Self-employed individuals and those receiving income with no tax deducted at source pay provisional tax in three instalments based on their previous year's taxable income, with a final payment within 11 months after balance date (or 13 months after balance date where the taxpayer is enrolled with a tax practitioner).

The income tax rates for individuals are as follows:

Taxable Income (NZD)	Rate of Tax
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
70,001 and over	33%

ACCIDENT COMPENSATION (ACC) LEVIES

All employees must pay an ACC earner's levy to cover the cost of non-work related injuries. Earner's levy is charged at a flat rate which may vary for each year. For the 2015 income year, the rate of ACC earner's levy is NZD 1.45 per NZD 100 of earnings for earnings up to NZD 118,191. For employees, the levies are collected by the employer and paid to the Inland Revenue Department as part of the PAYE payments.

Employers are liable to pay a residual claims levy. Self-employed persons pay a self-employed work levy and the earner levy. The residual claims levy rate is determined by the type of activity carried on by the self-employed person.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest[1] (%)	Copyright / Royalties / Know-How payments[2] (%)
Non-resident corporations and individuals:			
Non-treaty countries:			
General	30 final	15 final	15 final
Fully imputed	15 fin[a]l3	-	-
Fully imputed non-cash	Nil final	-	-
Treaty countries:			
Austral[ia],	0/[5] 4	[1]04	5
Austria	15	10	10
Belgium	15	10	10
Cana[da]13	5/15	10	5/10
Chile	15	10/[1]55	5
China	15	10	10
Czech Republic	15	10	10
Denmark	15	10	10
Fiji	15	10	15
Finland	15	10	10
France	15	10	10
Germany	15	10	10
Hong Kong[6]	0/5/15[7]	10	5
India	15	10	10
Indonesia	15	10	15
Ireland	15	10	10

	Dividends (%)	Interest[1] (%)	Copyright / Royalties / Know-How payments[2] (%)
Italy	15	10	10
Japan13	15	10	5
Korea	15	10	10
Malaysia	15	15	15
Mexico	0/5	10	10
Netherlands	15	10	10
Norway	15	10	10
Philippines	15	10	15
Papua New Guineau[13]	15	10	10
Poland	15	10	10
Russia	15	10	10
Singapore9	5/157	10	5
South Africa	5/1510	10	10
Spain	15	10	10
Sweden	15	10	10
Switzerland	15	10	10
Taiwan	15	10	10
Thailand	15	10/157	10/157
Turkey[11]	5/15[7]	10/15[7]	10
United Arab Emirates	15	10	10
United Kingdom	15	10	10
United States12	0/5/157	10	5

NOTES:

1 Final tax in most cases unless parties are related.

2 Royalty payments for know-how or to related parties may be subject to further tax by the contracting state.

3 Refer to para F above: NRWT will be 0% if non-resident holds 10% or more direct voting interest.

4 Withholding tax on dividends reduces to 5% if an investing company has at least 10% of the voting power in the paying company.

Withholding tax is 0% for interest paid to lending or financial businesses provided the 2% approved issuer levy is paid on NZ sourced interest.

5 Reduction to withholding rates introduced retrospectively from 1 May 2010.

6 The DTA with Hong Kong came into force from 9 November 2011 with application for withholding taxes from 1 April 2012.

7 Refer to DTA for details of when lower rates apply.

8 There is no reduction under the treaty - the domestic rate applies.

9 The DTA with Singapore in force with application for withholding taxes from 1 October 2010.

10 Withholding tax on dividends reduces to 5% if the beneficial owner is a company holding at least 25% of the paying company's capital.

11 The DTA with Turkey in force from 28 July 2011, application for withholding taxes from 1 January 2012.

12 The DTA with USA in force from 12 November 2010, with application for withholding taxes from 1 January 2011.

NIGERIA

MEMBER FIRM

City	Name	Contact Information
Lagos, Abuja, Kano, Kaduna, Jos	Tajudeen Akande	+234(01)7734940; 0802 303 9317 tajudeen.akande@pkf-ng.com

BASIC FACTS

Full name:	Nigeria
Population:	173.6 million (2013 PRB)
Capital:	Abuja
Major languages:	English
Major religion:	Islam, Christianity
Monetary unit:	Naira
Internet domain:	.ng
International dialling code:	+234
HM Revenue and Customs website:	www.fmf.gov.ng

KEY TAX POINTS

- All companies operating in Nigeria outside the oil and gas sector of the economy are required to pay income and education tax. The rate is 30% of total profit for income tax and 2% of assessable profit for education tax.
- VAT is imposed on non-exempt supplies of goods and services within Nigeria as well as on goods imported. Export goods are non-taxable. The standard rate is 5%.
- Certain payments to domestic companies and individuals and non-resident companies/investors are subject to withholding tax at 5% or 10%.
- A resident person is assessable to tax on his global income, i.e. income accruing in, derived from, brought into or received in Nigeria. Non-resident persons pay tax on the portion of their income sourced in Nigeria.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

All companies operating in Nigeria outside the oil and gas sector of the economy are required to pay income and education tax. The rate is 30% of total profit for income tax and 2% of assessable profit for education tax. Total profit is profit after deducting previous year losses carried forward and capital allowances. Assessable profit is obtained prior to deducting capital allowances.

A lower income tax rate of 20% is applicable to a Nigerian company that engaged in manufacturing or agricultural production, mining of solid minerals or wholly export trade, within the first five years of operation, and where the turnover does not exceed N1 million

Resident companies pay tax on their worldwide income. Non-resident companies are taxed on the proportion of their income earned in Nigeria. Companies are deemed to be resident companies if they are registered or incorporated in Nigeria.

The fiscal year runs from 1 January to 31 December. A Company can choose any date for its accounting year-end but must file returns not later than six months after its accounting year-end. Tax can be paid in a maximum of six equal monthly instalments if a taxpayer files self-assessment and applies for payment in instalments.

Minimum tax is payable where a company has no taxable profit or the tax payable is less than the minimum tax calculated as follows:
The highest of:

- 0.5% of gross profit
- 0.5% of net assets
- 0.25% of paid up share capital
- 0.25% of turnover up to N500,000
  Plus
- 0.125% of turnover in excess of N500,000.

Exemption from Minimum tax:
A company would not be liable to minimum tax if it meets any of the following

conditions:
- It carries on agriculture trade or business
- It has at least 25% imported equity capital
- It is still within its first four calendar years in operation

PETROLEUM PROFIT TAX
Companies in the oil and gas sector together with construction and consulting companies providing services to oil companies are regulated by separate tax laws. Tax rates are different for resident companies in the upstream sector of the oil and gas industry. The rates range from 50% for some of the new production sharing contracts to 65.75% for others in the first five years, during which all pre-operation expenses are expected to be fully amortised, and 85% of their chargeable profits thereafter. The tax rate in the downstream sector is 30%.

Chargeable profit is profit of the company after deducting allowances. For offshore companies that engage in petroleum operation, 20% of their turnover is deemed profit and taxed accordingly.

Petroleum companies are required to file their returns of estimated tax within two months into a new accounting year and commence payment of the tax in 12 monthly instalments pending determination of the result of their operation at the close of the year.

Both estimated and final taxes are computed in US dollars and payment made in US dollars in accordance with returns filed.

CAPITAL GAINS TAX
Capital gains and losses are treated differently from regular business transactions of individuals, partnerships and companies in Nigeria. Gains arising from the disposal of assets are taxed at the rate of 10%. Taxable assets include land and building situated in Nigeria, as well as plant and machinery. Corporate Securities are exempted from Capital Gains Tax.

Inflation is rarely taken into account in determining capital gains. Payment of capital gains tax can be postponed if the proceeds on disposal of an asset are reinvested in acquiring similar assets.

Capital losses cannot be charged against normal trading income but can be carried forward to offset future capital gains tax from the same source.

BRANCH PROFITS TAX
There is no branch profits tax in Nigeria. Non-Nigerian companies operating branches, which are exempted from local incorporation by the Federal Government, are treated as separate entities and taxed on income earned from their activities in Nigeria.

Activities of non-Nigerian companies, which would attract tax in Nigeria and other special issues, are set out in legislation. Examples are turnkey projects, allocation of income and expenditure between the foreign company and its branch in Nigeria, transfer pricing etc.

VALUE ADDED TAX (VAT)
VAT is imposed on non-exempt supplies of goods and services within Nigeria as well as on goods imported. Export goods are non-taxable.

The standard rate is 5%. VAT is generally assessed by a taxable person who supplies taxable goods and services and payment made when filing monthly returns.

Transactions on basic food items produced within the country, books and educational materials, plant and machinery for use in Export Free Zone, agricultural equipment, and all medical and pharmaceuticals products and services, amongst others, are exempt from VAT.

OTHER TAXES
CUSTOMS AND EXCISE DUTY
Customs duties are levied on goods coming into the country at varying rates from 5% to 75% of import value at each port of entry. Excise duties paid by companies on locally manufactured goods have been abolished.

STAMP DUTIES
A number of transactions attract stamp duties. These include incorporation of companies, increase in companies authorised share capital, mortgage bonds, debenture and dealing in securities, settlement of estates and conveyance of property.

LOCAL TAXES
States in Federation (there are now 36 states) have a variety of local taxes in their areas of jurisdiction. Local taxes include motor vehicles' licence/registration; consent fees tor transfer of property in real estate; property tax; gaming/casino tax; water rates etc. Local Councils impose Land use charge on properties and several other taxes.

B. DETERMINATION OF TAXABLE INCOME

Taxable profit of a company is determined by ascertaining its income on ordinary activities and subtracting all allowable deductions based on financial results of the preceding year.

To be deductible, expenses must be of revenue nature and incurred wholly, exclusively, necessarily and reasonably for earning the income reported. Donations to certain bodies are not allowable for tax purposes.

CAPITAL ALLOWANCES / DEPRECIATION
Capital allowances are granted to companies against taxable income in lieu of the wear and tear of business assets. Rates of capital allowances are highest (95%) for expenditure on replacement plant and machinery for mining agricultural production, industrial plant and machinery, and motor vehicles used for public transportation.

In addition, investment allowances of between 10% to 15% are available to manufacturing companies in their first year of acquisition of plant and machinery. Other business assets such as factory buildings, furniture and fittings enjoy capital allowances at lower rates but generally at 50% initial and 25% annual in other cases.

STOCK / INVENTORIES
Closing stocks have to be appropriately valued at the lower of cost or net realisable value. Accepted valuation methods are first-in-first-out (FIFO) and weighted average but last-in-first-out (LIFO) valuation is not acceptable. Valuation method once adopted must be consistently followed.

CAPITAL GAINS AND LOSSES
Capital gains and losses as discussed above are excluded from regular trading operation of a company and assessed separately under different tax law.

DIVIDENDS
Dividends received by a Nigerian company from other domestic companies are excluded in the determination of taxable income to the extent that such distribution has suffered withholding tax in the hands of recipient. Dividends paid to non-resident companies and investors attract withholding tax of 10%, which is the final tax, while dividends distributed by Unit Trusts and pioneer companies during the pioneer period are tax-exempt in the hands of recipients and withholding tax is not deductible for such dividend.

INTEREST
Interest paid on loans used for business operations are allowable for tax purposes. For new business, such interest is capitalised prior to starting commercial production. Interest income received by lending institutions on loans to export oriented companies and agricultural businesses are granted tax exemptions depending on tenure and moratorium of the loans.

LOSSES
Normal business losses can be carried forward indefinitely except for insurance companies who can only carry forward losses for a maximum of four years.

Tax Incentives
Government Incentives To Industry
Nigeria's Industrial Policy document introduces a number of incentives designed to promote investment, employment, product mix and various other aspects of industry. These incentives fall within the following broad categories:
(a) Fiscal measures on taxation;
(b) Effective protection of local industries with import tariff;
(c) Export promotion of Nigerian-made products;
(d) Foreign currency facility for international trade;
(e) CIT (Exemption of Profit) Order.

Enterprises which fulfil the required criteria are free to apply for the following specific incentives:

1 Pioneer Status
100% tax-free period for five years for pioneer industries that produce products

declared as "pioneer products" under the Industrial Development (Income Tax Relief) Act.

2 Local Raw Materials Utilisation

30% tax concession for five years to industries that attain minimum local raw materials utilisation as follows:

Industrial Sector	Minimum Level
Agro	80%
Agro-allied	70%
Engineering	65%
Chemical	60%
Petro chemical	70%

3 Labour Intensive Mode of Production

There is a 15% tax concession for five years. The rate is graduated in such a way that an industry employing 1,000 persons or more will enjoy the 15% tax concession while an industry employing 100 will enjoy only 6%, while those employing 200 will enjoy 7% and so on.

4 Local Value Added

There is a 10% tax concession for five years. This applies essentially to engineering industries where some finished imported products serve as inputs. The concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.

5 In-Plant Training

There is a 2% tax concession for five years of the cost of facilities provided for training.

6 Export-Oriented Industries

There is a 10% tax concession for five years. This concession will apply to industries that export not less than 60% of their products. The emphasis here is on the encouragement of the pre-establishment stage of an export-oriented enterprise.

7 Infrastructure

20% of the cost of providing basic infrastructure such as roads, water, electricity where they do not exist is tax deductible once and for all.

8 Investment In Economically Disadvantaged Areas

There is a 100% tax holiday for seven years and additional 5% depreciation allowance over and above the initial capital depreciation.

9 Research And Development (R&D)

There is an incentive of 120% tax deductible expenses provided the research and development is carried out in Nigeria; and 140% for R&D on local raw materials.

Expenses incurred by other companies in respect of R&D are tax deductible to a company but the amount deducted must not exceed 10% of the company's total profit for that year of assessment.

10 Abolition Of Excise Duty

In order to boost local industries, stimulate trade and reduce business costs, the Government decided that all excise duties be abolished with effect from 1 January 1998 but from 1 January 1999 excise duties were re-introduced on the following specific products:

- Spirits and other spirit-based alcohol;
- Cigarettes, cigars, cheroots and cigarillos;
- Other manufactured tobacco and tobacco-manufactured substitutes.

11 Re-Investment Allowance

This incentive is granted to companies engaged in manufacturing which incurs qualifying capital expenditure for the purpose of approved expansion, etc. The incentive is in the form of a generous allowance of capital expenditure incurred by companies' for the following:

- Expansion of production capacity;
- Modernisation of production facilities;
- Diversification into related products.

This scheme is to encourage re-investment of profits at a time when such investment is declining.

12 Companies Engaged In Export Trade

With effect from 1 January 1996:
(i) Profits of any Nigerian company in respect of goods exported from Nigeria provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant and equipment and spare parts, are exempted from tax.

(ii) The profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports is tax exempt. For this purpose, the exporter must give a certificate of purchase of the input of exportable goods to the seller before the profit can be eligible for tax exemption.

13 Taxation Of Export Free Zone Enterprises

All new industrial undertakings including foreign companies and individuals operating in any Export Processing Zone in Nigeria shall be allowed a full tax holiday for three consecutive years of assessment.
Manufacturing companies can include the assembly and processing of goods for export provided the value of exported goods is not less than 75% of the total turnover during the assessment year.

14 Tax Relief to Export Oriented Enterprises

The profit or gains of 100% of export oriented undertakings established outside an export free zone shall be fully exempted from income tax for three consecutive assessment years provided that:
(i) The undertakings is 100% oriented;
(ii) The undertaking is not formed by splitting up or the reconstruction of a business already in existence;
(iii) It manufactures, produces and exports during the relevant year, and the proceeds or goods exported during the year are not less than 75% of its turnover for the year;
(iv) The undertaking is not formed by transfer of machinery or plant previously used for any purpose to the new undertaking or, where it does, the written down value does not exceed 25% of the total value of the plant and machinery;
(v) That the undertaking repatriates at least 75% of the export earnings to Nigeria and places this in the domiciliary account with a bank in Nigeria.

15 Solid Minerals

Companies engaged in the mining of solid minerals are entitled to claim initial and annual allowances as follows:
- Initial Allowance: 30%
- Annual Allowance: 20%

In addition, they are to enjoy a tax-free holiday for the first three years of operation.

16 Replacement of Industrial Plant And Machinery

Plant and machinery purchased to replace old ones are to enjoy a once and for all 95% capital allowances in the first year and the remaining 5% is to be retained as the book value until the final disposal of the asset.

In addition, an investment tax credit of 15% was granted for such replacements with effect from 1 January 1996

17 Tax Incentives For Hoteliers And Tourism Services

25% of income derived from tourism by hotels in convertible currencies will be exempted from tax with effect from 1996 provided such incomes are set aside and put in reserve fund to be utilised within five years in expansion or the construction of new hotels, conference centres and new facilities useful for tourism development.

18 Tax Incentives For Local Manufacturers

All companies engaged wholly in the fabrication of tools, spare parts and simple machinery for local consumption and export are to enjoy 25% Investment tax credit on their qualifying capital expenditure. Any taxpayer who purchases locally manufactured plant and machinery and equipment is similarly entitled to 15% investment tax credit on such fixed assets bought for business use.

19 Employment Tax Relief (Etr)

This is an income tax relief on the employment of persons that do not possess any previous work experience within three years of graduating from school or any vocation. To qualify for this, a company must have a minimum net employment of 10 employees in an assessment year of which 60% must be a new graduates who must have no previous work experience within three years of graduating.

'Net Employment' is defined as "the difference between incoming and outgoing employees of the company within the assessment period."

The relief to be enjoyed is 5% of the company's assessable profit and shall be limited to the gross salary of the qualifying employees.

It should also be noted that, in line with the order, the tax exemption (relief) shall only be utilised in the year of assessment in which the employees were first employed and any unabsorbed deduction shall not be carried forward to another assessment period.

20 Work Experience Acquisition Program Relief (Weapr)
This is a relief on the employment and retention of experienced employees.

The basic criterion is that a company must have a minimum net employment of five new experienced employees and retain such employees for a minimum of two years from the year of assessment when the employees were first employed.

The company shall enjoy an exemption from income tax of 5% of its assessable profits in the assessment period in which the company qualifies.

The tax exemption (relief) shall only be utilised in the year of assessment in which the company qualifies and any unabsorbed deduction shall not be carried forward to another assessment period.

21 Infrastructure Tax Relief (Itr)
The Exemption Order also stipulates that, where a company incurs expenditure on infrastructure or facilities of a public nature, 30% of the cost of the infrastructure or facilities will be granted as an exemption from income tax in the assessment period in which the infrastructure or facilities were provided.

The infrastructure or facilities, according to the Order include:
- Power (electricity);
- Roads and bridges;
- Water;
- Health, education and sporting facilities; and,
- Such other infrastructure or facilities as may be determined by Order Issued from time to time by the Minister of Finance.

Before a company can qualify for ITR, the infrastructure or facilities must have been completed and in use by the company and the public.

The exemption shall be enjoyed in the assessment period in which the infrastructure or facilities was provided and may only be carried forward for a maximum period of two assessment periods following the period in which it first became available.

The incentives set out in this section are in no way exhaustive and neither are the quantum nor percentage of relief mentioned fixed for all time. There is the need therefore to ascertain the current operative figures at the time of making investments.

C. CORPORATE GROUPS

There are no provisions for consolidation of accounts for group taxation in Nigeria.

D. RELATED PARTY AND ARTIFICIAL TRANSACTIONS

Related party transactions are required by the tax laws to be disclosed separately and the tax officials are given power to determine whether the transactions are at arm's length and the adjustment to be made to the liability. When a disposition is not, in fact, given effect to and the transaction is artificial or fictitious, the transaction may be set aside by the Revenue.

The Tax authority in March 2012 published transfer pricing (TP) guidelines on "connected taxable person" which include various categories of entities; individuals, companies, partnerships, joint ventures, trusts or associations. This regulation shall apply to transactions between connected persons within and outside Nigeria carried on in a manner consistent with the arm's length principle and includes:
(i) Transactions between a permanent establishment (PE) and its head office or other related branches. Branches are treated as separate entities;
(ii) Sales and purchase of goods and services;
(iii) Sales, purchase or lease of tangible assets;
(iv) Transfer, purchase or use of intangible assets;
(v) Provision of services;
(vi) Lending or borrowing of money;
(vii) Manufacturing arrangement;
(viii) Any other transaction which may affect profit and loss or any matter incidental to the foregoing.

For each tax year, a connected taxable person shall, without notice or demand, make a disclosure in the prescribed form (through a TP disclosure form) with details of transactions that are subject to this regulation. The TP disclosure form and other necessary document shall be filed along with the connected persons annual income tax returns for each tax year.

E. EXCHANGE CONTROL

Exchange control regulations have been abolished in Nigeria. Under the new foreign exchange and investment promotion laws, a foreign investor is guaranteed unconditional transferability of funds through an authorised dealer in freely convertible currencies in respect of:

- Dividends or profit (net of taxes) attributable to the investment;
- Payment in respect of loan serving where foreign loan has been obtained;
- The remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.

Authorised dealers of foreign currencies need to notify the Central Bank of Nigeria of any cash transfer to or from a foreign country of any sum in excess of USD 10,000.

A tax clearance certificate must, however, be obtained by anyone wishing to remit dividend and interest funds outside the country.

F. WITHHOLDING TAXES

Certain payments to domestic companies and individuals and non-resident companies and investors are subject to withholding tax at the following rates:

	Corporate Bodies (%)	Individual (%)
Dividends	10	10
Royalties	10	10
Interest	10	10
Director Fees	10	10
Rent (including hire of equipment)	10	10
All aspect of building construction and related activities	5	5
All aspect of contract activities or agency arrangements including contract for supply (excluding survey, design and deliveries which remain at 5%)	2.5 (Previously 5%)	2.5 (Previously 5%)
Management services	10	5
Consultancy and professional fees	10	5
Technical services	10	5
Commission	10	5

Withholding tax paid by a resident person and companies in Nigeria is payment on account of tax and can be used to offset part of personal and companies' income tax except in the case of dividend and interest (franked investment income) where withholding tax becomes a final tax. Withholding tax paid by non-resident individuals and companies is a final tax.

G. PERSONAL TAX

While the above outline applies mainly to companies, different tax rules and principles apply to individuals in employment, sole traders, partners in a partnership and trustees as outlined below.

The concept of residence determines the extent to which the income of taxpayer is liable to Nigerian tax. A resident person is assessable to tax on his global income, i.e. income accruing in, derived from, brought into or received in Nigeria. An individual is regarded as resident in Nigeria in an assessment year if he/she:

(i) Is domiciled in Nigeria;
(ii) Sojourns in Nigeria for a period or periods in all amounting to 183 days or more in a 12 month period; or,
(iii) Serves as a diplomat or diplomatic agent of Nigeria in a country other than Nigeria.

The profit of a trade, profession or vocation is liable to tax in Nigeria regardless of the period such a trade, profession or vocation has been carried on. Income from

employment, however, is liable to tax when a person becomes resident.

Non-resident persons pay tax on the portion of their income sourced in Nigeria. They become liable to tax from the day they begin to carry on a trade, business, profession or vocation in Nigeria. Double taxation treaties have been concluded with a number of countries and double taxation relief applies to such income.

The pay-as-you-earn system of collection is in operation.

There are a number of allowances against total income.

INCOME TAX TABLE

(1) Relief shall be granted thus:
- Higher of 1% of gross income;
- Or a consolidated relief allowance on income at a flat rate of NGN 200,000; plus 20% of gross income.

(2) Tax Exempt Income;
The following deductions are tax exempt:
(a) National Housing Fund Contribution;
(b) National Health Insurance Scheme;
(c) Life Assurance Premium;
(d) National Pension Scheme;
(e) Gratuities.

(3) After the relief allowance and exceptions had been granted in, accordance with paragraphs 1 and 2 of the Schedule to the New Personal Income Tax (Amendment) Act 2011, the balance of income shall be taxed as specified in the following tax table, subject to a minimum of 1% of gross income whichever is higher.
- First NGN 300,000 @ 7%;
- Next NGN 300,000 @ 11%;
- Next NGN 500,000 @ 15%;
- Next NGN 500,000 @ 19%;
- Next NGN 1,600,000 @ 21%;
- Above NGN 3,200,000 @ 24%.

Note:
- Gross emolument is defined to include benefits in kind, gratuities superannuation and any other incomes derived solely by reason of employment.
- Principal place of residence to include places where branch offices and operational site of companies are situated.
- Operational sites are defined in the bill to include oil terminals, oil platforms, flow stations, construction sites, etc. with a minimum of 50 workers.
- Full tax exemption to be granted on interest from bonds issued by Federal, State and Local Governments and their Agencies, corporate entities and interest earned on short term securities.
- Interest for default in tax remittance to be charged at the prevailing minimum re-discount rate of the Central Bank of Nigeria on an annual basis.
- Individual tax clearance certificates (TCC) to be required for change of ownership of vehicles and application for land title transfer or perfection.
- Due date for filing employee tax returns to be 31 January.
- Stiffer criminal penalties for non-compliance. The penalty for late filing by corporate bodies is NGN 500,000 and NGN 50,000 for individuals.
- Tax officers to apply for a warrant from the High Court before levying any distress on a taxpayer.
- “Itinerant worker” includes an individual irrespective of his status who works at any time in any state during a year of assessment (other than as a member of the armed forces) for wages, salaries or livelihood by working in more than one state for a minimum of 20 days in at least three months of every assessment year. The relevant tax authorities are empowered to collect taxes from itinerant worker.

SOCIAL SECURITY

Nigeria operates a national contributory pension scheme. The required rate to be contributed by the employer has been increased to a minimum of 10% (previously 7.5%) of the employee’s monthly emoluments. While the required rate to be contributed by employee increased to a minimum of 8% (previously 7.5%) of his/her monthly emoluments.

H. TREATY AND NON TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	10	10	10
Treaty Countries	7.5%	7.5%	7.5%

Presently, Nigeria has concluded a tax treaty with the following countries:

1. Belgium	7. Canada
2. China	8. Czech and Slovakia Republic
3. France	9. Netherlands
4. Pakistan	10. Romania
5. United Kingdom	11. South Africa
6. Philippines	

NORWAY

MEMBER FIRM

Please email Oliver Grosse-Brauckmann, PKFI EMEI Regional Director at oliver.grosse-brauckmann@pkf.com for further information.

BASIC FACTS

Full name:	Kingdom of Norway
Population:	5.0 million (2013 PRB)
Capital:	Oslo
Area:	323,759 sq km (125,004 sq miles)
Major language:	Norwegian
Major religion:	Christianity
Monetary unit:	1 Norwegian krone = 100 ore
Internet domain:	.no
International dialling code:	+47
Ministry of Finance website:	www.regjeringen.no

KEY TAX POINTS

- Company tax is payable by Norwegian resident companies on income from all sources. Non-resident companies pay tax on income sourced in Norway.
- There is no separate capital gains tax. Capital gains are treated as ordinary income and capital losses are treated in the same way as trading losses.
- A credit is available for overseas tax payable against Norwegian tax on the same income. Foreign tax on business income may be deducted as an alternative to taking a tax credit.
- Group companies cannot file consolidated tax returns. Where there is more than 90% common ownership, income can be transferred between resident companies as a means of off-setting profits with losses within the group.
- The arm's length principle generally applies to transactions between related parties.
- Withholding tax must be deducted from dividends paid to non-residents, although there is no withholding on dividends paid to corporate shareholders resident in and performing real economic activities in the EEA. Interest and royalties are not subject to withholding tax.
- Income tax in payable by residents on income derived from all sources. Non-residents only pay tax on Norwegian-sourced income.

A. TAXES PAYABLE

COMPANY TAX

Company tax is payable by Norwegian resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income

sourced in Norway.

A company is treated as resident if its central management and control or head office is located in Norway and, for all practical purposes, a company registered in Norway is also considered a resident.

The company tax rate on income is 27%. The tax year is usually the calendar year, although this can be deviated from in certain circumstances, such as to align with non-Norwegian parent company's financial year. The tax year follows the financial year. Tax is payable in four instalments. A preliminary assessment is issued after the end of the tax year corresponding to the accrued taxes not yet assessed. This tax is due in two instalments on 15 February and 15 April. The balance after the final tax assessment is payable in two instalments three and eight weeks after the final tax assessment is made, but not earlier than 20 August. Company tax returns must be filed by the end of March for the preceding tax year (this is extended to the end of May for electronically filed returns). It is possible to get an agreed postponement.

CAPITAL GAINS TAX
There is no separate capital gains tax. Capital gains are treated as ordinary income and capital losses are treated in the same way as trading losses. However, gains on the disposal of shares of resident companies are exempt from tax (and losses on such disposals are not deductible). 3% of dividends received from companies that are tax residents in EEU is taxed as ordinary income unless the receiving part holds more than 90% of the shares and voting power in the company paying the dividend.

BRANCH PROFITS TAX
There is no separate branch profits tax in Norway. Non-resident companies carrying on a business in Norway are taxed on the profits of that business in the same way as resident companies.

SALES TAX/VALUE ADDED TAX (VAT)
VAT is levied on the sale of most merchandise and services and on imported goods and services. The VAT rate is 25% (15% on food, 8% on passenger transport, broadcasting, cinema tickets, sports events, leisure parks and experience centre tickets and letting of rooms in hotels, motels and tourist cabins etc). Some goods are exempt but VAT on the purchase of materials and goods is still deductible for these businesses. This also applies to exports, newspapers, certain periodicals and international transportation. Other areas are exempt without any credit for input tax. This is the case for health services and financial services.

FRINGE BENEFITS TAX (FBT)
Both residents and non-residents are taxed on fringe benefits. The value of the benefits is taxed as the top slice of employment income. The highest marginal tax rate is 47.2%.

SOCIAL SECURITY CONTRIBUTIONS
Employers are liable to pay social security contributions relating to salaries and benefits paid to their employees. The fee levied is 14.1% in Central areas. Lower rates are available for certain employees in areas in the North of Norway.
Social security tax is payable at a rate from 5.1% to 11.4% for individuals, see paragraph H. Personal tax – Other taxation below.

LOCAL TAXES
Property taxes in some urban areas are levied at a maximum 0.7% of the tax value of the property.

OTHER TAXES
Real estate transactions are subject to 2.5% stamp duty.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, losses and expenses must relate to producing the assessable income. Some items such as entertainment expenses and gifts are specifically non-deductible. Only realised expenses are deductible. Special rules apply to the categories listed below.

DEPRECIATION
Book depreciation is not allowable for tax purposes. Assets with an expected life of more than three years and costing more than NOK15,000 should be depreciated on a declining-balance method using the following maximum rates:

	Rate (%)
Office machinery	30
Purchased Goodwill	20
Trucks, trailers, buses, taxis and vehicles for disabled persons	20 (22)[1]
Cars, agricultural tractors, machinery, tools, instruments etc.	20 (30)[2]
Ships, drilling platforms, vessels, etc.	14
Aeroplanes	12
Power stations, power lines	5
Industrial buildings, hotels, restaurants	4[3]
Office buildings	2
Technical installations in buildings	10
1 First-year additional 10% depreciation allowed from 2014	
2 Buildings and installations with an economic life less than 20 years, 10%. Buildings for farm animals, 6%	

NOTES:

1 Trucks, trailers, buses: 22% from 2015
2 First-year additional 10% depreciation
3 Buildings and installations with an economic life less than 20 years, 10%. Buildings for farm animals, 6%

STOCK/INVENTORY

All trading stock held at the beginning of the tax year and at the end of the tax year must be taken into account when determining taxable income. Stock is valued at cost without regard to real value. Work in progress and finished products are valued at direct variable cost of materials and labour. Real value is not taken into account. Accepted valuation method is FIFO not average cost or LIFO.

CAPITAL GAINS AND LOSSES

See text above.

DIVIDENDS

Dividends are not deductible for income tax purposes for the dividend paying company. Dividends received from other Norwegian companies are tax-exempt under the participation exemption. However, 3% of the dividend is added to the recipient's taxable income unless it holds more than 90% of the shares and voting power in the company paying the dividend.

INTEREST DEDUCTIONS

All interest costs on business debt are deductible. As from 2014, there is a 'thin capitalisation' limitation applicable for companies that has net interest expense (interest expense less interest income from both external and from related parties) above NOK 5 million. Net interest expense exceeding 30% of taxable EBITDA is non-deductible to the extent there is related-party interest expenses. Interest on debt guaranteed by a related party is in this context regarded as related-party interest expense. Non-deductible interest expense after this rule can be carried forward for 10 years. There is no carry-forward of unused allowable interest expense.

Additional rules apply in oil and gas production.

LOSSES

Losses may be carried forward. Losses may generally not be carried back but, when a company liquidates, the losses of the year of liquidation may be offset against profits of the two preceding years.

There are certain limitations on the usage of losses carried forward after sale or merger of a company and after a company has ceased operating a line of business.

FOREIGN SOURCED INCOME

Norway has rules designed to ensure that profits sourced in low tax countries are included in the controlling Norwegian company's taxable income. Generally, income from a foreign company will be included if 50% or more of the company is owned or controlled by Norwegians. A low tax jurisdiction applies where the tax payable is less than two-thirds of the tax that would have been payable in Norway.

INCENTIVES

Generally, there are no special incentives, although research and development credits

are granted to small and medium sized companies under qualifying circumstances.

C. FOREIGN TAX RELIEF

Deductions are available for foreign tax paid or, as an alternative, a credit may be available against Norwegian tax payable on that income.

D. CORPORATE GROUPS

Group companies cannot file consolidated tax returns. Under special circumstances, taxable income can be transferred between companies residing in Norway. The requirement is that there is more than 90% common ownership of the companies.

E. RELATED PARTY TRANSACTIONS

Transfer pricing should be based on an arm's length principle. Norwegian tax law gives the tax authorities the power to raise assessments if transactions between the taxpayer and associated companies are not based on an arm's length principle.

F. WITHHOLDING TAX

Withholding taxes must be deducted from dividends paid to non-residents at a rate of 25%, although there is no withholding on dividends paid to corporate shareholders resident in and performing real economic activities in the EEA. Interest payments and royalties are not subject to withholding taxes. See paragraph I below for applicable withholding tax rates.

G. EXCHANGE CONTROLS

Most exchange controls were phased out in 1990. However, all imports of capital in cash exceeding NOK 25,000 should be reported to the Bank of Norway. Other transfers of capital need not be reported.

H. PERSONAL TAX

Income tax is payable by Norwegian residents on income derived from all sources world-wide. Non-residents are only required to pay tax on Norwegian-sourced income. Residency is determined by domicile or where the individual has spent, or intends to spend, more than six months of the tax year.

Under almost all Norwegian tax treaties, foreign-earned income is exempt from Norwegian tax. Where there is no treaty, credit for foreign taxes is given up to the amount of Norwegian tax on foreign income.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, certain capital gains, rent and interest income. Some expenses incurred in earning the assessable income are deductible. Some actual expenses can be replaced by standard deductions.

The general combined rate of the national and municipal income taxes is 27%. A lower rate of 23.5% applies for the counties of Finnmark and Nord-Troms. A personal allowance of NOK 74,250 is available to jointly assessed married couples and for single persons with dependents. The allowance for single persons without dependents and married persons assessed separately is NOK 50,400.

OTHER TAXATION

All income from capital is taxable at 27%. However, the value of dividends chargeable to tax is reduced by an amount representative of a risk-free return on the invested capital. The rate was 1.2% for the 2014 tax year. The rate is published in January in the year following the tax year.

An additional progressive national income tax is payable on "gross personal income" (which includes gross income from employment or self-employment, including pensions).

With effect from 1 January 2015 the rates of the national income tax are:

Taxable income (NOK)	Rate (%)
Classes 1 and 2:	
0 – 550,550	0
550,550 – 885,600	9

Taxable income (NOK)	Rate (%)
From 885,600	12

In addition, social security taxes are paid. Employees pay 8.2% of gross salary income. For self-employed individuals the rate is 11.4%. For persons below the age of 17 years, or above the age of 69 years, the rate is 5.1%.

Wealth tax is charged on the net tax value of assets above NOK 1,200,000 at a rate of 0.85%.

Property transferred by gift or on death after 31 December 2013 is no longer subject to inheritance tax. Gifts or inheritance after deaths before 1 January 2014 is taxable at rates varying from 6% to 15%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES ON DIVIDENDS FROM NORWAY

	Ordinary rates	Parent/ subsidiary[1]	Parent/subsidiary rate requirements
Non-tax treaty countries:	25	25	
Treaty countries:			
Albania	15	5	
Argentina	15	10	
Australia	15	15	
Austria	15	0	
Azerbaijan Republic	15	10	30% capital participation and an investment of at least $ 100,000
Bangladesh	15	10	10% capital participation
Barbados	15	5	10% capital participation
Belgium	15	5	
Benin	20	20	
Brazil	25	25	Domestic rate applies
Bulgaria	15	15	
Canada	15	5	10% voting power
Chile	15	5	25% voting power
China	15	15	
Croatia	15	15	
Cyprus	5	0	50% voting power
Czech Republic	15	0	10% capital
Denmark	15	0	10% capital
Egypt	15	15	
Estonia	15	5	
Faroe Islands	15	0	10% capital
Finland	15	0	10% capital
France	15	0/5	25% capital/10% capital
Gambia	15	5	
Georgia	10	5	10% capital
Germany	15	0	
Greece	20	20	
Greenland	15	5	10% capital
Hungary	10	10	
Iceland	15	0	10% capital
India	10	10	
Indonesia	15	15	
Israel	15	5	50% voting power

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	Ordinary rates	Parent/ subsidiary[1]	Parent/subsidiary rate requirements
Italy	15	15	
Ivory Coast	15	15	
Jamaica	15	15	
Japan	15	5	
Kazakhstan	15	5	10% capital
Kenya	25	15	10% capital
Korea	15	15	
Latvia	15	5	
Lithuania	15	5	
Luxembourg	15	5	Not Luxembourg except holding companies
Macedonia	15	10	
Malawi	5	0	50% voting power
Malaysia	0	0	
Malta	15	15	
Mexico	15	0	
Morocco	15	15	
Nepal	15	5/10	At least 25%/10% of the share capital
Netherlands	15	0	
Netherlands Antilles	15	5	
New Zealand	15	15	
Pakistan	15	15	
Philippines	25	15	10% voting power
Poland	15	0	Company holding 10% of the capital for at least 2 years
Portugal	15	10	
Qatar	15	5	Company holding 10% of the capital
Romania	10	10	
Russia	10	10	
Senegal	16	16	
Sierra Leone	5	0	50% voting power
Singapore	15	5	
Slovak Republic	15	5	
Slovenia	15	0	Company holding 15% of the capital
South Africa	15	5	25% capital participation
Spain	15	10	
Sri Lanka	15	15	
Sweden	15	0	10% capital
Switzerland	15	0	10% capital
Tanzania	20	20	
Thailand	15	10	10% capital
Trinidad and Tobago	20	10	
Tunisia	20	20	
Turkey	15	5	20% capital (if dividend is exempt from tax for the recipient in its state of residence) or if derived by the Norwegian Government pension fund

	Ordinary rates	Parent/ subsidiary[1]	Parent/subsidiary rate requirements
Uganda	15	10	
Ukraine	15	5	
United Kingdom	15	5	10% voting power
United States	15	15	
Venezuela	10	5	10% capital participation
Vietnam	15	5/10	At least 70%/25% of the share capital
Zambia	15	15	
Zimbabwe	20	15	

1 Unless otherwise indicated, the reduced treaty rates given in this column apply if the recipient company owns at least 25% of the capital in the Norwegian company.

The rate for Non-tax treaty countries should be used if the shareholder has not provided proof for tax-residency in a tax-treaty country. This means, in general, that the reduced rates cannot be used if the shares are held in nominee accounts.

A shareholder in a tax treaty country who has been deducted the 25%, may apply for a refund of the excess taxes withheld.

OMAN

MEMBER FIRM

City	Name	Contact Information
Muscat	Percy R. Bhaya	+968-24563195 muscat@pkfoman.com prbhaya@pkfoman.com

BASIC FACTS

Full name:	Sultanate of Oman
Population:	4.0 million (2013 PRB)
Capital:	Muscat
Major languages:	Arabic, English
Major religion:	Islam
Monetary unit:	Omani rial (OMR)
Internet domain:	.om
International dialling code:	+968
Customs website:	www.rop.gov.om/english/dg_customs.asp

KEY TAX POINTS

- A five-year tax holiday is available to companies carrying out certain specified activities.
- Capital gains are generally taxed as ordinary corporate income, although profits/ losses on the sale of securities listed on the Muscat Securities Market are not taxable/deductible.
- Branches in Oman of foreign companies are subject to tax on their profits. Allowance for allocated head office expenditure is on a restricted basis.
- Withholding taxes apply at a rate of 10% to foreign companies with no permanent establishment in Oman receiving certain types of payments including royalties, management fees, research and development, use or right to use computer software.
- There is no personal income or wealth tax in Oman.

A. TAXES PAYABLE

Under the Income Tax Law No. 28/2009 that became effective on 1 January 2010, Oman has adopted a global tax system whereby a company in Oman is taxed on its entire income, wherever earned in the world, subject to provisions in Oman tax law and Double tax treaties to avoid international double taxation.

EXECUTIVE REGULATIONS TO THE INCOME TAX LAW

Ministerial Decision (MD) No.30/2012 introduced the Executive Regulation (ER) to the new Income Tax Law which came into force the day after publication, on 29 January

2012. The ER provides the detailed rules which apply to the tax treatment of certain income and expense items and notably introduced thin capitalisation rules and 18 different forms to be completed for tax purposes.

FEDERAL TAXES AND LEVIES

COMPANY TAX

Under the Income Tax Law, income-tax rate applicable to any business establishment, Omani company or permanent establishment (i.e. foreign branch), for any tax year ending after 31 December 2009 would be as under:

Taxable / Assessed Income	Tax Rate
Up to OMR 30,000/-	Tax Free
Over OMR 30,000/-	Flat rate of 12%

PEROLEUM COMPANIES

The rate of tax for tax payers engaged in petroleum exploration shall be 55% of the taxable income in respect of any income derived from the sale of petroleum.

TAX EXEMPTIONS

SHIPPING ACTIVITIES

Income accruing to an Omani company/establishment from carrying on its activity in the field of shipping shall be exempt from tax. Further, the income from the shipping I air transport activities accruing to a foreign company in Oman shall be exempt from tax, provided similar treatment is accorded on reciprocal basis in the foreign country in which the foreign company is incorporated or where its effective management and controls are exercised.

INVESTMENT FUNDS

Income accruing to investment fund set up in Oman under Capital Market Law or to investment fund set up outside Oman to deal in Omani securities listed in Muscat Securities Market (MSM) shall be exempt from tax.

PRIORITY SECTOR ACTIVITIES

Income accruing to Omani companies / establishments from the following specified activities carried on as their main business (except management contract and project execution contracts) shall be exempt from taxation in Oman.

(1) Industry in accordance with the Law of Organising and Encouraging Industry and Mining;
(2) Mining in accordance with the Law of Mining;
(3) The export of locally manufactured or processed products;
(4) The operation of hotels and tourist villages;
(5) Farming and processing of farm products, including animals and the processing or manufacturing of animal products and the agricultural industries;
(6) Fishing and fish processing, farming and breeding;
(7) University education, college or higher institutes, private schools, nurseries or training colleges and institutes;
(8) Medical care by establishing private hospitals.

The exemption provided under this Article shall be for a period of five years beginning from the date of production or of the business, as applicable based on application made by tax assessee which is required to be approved by Ministry of Commerce & Industry and Secretary General of Taxation. Such tax exemption may be renewed for a further period not exceeding five years provided various criteria on exports, net profit earned by the company during exemption period vis a vis registered capital of the company, Omanisation (employment of Omani nationals), investment in fixed assets, etc., are fulfilled and the renewal is approved by the Minister in accordance with the regulations issued by the Financial Affairs and Energy Resources Council.

TAX YEAR

The tax year is the calendar year although a special permit can be obtained from the Ministry of Finance for a different fiscal / accounting period.

PROVISIONAL AND ANNUAL RETURNS OF INCOME

Provisional tax is to be paid and provisional return of income is to be filed within three months of the end of the accounting period.

Annual return and annual tax settlement is due at the end of six months following the close of accounting period. The same should be filed along with the audited financial statements prepared in accordance with International Accounting Standards (IAS).

CAPITAL GAINS TAX

Capital gains are normally regarded as part of ordinary corporate income and the total income is taxed at the aforesaid applicable corporate income tax rates. Capital gains realized from sale of shares and securities listed in Muscat Securities Market (MSM) are exempted from income tax. Similarly, capital losses on sale of securities listed in MSM is not allowed as a deductible expense. Other than capital gains or losses are generally considered as income or deductions in the computation of taxable income of the company.

BRANCH PROFITS TAX

Branches of foreign companies are taxed in Oman at corporate income tax rates. Allowance for allocated head office expenditure is on restricted basis.

OTHER TAXES

Municipal taxes and other taxes charged are as follows:

	Rate
Hotel income	5%
Annual rental of leased premises	3%
Leisure and cinema income	10%
Tax on home owners using the drainage system	10%
Electricity bills in excess of OMR 50/-	2%
Hotels and restaurant bills	5%

VOCATIONAL TRAINING LEVY

Ministerial Decision 84/98 specifies the vocational training levy on employers at Private Sector at OMR 100/- annually per expatriate employee.

SOCIAL SECURITY PREMIUM

Employers are required to pay a social security premium equal to 18.5% of the gross salaries of its Omani employees. Of this amount, 7% is recoverable from the Omani employees.

CUSTOMS DUTIES

From 1 January 2003, a Common Customs Union has existed for the six Gulf Co-operation Council States ("GCC") namely, Saudi Arabia, Kuwait, Bahrain, Qatar, UAE and Oman.

A uniform Customs tariff of 5% is imposed on the importation of goods into a GCC State, payable at the first point on entry into the GCC. Goods can then move freely within the GCC subject to proper documentation being available.

Customs duties are levied on certain categories of imported goods. The rates range from 5% to 100%.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is computed in accordance with the generally accepted accounting principles/IFRS applied on a consistent and regular basis. The accrual basis is generally to be used although, in special cases, the Director of Income Tax may approve cash basis of accounting.

As a basic rule, all expenses which are incurred wholly and exclusively for the purposes of business and are incurred to generate the gross income of the establishment are allowed to be deducted provided they are reasonable considering value of services received. Any expense or cost incurred to generate income which is exempted from income tax will not be allowed as a deductible expense.

Remuneration to working partners and owners is allowed on restricted basis.

Certain charges have been specified as not deductible and certain charges have been restricted to specific amounts by the tax law.

TAX DEPRECIATION
BUILDINGS AND CIVIL WORKS

(a) Depreciation shall be allowed for any accounting period on capital expenditure incurred in the acquisition of any building used for the purposes of the business during that period. The amount allowed to be deducted shall be determined in accordance with the following percentages:
    (1) 4% annually for depreciation of buildings constructed with selected materials.

(2) 10% annually for depreciation of quays, jetties, pipelines, roads and railways.
(3) 15% annually for depreciation of buildings constructed with other than the selected materials mentioned above, or prefabricated buildings.
(4) 100% annually for depreciation of buildings used as hospitals or educational institutions. Taxpayer in this case may choose the rate in this Clause, or the rates in the foregoing Clauses (1) and (3).

(b) The percentages of depreciation mentioned in Clauses (1), (2) and (3) of the foregoing para shall be doubled if buildings are used for industrial purposes. These purposes shall not include the use of buildings for the purposes of storage, office, accommodation for workers or for other commercial purposes.

(c) Depreciation shall be allowed for any accounting period at the rate of 15% annually on capital expenditure incurred on the acquisition of any ship or aircraft used for business purposes during that period.

PLANT AND MACHINERY, FURNITURE I FIXTURE AND OTHER ASSETS

(a) Machinery and plant shall be allocated to pools with annual rates of depreciation specified for them as follows:
(1) 33% annually for the first pool, comprising:
Tractors, cranes and other heavy machinery and plant similar in nature and use, computers, vehicles and self-propelling machines, fixtures, fittings, and furniture. It also comprises computer software and intellectual property rights.
(2) 10% annually for the second pool, comprising drilling rigs.
(3) 15% annually for the third pool, comprising any other machinery and plant which are not included in (1) and (2) above.

(b) The amount to be deducted as depreciation in respect of a pool for the accounting period shall be calculated by applying the percentages specified in Para a) above on the depreciation base of that pool. For any accounting period, the depreciation base in the case of any pool shall be determined to be the excess of the amount resulting from applying Clause 1 of this para after deducting the amount resulting from applying Clause 2 of this para as follows:
(1) The depreciation base of that pool for the accounting period immediately preceding that accounting period after deducting the depreciation allowed for this pool for the accounting period immediately preceding that accounting period. This depreciation base shall be increased by the total capital expenditures incurred in acquiring the machinery, plant or other assets falling under the same pool during that accounting period.
(2) The disposal value of all capital assets falling in that pool that were disposed of during that accounting period.

STOCK / INVENTORY

Oman tax regulations do not specifically establish which methods of inventory valuation must be used, nor how inventory flows are to be determined. At present, any of three methods - average, FIFO or LIFO - are deemed to represent the 'actual cost' required by tax rules.

Reserves and provisions for inventory shortages and obsolescence are not acceptable as a deductible expense for tax purposes but actual losses and write offs are allowed in the year in which they occur provided they are supported with adequate documentation as specified in executive regulation.

DIVIDENDS

Tax is not imposed on dividends received by a company through shares in the capital of the other Omani companies i.e. companies registered in Oman. Dividends received from foreign companies will be subjected to tax at the tax rate applicable to business income.

INTEREST DEDUCTIONS

Interest paid on the bank borrowing used for business purposes is deductible. Interest paid on loans from partners I members / related parties are allowed on restricted basis as specified in the Executive Regulation.

LOSSES

The losses are not allowed to be carried forward for more than five subsequent assessment years. However, companies which are engaged in any of the Priority Sector activities specified in article 118 of the Oman Tax Law can indefinitely carry forward their losses incurred during exempted period of first five years, and deduct in subsequent years until the losses are fully absorbed by set off against the profits of future years. The net loss should first be set off before the losses of the subsequent tax years.

C. FOREIGN TAX RELIEF

Sultanate of Oman has entered into agreements for the avoidance of double taxation (DTA) and the prevention of avoiding income tax with France, India, Tunisia, United Kingdom, Mauritius, Italy, Pakistan, Algeria, Lebanon, China, Yemen, South Africa, Sudan, Seychelles, Iran, Canada, Turkey, Syria, Republic of South Korea, Singapore, Thailand, Uzbekistan, Belarus, Brunei, Netherlands, Maldova, Vietnam, Belgium, Malaysia, Croatia, Germany, Japan and Spain.

Currently, most of the foreign airlines carrying on business through establishment in Oman are exempted from income tax either through comprehensive DTAs or through limited DTAs. The foreign airlines which earn income through establishment in Oman, and which do not have comprehensive DTAs or limited DTAs, would be exempted from tax provided reciprocal tax exemption is granted in the airline's home country. The countries whose airlines have signed agreements for tax relief are India, Kuwait, Jordan, Netherlands, Tanzania, Sri Lanka, Iran, Singapore, Sweden and Switzerland.

Income earned overseas by a company in Oman will be taxed in Oman. Corresponding tax credit in Oman will be given to the extent of Omani tax i.e. 12% or foreign tax paid on that income whichever is lower in respect of DTA countries. In respect of Non DTA countries, tax credit is unilaterally allowed by Oman in respect of tax paid by Omani business entities outside Oman, on satisfaction of certain conditions.

D. CORPORATE GROUPS

There are no provisions for group taxation or for offsetting losses of one company against another.

E. RELATED PARTY TRANSACTIONS

Transactions with related parties are subject to detailed scrutiny to confirm that prices are at arm's length and that expenses exclude element of profit in case of transactions between Head Office and branch and 100% subsidiary companies.

F. WITHHOLDING TAX

Withholding tax applies to payments (income to the recipient) made to an overseas company which does not have a taxable presence in Oman (by an Oman company or Oman branch or permanent establishment of an overseas company) for:
(1) The use, or right to use, of computer software (includes using the software of an overseas supplier);
(2) Royalties;
(3) Management fees;
(4) Research and development; and,

Royalties include:
1. Consideration for the use or the right to use of:
   a) Intellectual or proprietary right either for artistic, literary or scientific work, including computer software, cinematograph films, or films or tapes or discs or any other means used for radio or television broadcasting.
   b) Patents, trademarks, design, drawing, models and secret process or formula.
   c) Industrial, commercial or scientific equipment.
2. Consideration for information concerning industrial, commercial or scientific experience.
3. Consideration for granting rights of exploitation of mining or any other natural resources.

The domestic withholding tax rate on the above is 10%.

Oman withholding tax may be reduced or eliminated if the overseas company is based (resident) in a country with which Oman has a Double Tax Agreement.

Withholding tax must be paid within 14 days following the month of payment or credit, whichever is earlier and Income Tax Form 18 filed with the Tax Authority. The obligation to deduct this tax shall rest with the company or the permanent establishment which pays the above amount.

G. EXCHANGE CONTROL

There are no exchange controls in any form on inward or outward investment or on repatriation of capital or profits, either by nationals or expatriates.

H. PERSONAL TAX

Currently, there is no personal income or wealth tax in Oman.

I. TREATY WITHHOLDING TAX RATES

The following rates for royalties apply:

Treaty countries:	Royalties (%)
Canada	10
China	10
France	7
India	10
Italy	10
Korea	8
Mauritius	0
Moldova	10
Pakistan	10
Seychelles	10
Singapore	8
South Africa	8
Thailand	10
United Kingdom	8

PAKISTAN

MEMBER FIRM

City	Name	Contact Information
Karachi	Faheem Rauf	+92 (021) 3531 5175 – 275 faheemrauf@frants.pk
Lahore	Nouman Razak Khan	+92 (042) 37503381-82 nouman@frants.pk
Sialkot	Zulfiqar Nasir	+92 (052) 426 5194, 459 4754, 458 9500, 459 1116 zanasir@frants.pk
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Peshawar	Zeeshan Ali	+92-91-5279691 zeeshan@frants.pk

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BASIC FACTS

Full name:	Islamic Republic of Pakistan
Capital:	Islamabad
Main languages:	English, Urdu and 18 regional languages
Population:	196,174,380 (2014 estimate)
Major religion:	Islam
Monetary units:	Pakistani Rupee (PKR)
Internet domain:	.pk
Int. dialling code:	+92

KEY TAX POINTS

- Companies are taxed at 33% however there is a small company's rate of 25% and banks are taxed at 35%.
- The rates of tax for a branch of a company incorporated outside Pakistan are the same as those applicable on resident companies.
- VAT (locally termed as 'sales tax') is ordinarily levied at 17% on the value of goods, unless specifically exempt, after allowing related input credits.

- Where a resident taxpayer derives foreign-source income on which foreign income tax is paid within two years from the year in which it is derived, the taxpayer is allowed a tax credit equal to the lower of the foreign income tax paid or the Pakistan tax payable in respect of that income.
- The tax authorities have the power in respect of a transaction between associates to distribute, apportion, or allocate income, deductions, or tax credits between such associates to reflect the income that would have been realized in an arm's-length transaction.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

The corporate tax rate for Tax Year 2015 has been reduced to 33%. However, this relief in tax rate is not available to banking companies, which will continue to be taxed @ 35%. The tax rates are summarized as follows:

Small company	25%
Modaraba	25%
Banking Company	35%
All other companies	33%

The term 'public company' implies a company listed on any stock exchange in Pakistan or one in which not less than 50% of the shares are held by the federal government or a public trust.

The final tax regime (FTR) for resident taxpayers, a presumptive tax scheme where taxes are withheld at the source on the sale of goods and execution of contracts or collected at the time of import (for other than industrial raw materials), is considered a final tax liability in respect of income arising from the sale, contract, or import. In the case of exports, tax collected at the time of realisation of foreign-exchange proceeds is treated as final tax for that income.

The FTR is also applicable to non-resident taxpayers, at their option. However, it is only applicable in cases of receipts on account of the execution of a contract for construction, assembly, or installation, including a contract for the supply of management activities in relation to such project as well as certain contracts for services and contract for advertisement services rendered by television satellite channels.

Taxation of a permanent establishment (PE) of a non-resident
The following principles shall apply in computing taxable income of a PE:
- It is a distinct and separate entity dealing independently with the non-resident of which it is a PE.
- In addition to business expenditure, executive and administrative expenditure, whether incurred in Pakistan or elsewhere, will be allowed as deductions.
- Head office expenditure, including rent, salaries, travelling, and any other expenditure that may be prescribed, shall be allowed as a deduction in proportion to the turnover of the PE in the same proportion as the non-resident's total head office expenditure bears to its worldwide turnover.
- Royalties, compensation for services (including management services), and interest on loans (except in banking business) payable or receivable to or from PE's head office shall be considered in computing taxable income of PE.
- No deduction will be allowed for any interest paid on loans acquired by a non-resident to finance the operations of a PE (or for the insurance premium in respect of such loans).

Filers and Non-Filers
The Finance Act, 2014 has introduced separate enhanced rates for withholding / collection of tax for 'non-filers' under the following heads:
1. Tax withholding on payment of Dividend
2. Tax withholding on payment of Profit on Debt
3. Tax withholding on Cash withdrawals
4. Collection of Advance tax on registration or transfer of registration of private motor vehicles
5. Collection of Advance tax on motor vehicles
6. Collection of Advance tax from seller of immovable property
7. Collection of Advance tax from purchaser of immovable property
8. Collection of Advance tax on sale of specified products to distributors, dealers and wholesalers

For the above purpose, new definitions of 'filer' and 'non-filer' have been inserted

in section 2 of the Ordinance. A 'Filer' has been defined as a taxpayer whose name appears on the 'active taxpayers list' or is a holder of taxpayer card, whereas all other persons are defined to be treated as 'non-filers'.

BRANCH PROFITS TAX

The rates of tax for a branch of a company incorporated outside Pakistan are the same as those applicable on resident companies, other than banking companies (i.e. 35%, except for tax year 2015 where 33% is applicable). Tax at the rate of 10% is levied on the transfer of profits to the head office, with an exception for companies engaged in the oil and gas exploration and production business. Payments to a branch in Pakistan of a non-resident are subject to deduction of tax at source on the same basis as a resident in the case of sale of goods, rendering of professional services, and execution of contracts. In other circumstances, a reduced/0% withholding tax (WHT) certificate can be obtained from the Commissioner of Income Tax. Pakistan has signed agreements for avoidance of double taxation with over 60 countries.

MINIMUM TAX

Where the tax payable by a company is less than 1% of the turnover, except where the company is in a loss position before charging depreciation and other inadmissible expenses, the company is required to pay a minimum tax equivalent to 1% of the turnover. Tax paid in excess of normal tax liability can be carried forward for adjustment against tax liability of a subsequent tax year. However, such tax can only be adjusted against tax liability of the five tax years immediately succeeding the tax year for which the amount was paid.

Minimum tax is payable under section 113 of the Ordinance. The rates of minimum tax have been revamped as under:

S.No	Person(s)	
1.	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); (b) Pakistani Airlines; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	0.5%
2.	(a) Distributors of pharmaceutical products, consumer goods including fast moving consumer goods, fertilizers, and cigarettes (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; and (d) Flour mills.	0.2%
3.	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%
4.	In all other cases.	1%

SALES TAX / VALUE ADDED TAX

VAT (locally termed as 'sales tax') is ordinarily levied at 17% on the value of goods, unless specifically exempt, after allowing related input credits.
Telecommunication services (VAT on services is a provincial levy) are levied VAT at the rate of 19.5% by Sindh, Punjab and Khyber Pakhtunkhwa.
Significant zero-rated goods are as follows:

- Supplies and repair and maintenance of certain ships and aircraft.
- Supplies to diplomatic missions and diplomats.
- Supplies of raw materials, components, and goods for export processing zones.
- Supplies of locally manufactured plant and machinery to export processing zones and supplies of certain specified machinery to the exploration and production sector.
- Supplies to exporters.

Significant exemptions are as follows:

- Live animals and live poultry.
- Live plants.
- Vegetables, pulses, edible fruits (excluding imported fruits), certain spices, sugar cane, edible oils, etc.
- Milk preparations.
- Newsprints, newspapers, journals, periodicals, and books.
- Agricultural produce not subjected to any process.

Highest Retail Price

Presently, manufacturers of goods subject to duty on retail price basis are required to pay duty at the highest retail price where more than one retail price is fixed by the manufacturers for any particular brand or variety of such goods. Through the Finance

Act, 2014, FBR has been authorised to specify zones or areas only for the purposes of determining highest retail price for any brand or variety of goods. This seems to be a positive amendment aimed at resolving the long outstanding grievance of such manufacturers with regard to payment of duty on highest retail price without taking into account geo-economic factors.

LOCAL TAXES
No local taxes are payable in respect of income of companies.

OTHER TAXES
Alternate Corporate Tax
A new concept of ACT has been introduced. ACT is applicable from Tax Year 2014. Under the concept, the minimum tax liability in case of a company is higher of tax on accounting income or the corporate tax liability determined under the Ordinance at the rates prescribed in the law.
Tax liability under the Ordinance includes 'minimum tax on turnover under section 113 of the Ordinance.
ACT, if payable, shall be for the accounting year ended December 31, 2013, June 30, 2014, or any period relevant to tax year 2014.
This concept is applicable for all companies except insurance companies, companies engaged in exploration and production of petroleum, and banking companies, as per Fourth, Fifth and Seventh Schedule to the Ordinance respectively.
Under the newly inserted section 113C, the ACT, being the tax determined on accounting income, has been prescribed at 17% of such income.
The ACT is not applicable to:
- exempt income;
- income taxable under FTR;
- gain on disposal of listed securities subject to tax under the Eighth Schedule;
- income entitled to 100% tax credit on account of equity investment;
- income of non-profit organizations, trusts or welfare institutions to whom tax credit is available under section 100C of the Ordinance; and
- income of a company setting up an industrial undertaking between July 1, 2014 to June 30, 2017, to whom reduced rate of tax is available under clause (18A) of Part II of the Second Schedule.

Excise duty
Federal excise duty (FED) is levied at the rate of 17% on certain types of manufacturing, import of goods, and rendering of services, except telecommunications services, which are charged at the rate of 18.5% (previously it was 19.5%). FED on telecommunication services, under the constitution, is to be levied and collected by the provinces. However if it is not levied by provinces at their specified rates, FED will be charged at 18.5%. Sindh, Punjab, and Khyber Pakhtunkhwa provinces have promulgated their statute, and others are expected to follow.

Property,water and conservancy taxes
Above taxes levied and collected by Provincial government and cantonments annually.

Stamp duty
In the case of sale or transfer of immovable property, stamp duty is payable (with varying rates on the basis of location of the property) on the value of the property.

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B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION
Normal depreciation is allowed at the following prescribed rates by applying the reducing-balance method.

Assets	Depreciation (percentage)
Buildings	10
Machinery, Plant and Equipment (Including ships and vehicles)	15
Furniture	15
Computer hardware	30
Aircrafts and aero engines	30
Below ground installations in mineral oil concerns	100
Offshore platform	20

All depreciable assets put into service for the first time in Pakistan during a tax year, other than road transport vehicles not plying for hire, furniture (including fixtures), plant and machinery used previously in Pakistan, or plant and machinery for which a

deduction has been allowed under another section of this ordinance, for the entire cost of the asset, shall be entitled to an initial allowance at 25% of the cost of the asset, except for buildings, for which the rate is 15%.
Book depreciation need not conform to tax depreciation. Unabsorbed tax depreciation not set off against the income of the year is carried forward and added to depreciation of the assets of the same business in the following year. Tax depreciation can be carried forward without limit until fully absorbed.

STOCK/INVENTORY

Inventories are to be stated at the lower of cost or market. The first in first out (FIFO) and average methods are accepted. Conformity of methods used for book and tax reporting is desirable, and the method used should be consistently applied.

CAPITAL GAINS AND LOSSES

CAPITAL GAINS ON IMMOVABLE PROPERTY

Capital gain on the sale of immovable property, on which depreciation is not allowed, is taxed at the rate of 10% if disposed of within one year and 5% if disposed of within two years. However, if the retention period is more than two years, the gain is not taxable. Over and above, additional 0.5% withholding tax is levied on sale of property which is adjustable income tax.

CAPITAL GAINS ON DISPOSAL OF SECURITIES

Gain on sale of securities was subjected to tax by Finance Act, 2010 in case such securities were held for less than 12 months. Through the Finance Act, 2014, the gain arising on disposal of securities with holding period of 12 to 24 months has also been taxed and as such, zero rate of tax is now applicable only where the holding period of securities exceeds 24 months.

Holding Period	Tax Rate
0-12 months	12.5%
12-24 months	10%
Over 24 months	0%

DIVIDENDS

Dividend income is subject to WHT of 10% or a lower tax treaty rate.
The deduction at source shall be the full and final discharge of tax liability on dividend income.

STOCK DIVIDENDS

A company which is quoted on the Stock Exchange and issues bonus shares to its shareholders is required not to issue bonus shares equal to 5% of the number of bonus shares to be issued to shareholders
Bonus shares will be issued by a company to a shareholder only after collecting tax equal to 5% of the value of the bonus shares to be issued to the shareholder (including 5% bonus shares withheld as above) within a prescribed time.
For purpose of determining value of bonus shares, the 'day-end price on the first day of closure of books' is prescribed to be used.
The above referred tax is to be collected by the company within 15 days from the first day of closure of books.
In case the shareholder fails to make payment of 5% tax within 15 days or the company fails to collect the tax within 15 days, the 5% bonus shares withheld by the company will be deposited by the company with the Central Depository Company of Pakistan Limited or any other entity prescribed by FBR.
The bonus shares deposited with CDC or other entity, as mentioned above, will be disposed of in the mode and manner to be prescribed by FBR, and the proceeds shall be paid on behalf of the shareholder by way of credit to the Federal Government.

A company which is not quoted on the Stock Exchange and issues bonus shares to its shareholders will deposit tax, within 15 days of the closure of the books, @ 5% of the value of the bonus shares on the first day of closure of books, whether or not tax has been collected from the shareholders by the Company. Rules are to be issued by FBR for determining the value of bonus shares of unquoted securities.
Before the issuance of bonus shares, the company liable to deposit tax shall be entitled to collect and recover the amount of tax deposited from the shareholder on whose behalf the tax has been deposited.
In case a shareholder neither makes payment of tax to the company nor collects his bonus shares, within 3 months of the date of issuance of bonus shares, the company may proceed to dispose bonus shares to the extent it has paid tax on shareholder's behalf.

INTEREST INCOME

Interest earned by a company is taxed as its income from other sources. Interest

earned by a non-resident company without a PE in Pakistan attracts WHT at the rate of 10%, except where a lower rate is provided in the related DTT, which is also the final tax on such income.

LOSSES

Operating losses may be carried forward and set off against the profits of the succeeding six years of the same business in which the losses were incurred. Unabsorbed depreciation can be carried forward indefinitely. Carried forward losses of an entity in the case of group relief cannot be utilised if the ownership of the holding company is reduced to less than 55% and 75% if one of the companies is a listed company or none of the companies is a listed company, respectively.
Business losses can be carried forward up to a period of six years in the case of the amalgamation of two companies, with the condition that the same business is continued for a minimum period of five years. The carrying back of losses is not permitted

INCENTIVES

Tax credits and incentives
Any relief from Pakistani income tax that is provided in any other law and not provided for in the Income Tax Ordinance or a treaty is not valid.
Tax exemptions
Profits and gains derived from an electric power generation project set up in Pakistan are exempt from tax.
Profits and gains derived by a company from the export of computer software, information technology (IT) services, or IT enabled services are exempt from tax through 30 June 2016.

Small companies
Activities of small companies are encouraged with a reduced income tax rate of 25%.
A small company has been defined to mean a company that:

- is registered on or after 1 July 2005 under the Companies Ordinance, 1984
- has a paid-up capital plus undistributed reserves not exceeding 25 million Pakistani rupees (PKR)
- has an annual turnover not exceeding PKR 250 million, and
- is not formed by splitting up or the reconstitution of business already in existence.

Charitable donations credit
Companies are allowed a tax credit equivalent to 20% of their taxable income in respect of donations to:

- any board of education or university in Pakistan, established by or under federal or provincial law
- any educational institution, hospital, or relief fund established or run in Pakistan by federal government, provincial government, or local government, and
- any non-profit organisation.

C. FOREIGN TAX RELIEF

Foreign tax credit
Where a resident taxpayer derives foreign-source income on which foreign income tax is paid within two years from the year in which it is derived, the taxpayer is allowed a tax credit equal to the lower of (i) the foreign income tax paid or (ii) the Pakistan tax payable in respect of that income. However, foreign tax paid is not refundable.

D. CORPORATE GROUPS

A locally incorporated holding company and subsidiary of a 100% owned group may be taxed as one group by giving an irrevocable option for taxation as one fiscal unit. The relief is not available for losses prior to formation of the group. The group is available if the companies are designated as entitled to avail group relief by the Securities and Exchange Commission of Pakistan.
Any company that is the subsidiary of a holding company may surrender its loss for the year to its holding company or its subsidiary, or between another subsidiary of the holding company, provided that the holding company directly holds 55% or more capital of the subsidiary if one of the companies is a listed company. However, if none of the companies is a listed company, the holding requirement is 75% or more. The loss can be surrendered for a maximum of three years, and the required holding is for at least five years.

E. TRANSFER PRICING

The tax authorities have the power in respect of a transaction between associates to distribute, apportion, or allocate income, deductions, or tax credits between such associates to reflect the income that would have been realized in an arm's-length

transaction.

F. PERSONAL INCOME TAX

The tax rates listed below are applicable from 1st July 2014. If more than 50% of an individual's income is derived from employment, the following tax rates apply to income other than certain investment income

Exceeding PKR	Not Exceeding PKR	
0	400,000	0
400,000	750,000	5% of amount exceeding 400,000
750,000	1,400,000	PKR 17,500 + 10% of the amount exceeding PKR 750,000
1,400,000	1,500,000	PKR 82,500 + 12.5% of the amount exceeding PKR 1,400,000
1,500,000	1,800,000	PKR 95,000 + 15% of the amount exceeding PKR 1,500,000
1,800,000	2,500,000	PKR 140,000 + 17.5% of the amount exceeding PKR 1,800,000
2,500,000	3,000,000	PKR 262,500 + 20% of the amount exceeding PKR 2,500,000
3,000,000	3,500,000	PKR 362,500 + 22.5% of the amount exceeding PKR 3,000,000
3,500,000	4,000,000	PKR 475,500 + 25% of the amount exceeding PKR 3,500,000
4,000,000	7,000,000	PKR 600,000 + 27.5% of the amount exceeding PKR 4,000,000
7,000,000	-	PKR 1,425,000 + 30% of the amount exceeding PKR 7,000,000

For other individuals, including self employed individuals, the following tax rates are applicable to their income other than certain investment income

Exceeding PKR	Not Exceeding PKR	
0	400,000	0
400,000	750,000	10% of amount exceeding 400,000
750,000	1,500,000	PKR 35,000 + 15% of the amount exceeding PKR 750,000
1,500,000	2,500,000	PKR147,500 + 20% of the amount exceeding PKR 1,500,000
2,500,000	4,000,000	PKR 347,500 + 25% of the amount exceeding PKR 2,500,000
4,000,000	6,000,000	PKR 722,500 + 30% of the amount exceeding PKR 4,000,000
6,000,000	-	PKR 1,322,500 + 35% of the amount exceeding PKR 6,000,000

Individuals are subject to withholding tax at source on income at the following rates

Dividends General rate	10%
Dividends from companies in power generation projects	7.5%
Interest on deposits maintained with banking companies, finance societies, or corporate bodies (Excluding trusts) in Pakistan, on bonds, certificate debentures, and instruments issued by banking companies, finance societies, local and corporate bodies, (Excluding trusts) formed in Pakistan, on securities of federal and provincial governments, and on securities other than debentures of local authorities, Pakistani corporate bodies, or companies formed outside Pakistan	10%
Fees for technical services and royalties	15%
Prizes form prize bonds, raffles, lotteries, and crossword puzzles	Price Bonds and crossword puzzle @15%. Others @20%

Payments to non residents for execution of contracts or subcontracts for construction, assembly or installation projects, including contracts for rendering supervisory activities with respect to such projects	6%
Payments for contacts for technical services other than contacts	6%
Execution of contracts through permanent establishment	6%
Brokerage fee or commission	10%
Export sales proceed on receipt	1%
Imported goods	5.5%

PANAMA

MEMBER FIRM

City	Name	Contact Information
Panama	Tomas Chen	507 269 5703 javila@pkfpanama.com

BASIC FACTS

Full name:	Republic of Panama
Population:	3.8 million (2013 PRB)
Capital:	Panama City
Major languages:	Spanish, English
Major religion:	Christianity
Monetary unit:	Balboa
Internet domain:	.pa
International dialling code:	+507
Customs website:	www.mef.gob.pa

KEY TAX POINTS

- Corporate income tax is only chargeable on revenue arising from business activities and assets situated in Panama.
  An alternative minimum income tax system applies to all companies except small companies invoicing up to US$1,500,000 per year.
- Tax is chargeable at 10% on the net profit arising on the sale of real estate property. A different tax calculation method applies on the sale of shares and securities.
- VAT is charged on the supply of goods and services at a standard rate of 7%, although some goods are subject to higher rates and others are exempt.
- Withholding taxes apply to the payment of dividends by Panamanian companies to all recipients. Services and fees, interests, commissions, royalties or technical assistance fees, etc, paid or accrued to foreign recipients are subject to withholding tax only if the local payer will take it as a deductible expense.
- All individuals are subject to income tax on Panamanian source income. Progressive tax rates apply.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Panama's income tax law affects aggregate and annual revenue from business activities conducted in Panama or from assets situated in the country, when any of the causes of such revenue occur within the national territory.

Tax rate for companies is 25%, except for the following:

Banks and Finance, Insurance and Reinsurance, Electric Power, Telecommunications, Portland Cement, Game and Gambling, and Mines have a 27.5% tax rate for 2012 and 2013, and 25% tax rate for 2014 and thereafter.

Companies in which the State has more than 40% share will pay 30% income tax.
The fiscal year of companies normally corresponds to the calendar year but it is allowable to have fiscal years ending on other dates if a request is made to the Tax Department authorities.

Corporate tax returns and payments are due by the end of the third month following the end of the fiscal year. An extension of one additional month may be granted if requested. Extensions to file a tax return, however, do not affect the time for payment of tax.

Corporations are required to prepay its estimated tax liability in three installments, based on the income tax of the previous fiscal year.

ALTERNATIVE MINIMUM INCOME TAX

A tax rate of 25% is applied to the net taxable income on whichever is higher between:

(1) The amount of the net taxable income (traditional calculation of deducting costs and expenses from gross taxable income), and

(2) The net taxable income that arises after deducting 95.33% from gross taxable income.

If, after applying the second alternative, the company incurs losses due to the payment of the tax or, if the effective rate of the income tax exceeds 25%, it can request the Tax Department not to apply the alternative calculation.

Small companies that invoice up to US$1,500,000 gross taxable income in the fiscal year are exempt from applying the alternative calculation.

CAPITAL GAINS TAX

On sales of real estate there are two taxes involved. One is a 2% transfer tax and the other is a 10% income tax on the net profit.

The 2% transfer tax rate is applied on the higher of the sales price or the registered value of the property in the Public Registry plus a 5% surcharge for each complete calendar year for which the property is held.

The 10% income tax is calculated on the net profit of the transaction. Net profit is calculated by deducting the cost of the property plus any related expenses from the sales price.

The buyer of the real estate will withhold 3% of the higher amount between sale price or the cadastre value and remit it to the Tax Department. The seller will calculate a 10% tax on the profit. If the 10% of the profit is higher than the 3% withheld by the buyer, the seller can opt to consider the 3% as the definite tax. If the 10% of the profit is lower than the 3% withheld by the buyer, the seller can request a reimbursement for the difference.

Income from the sale of securities is taxable as follows: The buyer will withhold 5% of the sale price and remit it to the Tax Department. The seller will calculate a 10% tax on the profit. If the 10% of the profit is higher than the 5% withheld by the buyer, the seller can opt to consider the 5% as the definite tax. If the 10% of the profit is lower than the 5% withheld by the buyer, the seller can request a reimbursement for the difference. Income from the sale of government securities and those issued by companies registered with the National Securities Commission is not taxable.

BRANCH PROFITS TAX

Branches of foreign companies are subject to the same tax rates as Panamanian companies.

SALES TAXES/VALUE ADDED TAX (VAT)

Many consumer services and goods are subject to a 7% value added tax. Alcoholic beverages and hotel room rentals have a 10% tax rate and cigarettes and tobacco products have a 15% tax rate. The following items are exempt from VAT:

- Food (except restaurants that serve alcoholic beverages which are taxed)
- Medicines and medical services
- House rentals with contract period of more than six months. House rentals with contract periods less than six months are subject to VAT.

LOCAL TAXES

Panama's income tax law affects the whole national territory equally.

OTHER TAXES

There are other taxes that are applicable in their various manifestations. These include:

PREPAID DIVIDEND TAX

Local corporations must pay a 4% complementary tax on each fiscal year's net taxed profit on behalf of their shareholders if no dividends are declared. This 4% will be applied to dividend tax when dividends are declared. The rate for companies established in a Free Zone is 2%.

FRANCHISE TAX
Foreign and domestic corporations registered in the Public Registry are subject to an annual tax of US$300, regardless of whether they are doing business in Panama. There is a penalty of US$50 for late payment and, after two years of non-payment of the franchise tax, there is a restoration fee of US$300.

ANNUAL LICENCE TAX
All industrial or commercial business, except those exempted by specific laws, are required to have a license to operate. This tax is 2% of the company's net worth, including amounts owed to the foreign home office or foreign affiliated companies. The tax is payable annually up to a maximum of US$60,000. For companies established in a Free Zone, this tax is 1% of the company's net worth, including amounts owed to the foreign home office or foreign affiliated companies. The tax is payable annually up to a maximum of US$50,000.

SOCIAL SECURITY TAX
These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system and retirement benefits at the national level.

ANNUAL BANKING INSTITUTIONS TAX
Banking institutions are subject to an annual tax as follows:

Banks with General License	Annual Tax
Assets up to US$100 millions	US$75,000.00
Assets between US$100 and US$200 million	US$125,000.00
Assets between US$200 and US$300 million	US$175,000.00
Assets between US$300 and US$400 million	US$250,000.00
Assets between US$400 and US$500 million	US$375,000.00
Assets between US$500 and US$750 million	US$450,000.00
Assets between US$750 and US$1,000 million	US$500,000.00
Assets between US$1,000 million and US$2,000 million	US$700,000.00
Assets above US$2,000 million	US$1,000,000.00
During its first year of operation, new banks with general license will pay 50% of the above annual tax	
Banks with International License:	US$75,000.00
Banks for development and microfinance	US$30,000.00
Exchange houses	US$10,000.00

B. DETERMINATION OF TAXABLE INCOME

The net taxable income of a corporation or partnership is determined by subtracting all allowable deductions from gross taxable income. Generally, expenditures and/or losses are deductible provided they are incurred in gaining or producing taxable income, or preserving the source of income. Special rules apply in respect of certain expenditures.

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ALTERNATIVE METHOD OF CALCULATING A MINIMUM NET TAXABLE INCOME
The net taxable income under this method arises after deducting 95.33% from the gross taxable income. Under this formula, the net taxable income will be 4.67% of the gross taxable income. The larger of the two amounts will be the net taxable income for the fiscal year.

The alternative method of calculating a minimum net taxable income is applicable to companies with gross taxable income of US$1,500,000 and above.

DEPRECIATION AND DEPLETION
Depreciation is normally calculated by the straight-line method over the estimated useful life of the asset. The regulations also permit the use of the sum-of-the-digits and declining-balance methods.

Depletion of mines and other natural resources is based on units extracted or produced. Using any other method requires the approval of the Income Tax Department.

STOCK/INVENTORY
The Income Tax regulations allow the use of the specific cost, FIFO, retail-inventory, or average-cost method according to the normal course of operations.

The method used cannot be changed by the taxpayer for at least five years and will require a written notification to the Tax Department authorities.

DIVIDENDS

The corporation declaring the dividend must withhold a 10% tax on all dividends declared from income earned within the Republic of Panama. However, dividends on bearer shares are subject to a 20% dividend tax.

Dividends declared by branches or domestic subsidiaries of foreign corporations, on income earned within the Panamanian territory are subject to the 10% tax as well. However, dividends on bearer shares are subject to a 20% dividend tax.

Companies requiring a commercial operating license must withhold a 5% tax on dividends declared from income obtained on exports or from foreign source.

Companies established in a Free Zone must withhold a 5% tax on dividends, regardless of the source of income.

Loans and advances to shareholders are subject to 10% dividend tax, except for bearer's shares which is subject to 20% tax withholding.

Capital shares can be reduced only if the total retained earnings have been distributed and the dividend tax paid.

Dividends on some types of Preferred Shares are exempt of withholding tax if they comply with the following conditions:

- Maturity less than 5 years
- Classified as debt under IFRS
- Owned by common shareholders
- Dividends/Interests up to 6%
- Non-transferable
- Preferred shares not greater than 40% of the equity.

INTEREST INCOME

The following manifestations of interest earned are not subject to income tax:

- Savings and time deposits with banks
- Panamanian government securities
- Securities issued by companies registered with the National Securities Commission, provided the securities were acquired through a securities exchange duly established to operate in Panama
- Loans granted to the agricultural and agro-industrial sectors
- Loans granted to the tourism sector.

INTEREST DEDUCTIONS

Interest is normally deductible on an accrual basis but must be capitalized if it relates to financing of real estate construction. Once the construction is completed, interest is then deductible from income.

LOSSES

Losses incurred in any given year can be taken as a valid deduction over the next five years at a carry forward rate of 20% of the loss per year, as long as this deduction does not reduce the current taxable income by more than 50%. Excess over this limitation for any given year will be lost.

SOURCE OF INCOME

Foreign-sourced income is not subject to income tax. Only income earned in the territory of Panama is subject to Panama income tax.

Income received by persons or companies domiciled outside of Panama will be considered from a Panamanian source if it arises from services or actions that benefit persons or companies located in Panama, including fees, interests and royalties. The income tax withholding is at the regular rates for individuals or corporations but only on 50% of the amount of income received by the recipient.

INCENTIVES

The following incentives are available to these qualifying industries and corporations:

(a) Companies operating in the Colon Free Zone, or any other Free Zone in the country, are tax-exempt on profit derived from sales from Free Zone to foreign countries

(b) Companies operating in "Ciudad del Saber" (City of Knowledge) are exempt of income tax, import duties and VAT. Dividend tax of 10% or 5% applies when dividends are declared.

(c) For "Small business" companies, income tax is calculated over a combination

of the personal tax rate and corporate tax rate. Companies would be considered small as long as they:
(1) Are not related or affiliated to other companies
(2) Are not a result of the fractionalization of other corporations
(3) Have an annual gross income of less than US$200,000, and

(d) Its shareholders are individual persons.

C. CORPORATE GROUPS

Group taxation is not permitted in Panama.

D. RELATED PARTY TRANSACTIONS

Transactions between related parties are treated normally as long as an "arm's length" basis is used.

TRANSFER PRICING

There is a transfer pricing system for the import and export with non-resident related parties of goods, services and rights. These prices are based on the following methods: Comparative Independent Price Method, Resale Price Less Profit Method, Production Cost Plus Profit Method, Profit-Split Method, or The Transaction Net Margin Method.

E. WITHHOLDING TAX

Services and fees paid or accrued to individuals and to resident corporations are not subject to income tax, except payments on dividends distributed from retained earnings arising from Panamanian-source income.

Services and fees, interests, commissions, royalties or technical assistance fees, etc, paid or accrued to foreign recipients are subject to withholding tax only if the local payer will take it as a deductible expense. The income tax withholding is at the regular rates for individuals or corporations but only on 50% of the amount of income received by the recipient.

F. EXCHANGE CONTROL

The exchange rate in the Republic of Panama is always US$1 = B/1.00 (BALBOA).

G. PERSONAL TAX

The rates set out below are applicable to any individual's net income earned:

Net Income	Tax amount
Up to US$11,000	0%
Over US$11,000 up to US$50,000	15% on the amount exceeding US$11,000 up to US$50,000
Over US$50,000	US$5,850 tax on the first US$50,000, plus 25% on the amounts exceeding US$50,000

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

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	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)	Service fees (%)
Treaty countries:				
Barbados	5/7.5	5/7.5	7.5	7.5
Czech Republic	10	5/10	10	0
France	5/15	5	5	0
Ireland	5	5	5	0
Israel	5/15	15	15	0
Italy	5/10	5/10	10	10
Korea	5/15	5	3/10	15
Luxembourg	5/15	5	5	5
Mexico	5/7.5	5/10	10	12.5
Netherlands	15	5	5	15
Portugal	10/15	10	10	10
Qatar	6	6	6	15

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)	Service fees (%)
Singapore	4/5	5	5	15
Spain	5/10	5	5	7.5
United Arab Emirates	5	5	5	0
United Kingdom[1]	15	5	5	0

NOTES:
1 The lower rate applies to dividends paid to foreign corporations that own a particular percentage of share capital.
2 The lower rate applies to interests paid to foreign banks and the higher rate applies to others.
3 The lower rate applies to royalties paid for the use of commercial, industrial and scientific equipment. The higher rate applies to other royalties paid.

I AGREEMENT FOR TAX COOPERATION AND EXCHANGE OF INFORMATION

The Republic of Panama has agreements for tax cooperation and the exchange of information relating to taxes with the following countries: Canada, Denmark, Finland, Greenland, Iceland, Norway, Sweden, The Faroes, United States of America. These agreements apply to taxes of every kind imposed in the Contracting Parties.

PARAGUAY

MEMBER FIRM

City	Name	Contact Information
Asuncion	Fernando Cardozo	+595 21 60 30 44 fcardozo@pkf-controller.com.py

BASIC FACTS

Full name:	Republic of Paraguay
Capital:	Asunción
Main languages:	Spanish, Guaraní
Population:	6,800,284 (2013 estimate)
Major religion:	Christianity
Monetary units:	Paraguay Guaraní (PYG)
Internet domain:	.py
Int. dialling code:	+595

KEY TAX POINTS

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- Corporations and commercial enterprises are taxed on their Paraguay-source income i.e. income derived from capital, property or rights in Paraguay or from a business in Paraguay. The rate of corporate income tax is 10%.
- The tax year is the calendar year.
- Capital gains are taxed at the corporate income tax rate.
- Income earned from farming activities in Paraguay is subject to Agribusiness Income. Agribusiness Income Tax is calculated at a rate of 10% of the tax base.
- Branches are subject to dividend withholding tax at a rate of 5% and to a 15% withholding tax on remittances to their home offices.
- Returns must be filed within four months after the end of the financial year and penalties are imposed for late returns.
- A 15% withholding tax is levied on dividends paid abroad to non-residents.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

The tax structure for the year 2015 foresees a growth that will be reflected in the increase of 0.6 percentage points of the tax burden. It means that the 12% recorded in 2014, this year will go to 12.6%. This jump is mainly explained by the additional revenue from the Agricultural Income Tax (Iragro), as well as the annual increase in the Personal Income Tax (IRP) and the generalization of VAT, which extends to products in their natural state, as fruits and vegetables.

Making a comparison in terms of the IRP, Argentina taxed 35%, Brazil taxed 34% and Uruguay 25%, and in Paraguay the rate of tax is 10%.

The charge to income tax of companies is 35% in Argentina, 27.5% in Brazil and 25% in Uruguay. While the percentages of VAT, which Brazil taxed 25%, Uruguay taxed 23% and lastly Argentina with 21%.

From these data it follows that Paraguay is the one with the lowest tax rate.

SMALL TAXPAYER TAX

Previously, the income of small taxpayer (IRPC) reached those whose income did not exceed G. 100 million. From this year the tribute involves those engaged in commercial and industrial activities, whose income does not exceed G. 500 million. These changes are given through the tax reform approved by Law 6061/13. The tax rate is 10%.

AGRICULTURAL VAT

One of the changes that are going through this new year is the implementation of value added tax (VAT) at a rate of 5% to agricultural products, whether in a natural or its derivatives, regulated by Decree 1030/13 and the provisions of Law 125/91, whose term began on January 1, 2014. The fruits and vegetables products begin to tax for the tax year in early 2015. Thus those engaged in this activity must issue an invoice stating the VAT corresponding.

PERSONAL INCOME

The personal income tax this year comes to those who earn higher wages equivalent to 96 minimum wages. The tax will be paid on annual income, not monthly to all who reach revenues of G. 159 million this year. This tax must be paid by professionals, those who perform public functions, artists and commission agents, among others. The income taken into account to pay is wages, salaries, wages, overtime and all kinds of remuneration. The tax rate is 10%.

INCOME TAX FROM AGRICULTURAL ACTIVITIES (IRAGRO)

The income tax from agricultural activities replaces Agricultural Income Tax (IMAGRO), the burden is 10% of agricultural activities; that provision involves small, medium and large producers. The regulation states that the VAT charged into invoices for purchases made from July 1, 2013 until December 31 of that year, may be used as tax credits for VAT from January 1, 2014 for settlement tax, provided that they relate to purchases of goods and services related to seeds, fertilizer, balanced and nutritional supplements, vaccinations, deworming, among others. The provision also provides that the exemptions provided apply given the fact or object to which the standard applies regardless of the legal or natural person performing the activity described therein.

REASONS TO INVEST IN PARAGUAY

1. Monetary stability and higher tax stability in Latin America (never had sudden devaluations, expropriation or freezes savings, etc.) lower tax rate and simplicity of the tax system
2. Fast recovery of economic growth and investment after the crisis of 2008-2009, 15% growth in 2010, based on food production which global demand tends to grow
3. Attractive schemes for attracting investments as maquila, foreign investment, free zones and with large tax breaks for investments
4. Access to MERCOSUR, a free trade area with a GDP of US $ 2 billion, which also includes Argentina, Brazil and Uruguay
5. Excellent cost-benefit of the workforce in the region and lower payroll taxes on wages
6. Population mostly young and with great ease of learning and training
7. Abundant availability of electricity at the lowest rates in the region
8. Center of the Paraná-Paraguay waterway with free navigation in most of the country all year
9. Pleasant climate and absence of natural disasters
10. Abundance of water and fertile land for agriculture

PERU

MEMBER FIRM

City	Name	Contact Information
Lima	Julio Riva	peru@pkf.com

BASIC FACTS

Full name:	The Republic of Peru
Population:	30.4 million (2013 PRB)
Capital:	Lima
Major languages:	Spanish
Major religion:	Christianity
Monetary unit:	Nuevo Sol (PEN)
Internet domain:	.pe
International dialling code:	+51
Internal Revenue Commission website:	www.mef.gob.pe

KEY TAX POINTS

- Corporate Income Tax (CIT) is payable at a rate of 28% applicable for period 2015 - 2016, a rate of 27% will be applied to 2017 - 2018, and since 2019 the rate will be 26%.
- Value Added Tax is imposed on the sale of goods, the supply and use of services in the country and the import of goods made at different stages of the economic cycle. The general tax rate is 18%.
- Royalties and similar income are subject to withholding income taxes at source.
- Peruvian citizens residing in Peru are taxed on their worldwide income, regardless of where the income is generated or where it has been paid or the currency received for it. In the case of non-resident citizens, they are taxed only on their Peruvian-source income.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Resident companies are taxed on its worldwide income. Any profits, including capital gains, are included in the taxable income of a corporation and taxed at the regular corporate rate. Resident companies are those incorporated or established in Peru.

Corporate Income Tax (CIT) is payable at a total rate of 28%. An additional 6.8% applies for distribution of dividends.

The tax year for a company is its accounting year, which ends on December 31st. Companies are required to make monthly advance payments of CIT based on one of the following methods:

(a) 1.5% of monthly net revenue; or,

(b) The monthly net revenue times a ratio between the income tax and the net revenue, both from the preceding year.

Companies must file their Annual Income Tax Return and pay any balance due up to the end of March or the first days of April each year.

Mining companies are, in addition to their specific corporate rates of tax, subject to a royalty calculated on the gross sales relating to the transfer of mineral resources. The royalty is calculated in terms of a specific formula and, depending upon the operating margin, is in a range from 1% to 12%.

CAPITAL GAINS TAX (CGT)

Strictly speaking, CGT is not a tax in its own right but rather forms an integral part of Peruvian Income Tax legislation. As a general rule, capital gains are defined as any income obtained from capital assets disposal.

Capital assets are those not intended to be traded within any business or company. Subject to any exclusions and exemptions, a taxable gain is calculated by taking the difference between the proceeds received on disposal of the asset and the base cost and then multiplying this amount by the tax rate (which varies depending on the nature of the taxpayer).

BRANCH PROFITS TAX

Peruvian branches of foreign companies are subject to tax on Peruvian-source income only at the regular corporate rate.

VALUE ADDED TAX (VAT)

Peruvian VAT is imposed on the sale of goods, the supply and use of services in the country and the import of goods made at different stages of the economic cycle. The general tax rate is 18%. It is a monthly basis tax operating under the system of debit / credit, offsetting the tax generated from sales with the tax paid on purchases.

Exports are zero-rated and very few exemptions exist.

There are two exceptional systems for recovering the tax credit generated by the Peruvian VAT:

(1) Early Recovery: Companies at a pre-operative stage longer than two years with large projects may apply for early recovery of VAT, which allows them to obtain a VAT credit refund prior to starting operations. An investment agreement with the Ministry of this sector is required and a minimum investment of USD 5 million is required;

(2) Definitive Recovery: This applies mainly to the mining, oil and gas industries. Thus, the system applies to holders of mining claims which are not in the production phase and enter into an Exploration Investment Agreement with the State, while those who have entered into Contracts of Services or Licence under the Hydrocarbons Law may request this benefit during the exploration stage.

FRINGE BENEFITS TAX

Employees are taxed on the value of the fringe benefits they receive as determined in accordance with Peruvian Income Tax Law. The tax levied is in accordance with the tax rates applicable to natural persons.

LOCAL TAXES

REAL ESTATE TAX

It is an annual basis tax levied on the value of urban and rustic properties. Lands, buildings and fixed and permanent facilities are considered properties. The status of taxpayers is determined as of 1 January each year and the payment will be made in the District Municipality where the property is located.

The rate is progressive and cumulative as detailed below (measured in UIT tax units - see note):

Real State Tax Progressive Cumulative Scale	Rate
From 0 UIT to 15 UIT - (up to PEN 57,750)	0.2%
From 15 UIT to 60 UIT - (up to PEN 231,000)	0.6%
For the excess of 60 UIT - (for the excess of PEN 231,000)	1.0%

NOTE:
UIT = Annual Tax Unit. In 2015 one UIT = PEN 3,850.00

VEHICLE OWNERSHIP TAX

This is an annual tax levied on property consisting of cars, four-wheel drive and station wagons manufactured locally or imported during the three fiscal years following the year in which the vehicle was first registered with the Vehicle Property Registry. The Provincial Municipality within which jurisdiction the owner resides in will be the creditor administering and collecting the tax. The tax base is the original value of the acquisition, import or entry into the patrimony.

Vehicle Ownership Tax[1]	Rate
Rate Applicable	1%

NOTE:
1 Tax sum cannot be lower than 1.5% of the UIT into effect as of January 1st of each tax year

REAL ESTATE TRANSFER TAX (ALCABALA)

This is a tax levied on the transfer of title to real state located in urban or rural areas, on gratuitous or onerous title, as the case may be, including sales with reservation of the right to ownership. Taxable base is the transfer value of the property and is paid by the buyer, who shall pay the tax at the District Municipality where the property is located.

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Real Estate Transfer Tax (Alcabala) Progressive Scale	Rate
From 0 UIT to 10 UIT - (up to PEN 38,500)[1]	0%
For the excess of 10 UIT	3%

NOTE:
1 Exempted portion.

OTHER TAXES

TEMPORAL NET ASSETS TAX (ITAN)

Temporal Net Assets Tax (known by its Spanish acronym as ITAN) is at a rate of 0.4% levied on the Company's Net Assets with a value exceeding PEN 1,000,000.00, as assessed at 31 December of the previous year. The amount paid for the ITAN by the taxpayer is a credit to be offset with the Corporate Income Tax. If not totally offset, the remaining ITAN may be refunded by Peruvian Tax Administration (SUNAT).

In the case of subsidiaries or branches of foreign companies, they can offset the ITAN obligation with the Income Tax amount paid in Peru, so as to use the whole income tax paid as a tax relief in its country of origin.

Companies which are in pre-operative stages or have begun operations as from 1January of the year for which the ITAN must be paid are exempted from ITAN.

TAX ON FINANCIAL TRANSACTIONS (ITF)

The Tax on Financial Transactions (known by its Spanish acronym 'ITF') levies transactions (deposits and withdrawals) made through the Peruvian financial system and is deductible as an expense for income tax purposes. Its rate is 0.005%.

The ITF is a complementary measure of the so-called "bankarization" or banking usage which requires companies to pay any amounts exceeding USD 1,000 or PEN 3,500.00 through so-called "means of payment", which include account deposits, money orders, money transfers, payment orders, debit cards or credit cards issued in the country and "not negotiable" checks. Otherwise, cost or expense not performed using such methods shall not be recognised for tax purposes.

EXCISE TAX (ISC)

Excise Tax is levied on specific goods such as cigarettes, beer, liquor, soft drinks, fuel, vehicles, gambling/betting services and other luxury items. It is levied on the sale in the country of such goods at producer level and/or import of them. It is applied using three systems:
(a) Specific, which applies a fixed amount in Nuevos Soles per unit of measure;
(b) To the value, which is applied based on a percentage on the sale price;
(c) To the sale price, which involves applying a percentage of the suggested retail price.

CUSTOMS DUTIES

The import of goods into Peru is subject to payment of Customs Duties with ad valorem rates. Additionally, Value Added Tax, the Excise Tax, Antidumping rights, Compensation and others depending on the type of goods imported, are applied, as detailed below:

	2015
Customs tariffs[1]	0%, 6%, 11%
Value Added Tax[2]	18%

NOTES:
1 Rates are applied on CIF value and according to the imported good.
2 VAT is applied on CIF Value plus Customs tariffs. Depending on type of goods,

Excise Tax is also applied.
Customs duties are subject to a refund system or drawback, which entitles the producers/exporters to apply for a refund of all or part of customs duties affecting imports of raw materials or inputs used or consumed during the production process of exported goods, provided that the CIF value of imports of such goods does not exceed 50% of the FOB value of the export product.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by deducting expenditure incurred in the production of income and other allowable expenses and allowances from the company's income.

ALLOWANCES: PLANT, MACHINERY AND EQUIPMENT USED IN MANUFACTURE

Depreciation is calculated using the straight-line method or any other system provided they do not exceed the maximum rate of depreciation and the cost of acquisition of fixed assets. The following are some of the rates allowed by Peruvian Income Tax Law:

Asset Type	Conditions for Annual Allowance	Annual Allowance
Commercial Buildings and Constructions or improvements	Construction of buildings or improvements used wholly or mainly for carrying on process of producing income in the course of trade.	Straight-line at 5% of cost (Previously 3%)
New commercial buildings (other than residential accommodation) (Note 1)	This is a special depreciation regime for construction projects and buildings erected since 1 January 2009 and wholly or mainly used for the purpose of producing income in the course of trade.	Straight-line at 20% of cost
Cattle and fishing nets	Cattle either used for the purpose of producing income in the course of trade or reproduction.	Maximum 25% of cost
Equipment for Data processing	Hardware and any other equipment for data processing wholly or mainly used for the purpose of producing income in the course of trade.	Maximum 25% of cost
Machinery and equipment used for mining, oil and gas activities and construction, except furniture and fixed equipment	Machinery and equipment used at all exploration / exploitation stages in the mining and oil industries, wholly or mainly used for the purpose of producing income in the course of trade.	Maximum 20% of cost
Machinery and equipment purchased from January 1, 1991	Machinery and equipment wholly or mainly used for the purpose of producing income in the course of trade and purchased from 1 January 1991.	Maximum 10% of cost
Land transport vehicles (except railroads) and any kind of industrial oven	Land transport vehicles and any kind of ovens wholly or mainly used for the purpose of producing income in the course of trade.	Maximum 20% of cost
Other fixed assets (Note 2)	Other assets wholly or mainly used for the purpose of producing income in the course of trade	Maximum 10% of cost

NOTES:

1 Pursuant to the provisions of Law 29342;

2 For limited-time intangibles (software, copyrights, patents, etc.) should be amortized over just one tax year, or by the straight-line system for a ten year term.

STOCK / INVENTORY

All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year ranks as a deduction. Inventories should be carried at cost and will be determined specifically or using the “first in, first out” method (FIFO), average cost method or the basic inventory. The “last in, first out” method (LIFO) of valuing trading stock is not permitted.

RESEARCH AND DEVELOPMENT EXPENDITURE (R&D)

Generally speaking, tax is applied to taxable income, which is the accounting profit in the tax period after adjustments provided for by the Peruvian Income Tax Law. Exemptions are usually insignificant. Expenses are deductible to the extent incurred in producing taxable income, subject to certain restrictions and limitations. Expenses given to projects of scientific and technological research and technological innovation are deductible for purposes of income tax, linked or not to the line of business of the company, provided that the projects are classified by the National Council for Science, Technology and Technological Innovation (CONCYTEC). Starting in 2016, the 30309 Law came into effect, with the purpose of promoting scientific research, technological development and innovation. The law provides tax benefits related to deductions for projects starting in 2016 which are not already included in the deduction established by the law on Income Tax.

INTELLECTUAL PROPERTY
As stated above, deduction of limited-time intangibles (software, copyrights, patents, etc.) should be amortised over just one tax year or by the straight-line system for a ten-year term.

INTEREST AND FINANCE CHARGES
Interest paid and financial charges incurred in the production of income are deductible expenses for Income Tax purposes. Interest paid to non-residents (or related entities) is generally subject to withholding tax at a rate of 30%. For interest paid by Peruvian resident financial institutions for the use of credit lines in Peru, or unaffiliated foreign lenders, the withholding tax rate is 4.99%, subject to the following conditions:
- The proceeds of the loan are brought into Peru as foreign currency through local banks or are used to finance the import of goods;
- The proceeds of the loan are used for business purposes in Peru;
- The interest rate does not exceed the prime rate plus three percentage points. In the case of loans obtained in the American money market of the United States of America and in the European money market, the prevailing LIBOR rate plus 4 points is considered a prime rate. The three or four percentage points are designed to cover expenses, commissions and any other additional charges related to the loan.

If the first two conditions described above are satisfied and the interest rate exceeds the prime rate plus three points or the LIBOR plus four points, the excess interest is subject to withholding tax at the regular rate of 30%.

TAX LOSSES
Tax losses may be carried forward subject to the following two systems:
(a) Offset in full for a four-year term limit subsequent to the year in which it was generated
(b) Offset indefinitely during the subsequent years, only up to 50% of annual net income. No carry back is allowed.

INTEREST RECEIVED
Interest received (or accrued) is included in gross income of any corporation.

C. FOREIGN SOURCED INCOME
Peruvian resident individuals and corporations are subject to tax in Peru on their worldwide income. However, this general principle may be overridden by the provisions of a double taxation agreement.

CREDIT FOR INCOME TAX PAID ABROAD
Taxes paid abroad on income from foreign taxable sources are deductible to the Peruvian income tax, given that these do not exceed the amount obtained by applying the average rate on income earned abroad, or the tax effectively paid abroad. The amount of credit that for any reason is not used in the taxable year will not be able to serve as compensation in other taxable years and will not be entitled to any reimbursement.

D. CORPORATE GROUPS

Group taxation is not applicable. There are no provisions for filing consolidated returns and relieving losses within a group.

E. RELATED PARTY TRANSACTIONS

Thin-Capitalisation: Pursuant to the Peruvian Income Tax Law, interests paid by entities domiciled in Peru, to related entities or related companies over the "3" factor resulting from applying the "debt/equity" ratio on the taxpayer's net equity at the end of the previous year, shall not be deductible in determining the Income Tax.

Transfer Pricing: Peruvian Income Tax Law includes transfer pricing rules based on the arm's length principle according to the guidelines of the Organization for Economic Cooperation and Development (OECD). However, these rules do not apply solely to transactions between related parties but to transactions with offshore entities whose domicile are located in territories with low or no taxation (tax havens) and are applicable for purposes of Income Tax. The law provides the following transfer pricing methods:
- Comparable Uncontrolled Price Method;
- Resale Price Method;
- Increased Cost Method;
- Utility Partition Method;
- Residual Method of Utility Partition; and,
- Transactional Net Margin Method.

Peruvian Tax Administration requires special declarations in which the taxpayer must prove the reasonableness of its transfer pricing policies.

F. WITHHOLDING TAXES

Royalties and similar income are subject to withholding income taxes at source.

- A withholding tax applies to interest paid in the production of income at a rate of 30%.
- Interests paid by banks or financial institutions for the use of credit lines in Peru, or loans obtained from unaffiliated foreign lenders are subject to a 4.99% withholding tax, subject to the following conditions:
- The proceeds of the loan are brought into Peru as foreign currency through local banks or are used to finance the import of goods;
- The proceeds of the loan are used for business purposes in Peru;

Dividends or other profit distribution forms, including remittance of profits from Peruvian branches or subsidiaries of foreign companies are subject to 6.8% of withholding Income Tax. It should be noted that this rate is applicable for 2015 - 2016, for 2017-2018 the applicable withholding rate will be 8.0% and since 2019 a rate of 9.3% will apply

Royalties are subject to a 30% withholding income tax.

- Technical assistance services for commercial purposes in Peru are subject to withholding income tax of 15% provided that the purchase consideration for the service does not exceed 140 UIT at effect at the time of conclusion. If the service exceeds the amount described, a report from an audit firm will be submitted to SUNAT, which will certify that the assistance was provided effectively. The report in question must be issued by an audit firm domiciled in Peru, that has current registration in the Register of Audit Firms in an Institute of Public Accountants or other audit firms entitled under the provisions of the country in which they are established to provide such services.

In case of not having this report, the applicable rate will be 30%.

- Digital services economically used in Peru are subject to a 30% withholding income tax. In the event that they are rendered together with technical assistance, the amount for each of them shall be distinguished on an individual basis. If it is not possible, the transaction will be treated as appropriate to the essential or predominant operation.
- Property Leasing is subject to a 30% Withholding Income Tax, to be applied on income received by non-resident legal entities. A 5% Withholding Income Tax applies on income received by non-resident individuals.

- Capital gains from the disposal, redemption or ransom of transferable securities issued by companies incorporated in Peru are subject to a 30% Withholding Income Tax except where the transaction is performed through a centralized mechanism of negotiation in Peru (stock market), in which case the rate is 5%.

In order to consider the disposal of securities to be made in Peru, they should be registered at the Public Registry of Transferable Securities and negotiated at the domestic stock market.

In case of some activities performed part in Peru and part of them overseas, by non-domiciled individuals, including income generated by their subsidiaries or permanent establishment, the following schemes of withholding income tax apply:

Activity	% Gross Income qualifying as Net Income from Peruvian source	Effective Rate (%)
Air transport	1	0.3
Lease of vessels	80	8.0
Lease of aircrafts	60	6.0
Supply of shipping containers	15	4.5
Transport containers demurrage	80	24.0
Insurance	7	2.1
International news agencies	10	3.0
Maritime transport	2	0.6
Motion picture distribution	20	6.0
Transfer of television broadcasting rights	20	6.0

Telecommunications services	5	1.5

G. EXCHANGE CONTROL

Foreign-exchange controls have been eliminated. Consequently, transactions are carried out in a free market at prices set by supply and demand.

H. PERSONAL TAX

Pursuant to the Peruvian Income Tax Law, Peruvian citizens residing in Peru are taxed on their worldwide income, regardless of where the income is generated or where it has been paid or the currency of receipt. In the case of non-resident citizens, they are taxed only on their Peruvian-source income.

In case of foreign citizens, they are deemed to be residents if they have been physically present in Peru for more than 183 days within a 12-month period.

For both cases, resident status shall be determined at the beginning of each tax year. Changes regarding such condition that may occur during the fiscal year shall become effective from the start of the next fiscal year.

For domiciled individuals, tax on income from work either independently or as employees (wages, salaries, etc.) shall be determined by applying a progressive cumulative rate based on the amount of income received during the tax year, according to the following detail:

Progressive Cumulative Scale

Income	Rate[3]
Up to 5 UIT	8%
For the excess of 5 UIT and up to 20 UIT	14%
For the excess of 20 UIT and up to 35 UIT	17%
For the excess of 35 UIT and up to 45 UIT	20%
Any excess of 45 UIT	30%

DEEMED EMPLOYEES

Labour brokers and personal service providers are regarded as employees. A labour broker is a natural person who, for reward, provides a client with other persons to render a service for the client or procures such other persons for the client and remunerates such person.

A personal service provider is a company or trust where any service rendered on behalf of the entity to its client is rendered personally by any person who is a connected person in relation to such entity and certain provisions are met.

AGREEMENTS TO AVOID DOUBLE TAXATION

Peru has signed treaties to avoid double taxation together with the following countries:

- The Andean Community (CAN) comprising the countries of Bolivia, Colombia, Ecuador, and Peru.
- Chile.
- Brazil.
- Canada.
- Mexico.
- South Korea.
- Switzerland.
- Portugal.

PHILIPPINES

MEMBER FIRM

City	Name	Contact Information
Manila	Rosario S Bernaldo	+63 2 892 4487 cherry.bernaldo@rsbernaldo.com

BASIC FACTS

Full name:	Republic of the Philippines
Capital:	Manila
Main languages:	Filipino, English
Population:	100,617,630 (2014 estimate)
Major religion:	Christianity
Monetary units:	Peso (Filipino: piso) (PHP)
Internet domain:	.ph
Int. dialling code:	+63

KEY TAX POINTS

- The tax year runs for the calendar year although approval of the Commissioner of Internal Revenue can be obtained for the adoption of a fiscal year.
- Company tax is payable by domestic companies on all income derived from sources within and outside the Philippines. Foreign corporations, whether resident or non-resident, are taxable only on income derived from sources within the Philippines.
- The corporate income tax rate both for domestic and resident foreign corporations is 30% based on net taxable income. Regional operating headquarters are taxed at 10% on taxable income. A 10% Improperly Accumulated Earnings Tax (IAET) is imposed on improperly accumulated taxable income earned by closely-held corporations.
- A 12% Value Added Tax (VAT) of the gross selling price or gross value in money of the goods is imposed to all importation, sale, barter, exchange or lease of goods or properties and sale of services.
- Tax credits are available for taxes and duties paid on purchases of raw materials of products for export, domestic capital equipment, and domestic breeding stock and genetic materials. A number of Special Economic Zones, some of which are operated as separate customs territories also exist.
- Income of residents is subject to tax at progressive rates up to 32% (which also apply to individuals who derive income from business (including capital gains from the sale transfer or exchange of shares in a foreign corporation) or from the practice of a profession).

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Company tax is payable by domestic companies on all income derived from sources within and without the Philippines. Foreign corporations, whether resident or non-resident, are taxable only on income derived from sources within the Philippines. However, non-resident foreign corporations are, in certain circumstances, subject to a final withholding tax on passive (investment) incomes at rates generally higher than the applicable tax rates applying to domestic and resident foreign corporations.

Resident companies are those that are created or organised under the laws of the Philippines or foreign companies duly licensed to engage in trade or business in the Philippines.

The corporate income tax rate both for domestic and resident foreign corporations is 30% based on net taxable income. Excluded from the income tax are dividends received from domestic corporations; interest on Philippine currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements; and other passive income previously subject to final taxes.

Interest income derived from the expanded foreign currency deposit is subject to a final tax of 7.5%. All other interest earned by domestic and resident foreign corporations is subject to a 20% final withholding tax except for long-term time deposits of five (5) years or more that is exempt from final withholding tax rates, those with a term of four years to less than five years are taxed at 5%, and those

between three and four years are subject 12% tax.

Regional operating headquarters are taxed at 10% on taxable income.

Special economic zone enterprises duly registered with the Philippines Economic Zone Authority (PEZA) are taxed at the rate of 5% on gross income in lieu of national and local taxes, except real property tax. The term 'gross income' refers to gross sales or gross revenue derived from the business activity within the Ecozone, net of sales discount, sales returns and allowances, less the cost of sales or direct costs but before deduction is made for administrative expenses and incidental losses during the taxable period. Likewise, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) registered entities enjoys a special income tax rate of 5%.

The tax year runs for the calendar year although approval of the Commissioner of Internal Revenue can be obtained for the adoption of a fiscal year. Tax is payable in four quarterly instalments, with every corporation filing quarterly income tax returns for the first three quarters and tax being payable 60 days following the end of each quarter. A final return covering the full year is required to be lodged 105 days after year end at which time the balance of tax, after deducting the prior three instalments and creditable withholding tax, is payable. Any excess is refundable or can be claimed as tax credit against future tax payments.

MINIMUM CORPORATE INCOME TAX

A minimum corporate income tax of 2% based on the gross income is imposed from the beginning of the fourth taxable year immediately following the commencement of the business operation of the corporation. Any excess of the minimum corporate income tax over the normal income tax may be carried forward and credited against the normal income tax for the three taxable years immediately succeeding. The computation and the payment of MCIT shall likewise apply at the time of filing of the quarterly corporate income tax.

The term 'gross income' for the purpose of applying the minimum corporate income tax shall mean the gross sales less sales returns, discounts and allowances and cost of goods sold.

The Secretary of Finance, however, may suspend the imposition of the minimum corporate income tax on any corporation which suffers losses on account of prolonged labour dispute, force majeure or legitimate business reverses.

CAPITAL GAINS TAX ON SHARES OF STOCK

The net capital gains from the sale of shares of stock of a domestic corporation not listed and traded through the Philippine Stock Exchange are taxed on a per transaction basis at the rate of 5% on the first PhP 100,000 and 10% in excess of said amount. The value of the shares of stock is computed based on the Adjusted Net Asset Method, whereby all assets and liabilities are adjusted to fair market values.

On the other hand, the sale of shares of stock of a domestic corporation through the Philippine Stock Exchange or through the initial public offering is subject to a percentage tax on the transaction at the rate of 1/2 of 1% of the selling price. Any gain or loss from said transaction is not considered for income tax purposes.

CAPITAL GAINS TAX ON SALE OF REAL PROPERTY

The sale of land, building and other real properties classified as capital asset is subject to 6% final capital gains tax based on the gross selling price, current fair market value or zonal value at the time of sale, whichever is higher.

IMPROPERLY ACCUMULATED EARNINGS TAX

The 10% improperly accumulated earnings tax (IAET) is imposed on improperly accumulated taxable income earned by closely-held corporations. The term 'closely-held corporation' refers to corporations where at least 50% of the capital stock or voting power is owned directly or indirectly by or for not more than 20 individuals. The tax base of the 10% IAET is the taxable income of the current year plus income exempt from tax, income excluded from gross income, income subject to final tax, and the amount of net operating loss carry-over deducted. It is reduced by income tax paid for the current year, dividends actually or constructively paid, and amount reserved for the reasonable needs of the business.
The IAET does not apply to the following corporations:
(a) Banks and other nonbank financial intermediaries
(b) Insurance companies
(c) Publicly-held corporations
(d) Taxable partnerships
(e) General professional partnerships
(f) Non-taxable joint ventures,

(g) Duly registered enterprises located within the special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, national or local.

BRANCH PROFITS TAX

A branch is classified as a resident foreign corporation. As such, it is subject to income tax at the rate of 30% on its net income derived within the Philippines. Any branch profit to be remitted to the Head Office is additionally taxed at the rate of 15%. For purposes of branch profit remittance, income items which are not effectively connected with the conduct of its trade or business in the Philippines are not considered branch profits. Such income items include interests, dividends, rents, royalties, including remuneration for technical services, salaries, wages, premiums, annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits, income and capital gains received during each taxable year from all sources within the Philippines. To be 'effectively connected', it is not necessary that the income be derived from the actual operation of the branch's trade or business. It is sufficient that the income arises from the business activity in which the branch is engaged.

However, the 15% branch profit tax does not apply to profits remitted by a branch coming from those activities duly registered with the Philippine Economic Zone Authority (PEZA).

SALES TAXES/VALUE ADDED TAX (VAT)

A 12% value added tax (VAT) of the gross selling price or gross value in money of the goods is imposed to all importation, sale, barter, exchange or lease of goods or properties and sale of services.

'Gross selling price' means the total amount of money or its equivalent that the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the value added tax. The excise tax, if any, on such goods or properties shall form part of the gross selling price.

FRINGE BENEFITS TAX

Fringe benefits furnished or granted in cash or in kind by an employer to an individual employee (except rank and file employees) are taxed at the rate of 32% based on the grossed-up monetary value of the fringe benefits.

LOCAL TAXES

There are no local taxes other than local authority rates and local (business) taxes and permit fees. Special economic zone enterprises are not subject to local taxes.

OTHER TAXES

Other taxes include the following.

PERCENTAGE TAXES

Percentage taxes are imposed on carriers (domestic or international), franchises, banks, financial intermediaries, finance companies, life insurance companies, agents of foreign insurance companies, overseas communications, amusement, winnings and stock transactions.

INITIAL PUBLIC OFFERING (IPO) TAX

Sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations is taxed at the rates provided below based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed of in accordance to the total outstanding shares of stock after the listing in local stock exchange:

Up to 25%	4%
Over 25% but not over 33 1/3%	2%
Over 33 1/3%	1%

EXCISE TAXES

Excise taxes are imposed on alcohol and tobacco products, petroleum and mineral products, automobiles and certain non-essential goods.

DOCUMENTARY STAMP TAX

Documentary stamp tax is imposed on certain documents including shares certificates, bank cheques, bonds, sales documents of real properties and mortgages.

REAL PROPERTY TAX

Real property tax is imposed on owners of real property and is calculated on the

assessed value of the property.

B. DETERMINATION OF TAXABLE INCOME

A company's taxable profit is calculated by deducting ordinary and necessary expenses paid or incurred during the tax year in carrying on business. Typical expenses include salaries, travelling expenses and rentals, all of which need to be substantiated to be deductible. Additionally, taxes that relate to the business other than income, estate, gift and energy taxes and taxes charged to local benefits of a kind likely to increase the value of property are deductible. In calculating taxable income, special rules and exemptions apply in the circumstances outlined below.

INVESTMENT INCENTIVES

Tax incentives available to enterprises registered with the Board of Investments (BOI) or the Philippine Economic Zone Authority (PEZA) include six years' income tax holidays for pioneer firms and four years for non-pioneer firms with expanding firms granted three years. For PEZA registered enterprises, a 5% tax on the modified gross income is imposed after the end of the income tax holiday. Likewise, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) registered enjoys a special income tax rate of 5%.

The tax holiday may be extended for an additional year in specified circumstances but in no case may the aggregate period of the tax holiday exceed eight years. For the first five years, an enterprise registered with the BOI or PEZA is, in specified circumstances, allowed an additional deduction from the taxable income of 50% of the wage expense corresponding to the increment in the number of direct labour for skilled and unskilled workers.

Enterprises located in less developed areas are, in specified circumstances, allowed a 100% deduction of said wages and a 100% deduction for construction costs. Enterprises located in export processing zones and special economic zones are likewise entitled to income tax holidays and tax and duty-free importation of raw materials and equipment.

'Gross income earned' shall refer to gross sales or revenues derived from business activity within the respective zones, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable period.

DEPRECIATION

Any recognised depreciation method may be used if it is 'reasonable'. The annual depreciation allowance is determined on the basis of depreciable property, estimated useful life and salvage value.

For extraction industries, a distinction is made between petroleum and other mining activities. Distinctions are also made for different categories of expense (e.g. tangible or intangible, exploration or drilling etc), and different methods apply (e.g. expenditure, cost depletion etc).

STOCK/INVENTORY

For taxpayers engaged in a trade or business, the valuation of inventories must meet the following conditions:

- it must conform as nearly as possible to the best accounting practice in the trade or business; and
- it must clearly reflect the income.

As such, although it cannot be uniform for all taxpayers, the system used must come within the scope of the best accounting practice in the particular trade or business. In order to clearly reflect income, the inventory practice of a taxpayer should be consistent from year to year as greater weight is given to consistency than to any particular method or basis of valuation. As long as the method is substantially in accord with these regulations, it is likely to be accepted.

The basis of valuation which is most commonly used by business concerns and which meets the requirements of the tax laws is the cost price or the lower of cost or market price.

Regardless of the basis of valuation, inventories are subject to investigation by the Commissioner of Internal Revenue and the taxpayer must satisfy the Commissioner of the correctness of the price adopted.

CAPITAL GAINS AND LOSSES

See discussions above. Ordinary assets include:

(a) Stock in trade of the taxpayers, or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the end of the taxable year
(b) Property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business
(c) Property used in trade or business of a character which is subject to allowance for depreciation
(d) Real property used in trade or business.

All properties held by the taxpayer, whether or not connected with trade or business, not included in the enumeration of ordinary assets are capital assets. Capital gains arise from the disposal of 'capital assets'.

DIVIDENDS

Dividends received by a Philippine corporation or by a resident foreign corporation from a Philippine corporation are not subject to income tax. However, resident individuals receiving dividends are subject to 10% final income tax.
No credit is granted for underlying corporate profits out of which the dividends are declared. However, a domestic corporation that owns a majority of the voting stock of a foreign corporation from which it receives dividends is deemed to have paid the underlying foreign taxes.

INTEREST DEDUCTIONS

Interest is deductible on a cash or accrual basis depending upon the taxpayer's method of accounting but shall be reduced by 33% to the extent that a portion of interest income has been subjected to final tax. Where interest is paid to a foreign lender, it will remain deductible so long as it is incurred in connection with the trade or business of the taxpayer.

LOSSES

Losses may be offset against all income and capital gains in the same tax year. Losses must be sustained by the taxpayer during the taxable year and must be incurred in relation to the trade and business and evidenced by completed transaction.

Operating loss for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income may be carried over as a deduction from gross income for the next three consecutive years immediately following the year of such loss. This is known as the Net Operating Loss Carryover or the excess of allowable deduction over gross income in a taxable year. However, there are certain limitations to be followed:
(a) any net loss incurred in a taxable year during which the taxpayer is exempt from income tax shall not be allowed as deduction
(b) allowed only if no substantial change in the ownership in that:
  - not less than 75% in nominal value of the outstanding issued shares, if the business is in the name of the corporation, is held by or on behalf of the same persons; or
  - not less than 75% of the paid in capital of the corporation, if the business is in the name of the corporation, is held by or on behalf of the same persons.

For mines other than oils and gas wells, a net operating loss without the benefit of incentives provided for under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987, incurred in any of the first ten years of operation may be carried over as a deduction from gross income for the next five years immediately following the year of loss.

FOREIGN SOURCED INCOME

A Philippine (domestic) corporation is taxed on worldwide income. Foreign income is taxed when earned or received, depending on the accounting method used by the taxpayer. Resident foreign corporations are taxed in the Philippines only on Philippine source income.

INCENTIVES

Tax credits are available for taxes and duties paid on purchases of raw materials of products for export, domestic capital equipment, domestic breeding stock and genetic materials. A number of Special Economic Zones, some of which are operated as separate customs territories also exist. (Refer also to 'Investment incentives' above.)

OPTIONAL STANDARD DEDUCTION (OSD)

In lieu of the itemised deduction of ordinary and necessary expenses paid or incurred to calculate the net taxable profit, domestic and foreign corporations are allowed an OSD in the amount not exceeding 40% of gross income. Companies intending to avail of the OSD are required to indicate such intention upon filing the first quarter

income tax return.
The computation and the payment using the OSD shall likewise apply at the time of filing of the quarterly corporate income tax.
There are taxpayers (corporations, partnerships) not entitled to avail of the OSD, listed below:
Those exempt under the Tax Code, as amended, and other special laws, with no other taxable income
Those with income subject to special/preferential rates; and,
Those with income subject to regular income tax rate, and also with income subject to special/preferential tax rates.

C. FOREIGN TAX RELIEF

Relief from double taxation is provided by way of tax treaties and/or by means of foreign tax credits. The treaties generally define when a taxpayer will be deemed for income tax purposes to be doing business in the Philippines.

D. CORPORATE GROUPS

Group taxation is not permitted. The grouping of corporations has no tax implications as the tax laws treat each corporation in isolation.

E. RELATED PARTY TRANSACTIONS

Philippine corporations can claim a deduction for royalties, management services and interest charges paid to foreign affiliates provided the amount represents an arm's length price and the appropriate withholding taxes are withheld and remitted. Some interest deductions can be affected by related party transactions involving non-residents. See Section B above.

F. WITHHOLDING TAX

NON-RESIDENT FOREIGN CORPORATIONS
Interests on foreign loans, royalties and dividends paid to non-resident foreign corporations are subject to withholding tax at source at the time of their accrual in the taxpayer's books.

The only exemption to this rule is when, at the time of the accrual of the income, there is a governmental restriction which prevents the actual remittances of the income due to the non-resident.

DIVIDENDS
Dividends received by non-resident foreign corporations from domestic corporations are subject to a final tax of 30%. However, tax is withheld at the reduced rate of 15% in certain circumstances.

INTEREST
Interest received by non-resident foreign corporations is subject to the following final withholding tax:
(a) 20% on interest paid or accrued from foreign loans contracted on or after 1 August 1986
(b) 30% on other interest.

P

ROYALTIES
Royalties received by non-resident foreign corporations are subject to a final withholding tax of 30%. However, said tax rate may be reduced under applicable tax treaties.

TECHNICAL ASSISTANCE AND SERVICE FEES
Technical assistance and service fees received by non-resident foreign corporations are subject to the final withholding tax of 30%.
Rental and leasing income
Rental and leasing income received by non-resident foreign corporations is subject to the following final withholding tax:
- 25% of the gross amount on film rentals from sources within the Philippines
- 4.5% of the gross amount on charter fees or rentals in respect of foreign vessels
- 7.5% of the gross amount on rentals and other fees in respect of aircraft, machinery and other equipment.

NON-RESIDENT ALIENS
The following income received by non-resident aliens (not engaged in trade or business in the Philippines) are subject to a final withholding tax of 25% of the gross amount of:

(a) Dividends, interest and royalties
(b) Technical assistance and service fees (no tax is withheld in certain circumstances)
(c) Rental and leasing income
(d) Capital gains (special rules apply to residents of double tax treaty states).

FINAL WITHHOLDING TAX

The following income received by Philippine citizens and resident aliens are subject to a final withholding tax of 20% of the gross amount of:
(a) Interest
(b) Royalties, except royalties on books, literary works and musical compositions which are subject to 10%
(c) Technical assistance and service fees.

G. EXCHANGE CONTROL

The Bangko Sentral ng Pilipinas (BSP) administers the exchange control laws of the Philippines including establishing minimum and maximum rates for the foreign exchange dealings of banks. However, banks may set their own rates for trading foreign exchange with the public. The value of the peso generally floats freely, although intervention by the BSP does occur when deemed necessary.

H. PERSONAL TAX

Income is divided into the following three categories which are taxed separately, as summarised below.

Compensation employment income: This income is taxed at progressive rates on gross income after deduction of personal and additional exemptions but without deductions for expenses.

Remuneration for services performed by an employee for his employer are considered compensation subject to income tax, except for facilities and privileges, called as 'de minimis benefits'. Thirteenth month pay and other benefits not exceeding PhP82,000 (previously PhP30,000) are also exempt from income tax.

Passive income: This income (i.e. dividends, certain interest, royalties, etc.) is subject to final withholding tax only.

Business income and professional income: This income is taxed at progressive rates on net business income, or income from the practice of a profession, i.e. after deduction of certain specified expenses and any excess of personal and additional exemptions over compensation income.

TAXABLE INCOME
RESIDENT CITIZENS

Resident citizens of the Philippines are taxed on all their net income derived from sources within and without the Philippines.

ALIEN INDIVIDUALS

An alien individual, whether a resident or not of the Philippines, is taxable only on income derived from sources within the Philippines. Resident aliens are taxed in the same manner as resident citizens on income sourced within the Philippines.
Tax is generally withheld in sufficient amounts from salary and wages to satisfy the final tax liability. If not, then the balance must be paid when filing the return, which is required on or before 15 April of the year following the year of income. In some cases, income tax liability may be paid in two equal installments.

RESIDENT INDIVIDUALS

Income of residents is subject to the following rates:

Taxable Income		Income Tax Payable		
Exceeds	But does not exceed	On amount in 'Exceeds'	Percentage on excess	
(PhP)	(PhP)	(PhP)		(PhP)
–	10,000	–	5%	-
10,000	30,000	500	10%	10,000
30,000	70,000	2,500	15%	30,000
70,000	140,000	8,500	20%	70,000
140,000	250,000	22,500	25%	140,000

Taxable Income		Income Tax Payable		
Exceeds	But does not exceed	On amount in 'Exceeds'	Percentage on excess	
(PhP)	(PhP)	(PhP)		(PhP)
250,000	500,000	50,000	30%	250,000
Over 500,000	–	125,000	32%	500,000

The above rates also apply to individuals who derive income from business (including capital gains from the sale transfer or exchange of shares in a foreign corporation) or from the practice of a profession.

OPTIONAL STANDARD DEDUCTION (OSD)

Except for individuals earning compensation income, resident citizens, non-resident citizens, and resident aliens shall be allowed to claim OSD in lieu of the itemised deductions of ordinary and necessary expenses paid or incurred during the year. The OSD allowed shall be a maximum of 40% of gross sales or gross receipts without deduction of the cost of sales or cost of services.

The computation and the payment using the OSD shall likewise apply at the time of filing of the quarterly income tax return.

Like the corporation, there are individual taxpayers not entitled to avail of the OSD, listed below:

a. Those exempt under the Tax Code, as amended, and other special laws, with no other taxable income
b. Those with income subject to special/preferential rates; and,
c. Those with income subject to regular income tax rate, and also with income subject to special/preferential tax rates.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

The rates are as follows:

	Interest[1] (%)	Dividends (%)	Royalties[2] (%)
Treaty countries:			
Australia	15	15/25	15/25
Austria	10/15	10/25	15
Bahrain		15/10	15/10
Bangladesh	15	10/15	15
Belgium[3]	10	10/15	15
Brazil	15	15/25	25/15
Canada	15	15/25	10/25
China	10	10/15	10/15
Czech Republic	10	10/15	10/15
Denmark	10	10/15	15
Finland	15	15	15/25
France	15	15/25	15/25
Germany	10/15	10/15	15/10
Hungary	15	15/20	15
India	10/15	15/20	15
Indonesia	15	15/20	15/20
Israel	10	10/15	15
Italy	15	15	15/25
Japan	10	10/15	15/10
Korea, Republic of	10/15	10/25	15/10
Kuwait	10	10/15	20
Malaysia	15	15/25	15/25
Netherlands[3]	10/15	10/15	10/15

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	Interest[1] (%)	Dividends (%)	Royalties[2] (%)
New Zealand	15	15/25	15/25
Norway[3]	15	15/25	7.5/10/25
Pakistan	15	15/25	15/25
Poland	10	10/15	15
Romania	10/15	10/15	10/15/25
Russia	15	15	15
Singapore	15	15/25	15/25
Spain[3]	10/15	10/15	10/20/15
Sweden	10	10/15	15
Switzerland	10	10/15	15
Thailand	10/15/25	15/20	15/25
Turkey	10	10/15	15/10
United Arab Emirates	10	10/15	10
United Kingdom	15	15/25	15/25
United States	15	20/25	15/25
Vietnam	15	10/15	15
Yugoslavia	10	10/15	15

1 Maximum of 10% if the interest is paid by a company in respect of a public issue of bonds, debentures or similar obligations. For Indonesia and Pakistan, interest is exempt if paid in respect of bonds, debentures or similar obligations of the Philippine government (and vice versa).

2 Broadly, dividends paid by a domestic corporation to a non-resident foreign corporation are taxed at 15% subject to the conditions that the country in which the foreign corporation is domiciled:
 (a) allows a credit for tax deemed to have been paid in the Philippines equal to 20%, which represents the difference between the regular tax on corporations (35%) and the tax on dividends (15%); or
 (b) does not impose tax on dividends. Refer to the relevant tax treaty for specific limitations on the availability of tax sparing credits.

3 Refer to Part V of the Double Tax Agreements for Belgium, The Netherlands, Norway and Spain.

POLAND

MEMBER FIRM

City	Name	Contact Information
Warsaw	Agnieszka Chamera	+48 22 560 75 50 agnieszka.chamera@pkfpolska.pl

BASIC FACTS

Full name:	Republic of Poland
Population:	38.5 million (2013 PRB)
Capital:	Warsaw
Area:	312,685 sq km (120,728 sq miles)
Major language:	Polish
Major religion:	Christianity
Monetary unit:	1 zloty = 100 groszy
Internet domain:	.pl
International dialling code:	+48
Ministry of Finance website:	www.mf.gov.pl

KEY TAX POINTS

- Polish resident companies are subject to corporate income tax on all sources of their worldwide income. Non-residents are taxed only on income derived from Poland.
- Real property tax and tax on the means of transport (lorries, tractors and trailers)

are charged as local taxes.
- Civil law activity tax (CLAT) applies to contracts of sale, lease or hire, loan agreements, and foundation deeds of a partnership.
- Foreign tax paid may be credited against Polish tax due, up to the amount of domestic tax.
- A ‘tax capital group’ may be established by joint stock companies and limited liability companies, where there is 95% ownership.
- Transfer pricing provisions apply to transactions carried out between related parties.
- Withholding tax is deducted from interest, royalties and dividends. However, under the EC Parent-Subsidiary Directive, dividend distributions by resident subsidiaries to their non-resident EU parent or EEA parent are exempt provided certain conditions are met.
- Individuals resident in Poland are taxed on their worldwide income. Non-residents are taxed only on the income derived from work performed in Poland.

A. TAXES PAYABLE

COMPANY TAX
Polish resident companies are subject to corporate income tax (CIT) on all sources of their worldwide income, while non-residents are subject to corporate income tax only on income derived from the territory of Poland. A company is deemed resident in Poland if it is incorporated or managed in Poland.

The corporate tax rate for 2015 is levied at 19% of taxable base. In general, the tax year for corporate taxpayers is the calendar year. Taxpayers are obliged to submit their tax declaration, together with the balance sheet, to the fiscal office within three months from the end of their tax year. Taxpayers are obliged to pay tax monthly in advance, based on the current year’s income. Taxpayers can also make monthly advance payments based on specific rules if they meet certain conditions.

CAPITAL GAINS TAX
Capital gains from the disposal of fixed business assets are aggregated with income from other sources and are subject to corporate income tax at the standard CIT rate (19% in 2015).

BRANCH PROFITS TAX
The tax rate of income derived by a foreign corporation from a branch located in Poland is the same as for Polish entities (19% in 2015).

VALUE ADDED TAX (VAT)
As a result of Poland’s accession to the European Union, the Polish VAT Act has changed in line with the regulations of the 112th Directive and other EU Directives related to VAT.

Under the Polish VAT regulations, VAT applies to the following transactions:
- Supply of goods and services made in Poland for consideration;
- Export of goods outside the EU;
- Import of goods from outside the EU;
- Intra-Community acquisition of goods effected for consideration in Poland, including the movement of goods between different Member States within the same business;
- Intra-Community supply of goods including the movement of goods between different Member States within the same business.

VAT payers who have no registered seat in Poland nor fixed place of business or place of residence are obliged to appoint a fiscal representative. This obligation does not apply to EU residents.

The current tax point is the date of delivery or performance of the goods and services, respectively. However, there are some exceptions to this rule.

VAT is charged at the standard tax rate of 23% on the supply of most goods and services or at the reduced rates of 8%, 5% and 0%:
- 8% supplies include, amongst others, hotel services and passenger transport supply, construction and assembly services, restoration and conservation of building included in social housing programs;
- 5% rate applies to certain foods, e.g. meat, fish, dairy products, vegetables, fruit, bread, etc.;
- 0% supplies include, amongst others, exports and intra-Community supplies of goods and international transport services.

In addition, there are a number of exemptions from VAT including education and health

care services.

However, other than those taxpayers using the cash-basis settlement method, taxpayers may submit tax returns quarterly, having notified the head of a revenue office in writing by the 25th day of the second month of the quarter. A taxpayer who starts carrying out taxable acts during a tax year must make the notification by the 25th day of the month following the month in which it started performing these acts.

Taxpayers who have chosen to make quarterly VAT settlements may resume filing monthly tax returns but not until they have submitted at least four quarterly tax returns.

FRINGE BENEFITS TAX (FBT)

Benefits in kind are included in taxable income of employees.

LOCAL TAXES

Real property tax and transport tax are charged as local taxes in Poland. Real property tax is paid by owners of real estate. The tax base depends on the type of asset concerned:

- Buildings - the usable area;
- Structures - value of the structure;
- Land - the area.

The tax rates are established by the Commune Council. The tax on the means of transport is imposed on lorries, tractors and trailers. The tax rates are also established by the Commune Council.

OTHER TAXES

CIVIL LAW ACTIVITY TAX (CLAT)

Some of the civil acts may be subject to civil law activity tax. These are, in general:

- Contracts of sale, lease, hire (if not subject to VAT);
- Loan agreements;
- Foundation deeds of a partnership or company.

CLAT rates are from 0.1% - 2%.

The following shall not be liable to tax:

(1) Acts in civil law if, in respect of performing such an act, at least one party is:
  (a) Liable to goods and services tax;
  (b) Exempt from goods and services tax, except for:

  - contracts of sale and exchange whose object is immovable property or part thereof, or the right of perpetual usufruct, cooperative member's ownership right to a living accommodation, right to a single-family house in a housing cooperative or right to a parking lot in a multi-lot car park or a share in such rights;

- Contracts of sale for shares in commercial partnerships or companies;

(2) Partnership or company deeds or amendments relating to:
  (a) Company mergers;
  (b) Transformation of a company into a different company;
  (c) Contribution to a company, in exchange for its shares, in some circumstances.

Loans granted by a shareholder to a company are also exempt from this tax.

STAMP DUTY

Transactions subject to Stamp Duty include the following:

- Bills of exchange;
- Public administration actions (application forms, certificates, permissions).

SOCIAL SECURITY CONTRIBUTION

Resident individuals and employees within the territory of Poland are subject to obligatory old age and disability insurance.

Rates of social security contributions are as follows:

	Employer	Employee
Old age pension	9.76%	9,76%
Disability insurance	6.50%	1.50%
Sickness benefits	-	2,45%
Accident insurance	0.67 % – 3.86 %	-
Health insurance	-	9.00%

Contributions to the old age and disability pensions are paid by the employer and employee. The 9.76% employee contribution is transferred to the Open Pension Fund.

Contributions by employees are based on their gross income for income tax purposes. The ceiling on income on which contributions for the old age pension and disability.

Insurance due in 2015 is PLN 118,770.00. There is no ceiling for health and maternity insurance.

The employer withholds the employees' contributions. Employees' contributions are deductible for income tax purposes and employers' contributions are deductible for corporate income tax purposes.

The contribution for accident insurance is paid by the employer.

The contribution for sickness benefit is paid by the employee.

In addition:
- 9% of gross pay (less contributions for old age and disability insurance) for obligatory health insurance contribution (covering medical expenses) is payable by employees;
- 2.45% of gross pay is paid by the employer to the Labour fund;
- 0.10% of gross pay is paid by the employer for the Guaranteed Welfare Benefits Fund.

B. DETERMINATION OF TAXABLE INCOME

Corporate entities are subject to corporate income tax on the net profit shown on the yearly balance sheet, computed in accordance with the statutory accounting and bookkeeping rules, after adjustment for deductions and additions provided under the tax law.

Generally, expenses incurred for the production of income are allowed as deductions.

It is not possible to deduct expenses which are paid more than 30 days after the due date (or up to 90 days after the invoice date for expenses payable at least 60 days after the invoice date).

DEPRECIATION
Current rates range from 1.5% to 30% depending on the type of asset. As a general rule, the straight-line method must be applied although the reducing method is possible under some conditions.

INVENTORY
Stock in trade, or inventory, is valued at its historic cost price or market value. The cost of inventory may be calculated at a standard cost, at a weighted average cost, or on the UFO or FIFO basis, as long as the method selected is used consistently.

CAPITAL GAINS AND LOSSES
Capital gains and losses are subject to CIT tax at a rate of 19% for 2015.

DIVIDENDS
Dividends received from resident companies are taxed separately at a rate of 19% unless the participation exemption applies (see Section 'F' below). The tax is withheld by the distributing company.

Dividends may be distributed only from net profits of the company. Sums allocated for distribution among shareholders cannot be deducted from the taxable base.

INTEREST DEDUCTIONS
Interest is deductible on an accrual basis. For interest from credits and loans from related parties, thin capitalisation applies.
From January 1st, 2015 the thin capitalization rules shall apply not only to loan between direct related parties ("mother" company to "daughter" company) but also to transactions between indirect related parties, it means parties which possess indirectly no less than 25% of share capital of taxpayer or of share capital of lender.
According to the new regulation the new thin capitalization ratio is 1:1, but the subject to verification is a total value of debt to the related parties to the value of equity (not only to the shareholder capital).
The term "the total value of debt to the related parties" does not include only the value of loan, but also other debts (for example from trade transaction).
The value of equity for calculation of "this capitalization" should be determined on the last day of the month preceding the interest payment. For this value will not

be accounted for the equity revaluation reserve and part of the equity coming from subordinated loans received. In addition, equity will not include the value of the share capital of the company, not transferred effectively to the capital or covered with debts resulting from loans and interest income on these loans (which are vested in shareholders against the company), as well as intangible assets, which are not subjects to the tax depreciation.

LOSSES

Losses from a given tax year can be offset against the income in the five subsequent tax years, but the amount deducted in any one year cannot exceed 50% of the loss incurred in the previous five tax years (including those amounts already utilised against profits).

FOREIGN SOURCED INCOME

Resident companies are subject to tax on their worldwide income, including foreign sourced income and gains. However, double tax agreements may apply to reduce or extinguish the tax liability imposed under domestic tax law.

INCENTIVES

Polish law provides for corporate income tax incentives, such as special economic zones (SEZs). In principle, companies operating within special economic zones may enjoy tax holidays, which involve tax exemption from corporate income tax within certain time limits. Investments in SEZs may be conducted subject to a permit issued by the authorities. There are now 14 such zones in Poland: Mielecka, Katowicka, Suwalska, Legnicka, Walbrzyska, Lodzka, Kostrzynsko-Slubicka, Slupska, Tarnobrzeska, Warminsko-Mazurska, Starachowicka, Kamiennogorska, Pomorska and Krakowska (Krakow Technology Park).

Undertaking business activity within a SEZ requires a special permit issued by the Minister of Economy or the authorities of the SEZ. Regulations applicable to a particular SEZ may specify the minimum investment value required and/or the number of employees that must be hired to benefit from the tax exemption.

C. FOREIGN TAX RELIEF

Foreign sourced income received by a resident company is included in its taxable base unless otherwise provided by the double tax treaty. Taxes paid abroad may be credited against the tax due. However, the amount of tax credit may not exceed the amount of domestic tax that would have been due on the income derived abroad, had it been derived in Poland.

D. CORPORATE GROUPS

In accordance with the Corporate Income Tax Act. a “tax capital group” may be established. Corporate tax is due on the income of the group as a whole. Such a group can be established only by joint stock companies and limited liability companies. The parent company must own at least 95% of the equity of each of the dependent companies. There are also other conditions which must be met to establish the ‘tax capital group’, such as:

- An average capital of all companies not lower then PLN 1 million;
- Capital group agreement period - minimum three years;
- Registration of the agreement with the tax office;
- No outstanding tax liabilities to state budget;
- Profitability ratio of the group not lower than 3% tor each year; and,
- All of the companies included in the group must be registered in Poland.

E. RELATED PARTY TRANSACTIONS

Transfer pricing provisions apply to transactions carried out between related parties (broadly where one partly controls the other or they are under common control). The provisions apply to both transactions between a Polish and a non-Polish resident entity and to those between Polish entities.

Transfer pricing provisions apply to ally also to partnerships.
Taxpayers who conduct the transaction, including:

- conclusion of the partnership’s agreement,
- joint venture agreement or similar agreements

with entities related to those taxpayers , including the partnership’s agreement, joint venture or similar agreement, if one of the parties to such an agreement is an entity domiciled, resident or management (managed) on the territory or in the country engaged in harmful tax competition, are obliged to prepare the transfer pricing documentation of such transactions.
In the case of a partnership the obligation referred to transfer pricing documentation,

includes a partnership agreement in which the total value of the contributions made by the partners exceeds EUR 50 000. In the case of a joint venture or other similar agreements above mentioned, the limit refers to the value of the joint venture as defined in the agreement, in the absence of the agreement to determine this value - to the expected date of the agreement jointly implemented the project.

F. WITHHOLDING TAXES

Withholding tax is deducted from interest, royalties and dividends. On payments to non-residents, it is deducted at 19% on dividends and 20% on royalties and interest payments, unless reduced by a double tax treaty.

However, under the provisions implementing the EC Parent-Subsidiary Directive, dividend distributions by resident subsidiaries to their non-resident EU parent or EEA (European Economic Area) parent companies or resident parent company are exempt. In order to benefit from this regulation, the following conditions must be met:

- The resident parent company or EU parent or EEA parent company in receipt of the dividends must be subject to corporate income tax in Poland or the EU member country or EEA country on worldwide income and must not use an exemption to prevent it from being taxed on the dividends;
- The parent company must have owned at least 10% of the capital in the Polish company continuously for a period of at least two years.

The EC Interest and Royalties Directive was implemented into domestic law on 1 July 2005. The rate was 5% between 1 July 2009 and 30 June 2013. From 1 July 2013 the rate is 0%.

In order to benefit from this regulation, the following conditions must be met:

- The payer must be a company which is resident in Poland or is resident in another EU member state and has a taxable permanent establishment in Poland;
- The payee must be a company, which is tax resident in an EU Member State other than Poland;
- The company which is receiving the income must be subject to tax on its worldwide income;
- The Polish company must have owned at least 25% of the capital of the EU company continuously for a period of at least two years; or the EU company must have owned at least 25% of the capital of the Polish company continuously for a period of at least two years.

G. CFC RULES

Polish taxpayers are subject to Polish tax on income earned by their CFCs even if the income is not distributed by the non-Polish company. The tax rate for such income is 19%.
Subsidiaries subject to CFC rules are those:

- with passive income (e.g. from dividends, shares, copyrights)
- taxed at a rate lower than 14.25% and
- in which the Polish parent company holds at least 25% of shares directly or indirectly,

Subsidiaries in tax havens also is treated as CFCs.
The CFC provisions will not apply if the foreign corporation conducts real business activities.

H. EXCHANGE CONTROL

With effect from 2003, most foreign exchange transactions are allowed by the Foreign Exchange Act, and do not require a special permit from the National Bank of Poland. Domestic persons doing business in Poland, which normally operates wholly in Zlotys, generally may hold foreign currency accounts for foreign receivables.

Invoices and services purchased abroad may be paid in foreign currencies at the official exchange rate on the day that the payment is made or from their foreign currency accounts.

I. PERSONAL TAX

Polish resident taxpayers are subject to tax on their worldwide income, subject to double tax treaties.

Non-residents are taxed only on the income derived from work performed within the territory of Poland.

Tax is levied on all taxable income at progressive tax rates.

The tax scale for 2015 is as follows:

Tax base	Rate
Up to PLN 85,528	18% minus reducing amount of PLN 556.02
Over PLN 85,528	PLN 14,839.02 + 32% of surplus over PLN 85,528

When calculating the income, the so-called tax-free amount is taken into account (in 2015 - PLN 3,091)

Personal income tax is reduced if, in the financial year, the taxpayer incurred expenditure as specified in the law, within the proper limits.

Payers of the income tax referred to in the PIT law are obliged to calculate and collect tax payments in advance, within the year, and transfer them to the bank account of the relevant tax office by the 20th of the month following the month when the tax advance payment was collected.

Taxpayers are obliged to file an annual tax return by 30 April of the following year. This obligation does not apply to taxpayers for whom the annual tax return is made by the tax collector.

The submission of the tax return has to be accompanied by payment of the difference between the income tax due, as calculated in the tax return, and the sum of any tax paid in advance.

The income tax arising from the tax return is the tax due for a given year, unless the tax office issues a decision establishing a different amount of due tax.

Individuals who receive inheritances or gifts are liable to tax for the portion they receive. Polish citizens and persons who are domiciled in Poland are also liable to this tax if the property received by them is located abroad. Gifts and inheritances of property located in Poland are exempt if neither party is a Polish citizen or domiciled in Poland. The rates are progressive depending on the category of taxpayer and value of property received and will vary from 3% to 20%.

J. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends[1] (%)	Interest (%)	Royalties (%)
Non-treaty countries:	19	20	20
Treaty countries:			
Albania	5/10	10	5
Armenia	10	5	10
Australia	15	10	10
Austria	5/15	5	5
Azerbaijan	10	10	10
Bangladesh	15/10	10	10
Belarus	10/15	10	0
Belgium	5/15	5	5
Bosnia and Herzegovina	15/5	10	10
Bulgaria	10	10	5
Canada	5/5/15	10	5/10
Chile	15/5	15	5/15
China	10	10	7/10
Croatia	5/15	10	10
Cyprus	0/5	5	5
Czech Republic	5	5	10
Denmark	0/5/15	5	5
Egypt	12	12	12
Estonia	5/15	10	10
Finland	5/15	5	5

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	Dividends[1] (%)	Interest (%)	Royalties (%)
France	5/15	0	5/10
Georgia	10	8	8
Germany	5/15	5	5
Greece	19[2]	10	10
Hungary	10	10	10
Iceland	15/5	10	10
India	15	15	20
Indonesia	10/15	10	15
Iran	7	10	10
Ireland	0/15	10	10
Israel	5/10	5	5/10
Italy	10	10	10
Japan	10	10	10
Jordan	10	10	10
Kazakhstan	10/15	10	10
Korea	5/10	10	10
Kuwait	5/0	0/5	15
Kyrgyzstan	10	10	10
Latvia	5/15	10	10
Lebanon	5	5	5
Lithuania	5/15	10	10
Luxembourg	0/15	5	5
Macedonia	5/15	10	10
Malaysia	0	15	15/(–)[4]
Malta	0/10	5	5
Mexico	5/15	5/15	10
Moldova	5/15	10	10
Mongolia	10	10	5
Montenegro	5/15	10	10
Morocco	7/15	10	10
Netherlands	5/15	5	5
New Zealand	15	10	10
Norway	0/15	5	5
Pakistan	15/19[3]	20[2]	15/20
Philippines	10/15	10	15
Portugal	10/15	10	10
Qatar	5	5	5
Romania	5/15	10	10
Russia	10	10	10
Saudi Arabia	5	5	10
Serbia	15/5	10	10
Singapore	5/10	5	2/5
Slovak Rep.	0/5	5	5
Slovenia	5/15	10	10
South Africa	5/15	10	10
Spain	5/15	0	10
Sri Lanka	15	0	0/10
Sweden	5/15	0	5
Switzerland	15	5	5

	Dividends[1] (%)	Interest (%)	Royalties (%)
Syria	10	10	18
Tajikistan	5/15	10	10
Thailand	19	10	5/15
Tunisia	5/10	12	12
Turkey	10/15	10	10
Ukraine	5/15	10	10
United Arab Emirates	5	5	5
United Kingdom	0/10	5	5
United States	5/15	0	10
Uzbekistan	5/15	10	10
Vietnam	10/15	10	10/15
Zimbabwe	10/15	10	10

NOTES:

1 Different treaty rates may apply depending on whether the dividend is received by a company or individual, or the percentage interest in the Polish company held by the recipient of the dividend. It is important to consult the relevant treaty for further details.

2 The domestic rate applies.

3 The domestic rate applies, apart from where the dividend is received by a company holding at least one-third of the capital of the Polish company.

4 Domestic rate applies to royalties for the use of, or the right to use cinematograph films, or works recorded on tapes for television or broadcasting.

PORTUGAL

MEMBER FIRM

City	Name	Contact Information
Lisbon	José Parada Ramos	+351 213 182 720 paradaramos@pkf.pt
Oporto	José de Sousa Santos	+351 223 389 479 pkfportugal@pkf.pt

BASIC FACTS

Full name:	Portuguese Republic
Population:	10.5 million (2013 PRB)
Capital:	Lisbon
Area:	92,345 sq km (35,655 sq miles)
Major language:	Portuguese
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.pt
International dialling code:	+351
Ministry of Finance website:	www.dgci.min-financas.pt

KEY TAX POINTS

- Resident corporations are subject to Portuguese corporate income tax (IRC) on their worldwide income. Non-resident companies with a permanent establishment in Portugal are liable for IRC on the income attributable to that permanent establishment.
- Foreign-sourced income, gross of tax paid abroad, is included in taxable income. A unilateral credit for foreign income tax suffered can be set off against the Portuguese corporate tax.
- Group relief is available where all companies in the group are resident in Portugal. The parent company must hold, directly or indirectly, at least 75% in the remaining companies of the group.
- The standard rate of VAT is 23%. In addition, an intermediate rate of 13%, and a reduced rate of 6% are applicable to a range of goods and services.
- Transfer pricing legislation enables the tax authorities to make corrections to

taxable income when the conditions (and prices) agreed between related parties are different from those that would have been agreed and accepted between independent entities.
- Income tax is payable by individuals on employment income. Resident individuals are subject to income tax on their worldwide income whilst non-residents are liable to income tax only on income sourced in Portugal. There is a special tax regime for non-habitual resident taxpayers

A. TAXES PAYABLE

COMPANY TAX: GENERAL REGIME

Resident corporations are subject to Portuguese corporate income tax (CIT) on their worldwide income. Resident companies are those which have their head office, or place of effective management, in Portugal.

Non-resident companies with a permanent establishment in Portugal are liable for CIT on the income attributable to that permanent establishment. A non-resident company with no permanent establishment in Portugal is taxed on the following types of income sourced in Portugal: real estate, capital gains, dividends, services, interest and royalties.

Taxable profit are taxed at 21%. Companies qualifying as small and medium enterprises are taxed at 17% on the first EUR 15,000 of taxable income. A municipal surcharge of up to 1.5% is levied on the taxable profit amount.

An additional state surcharge is levied at the following progressive rates:

Taxable Income (EUR)	Tax Rate
First 1.5 million	0%
Next 6 million	3%
Next 27.5 million	5%
Over 35 million	7%

Certain expenses, such as costs related with vehicles and non-documented expenses, are subject to an autonomous taxation at rates varying from 5% (e.g. travel and kilometres allowances) to 50% (for confidential expenses; the rate is 70% for non-profitable entities). These rates are increased by an additional 10% in the years where a company has incurred in tax losses.

The tax year usually coincides with the calendar year (1 January to 31 December). However, different tax years may be adopted.

Tax is payable by the end of the fifth month following the end of the tax year – generally 31st of May.

Payments on account of the final tax liability are due on July, September and 15 December. Such payments are computed by applying the following percentages to the previous tax year's CIT liability, net off any tax withheld at source, depending on the taxpayers turnover, as follows:
- Three instalments of 26.67% each (total 80%) - taxpayers with turnover below EUR 500,000.00.
- Three instalments of 31.67% each (total 95%) - taxpayers with turnover above EUR 500,000.00.

Permanent establishments of non-resident companies are taxed at the rates applicable to resident companies. The tax rate for non-resident with no permanent establishment is 25%, except for entities which are resident in a listed offshore jurisdiction in which case the rate is 35%.

When there is no permanent establishment, tax is levied at 25%, although in some cases the rate is 35% (investment income due to residents in listed offshore jurisdictions).

CAPITAL GAINS TAX

Worldwide capital gains obtained by resident companies are included in taxable income.

BRANCH PROFITS TAX

All income attributable to a Portuguese branch (permanent establishment) is subject to corporation tax. No tax is imposed on the eventual remittances of profits to the head office.

VALUE ADDED TAX (VAT)

As a member of the European Union, Portugal has adopted VAT which is a sales tax levied on the supply of goods and services as well as on the import of goods from non EU countries into Portugal (for VAT purposes, Portugal includes Azores and Madeira islands), and acquisition of goods from other EU Member States. The standard rate is 23%. In addition, an intermediate rate of 13% and a reduced rate is 6% is applicable to a range of goods and services. The standard, intermediate and reduced VAT rates in the Azores are 18%, 10% and 5%, and in Madeira are 22%, 12% and 5%, respectively.

FRINGE BENEFITS TAXATION

In general, benefits provided to employees are added to their remuneration and taxed accordingly. There are, however, some exceptions, such as lunch allowances, travel allowances and the use of a car (provided such use is not formally agreed in the employment contract).

OTHER TAXES

MUNICIPAL TAX ON REAL ESTATE

Owners of real estate properties are subject to tax at rates of 0.8% for rural properties and between 0.3% and 0.5% for urban properties on the notional net income derived from property. A 7.5% rate applies when the real estate property is owned by a resident of an offshore jurisdiction (as defined in a 'black list' published by the Finance Ministry). This tax is deductible against rental income.

REAL ESTATE TRANSFER TAX

Real Estate Transfer is levied on the transfer of real estate property and is normally payable by the purchaser. The rate for urban properties is 6.5% and 5% tor land for agriculture. Real Estate for habitation is subject to rates varying from 0% to 6%. A 10% rate applies when the purchaser of the property is a resident of a black-listed offshore jurisdiction. Transactions which are subject to this tax, are exempt from VAT.

B. DETERMINATION OF TAXABLE INCOME (CIT)

General regime: Taxable income is calculated by adjusting the accounting profits from non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred tor the purpose of producing income.

Simplified scheme: Companies that i) during the previous year had a total income under EUR 200,000; and ii) whose total assets do not exceed EUR 500,000, may be taxed under the simplified taxation scheme. Under this scheme, the taxable amount is computed by applying the specific coefficients on certain types of income, as follows:

0.04	Sales and rendering of hotel activities' services, food and beverage
0.75	Income from professional activities defined in the PIT Code
0.10	Other services and operating subsidies
0.30	Non-operating subsidies
0.95	Royalties, real estate income, balance of capital gains/losses
1.00	Free of charge acquisitions

DEPRECIATION

Fixed and intangible assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation and include 2% for office buildings and 5% for industrial buildings. No depreciation is allowed on land. The normal method of calculation is the straight-line basis but declining-balance method may be used except for items such as buildings, cars and office furniture. The acquisition cost of intangible assets with no limited period of exclusive use may be depreciated for 20 years (not applicable for the depreciation of the goodwill included on the acquisition of shares).

STOCKS / INVENTORY

Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:

- The standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles;
- The sale price method, based on the market value less a normal profit margin.

CAPITAL GAINS AND LOSSES

The gain (or loss) is calculated by the difference between the sales proceeds and the acquisition cost which may be updated using official inflation coefficients. If the proceeds of the sales are reinvested in other assets, 50% of the gain obtained (net of the related losses) will be excluded from taxation. For this purpose, reinvestments made in the preceding year, in the year of sale and in the two subsequent years will

be taken into account. This is applicable to tangible, intangible and biological assets.

When only part of the consideration is reinvested, only the corresponding part of the gain qualifies for the relief.

Gains derived from the disposal of shares are not subject to taxation, if the participation has been held for at least 2 years and corresponds to a minimum of 5% of the share capital in the participated company.

Gains obtained by non-resident entities from the disposal of shares are exempt from tax. However, some anti-avoidance provisions apply in order to prevent abuse of this concession.

DIVIDENDS

There is a full participation exemption on dividend payments between Portuguese resident companies when the recipient of the dividends is a company that has held a participation of not less than 5% of the share capital of the distributing company for a minimum period of two years. If such conditions are not met, the dividend amount is subject to taxation.

The full participation exemption is also available for dividends derived from non-resident companies, provided the participation is of at least 5% of the share capital of the subsidiary and the related shares have been held for a period of two years, and some additional conditions apply.

Dividends paid to non-resident shareholders are normally subject to withholding tax at 25% (or at the treaty rate if applicable). When the parent company is resident of an EU Member State or of a territory with which Portugal has signed a Double Tax Treaty, and has held a participation of at least 5% for two years in the share capital of the Portuguese company distributing the dividends, no withholding tax shall apply provided the company receiving the dividend is subject to one of the taxes listed in the parent/subsidiary directive, or, in case of non-EU shareholders, at a nominal rate of no less than 60% of the CIT rate.

INTEREST DEDUCTIONS

The deductibility of net financing costs is limited to the higher of:

- EUR 1 million; or,
- 30% of the tax EBITDA.

The net financing costs are calculated as the balance of financing costs and financing income. Non-deductible net financing costs may be deducted in the following five years, provided the total financial costs (costs of the year plus costs carried forward) do not exceed the above limits.

A transitory regime for the percentage of the EBITDA limit is in force. For 2015, this limit is 50%, decreasing 10 p.p. per year until 2017.

This limitation is not applicable to banks and other financial institutions.

LOSSES

Operating losses incurred by resident companies, or by a branch of a non-resident company, may be carried forward to be set off against taxable profits for twelve years. However, companies are only allowed to deduct tax losses up to 70% of the taxable profits in any given period. No deduction is allowed if the ownership of 50% or more of the share capital has changed, compared to the year in which the losses were incurred, unless the changes of ownership is justified by special economic relevance and the deduction is accepted by the tax authorities.

FOREIGN SOURCED INCOME

Resident companies are taxed on their worldwide income.

INCENTIVES

Incentives under Portuguese tax legislation includes: the free-trade zones of Azores and Madeira; investment tax credits; incentives for small companies; tax credits for research and development investments; and creation of jobs for persons under 35 years of age or long-term unemployed.

C. FOREIGN TAX RELIEF

Foreign-sourced income, gross of tax paid abroad, is included in taxable income. A unilateral credit for foreign income tax suffered can be set off against the Portuguese corporate tax. Portugal's tax treaties also apply the ordinary credit method. The tax credit is restricted to the lower of:

- The income tax paid abroad {ordinary credit method);
- The Portuguese income tax chargeable on that foreign income, net of related expenses.

D. CORPORATE GROUPS

Companies meeting the following conditions can opt to be taxed on a group basis:
- All companies in the Group are resident in Portugal;
- The parent company must hold, directly or indirectly, at least 75% in the remaining companies of the group. The 75% control can be held by a Portuguese company or by a parent company resident in another EU State

In this regime, the taxable income of the group is computed by summing the taxable income and losses of the companies included in the group.

E. RELATED PARTY TRANSACTIONS

Transfer pricing legislation enables the tax authorities to make corrections to taxable income when the conditions (and prices) agreed between related parties are different from those that would have been agreed and accepted by independent entities. Taxpayers with a turnover equal to or above EUR 3 million must keep the necessary documentation to support the transfer pricing policy within the group.

F. WITHHOLDING TAX

Certain types of earnings are subject to withholding tax rates generally at a 25% in case of payments made to a listed offshore jurisdiction the withholding tax rate is 35%. The withholding tax rate may be reduced if there is a double tax treaty in force with the country of the income beneficiary.

G. EXCHANGE CONTROL

There are no exchange control regulations.

H. PERSONAL TAX

Income tax is payable by individuals on income obtained from employment, a business activity or independent profession, investment income, immovable property, capital gains and pensions. Resident individuals are subject to income tax on their worldwide income while non-residents are liable to income tax only on income sourced in Portugal. Residence is determined by physical presence in Portugal for more than 183 days, consecutive or not, during any period of 12 months. An individual who have a place of abode as at December 31st each year, “in a way that may lead to the supposition of an intention to keep and occupy it as a habitual home” is also generally considered resident.

When determining the taxable income, certain tax credits are allowed in addition to some specific deductions concerning each category of income. These include a percentage of expenses incurred on health and education.

Husbands and wives living together, and their dependent children, may opt to be taxed on their joint income. Normally, the tax year coincides with the calendar year but may be split in the year of marriage, divorce, separation or death.

Special rules apply for the calculation of gains on immovable property, shares or other corporate rights, securities and patents.

Exempt income includes various employment allowances (up to certain limits); a portion of pension income; capital gains from the sale of the habitual private residence, when the proceeds are reinvested in another private residence.

Tax returns submitted in paper form are due between 1 March and 31 March of the subsequent tax year for taxpayers with income derived solely from employment or pensions or between 1 April and 30 April for taxpayers who receive any income other than from employment or pensions.

Tax returns submitted via the internet are due between 1 April and 30 April of the subsequent tax year for taxpayers with income which derives solely from employment or pension or between 1 May and 31 May for taxpayers who receive any income other than from employment or pensions.

The following progressive tax rates apply in tax year 2014 to the aggregate net results of employment income, business income, investment income (except interest on bonds

and deposits), income from land, capital gains and income from pensions:

Band of Income	Tax Rates
First EUR 7,000	14.5%
Next EUR 13,000	28.5%
Next EUR 20,000	37%
Next EUR 40,000	45%
Over EUR 80,000	48%

A surtax of 3.5% over all taxable income is applicable to individuals who obtain an annual taxable income over EUR 6,870. Furthermore, an additional solidarity tax applies to taxpayers with taxable income between EUR 80,000 and EUR 250,000, at the following rates:

Taxable Income	Tax Rates
First 80,000	0%
Next 170,000	2.5%
Over 250,000	5%

Domestic income may attract withholding income tax. Tax withheld from residents represents a payment on account of the recipient's ultimate tax liability. In other cases, such as interests on bank deposits or dividends the tax withheld represents the final tax, but the individuals have an option to include such income in the tax return, in which case it will be treated as payment on account.

A special tax regime for non-habitual residents is available. Individuals becoming tax residents who have not been resident in Portugal for tax purposes for the past five years, may apply for being covered by this regime.

Under this regime, certain foreign-sourced income, such as investment income, capital gains, and pension income may be exempt from taxation in Portugal, if certain conditions are met. In addition, non-habitual residents may benefit from a reduced tax rate of 20% on Portuguese sourced employment and self-employment income, if derived from high value added activities performed in Portugal. Such activities are defined as those with a scientific, artistic or technical nature, including: engineers, architects, consultants, doctors, university lecturers and artists.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The following table is for general guidance only and reflects the lower of the treaty rate and the rate under domestic tax law. The rates are applicable to payments by Portuguese companies to non-residents under the treaties currently in force.

	Dividends[1] (%)	Interest (%)	Royalties (%)
Non-treaty countries:	25	25	26
Treaty countries:			
Algeria	15/10	15	10
Austria	15	10	5/10
Barbados	5/15	10	5
Belgium	15	15	10
Brazil	10/15	15	15
Bulgaria	10/15	10	10
Canada	15/10	10	10
Cape Verde	10	10	10
Chile	10/15	5/10	5/10
China	10	10	10
Colombia	10	10	10
Croatia	5/10	10	10
Cuba	5/10	10	5
Czech Republic	10/15	10	10
Denmark	10	10	10

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	Dividends[1] (%)	Interest (%)	Royalties (%)
Estonia	10	10	10
Ethiopia	5/10	10	5
Finland	10/15	15	10
France	15	10/12	5
Germany	15	10/15	10
Greece	15	15	10
Guinea-Bissau	10	10	10
Hong Kong	5/10	10	5
Hungary	10/15	10	10
Iceland	10/15	10	10
India	10/15	10	10
Indonesia	10	10	10
Ireland	15	15	10
Israel	5/10/15	10	10
Italy	15	15	12
Japan	5/10	5/10	5
Korea, Republic of	10/15	15	10
Kuwait	5/10	10	10
Latvia	10	10	10
Lithuania	10	10	10
Luxembourg	15	10/15	10
Macau	10	10	10
Malta	10/15	10	10
Mexico	10	10	10
Moldova	10/5	10	8
Morocco	15/10	10	10
Mozambique	10	10	10
Netherlands	10	10	10
Norway	5/15	10	10
Pakistan	10/15	10	10
Panama	10/15	10	10
Pakistan	10/15	10	10
Peru	10/15	10/15	10/15
Poland	10/15	10	10
Qatar	5/10	10	10
Romania	10/15	10	10
Russia	10/15	10	10
Singapore	10	10	10
Slovakia	10/15	10	10
Slovenia	5/15	10	5
South Africa	10/15	10	10
South Korea	10/15	15	10
Spain	10/15	15	5
Sweden	10	10	10
Switzerland	5/15	10	5
Tunisia	15	15	10
Turkey	5/15	10/15	10
UAE	5/15	10	5
Ukraine	10/15	10	10

	Dividends[1] (%)	Interest (%)	Royalties (%)
United Kingdom	10/15	10	5
United States	5/15	10	10
Uruguay	5/10	10	10
Venezuela	10/15	10	10/12

NOTE:
1 Generally, a 25% holding is required by the recipient in the Portuguese company for the lower rate to apply. The relevant treaty should be consulted to confirm the necessary conditions in each case.

QATAR

MEMBER FIRM

City	Name	Contact Information
Doha	Walid Saadi	+974 4493 5196 walid.saadi@pkf.com.qa

BASIC FACTS

Full name:	Qatar
Population:	2.1 Million (2013 PRB)
Capital:	Doha
Major languages:	Arabic
Major religion:	Islam
Monetary unit:	Qatari Riyal
Internet domain:	.qa
International dialling code:	+974
Customs website:	www.mof.gov.qa

KEY TAX POINTS

- An annual tax shall be imposed on the taxpayer's taxable income derived from sources in the State during the previous taxable year.
- There is no sales tax, estate tax or gift tax in Qatar.
  Subject to the provisions of tax agreements, payments made to non-residents with respect to activities not connected with a permanent establishment in the State shall be subject to a final withholding tax of 5% or 7%.
- There are no personal taxes, social insurance or other statutory deductions from salaries and wages paid in Qatar. However, income arising from business activities (rent from property, consulting, etc) is taxable.

A. TAXES PAYABLE

COMPANY TAX

The income tax system and filing procedure in Qatar is covered by Law No. 21 of 2009. An annual tax shall be imposed on the taxpayer's taxable income derived from sources in the State during the previous taxable year.

Notwithstanding the provisions of the previous paragraph, the tax shall be imposed on:
(1) Bank interest and returns realised outside the State provided that they are derived from amounts resulting from the activity of the taxpayer in the State; and,
(2) Commissions due under agency, brokerage or commercial representation agreements accrued outside the State in respect of activities carried on in the State.

Income derived from the State shall include
(1) Gross income derived from an activity carried on in the State;
(2) Gross income derived from contracts wholly or partly performed in the State;
(3) Gross income from real estate situated in the State including the sale of shares in companies or partnerships the assets of which consist mainly of real estate situated in the State;
(4) Gross income from shares in companies resident in the State or listed on its stock markets;
(5) Consideration for services paid to head offices, branches or related companies;
(6) Interest on loans obtained in the State;
(7) Gross income from the exploration, extraction or exploitation of natural resources

situated in the State; and,

(8) Gross income subject to tax in the State under a double taxation agreement.

TAX EXEMPTIONS

Notwithstanding other tax exemptions provided for under special laws or international agreements or under the provisions of Articles 51 to 56 of the tax law No. 21 of 2009, the following items of income shall be exempt from tax:

(1) Bank interest and returns due to natural persons other than those carrying on a taxable activity in the State, whether or not resident in the State;
(2) Interest and returns on public treasury bonds, development bonds and public corporation bonds;
(3) Capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities disposed of are not part of the assets of a taxable activity;
(4) Dividends and other income from shares if the amounts distributed during a taxable year were taken from profits that were:
    (a) Subject to the tax under this law; or,
    (b) Distributed by a company the income of which is exempt from tax under this law or other laws;
(5) Gross income from handcraft activities that do not use machines provided that the gross income does not exceed QAR 100,000 per year, the average number of employees does not exceed three during the taxable year and the activity is carried on in one single establishment, in accordance with the limits and conditions provided for in the executive regulations of this law;
(6) Gross income from agricultural and fishing activities;
(7) Gross income of non-Qatari air and sea transport companies operating in the State, subject to reciprocity;
(8) Gross income of Qatari natural persons resident in the State, including their shares in the profits of legal persons;
(9) Gross income of legal persons resident in the State and wholly owned by Qatari nationals.

ACCOUTING PERIOD

The accounting period of a taxpayer who carries on an activity shall be the taxable year. However, the taxpayer may, after obtaining the approval of the Department, adopt an accounting period that is different from the taxable year in accordance with the provisions of the executive regulations of this law.

The accounting period of a taxpayer shall be 12 months, subject to the following:

(1) Where the taxpayer starts the activity after the beginning of the taxable year, the accounting period shall start from the date of the beginning of the activity.
(2) The first accounting period may not be less than six months nor more than 18 months. In all cases, the tax shall be calculated on the taxable income of the actual accounting period.
(3) Where the activity is liquidated, the accounting period shall run from the end of the previous accounting period until the end of liquidation.
(4) Where the activity is ceased, assigned or sold, the accounting period shall run from the end of the previous accounting period until the date of cessation, assignment or sale.
(5) Where the taxpayer carries on a temporary activity the period of which does not exceed 18 months, the accounting period shall be the period of activity.

The taxpayer shall determine the taxable income on the basis of the accruals accounting method used in commercial accounting in accordance with international accounting standards, and subject to the provisions of this law and its executive regulations.

The taxpayer may not use another method of accounting, except upon the approval of the Department.

OTHER TAXES

There is no sales tax, estate tax or gift tax in Qatar.

B. DETERMINATION OF TAXABLE INCOME

Taxable income shall be determined on the basis of the gross income derived from all transactions carried out by the taxpayer after subtracting allowable deductions and losses provided for in Article 10 of the tax law No. 21 of 2009. Allowable deductions mean expenses and costs incurred by the taxpayer that satisfy the following requirements:

(1) They are necessary to derive the gross income;
(2) They are actually incurred and supported by documentary evidence;
(3) They do not increase the value of fixed assets used in the activity;
(4) They are related to the taxable year.

Allowable deductions include mainly the following, in accordance the Executive Regulations of the Tax Law No. 21 of 2009:
(1) Costs of raw materials, consumables and services required for carrying on the activity;
(2) Interest on loans used in the activity;
(3) Salaries, wages, end of services benefits and similar payments including contributions to set up retirement pensions or end of service payments or contributions to investment funds for the employees;
(4) Rents;
(5) Insurance premiums;
(6) Bad debts;
(7) Provisions set up by banks for doubtful debts and by insurance companies for risks covered up to 10% of the net income before making this deduction and the other deductions provided below;
(8) Depreciation of fixed assets;
(9) Donations, gifts, aids and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State to governmental authorities, public bodies or institutions or any other authorized body in the State, provided that their value does not exceed (5%) five percent of the net income before making this deduction and the deduction provided below;
(10) Taxes and duties other than the income tax provided for in this law.

Notwithstanding the provisions of the previous paragraph, persons carrying on a liberal profession may opt to deduct 30% of their gross income in lieu of all their deductible expenses and costs.

The following expenses and costs may not be deducted:
(1) Expenses and costs incurred to derive exempt income;
(2) Payments that are made in breach of the laws of the State;
(3) Fines and penalties for the breach of the laws of the State;
(4) Expenditures or losses in respect of which compensation is receivable or has been received if that compensation has not been included in the taxpayer's gross income;
(5) The share of total expenditures on entertainment, hotel accommodation, restaurant meals, vacations, club fees and gifts to customers, in accordance with the circumstances, conditions and limits provided for in the Executive Regulations of this law;
(6) Salaries, wages and similar remuneration including fringe benefits paid to the owner, his/her spouse and children, members of a general or limited partnership or the director of a limited liability company who owns, directly or indirectly, the majority of the shares of the company;
(7) The share of the branch in the headquarters' or head office's general and administrative expenses that exceeds the percentage determined in the executive regulations of this law;
(8) Any other disallowed deduction pursuant to the provisions of this law.

The taxpayer may deduct losses incurred during a taxable year from the net income of subsequent years, subject to the following:
(1) Losses may not be carried forward for more than three years as of the end of the taxable year during which they are incurred;
(2) Losses resulting from an exempt or non-taxable source of income may not be deducted.

DEPRECIATION OF ASSETS

The following rules shall be taken into consideration when computing the depreciation of assets:
(1) The cost of asset under depreciation: The cost of asset means all the expenses incurred by the tax-payer in order to acquire the asset and to prepare it to become usable;
(2) The method of depreciation: The fixed instalment method shall be followed in determining the charge, of annual depreciation for the asset according to the rates stated in the following paragraph;
(3) Depreciation rates: The depreciation is calculated as a result of use or ordinary damage arising from the use of asset or by lapse of time in accordance with the specific rates of the following table:

Buildings such as offices, houses, warehouses, hospitals and clubs	5%
Roads and bridges inside the establishment	5%
Storage tanks, pipelines and ports' ducks	5%
Furniture and office furniture	15%
Plants, machinery and any mechanical devices not mentioned below	15%

Cars and motorcycles	20%
Lorries – various sizes	20%
Ships	7.5 %
Airplanes	25%
Drilling instruments	15%
General service machinery (including building and road tools, workshop machinery and work machinery, etc.)	15%
Buildings and roads of service stations	5%
Machinery for servicing and lubrication of service machinery	15%
Trailers and carts	13%
Refinery machines and pipelines (inside the refinery) and small tanks	10%
Air conditioners	20%
Electrical equipment	20%
Computer equipment	33.33%
Intangible assets such as trademarks and the like, depreciated in case of paying for its value on a straight line basis over the estimated duration of the company.	-

HEAD OFFICE CHARGES

Charges of a general or administrative nature raised by a head office on its Qatar branch are allowed as a deduction subject to a ceiling of 3% of turnover less subcontract costs. In the case of banks, the limit is 1%. The allowable ceiling for insurance companies is set at 1%.

TAX RATE

The tax rate shall be 10% of the taxable income of the taxpayer during the taxable year. Notwithstanding the provisions of the previous paragraph, the tax rate shall be as follows:

(a) The rate of tax provided for in agreements to which the Government, the Ministries or other governmental bodies or public bodies or enterprises are a party, which are concluded before the entry into force of this law, shall apply. If such agreements do not specify a tax rate, the tax shall be levied at the rate of 35%.

(b) The tax rate and all other tax conditions provided for in agreements relating to oil operations as defined in Law No. 3 of the year 2007 concerning the exploitation of natural wealth and their resources shall apply provided that, in all cases, the tax rate shall not be less than 35%.

C. WITHHOLDING TAX

Subject to the provisions of tax agreements, payments made to non-residents with respect to activities not connected with a permanent establishment in the State shall be subject to a final withholding tax, as follows:

- 5% of the gross amount of royalties and technical fees;
- 7% of the gross amount of interest, com missions, brokerage fees, director's fees, attendance fees and any other payments for services carried out wholly or partly in the State.

D. PERSONAL TAX

There are no personal taxes, social insurance or other statutory deductions from salaries and wages paid in Qatar. However, income arising from business activities (rent from property, consulting, etc) is taxable.

ROMANIA

MEMBER FIRM

City	Name	Contact Information
Bucharest	Florentina Susnea	+40 21317 3190 florentina.susnea@pkffinconta.ro
Bucharest	Adrian Marghescu	+40 21252 3880 adrian.marghescu@pkfconsultor.ro
Timisoara	Carmen Mataragiu	+40 25620 1175 carmen.mataragiu@econometrica.pkf.ro

BASIC FACTS

Full name:	Romania
Population:	21.2 million (2013 PRB)
Capital:	Bucharest
Major language:	Romanian
Major religion:	Christianity
Monetary unit:	1 new leu = 100 bani
Internet domain:	.ro
International dialling code:	+40
Ministry of Finance website:	www.mfinante.ro

KEY TAX FACTS

- Corporate income taxes are chargeable on resident companies as well as non-resident companies with a permanent establishment in romania. Capital gains are generally treated as ordinary business income and taxed accordingly.
- Resdidents and non-residents owning more han one building are subject to a real estate tax.
- Dividends paid to non-resident companies are subject to withholding tax, with some exceptions. Generally dividends paid by resident companies to other resident companies are tax exempt.
- Transactions between legally related patries are subject to arm's length requirements for tax purposes.
- There is no concept of group tax relief. Profits and losses cannot be transferred between related parties.
- The standard VAT rate is 24%, while a reduced rate of 9%, namely 5% applies to certain goods and services.
- Residents, and certain non-residents are subject to individual income tax on their worldwide income and capital gains.

SECTION A: TAXES PAYABLE

NATIONAL AND OTHER TAXES

COMPANY TAXES

The following entities are subject to corporate income tax in Romania:

- legal entities registered in accordance to Romanian law
- foreign legal entities doing business in Romanian through permanent establishments
- Foreign legal entities which derive income from or in connection with real estate transactions or from transactions with participations in Romanian legal entities
- Foreign legal entities and individuals doing business in Romania through associations with or without legal personality (partnerships)
- Resident individuals associated with Romanina legal entities for revenues derived in or outside Romania, though associations without legal personality- for which the individual tax is determined, withheld and paid by the Romanian legal entity
- Companies with a registered office in Romania incorporated in accordance with EU legislation

Romanian residency is determined based on the location of the head office or place of effective management.

The standard corporate income tax rate is 16%, payable quarterly up to the 25th of the following month with a final adjustment for the year end. The final corporate income tax statement and afferent payment is due by March 25th of the following year.

Certain categories of corporate income tax payers however are required to deposit the statement and pay the final tax by February 25th of the following year.

Resident banks, credit institutions and other similar legal entities as well as Romanian branches of foreign based banks are liable for quarterly pre-payments of the annualy determined corporate income tax.

The fiscal year coincides with the calendar year. The law allows for motivated changes in respect to a company's fiscal year provided they are affiliates of a non-resident company applying a different fiscal year than the calendar one (i.e. to follow the same regime as the mother company).

Companies may choose an annual corporate income tax system, whereby quarerly payments are also required. This system must be applied for at least two consecutive years once addopted, and a prior notification of the tax authorities is mandatory. Some categories however are exempted from the application of these provisions, namely:

- newly established companies
- have registered a tax loss in the previous year
- have been temporarily suspended
- have had no activity either at the registered or at the subsidiary office
- have been registered as a micro-company subject to a flat 3% income tax in the past year.

BRANCH PROFIT TAX

Foreign entities are generally subject to income tax in Romania, provided that the income was derived from Romania. This is determined based on the type of activities it has undertaken here, and wether they are indeed related to Romania.

Income derived from Romanian established branches, permanent establishments or representative offices of foreign entities shall also be subject to Romanian coprorate tax income.

BRANCH OF A FOREIGN ENTITY

Branches have to be registered with the Romanian tax authorities. The registration, filing and payment requirements are similar to those imposed for a Romanian company.

A distribution of funds to the head office is not treated as a dividend distribution and no withholding tax liability should arise. However, profits are transferred at the year end, after the head office approves the financial statements of the branch.

The taxable profits of the branch are subject to general Romanian tax rules, provided that the following conditions are met:

- taxable income shall consist only of that income which can be asigned to the branch
- expenses deducted shall consist only in those expenses incurred in relation to the branch's activity

PERMANENT ESTABLISHMENT

A permanent establishment is not necessarily a legal entity but is taxable in Romania. The income obtained by a permanent establishment is taxable in Romania, provided that it is recognized as the place thrtough which the activity of a non-resident is conducted, fully or partially, directly or through a dependent agent. Once a permanent establishment is created, the profits of the foreign enterprise derived from the activity performed by the permanent establishment may be taxed in Romania.

REPRESENTATIVE OFFICE

A representative office may only conduct auxiliary or preparatory activities. A representative office cannot trade in its own name and cannot engage I any commercial activities.
Any representaticve office registered in Romania is liable to a 4,000 Eur yearly tax, payable in RON at the exchange rate announced for the payment date. The tax is payble in two installments: by June 25th and December 25th.

SALES TAX/VALUE ADDED TAX (VAT)

Companies with an annual turnover of at least 65,000 EUR (calculated at the January 1st 2007 exchange rate) must register for VAT purposes. Companies with a turnover below this threshhold may register upon request.

The general VAT rate is 24%, while a 9% VAT rate is applicable to various goods and services such as:

a) cinema and other entertainment services
b) books, newspapers and magazines, school books, with the exemption of those used exclusively for advertising purposes
c) certain medical products such as prostetics, medicine
d) hotel, camping and other assimilated services

Additionally a 5% VAT rate is applied to the sale of property carried out as a part of the country's social policy.

Starting January 1st 2010, Romania has incorporated various EU VAT directives into domestic law, namely:

- 2008/8/CE Directive regarding the place of supply of services- B2B and B2C rules
- 2008/9/CE Directive regarding VAT reimbursement for individuals established in the EU
- 2008/117/CE Directive regarding the fight against tax fraud related to community operations
- In addition to the abovementioned changes, certain ammendments have been made to allow for the harmonization of Romanian legislation with the EU VAT Directives, such as:dxx
- a clarification of the definition "established in Romania" in the sense of "fixed establishment"
- rules regarding the chargeability of VAT for consignment stock, goods supplied for testing and conformity checking, call of stock and supply of immovable property
- turnover for small enterprises includes the operations for which the place of taxation is deened to be abroad (provided the tax would be deemed as deductible should the operations be performed in Romania)

The provisions of 2010/45/CE directive regarding invoicing have also been assimilated.

The imports of goods is subject to VAT at regular rate, while all exports are VAT exempted.

Starting January 2014, the VAT cash accounting system has suffered significant changes in the sense that it is no longer mandatory for companies registering a turnover of under 2.250.000 RON (approximately 500.000 EUR), but optional for all those complying with the conditions imposed by the law. Additionally the 90 day time limit in which the company was allowed to postpone VAT payment was lifted.
Non-resident taxpayers are however still not eligible for applying this system.

FRINGE BENEFITS

Under Romanian tax laws fringe benefits are any benefits received by the employee under their employment contract, if applicable. Benefits in kind or cash must be taxed alng with the salary income at the same time they have been granted by the employer.

The income tax rate is 16% and it is subject to withholding by the income payer.

LOCAL TAXES

Romanian local taxes are set as a maximum percentage by the Tax Code, applicable to both individuals and legal entities.

Starting January 1st 2014 non-resident individuals are granted the right to own land in Romania.

Building tax: Residents or non-residents owning one or more properties in Romania are subject to real estate tax. All buildings, regardless of their purpose are taxed based on declared value, at rates ranging from 0.25% to 1.5% per year as set by local counsel decree.

Differential taxation levels are set for second, third and following property owned by an individual other that the place of residence.

Building tax exemptions are granted for limited periods to those owners performing architectural improvement work on buildings.

Land tax is due as as fixed rate per hectar owned, depending on the location of the land within a certain determined area and depending on the use of the land. The tax is payable annually in equal installments.

Vehicle tax is payable by owners of both land/water vehicles registered in Romanian. The tax depends on the capacity of the engince and is determined as a fixed amount per 200 cubic centimeters. Thw tax is payable annually in equal installments.

Other local taxes and duties include fees for certificate and permits issuing, for using advertiding and publicity materials and hotel fees.

OTHER TAXES

Certain legal documents are subject to stamp fee.
A relatively new tax is the "special construction tax" which is due for certain types of

constructions not covered by the local buildings tax. This tax was set at 1.5% applied to the book value of the special construction.

Statements regarding this special construction tax must be handed in by March 25t, while the payment is due in two equal installments (i.e. May 25th and September 25th)

Local Counsils and County concils may charge duties for the temporary use of public spaces as well as for entrance to museums, memorial houses or historical, architectural or archeological monuments. Duties are also payable for the posession or use of certain special purpose contructions or assets, as well as for activities which impact the environment.

EXCISE DUTY

Excise duty is due as a fixed amount per unit or as a percentage of a specified taxable base. Romania has two categories of excise duties:

a) harmonised excise dutiesb for: beer, wine, fermented beverages other than beer and wine, intermediate products, ethylic alcohol, tobacco products, energy products, electricity
b) duties for other excisable producs such as: green, roasted and soluble coffee
   Excise duty legislation is in line with EU Directive 2008/118/CE concerning the general arrangements for excise duty.

A specific excise duty has been introduced for motor vehicles with an engine capacity exceeding 3000 cubic centimeters, calculated as 1 EUR for each cubic centimeter.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are payable by both the employee and employer as a total of 36.3% of the taxable income divided as 15.8% for the employer and 16.5% for the employee.
Different percentages apply however to employees working in special conditions, thereby raising the total contribution percentage up to 49.82%.

B. DETERMINING THE TAXABLE INCOME

DEPRECIATION

Romanina tax legislation makes specific distinction between accounting and tax depreciation. For fixed assets, fiscal depreciation is calculated based on rules set out bu local tax legislation and deductibility no longer depends on the depreciation determined based on purely accounting rules.

The straight line method is generally preferred by tax legislation, but in certain conditions the degressive method may also be used. Under the accelerated method, the maximum depreciation in the first year of use is limited to 50% of the asset value.

STOCK/INVENTORY

Inventory must be valued according to generally accepted accounting principles at the lower of cost or market value.

CAPITAL GAINS AND LOSSES

Taxable capital gains are included in taxable income and taxed at normal rate.
Income earned by non-residents from the sale of real estat located in Romaniais alos taxed with the general corporate income tax rate of 16%.

DIVIDENDS

Dividends paid to resident companies are subject to a final withholding tax of 10%, except where the company receiving the dividends holds at least 10% of the shares for a period of minimum 1 year at the date the dividend is paid.

Dividends paid to non-resident companies are tax exempted provided that the actual beneficiary of the dividends holds a minimum of 10% of the shares of the Romanian company for an entire year prior to dividend payment. Provided at the date the dividends are paid the 1 year term is not fulfilled, the beneficiary can still request the reimbursement of the paid dividend tax after the term is fulfilled.

INTEREST DEDUCTIONS

The deductibility of interest expenses and net foreign exchange losses related to loans is limited under the safe harbour rule and thin capitalisation rule. This however does not apply to interest and forex arising on lonas obtained from credit institutions, non-banking institutions or other entities which grant loans in accordance to the law.

Under the safe harbour rule, the interest on loans other than those obtained from financial institutions, is limited to 6%.

Under the thin capitalisation rule, the debt to equity ratio must be highter than 3:1. Should the ratio fall outside these limits, interest and exchange rate differences shall be deemed as non- deductible for that fiscal year.

LOSSES
Ordinary losses incurred after January 1st 2009 can be carried forward for seven years.

FOREIGN SOURCED INCOME
Resident companies are subject to tax on their worldwide income. Foreign losses may be deducted only from foreign income on a source by source basis. Foreign exchange gains from the revaluation of an asset or liability at the year end are deemed to be realized and are taxable.

C. FOREIGN TAX RELIEF

In the absence of a treaty, unilateral relief is provided by way of an ordinary credit for income taxes paid abroad. This credit may not exceed the tax owed in Romania for the same income.

D. CORPORATE GROUPS

There is no consolidation or group taxation in Romania. Members of a group must file separate tax return. Losses incurred by members of a group cannot be offset against profits made by other group members.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties should fall under the arm's length principle, otherwise the Romanian tax authorities have the right to adjust the income or expenses incurred by the taxpayer, so as to reflect market value.Traditional transfer pricing methods as well as any other methods which are in line with OECD Guidelines may be used for setting transfer prices.

F. WITHHOLDING TAX

As a general rule, non-resident companies are subject to 16% withholding tax on income derived from Romania such as interest, royalties, dividends, revenues derived from liquidation of a Romanian legal entity.

INTEREST AND ROYALTIES
The applicable tax rate is 16% unless a lower treaty rate applies.

DIVIDENDS
As a general rule a 16% flat tax is withheld as dividend tax, except where a lower tax is provided by a treaty. In order for the latter to apply, all non-resident taxpayers must provide a tax residency certificate.

G. EXCHANGE CONTROL

The exchange control regulations applicable in Romania are managed by the Romanian National Bank. A notification to the Romanian National Bank is required prior 10 days prior to concluding monetary capital operations on a short-time basis, nd some limitations to such transactions apply.

H. PERSONAL TAX

The following categories of taxpayers are subject to income tax:

a) resident individuals, namely any person who meets at least one of the following conditions:
    - his docimicile is located in Romanai
    - the center of his vital interests is located in Romania
    - he resides in Romania more than 183 days in any 12 months period;

b) non-resident individuals who perform an independent activity through a permanent establishment in Romania

c) non-resident individuals who perform dependent activities in Romania

d) non-resident individuals who obtain other income from Romania.

INDIVIDUAL SOCIAL CONTRIBUTIONS
Individuals obtaining revenue from independent activities, agricultural activities ans associations without a legal personality are considered tax payers to the public pension insurance system and the public insurance system.
In case of voluntary insurance to the public pension system, the contribution rate is 36.3% divided as 15.8% for the employer and 16.5% for the employee.

The general applicable individual social contributions are:
Social insurance contribution: 10.5%
Health insurance contribiution: 5.5%
Unemployment insurance contributions: 0.5%

Certain dependency criteria have been established, which may deem a certain activity as dependent and as a result generate a full taxation and social contribution withholding.

TAX RESIDENCY

In the absensce of a tax residency certificate, regardless of the existence of a tax treaty between two states, foreign citizens will be taxed as Romanian residents if one of the following criteria is met:
the center of their vital interests is located in Romania
the spend more than 183 aggregate days within 12 consecutive months ending in the concerned calendar year.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The rates in the table below contain the withholding tax rates applicable to dividend, interest and royalty payments by Romanian companies to non-resident under the tax treaties currently in force. In a specific case, where a treaty rate is higher than the domestic rate, the latter will apply.

Country	Dividends		Interest(1)	Royalties
	Individuals Companies	Qualifying Companies(2%)		
Albania	15	10	10	15
Algeria	15	15	15	15
Armenia	10	5	10	10
Australia	15	5(3)	10	10
Austria	15	15	15	10
Bangladesh	15	10(3)	10	10
Belarus	10	10	10	15
Belgium	10	5	10	5
Bosnia Herzegovina(4)	5	5	7.5	10
Bulgaria	15	10	15	15
Canada	15	15	15	15
China	10	10	10	7
Croatia	5	5	10	10
Cyprus	10	10	10	5
Czech Republic	10	10	7	10
Denmark	15	10	10	10
Ecuador	15	15	10	10
Egypt	10	10	15	15
Finland	5	5	5	2.5/5(5)
France	10	10	10	10
Georgia	8	8	10	5
Germany	15	5(3)	0/3(6)	3
Greece	20	20	10	5/7(7)
Hungary	15	5(/8)	15	10
India	20	15	15	22.5
Ireland	3	3	3	0/3(9)
Israel	15	15	5/10(10)	10
Italy	10	10	10	10
Japan	10	10	10	10/15(11)
Jordan	15	15	12.5	15
Kazakhstan	10	10	10	10

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Country	Dividends		Interest(1)	Royalties
	Individuals Companies	Qualifying Companies(2%)		
Korea(DPRK)	10	10	10	10
Korea(Rep)	10	7	10	7/10(12)
Kuwait	1	1	1	15
Latvia	10	10	10	10
Lebanon	5	5	5	5
Lithuania	10	10	10	10
Luxembourg	15	5	10	10
Macedonia	5	5	10	10
Malaysia	10	10	15	12
Malta	5	5	5	5
Mexico	10	10	15	15
Moldova	10	10	10	10/15(13)
Marocco	15	15	10	10
Namibia	15	15	15	15
Netherlands	15	5(3)	0/3(14.15)	0/3(14)
Nigeria	12.5	12.5	12.5	12.5
Norway	10	10	10	10
Pakistan	10	10	10	12.5
Philippines	15	10	10	10/15/20(16)
Poland	15	5	10	10
Portugal	15	10(17)	10	10
Russia	15	15	15	10
Serbia& Montenegro(4)				
Singapore	5	5	5	5
Slovak Republic	10	10	10	10/15(18)
Slovenia	5	5	5	5
South Africa	15	15	15	15
Sri Lanka	12.5	12.5	10	10
Sudan	15	15	10	10
Sweden	10	10	10	10
Switzerland	10	10	10	0
Syria	0	0	7,5	10
Thailand	20	15	10/20/25(19)	15
Tunisia	12	12	10	12
Turkey	15	15	10	10
Ukraine	15	10	10	10/15(018)
United Arab Emirates	3	3	3	3
United Kingdom	15	10	10	15
United States	10	10	10	10/15(20)
Uzbekistan	10	10	10	10
Vietnam	15	15	10	15
Zambia	10	10	10	15

NOTES:

(1) Many treaties provide an exemption for certain types of interest, e.g. interest paid to the state local authorities, central bank, export credit institutions or in relation to sales on credit. Such exemptions are not considered in this column.

(2) Unless otherwise indicated, recipient companies qualify for the reduced rates if they hold at least 25% of the capital or the voting power in the Romanian company, depending on the applicable treaty.

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(3) This rate applies to participations of at least 10%.
(4) The treaty concluded with the former Yugoslavia.
(5) The lower rate applies to royalties for computer software and industrial, commercial or scientific equipment.
(6) The lower rate applies if, and as long as, Germany, under its domestic law, does not levy withholding tax on interest paid to a resident Romanian.
(7) The higher rate applies to industrial royalties.
(8) The rate applies to participations of at least 40%.
(9) The lower rate applies to copyright royalties.
(10) The 5% rate applies to interest paid in connection with the sale on credit of any industrial or scientific equipment, or of any merchandise by one enterprise to another enterprise or on a loan granted by banks.
(11) The 10% rate applies to cultural royalties and the 15% to industrial royalties.
(12) The lower rate applies to industrial royalties, know-how and equipment leasing.
(13) The lower rate applies to industrial royalties (excluding patent royalties) and know-how.
(14) The lower rate applies if, and as long as, the Netherlands does not levy a withholding tax on interest/royalties paid to a resident of Romania.
(15) Interest paid to a bank or financial institution and interest paid on a loan made for a period of more than two years are exempt.
(16) The 10% rate applies to royalties paid by companies registered at the Romanian Agency for Development and carrying on specific activities. The 15% rate applies to film royalties.
(17) A minimum holding period of 2 years applies.
(18) The lower rate applies to industrial royalties.
(19) The 10% rate applies to interest paid to financial institutions; the 20% rate applies to interest on credit sales.
(20) The lower rate applies to cultural royalties.

RUSSIA

MEMBER FIRM

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BASIC FACTS

Full name:	Russian Federation
Capital:	Moscow
Main languages:	Russian
Population:	143.90 Million (2014)
Major religion:	Christianity
Monetary units:	Russian Ruble (RUB)
Internet domain:	.ru
Int. dialling code:	+7

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KEY TAX POINTS

- The taxation system in the Russian Federation is based on a combination of the federal, regional, and local taxes and levies.
  The federal taxes and levies include:
  1) Value added tax;
  2) Excise duties;
  3) Individual income tax;
  4) Corporate tax;
  5) Mineral extraction tax;
  6) Water tax;
  7) Dues and fees for using of wildlife resources and aquatic biological resources;
  8) State duty.

  The regional taxes include:
  1) Corporate property tax;
  2) Gambling tax;
  3) Transport tax.

Local taxes and levies

The local taxes and levies include:
1) Land tax;
2) Individual property tax;
3) Sales tax.

- The tax period is a calendar year or other period of time in relation to specific taxes at the end of which the tax base is calculated and the tax payable is assessed. The tax period may cover more than one reporting periods.
- The standard company tax rate is currently 20% and this is also the rate of the profit tax paid by foreign enterprises deriving income which is not connected with carrying out their business activities through a permanent establishment.
- Capital gains are treated as ordinary business income and subject to profits tax.
- Value Added Tax (VAT) is levied at a standard rate of 18% and applies to the sale of goods, works and services in Russia and the import of goods into the Russian Federation.
  - Tax rate for tax base defined by taxpayers-controlling parties based on profit of the controlled foreign companies is 20%.
- Thin capitalisation rules apply to restrict the deduction of interest where it is paid to a foreign enterprise that holds more than 20% of the share capital of a Russian entity.
- Transactions between related parties are subject to transfer pricing rules and a company has to support the arm's length nature of its transactions. It is possible to enter into advance pricing agreements with the tax authorities, which are typically for a three year period.
- Foreign legal entities deriving profits in connection with activities within Russia may be subject to withholding taxes on dividends, interest and royalties. The withholding tax rate 30% is applied in respect of income from securities issued by Russian companies.
- Individuals are considered to be resident if they spend more than 183 days in Russia during a continuous 12-month period. Residents are subject to income tax on their worldwide income and non-residents on their Russian-sourced income only.
- Registration (deregistration) with the tax authorities of the foreign company at its place of business in the territory of the Russian Federation:
  - through an accredited branch or representative office based on the data contained in the state register of accredited branches and representative offices of foreign legal entities;
  - through other separate subdivisions based on the application for the registration (deregistration) of such company unless otherwise provided by Clause 3 of this article.
- In case several separate subdivisions of the company are located in the same municipality, the federal cities Moscow, St. Petersburg and Sevastopol in the territories under the jurisdiction of different tax authorities, the company may be registered with the tax authorities at the location of one of its separate subdivisions at the discretion of the company. The company shall specify the tax authorities for registration in the notification submitted (sent) by the Russian company to the tax authorities at the place of its business (in case of a foreign company - to the tax authorities chosen at the discretion of the company).
- The personal income tax rate for residents and foreign highly skilled specialists is 13%. A special 35% rate is applied to some kinds of income, e.g. the cost of any prizes and wins, voluntary insurance proceeds, interest on certain bank deposits and deposits on foreign currency. A 13% rate is applied to income in the form of dividends received from share holdings. All personal income of non-residents, excluding dividends, is taxed at the rate of 30%.
- Russia has concluded 80 Double Taxation Treaties.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
CORPORATE TAX

Taxpayers

- Russian companies;
- Foreign companies which operate in the Russian Federation through permanent representative offices and (or) receiving income from sources in the Russian Federation.
- Foreign companies recognized as tax residents of the Russian Federation are considered as Russian companies.
  For the purpose of this Code, the following organizations are recognized as tax residents of the Russian Federation:

1) Russian companies;

2) Foreign companies recognized as tax residents of the Russian Federation in accordance with the international tax treaty - for the purpose of applying this international treaty;
3) Foreign companies actually managed in the Russian Federation unless otherwise is provided by the international tax treaty.

Companies which are responsible participants of the consolidated group of taxpayers are recognized as income taxpayers of such consolidated group of taxpayers.

Tax period
The tax period is one calendar year. The reporting periods for tax purposes are the first quarter, a half-year, and nine months of a calendar year.
With the exception of foreign legal entities, enterprises are obliged to make monthly advance payments of their quarterly liabilities. Advance payments are due not later than the 28th day of the corresponding month.

Tax rates
The standard rate of tax is currently of 20% of which of 2% of is normally paid to the federal budget and 18% - to the budgets of constituent entities of the Russian Federation. The tax rate of the tax payable to the budgets of constituent entities of the Russian Federation may be lowered by the laws of constituent entities of the Russian Federation for specific categories of taxpayers. Yet, the specified tax rate may not be lower than 13,5% unless otherwise is established by the Tax Code (in particular, special tax rates for taxpayers which are participants of regional investment projects are established).

Foreign enterprises deriving income which is not connected with carrying out their business activities through a permanent establishment pay profit tax at the rate of 20%. A rate of 10% applies to non-residents on income from the use, maintenance or rent of charter ships, aircraft and other moving vehicles or containers (including trailers and ancillary equipment required for traffic) in connection with international traffic. A rate of 15% applies to non-residents receiving dividends.

Domestic enterprises have the option to pay tax monthly based on their actual profits. Payments are due no later than the 28th day of the following month.

Foreign enterprises carrying out their business activities through permanent establishments make quarterly advance payments.

In general, income tax returns must be filed no later than 28 March following the tax year.

The following allowances are deducted from the taxable base:
- Profits received as payments to the charter capital;
- The costs of maintaining certain social facilities;
- Profits received as special-purpose financing in the forms of:

(a) Foreign financing of capital investments;
(b) Grants for the benefit of culture, sports, recreation, scientific research and approved research foundations;

- Assets received by Russian enterprises free of charge for the purposes of increasing net assets or from enterprises which hold more than 50% of the share capital of the recipient. In the latter case, the assets should not be distributed to a third person within a year of the original transfer.

Controlled foreign companies and controlling entities
A foreign company is recognized as a controlled foreign company if it meets the following conditions:
1) the company is not recognized as a tax resident of the Russian Federation;
2) the company's controlling parties are companies and (or) individuals recognized as tax residents of the Russian Federation.

A controlled foreign company is also a foreign unincorporated entity which is controlled by companies and (or) individuals recognized as tax residents of the Russian Federation.

Until January 1, 2016, a party is recognized as the party controlling a company (including foreign unincorporated entities) if such party's participation share in the company (for individuals - together with spouses and minor children) is more than 50%.

Profit (loss) of a controlled foreign company is the profit (loss) of such company before taxation as per its annual financial statements prepared in accordance with the internal regulations of such company if, according to the internal regulations, its financial statements are subject to statutory audit; provided that the permanent location of the controlled foreign company is the foreign country with which the Russian Federation

signed an international tax treaty.

In other cases, profit (loss) of a controlled foreign company is the profit (loss) of such company determined under the regulations established by the Tax Code of the Russian Federation.

Profit (loss) of each controlled foreign company shall be documented in its financial statements prepared in accordance with the internal regulations of such company for the corresponding period (periods) accompanied by its financial statements and tax returns.

Tax rate for tax base defined by taxpayers-controlling parties based on profit of the controlled foreign companies is 20%.

Profit of a controlled foreign company is exempt from taxation if such company meets at least one of the nine conditions provided by the Tax Code of the Russian Federation.

CAPITAL GAINS TAX

Capital gains are treated as ordinary business income and are therefore subject to profits tax according to the general rule.

BRANCH PROFITS TAX

There is no special branch profits tax in Russia.

VALUE ADDED TAX (VAT)

There is no sales tax in Russia. VAT is levied on the sale of goods and services in Russia and the import of goods into the Russian Federation. The taxable base is the sales price.

The standard rate of VAT is 18%. Some supplies of basic foodstuffs and children's clothing and footwear are taxed at a reduced rate of 10%. Some imported medicines, medical equipment and scientific research are exempt from VAT.

Other exemptions include cultural, scientific and educational services, as well as services rendered by attorneys.

The tax period for VAT is per quarter.

OTHER FEDERAL TAXES

State Duty is paid by enterprises and individuals if they apply to public and local authorities, other bodies, or to officials who are entitled to commit legal actions.

Excise Duties are levied on some goods such as alcohol, beer, cigarettes, cars and petrol.

A mineral resources recovery tax applies to the cost of minerals extracted by a taxpayer company.

Companies and individuals exercising water consumption for special purposes are subject to water tax. The tax rate is fixed and depends on the water body used.

SPECIAL SYSTEM OF TAXATION

Local authorities may determine an alternative income tax for certain small business activities such as personal services and retail sales. The tax is paid instead of profit tax, VAT (except on the import of the goods into the Russian Federation) and property tax. In this case, taxpayers calculate 'common tax' at the rate of 15% based on standard income and determined by the local legislative body.

In some cases, a simplified system of taxation may be applied as an alternative to common tax. Taxpayers whose income does not exceed RUR 45m after the end of the ninth month of the tax year (excluding VAT) have a right to use this system of taxation during the following year (except for banks, enterprises with affiliated branches etc.). These enterprises do not pay profit tax, VAT (except on the importation of the goods to the Russian Federation) and property tax. Only one tax is levied, as with 'common tax'. The tax payer can choose the taxable base for this tax - either gross income for the 6% rate or income minus expenses for the 15% tax rate.

REGIONAL TAXES

Resident enterprises and foreign companies that own property within the territory of the Russian Federation are liable to property tax. The rate is set by the regional authorities but cannot exceed 2.2%. The taxable base is the average aggregate annual depreciated value of fixed assets on the balance sheet of the resident company or

permanent establishment concerned. Foreign companies which do not have a permanent establishment in Russia and which own only movable property are not subject to Russian Property Tax.

The owners of transport facilities (cars, motorcycles, buses etc.) pay transport tax. This tax is imposed by territorial divisions of the Russian Federation (republics, regions and provinces). The tax rate depends on the technical specification of the vehicles owned. Taxpayers must pay the tax according to a contributory scheme determined by legislative bodies of regions of the Russian Federation.

Companies operating gambling establishments are subject to a tax on the gambling industry. The tax rates are fixed and are not related to profit.

LOCAL TAXES

Local authorities can define certain tax rules but cannot impose taxes not stipulated by the federal tax law. Land tax is payable at a rate of 0.3% on agricultural and residential land and 1.5% on other types of land. The taxable base is the value of land as stated in the state land register as at 1 January of the relevant tax year.
Individual property tax
Taxable items:

1) Residential building;
2) Residential unit (apartment, room);
3) Garage, parking space;
4) Real estate complex;
5) Construction in progress;
6) Other buildings, constructions, structures or premises.

The tax is established by the Tax Code and regulations issued by the representative bodies of municipalities.

The representative bodies of municipalities (legislative (representative) bodies of the federal cities Moscow, St. Petersburg and Sevastopol) establish tax rates in the limits set by the Tax Code (as a percentage of a cadastral or inventory value of property).

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are calculated by ascertaining assessable income and then deducting all allowable expenses. In general, companies may deduct all necessary expenses paid or accrued during the year in the course of a business.

DEPRECIATION

Only the straight-line method may be used to calculate depreciation of certain groups of fixed assets such as buildings, construction and transfer mechanisms. Depreciation of other fixed assets should be calculated by a taxpayer using either the straight-line method or the accelerated method, depending on which method they prefer. Depreciation is calculated on a monthly basis and must be taken whether or not the company makes profits in the period.

STOCK / INVENTORY

Under accounting law, stock is valued at its purchase cost. The profits tax law contains no provision concerning valuation of stock. The cost of materials transferred to production may be determined by the following valuation methods: average cost, cost of item, FIFO or LIFO.

CAPITAL GAINS AND LOSSES

As discussed above, capital gains and losses are subject to profit tax at regular corporate rates.

DIVIDENDS

Dividends paid by Russian companies are subject to a final withholding tax whether they are paid to resident or non-resident recipients. Dividends received by resident companies are subject to a 0% withholding tax rate if:

- The recipient holds at least 50% of the capital of the payer; and,
- The participation has been held continuously for the past 365 calendar days.

The tax rate for dividends paid to a non-resident company or individual is 15%. The tax rate for dividends paid to a resident individual is 13%. The tax rate for dividends paid to a resident company is 13%.

INTEREST DEDUCTIONS

Thin capitalisation rules apply where interest is paid to a foreign enterprise that holds more than 20% of the share capital of a Russian entity. If the debt exceeds equity by more than 3:1 (for bank companies - more than 12.5:1), the amount of interest

deductible by the Russian entity is restricted.

The difference between the real amount of interest and that calculated under Russian Tax legislation is treated as a dividend paid out by the Russian entity to its foreign shareholder and is subject to 15% withholding tax base.

LOSSES

Taxpayers who suffered loss (losses) in the previous tax period(s) have the right to reduce the tax base for the current reporting (tax) period by the total amount of loss or by the part of such amount (to carry over the loss).

A taxpayer has the right to carry over a loss within ten years following the tax period in which the loss was incurred.

FOREIGN SOURCED INCOME

Foreign sourced income and gains are subject to profit tax at the regular rate except dividends.

C. FOREIGN TAX RELIEF

The Russian tax law provides a tax credit for foreign taxes paid on foreign sourced profits or revenues subject to a limit which is equal to the maximum amount of Russian tax due on the same profits or revenues. Any excess foreign tax credits may not be transferred to future or previous periods. No credit is granted for underlying corporate income tax on dividends.

D. CORPORATE GROUPS

The concept of fiscal unity is applied in Russia from 1 January 2012. Banks, insurance companies and some other types of entities are excluded.

E. RELATED PARTY TRANSACTIONS

Inter-company pricing between affiliated companies must be carried out on an arm's length basis or the income of both companies is adjusted for tax purposes.

Taxpayers are obliged to provide the tax authorities with documentation containing data about the activities of the taxpayer and other parties to the transaction. This includes a list of the parties to the transaction, description of the transaction, terms of the transaction, methods of pricing, terms and conditions of payments etc., functions of the parties of the transaction (during functional analysis), information about accepted risks considered by the taxpayer when concluding the transaction and so on.

The largest of taxpayers can conclude advance agreements with the tax authorities regarding the determination of prices and application of pricing methods in controlled transactions.

Such agreements shall be valid for not more than three years.

F. WITHHOLDING TAXES

Foreign legal entities obtaining profits in connection with activities within Russia may be subject to withholding taxes on dividends, interest and royalties.

The withholding tax rate 30% is applied in respect of income from securities issued by Russian companies, the rights to which are recorded in the custody account of a foreign nominee holder, foreign authorised holder and (or) foreign depository programs, paid to persons for which information was not provided to the tax agent.

G. EXCHANGE CONTROL

Generally, hard currency transactions between Russian residents and non-residents are executed without any limitation. However, certain transactions are subject to state regulations and restrictions.

Hard currency transactions between residents are forbidden with certain exceptions. Hard currency transactions between non-residents may be carried out without limitations.

H. PERSONAL TAX

Personal income tax is levied on resident and non-resident individuals, whether or not they are citizens of the Russian Federation. Individuals are considered to be resident

if they spend more than 183 days in Russia during a continuous 12-month period. Residents are subject to income tax on their worldwide income and non-residents on their Russian-sourced income only.

The personal income tax rate for residents and foreign highly skilled specialists is 13%. A special 35% rate is applied to some kinds of income, e.g. the cost of any prizes and wins, voluntary insurance proceeds, interest on certain bank deposits and deposits on foreign currency. A 134% rate is applied to income in the form of dividends received from share holdings.

All personal income of non-residents, excluding dividends, is taxed at the rate of 30%. For dividends a tax rate 15% is applied.

The tax rate of 30% is applied in respect of income from securities issued by Russian companies, the rights to which are recorded in the custody account of a foreign nominee holder, foreign authorised holder and/or foreign depository programs, paid to persons for which information was not provided to the tax agent.

The following types of income are exempt from tax:
- Welfare payments, except for temporary disability, and compensations paid out in compliance with legislation currently in force;
- All kinds of compensatory payments, prescribed by legislation, concerned with discharging of labour duties;
- Alimonies;
- Grants for the purpose of science, education, culture and art, given by international and foreign organisations;
- Scholarships and some others.

In determining the taxable base, individuals are entitled to the following statutory deductions:
- Property-related allowance;
- Social allowance;
- Professional deductions; and,
- Standard allowance.

According to the tax legislation:
- Gifts received from individuals are included in the list of items of income that are exempt from income tax. Gifts of immovable property, vehicles and shares are taxable unless these items are received from close relatives;
- Gifts received from individual entrepreneurs and legal entities are exempt up to RUR 4,000 in a calendar year. The excess is taxable at a rate of 13% for residents and 30% for non-residents;
- Inherited property is exempt from tax.

INSURANCE CONTRIBUTIONS

Insurance contributions taxpayers are:
1) Individuals who pay benefits and provide other remuneration to physical persons:
a) Companies;
b) Individual entrepreneurs;
c) Individuals not recognized as individual entrepreneurs;
2) Individuals who do not pay benefits or provide other remuneration to physical persons: individual entrepreneurs, lawyers and notaries engaged in private practice, and other persons engaged in private practice.

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The rates of insurance contributions for 2015-2017 for taxpayers who pay benefits and provide other remuneration to physical persons:
1) Pension Fund of the Russian Federation:
   22,0% within the established limit of insurance contribution base for compulsory pension insurance;
   10,0% over the established limit of insurance contribution base for compulsory pension insurance;
2) Social Insurance Fund of the Russian Federation - 2,9% within the established limit of insurance contribution base for compulsory social insurance against temporary disability and in respect of maternity benefit;
3) Federal Compulsory Medical Insurance Fund - 5,1%.
   In case of benefits and other remuneration payable to foreign citizens and stateless persons residing temporarily in the territory of the Russian Federation (except for highly qualified specialists), the rate of insurance contributions to the Social Insurance Fund of the Russian Federation is 1,8%.

Taxpayers of insurance contributions who do not pay benefits or provide other remuneration to physical persons shall pay the corresponding insurance contributions to the Pension Fund of the Russian Federation and the Federal Compulsory Health

Insurance Fund at the rates established by the law.

Special rates are established for certain groups of employers and professions.

I. TREATY AND NON- TREATY WITHHOLDING TAX RATES

The table below shows the withholding tax rates on dividends, interest and royalties under tax treaties concluded by the USSR and the Russian Federation. The Russian Federation has announced that it will honour the international agreements existing between the USSR and other countries. The table is for general guidance only. The relevant treaty should be consulted to confirm the rates applicable in each case.

	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries:	15	20	20
Treaty countries:			
Albania	10	10	10
Algeria	5/15	15	15
Argentina	10/15	15	15
Armenia	5/10	10	0
Australia	5/15	10	10
Austria	5/15	0	0
Azerbaijan	10	10	10
Belarus	15	10	10
Belgium	10	10	0
Brazil	10/15	15	15
Bulgaria	15	15	15
Canada	10/15	0/10	0/10
Chile	5/10	15	5/10
China	10	10	10
Croatia	5/10	10	10
Cuba	5/15	10/0	5/0
Cyprus	5/10	0	0
Czech Republic	10	0	10
Denmark	10	0	0
Egypt	10	15	15
Finland	5/12	0	0
France	5/10/15	0	0
Germany	5/15	0	0
Greece	5/10	7	7
Hungary	10	0	0
India	10	10	10
Indonesia	15	15	15
Iran	5/10	7,5	5
Ireland	10	0	0
Iceland	5/15	0	0
Israel	10	10	10
Italy	5/10	10	0
Japan	15	10	0/10
Kazakhstan	10	10	10
Korea, Democratic Republic of,	10	0	0
Korea, Republic of	5/10	0	5
Kuwait	5	0	10
Kyrgyzstan	10	10	10

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	Dividends (%)	Interest (%)	Royalties (%)
Latvia	5/10	5/10	5
Lebanon	10	5	5
Lithuania	5/10	10	5/10
Luxembourg	5/15	0	0
Macedonia	10	10	10
Malaysia	–[1]/15[2]	0/15	10/15
Mali	10/15	15	0
Mexico	10	10	10
Morocco	5/10	10	10
Moldova	10	0	10
Mongolia	10	10	–[1]
Montenegro	15/5	10	10
Namibia	5/10	10	5
Netherlands	5/15	0	0
New Zealand	15	10	10
Norway	10	10	0
Philippines	15	15	15
Poland	10	10	10
Portugal	10/15	10	10
Qatar	5	5	0
Romania	15	15	10
Saudi Arabia	5	5	10
Serbia	15/5	10	10
Singapore	5/10	7.5	7.5
Slovak Republic	10	0	10
Slovenia	10	10	10
South Africa	10/15	10	0
Spain	5/10/15	5	5
Sri Lanka	10/15	10	10
Sweden	5/15	0	0
Switzerland	5/15	0	0
Syria	15	10	13.5/18
Tajikistan	5/10	10	0
Thailand	15	10	15
Turkey	10	10	10
Turkmenistan	10	5	5
Ukraine	5/15	10	10
United Kingdom	10	0	0
United States	5/10	0	0
Uzbekistan	10	10	0
Venezuela	10/15	5/10	10/15
Vietnam	10/15	10	15

NOTES:
1 There is no reduction under the treaty - the domestic rate applies.
2 The 15% rate applies to Joint Ventures. The domestic rate applies in other cases.

RWANDA

MEMBER FIRM

City	Name	Contact Information
Kigali	Boniface Mutua	+250 788 713619 bmutua@rw.pkfea.com

BASIC FACTS

Full name:	Republic of Rwanda
Population:	12 million (2013)
Capital:	Kigali
Major languages:	Kinyarwanda, French, English
Major religion:	Christianity
Monetary unit:	Rwandan Franc (RWF)
Internet domain:	.rw
International dialling code:	250
Ministry of Finance and Economic Planning website:	www.minecofin.gov.rw/

KEY TAX POINTS

- Companies pay company tax based on computed tax profits at a rate of 30%.
- Categories of supplies of services and goods include exempt supplies and taxable supplies (i.e. at a rate of 0% and 18% for zero rated supplies and standard rated respectively). Export of goods and services physically rendered outside Rwanda are zero rated supplies. Services rendered within Rwanda although consumed outside Rwanda will be subject to VAT at the rate of 18%.
- A withholding tax of 15% is levied on dividends, interest, royalties and other listed payments made by resident individuals or resident entities including tax-exempt entities.

A. TAXES PAYABLE

COMPANY TAX

Companies pay company tax based on computed tax profits at a rate of 30%.

A registered investment entity that operates in an export processing Zone or a foreign company that has its headquarters in Rwanda and fulfils the requirements stipulated in the Rwandan Law on Investment Promotion, are entitled to pay corporate income tax at the rate of 0%.

Venture capital companies registered with the capital markets Authority in Rwanda benefit from a corporate income tax of 0% for a period of five years from the date the decision has been taken.

Newly listed companies on capital market are taxed for a period of 5 years on preferential rates under the law.

A registered investor is entitled to a profit tax discount on employment of a given number of Rwandans.

CAPITAL GAINS TAX

Capital gains tax applicable at a rate of 30% on capital gains arising from the disposal (sale or cession) of immovable commercial property and sale of shares. Gains derived from disposals of other business assets are aggregated with other income and are taxed at the normal corporate income tax rate.
Gains arising from disposal of shares listed on the Rwanda Stock Exchange are exempt from tax.

In case of corporate re-organisation, the transferring company is exempt from tax in respect of capital gains and losses realised on re-organisation.

BRANCH PROFITS TAX

Branch of a foreign entity pays tax rate of 30%.

VALUE ADDED TAX (VAT)

Supplies of goods and services for Value Added Tax (VAT) purposes are either exempt, zero rated or standard rated. The standard rate of VAT is 18%.

Persons with investment certificate qualify for VAT exemption on several capital goods

imported.

FRINGE AND EMPLOYMENT BENEFITS TAX
Generally, benefits in kind received by an employee are included in taxable income in consideration of market value for tax purposes.

MOTOR VEHICLES
The benefit is valued at 10% of the employment income excluding benefits in kind.

HOUSING
The benefit is valued at 20% of the employment income excluding benefits in kind.

LOANS TO EMPLOYEES
Tax is payable on interest free or low interest loan including salary advance exceeding three months salary granted to employees. The benefit is valued as the difference between the interest rate offered to commercial banks by the National Bank of Rwanda and the actual rate paid by employees.

OTHER BENEFITS
Benefits provided by an employer to a person related to an employee when there is no service rendered, are treated as if provided to the employee. Benefits provided by a company to one of its members are considered in the same manner as benefits an employer gives to an employee.

LOCAL TAXES
Employment income is taxed on a withholding tax basis known as Pay-As-You-Earn (PAYE) at a graduating scale of 0% to 30%.

OTHER TAXES:
MEDICAL INSURANCE SCHEME (RAMA)
La Rwandaise D'Assurance Maladie (RAMA) is the country's medical insurance scheme. Employees contribute 7.5% and employers contribute 7.5%. Members automatically include all civil servants, pensioners who previously contributed towards medical care and private institutions who have applied and been accepted.

SOCIAL SECURITY FUND (CSR)
Contributions are set at 3% for employees and 5% for employers in respect of the employees' monthly income. Total remittance is 8%. Included in the 5% contribution by employers is a 2% contribution for occupational hazard.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is accounting income adjusted for non-taxable income and for non-deductible expenses. Expenses are deductible if they are incurred wholly and exclusively in the production of income.

CAPITAL ALLOWANCES

Location	Rate
Kigali*	40%
Outside Kigali*	50%

*Conditions apply

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The rates for wear and tear allowances for business assets deductible from taxable profits are as follows:

Wear and Tear	Rate
Heavy machinery and equipment	5%
Intangible assets including goodwill	10%
Computers and accessories, information and communication systems, software products and data equipment	50%
All other business assets	25%

Industrial building allowances	Rate
Buildings (excluding land) including built-in equipment and plant	5%

OTHER DEDUCTIONS
Cost of bad debts (subject to recovery procedures) allowable. However, commercial banks and leasing entities duly licensed as such are allowed to deduct any increase of the mandatory reserve for non-performing loans as required by the directives related to management of bank loans and similar institutions of the National Bank of Rwanda.

DEPRECIATION
This is an accounting expense that is not allowable for tax purposes but wear and tear allowances as shown above are deductible allowances in determination of taxable income.

LIQUIDATION
Proceeds of sale of any business asset and liquidation proceeds received during the tax period are included in business profit.

DIVIDENDS
Dividends are taxed on a withholding tax basis which is final tax. Standard rate is 15% subject to provisions of double taxation relief, where applicable.

INTEREST DEDUCTIONS
Interest incurred wholly and exclusively in the production of income is allowable. However, where a company is controlled by a non-resident person, other than commercial banks and insurance companies, the interest deductibility is restricted only to the extent that the total indebtedness of the company does not exceed four times the paid-up share capital and revenue reserves (thinly capitalised).

LOSSES
Net operating losses are allowed for carry forward to a maximum of five years by deducting earlier losses before later losses. However, this incentive not applicable where the direct and indirect ownership of the share capital or the voting rights of a company, whose shares are not traded on a recognized stock exchange changes more than 25% by value or by number.

FOREIGN SOURCED INCOME
The following taxable payments are excluded from taxable income resulting from employment:

(i) Employment income received by an employee who is not a citizen of Rwanda from a foreign government or a non-governmental organization under an agreement signed by the Government of Rwanda and when the income is received for the performance of aid services in Rwanda;

(ii) Employment income received from an employer who is not a resident in Rwanda by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.

INCENTIVES
Income accruing to registered collective investment schemes and employees' shares scheme are exempted from income tax.

A registered investment entity that operates in a special economic Zone or a foreign company that has its headquarters in Rwanda and fulfils the requirements stipulated in the Rwandan Law on Investment Promotion, are entitled to exemption from withholding tax mentioned in Article 51 of Law no 16/2005 of 18/08/2005 on direct taxes on income and tax free repatriation of profit.

Income derived from agricultural and livestock activities is exempt, if the proceeds from these activities do not exceed RWF 12,000,000 in a tax period. Capital deductions are as given under 'Capital allowances' above.

A registered investment entity that operates in an export processing Zone and foreign companies with headquarters in Rwanda who fulfil the requirements stipulated in the Investment code of Rwanda is entitled to the following preferential tax rates:

- Pay corporate income tax at the rate of 0%;
- Exemption from withholding tax; and,
- Tax free repatriation of profits.

C. FOREIGN TAX RELIEF

Foreign tax relief is limited only to countries with double taxation relief.

D. CORPORATE GROUPS

The income tax law does not allow the filing of consolidated returns, the combining of profits and losses of affiliated companies or the transfer of losses from loss companies to profitable members of the same group of companies. Generally for tax purposes, a corporation tax rate of 30% applies to all separately incorporated companies irrespective of groups both in Rwanda and outside for profits derived in Rwanda.

E. RELATED PARTY TRANSACTIONS

Related party transactions are allowable expenses if incurred wholly and exclusively in the production of income and taxed as income if earned or accrued as business activities. Transfer pricing adjustment rules apply. The Rwandan law on direct taxes on income stipulates that where conditions are made or imposed between related persons carrying out their commercial relationship which differ from those which would be applied between independent persons, the Commissioner General, may direct that the income of one or more of those related persons be adjusted to include profits that would have been made if they operated as independent persons. Provisions for advance agreements with Commissioner General exist.

F. WITHHOLDING TAX

A withholding tax of 15% is levied on the following payments made by resident individuals or resident entities including tax-exempt entities:
(i) Dividends* except those governed by Article 45 of Law no 16/2005 of 18/08/2005 on direct taxes on income;
(ii) Interests*;
(i) Royalties;
(iv) Service fees including management and technical service fees;
(v) Performance payments made to an artist, a musician or a sportsperson irrespective of whether paid directly or through an entity that is not resident in Rwanda;
(i) Lottery and other gambling proceeds;
(ii) Goods supplied by companies or physical persons not registered with the tax administration.

* Withholding tax applicable on dividends and interest is a final tax. However, withholding tax on dividends and interest income on securities listed on capital markets and interest arising from investments in listed bonds with a maturity of 3 years and above shall be reduced from 15% to 5% when the person who withholds is a resident taxpayer of Rwanda or of the East African Community.

Withholding tax of 5% of the value of goods imported for commercial use shall be paid at Customs on the CIF {cost insurance and freight) value before the goods are released by Customs.

Withholding tax of 3% on the sum of invoice, excluding the value added tax, is retained on payments by public institutions to the winner of public tenders. The following taxpayers are exempt from withholding tax:
(i) Those whose business profit is exempt from taxation; and,
(ii) Those who have a tax clearance certificate issued by the Commissioner General of Rwanda Revenue Authority.

G. EXCHANGE CONTROL

The currency in Rwanda is the Rwandan franc (RWF). Rwanda does not impose foreign exchange controls.

H. PERSONAL TAX

The tax rates are as follows:

Tax bands for monthly income (RWF)	Rate
0 to 30,000	0%
30,001 to 100,000	20%
100,001 and greater than	30% plus RWF 14,000

I. TREATY WITHHOLDING TAX RATES

Rwanda has double tax agreements with Belgium and Mauritius.

SAUDI ARABIA

MEMBER FIRM

City	Name	Contact Information
Dammam	Zuhair Al Fayoumi	+966 13 834 1666 z.alfayoumi@saudipkf.com

BASIC FACTS

Full name:	Kingdom of Saudi Arabia
Capital:	Riyadh
Main languages:	Arabic
Population:	30,770,375 (2014 estimate)
Major religion:	Islam
Monetary units:	Saudi Riyal (SAR)
Internet domain:	.sa
Int. dialling code:	+966

KEY TAX POINTS

- Saudi-Arabian resident companies, the permanent establishments of non-resident companies in Saudi Arabia and non-resident companies with income subject to tax from sources within the Kingdom are chargeable to tax. The applicable income tax rate is 20%, with the exception of tax rates for the gas and oil industries.
- Non-resident companies are taxed in Saudi Arabia in so far as they carry on an activity through a permanent establishment (PE) or derive an income in Saudi Arabia. Taxable income of a permanent establishment (branch) is subject to tax at a rate of 20%.
- Capital gains on transferable securities are exempt from tax if the securities are acquired on or after 30 July 2004 and the transfer is affected in accordance with the provisions of the Saudi stock market regulations. Capital gains or losses on non-depreciable assets are taxable or deductible under the standard rules as the case may be.
- There is no VAT or other similar sales (or consumption) tax in Saudi Arabia.
- There is no tax on employment income in Saudi Arabia.
- There is no local duties payable in Saudi Arabia.
- There is no real estate tax in Saudi Arabia but Zakat (religious tax) may be payable on real estate if held for speculative purposes.
- Zakat is payable by individual Saudis and other GCC nationals. Zakat is calculated at the rate of 2.5% and is chargeable on the total of the taxpayer's capital resources and income that are not invested in fixed assets. Only resources (including income) which have been held for at least 12 months are subject to zakat.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

Corporate taxes

The following are chargeable to income tax:

- Saudi-Arabian resident companies;
- Non-resident companies who do business in the Kingdom through a permanent establishment; and,
- Non-resident companies with income subject to tax from sources within the Kingdom.

A company is considered to be a resident company if it meets either of the following two conditions:

- It is formed under the Kingdom of Saudi Arabian Companies Regulations; and,
- Its place of central control and management is situated within theKingdom of Saudi Arabia.

A permanent establishment of a non-resident in the Kingdom, unless otherwise provided by the Income Tax Regulation, arises where a non-resident has a permanent place through which it carries out business, in full or in part, including business carried out through an agent.

The applicable income tax rate is 20%, with the exception of tax rates for the gas and oil industries.

The income tax rates applicable to companies engaged in natural gas investment activities is 30%. (Such companies are subject to a higher tax rate from 30% to 85% based upon the cumulative rate of return.)

The income tax rate applicable to companies engaged in the production of oil and other hydrocarbons is 85%.

Income tax can be paid in instalments throughout the tax fiscal year and is payable within 120 days of the fiscal year end.

Previous years' approved tax losses may be carried forward until fully recovered (using up to 25% of a year's taxable profit to offset approved losses).

Heavy penalties, levies and the seizure of taxpayer's property may be imposed for the non-payment of tax and/or for tax evasion.

CAPITAL GAINS TAX

Capital gains on transferable securities are exempt from tax if the securities are acquired on or after 30 July 2004 and the transfer is affected in accordance with the provisions of the Saudi stock market regulations.

Capital gains or losses on non-depreciable assets are taxable or deductible under the standard rules as the case may be.

Capital gains and losses on depreciable assets are not taken into consideration in determining the tax base. The effect of such gains or losses on the tax base is (partly) reflected by the depreciation method provided for in the Decree and regulations.

BRANCH PROFITS TAX

Non-resident companies are taxed in Saudi Arabia in so far as they carry on an activity through a permanent establishment (PE) or derive an income in Saudi Arabia. Taxable income of a permanent establishment (branch) is subject to tax at a rate of 20%. The following are considered to constitute a permanent establishment:

- Construction sites and assembly facilities;
- Installations and sites used for surveying for natural resources, drilling equipment, and ships used for surveying for natural resource;
- A fixed base where a non-resident natural person carries out business; and,
- A branch of a non-resident entity which is licensed to carry on business in the Kingdom.

A place is not considered a permanent establishment of a non-resident in the Kingdom if it is used in the Kingdom only to do the following:

1. Store, display, or deliver goods or products belonging to the non-resident;
2. Hold a stock of goods or products belonging to the non-resident only for the purposes of processing by another person;
3. Purchasing goods or products only for the collection of information for the non-resident;
4. Performance of any other activities that is preparatory or auxiliary in nature to the interests of the non-resident;
5. Drawing up contracts for signature with regard to credits (loans), delivery of goods, or provision of technical services; or,
6. Execution of any combination of the activities indicated in subparagraphs 1 to 5 above.

As far as capital gains are concerned, non-residents are taxed in the same way as residents.

SALES TAX / VALUE ADDED TAX

There is no VAT or other similar sales (or consumption) tax in Saudi Arabia.

FRINGE BENEFITS TAX

There is no tax on employment income in Saudi Arabia.

LOCAL TAXES

There is no local duties payable in Saudi Arabia.

REAL ESTATE TAX

There is no real estate tax in Saudi Arabia but Zakat (religious tax) may be payable on real estate if held for speculative purposes.

OTHER TAXES

Zakat is payable by individual Saudis and other GCC nationals. Zakat is calculated at the rate of 2.5% and is chargeable on the total of the taxpayer's capital resources and

income that are not invested in fixed assets. These include the company's capital, net profits, retained earnings and reserves not created for specific liabilities.

Only resources (including income) which have been held for at least 12 months are subject to zakat.

B. DETERMINATION OF TAXABLE INCOME

Income is from a source in the Kingdom of Saudi Arabia if it is:
- Derived from an activity occurs in Saudi Arabia;
- Derived from immovable property located in Saudi Arabia, including gains from the disposal of an interest in such immovable property and from the disposal of shares or partnership interests in a company, the property of which consists, directly or indirectly, principally of interests in such property;
- Derived from the disposal of shares or a partnership interest in a resident company;
- Derived from the rental of movable property used in Saudi Arabia;
- Derived from the sale or license of industrial or intellectual property in Saudi Arabia;
- Shares' profits, management fee, or director's fee paid by a resident entity;
- Payments for services made by a resident entity to its head office or to an affiliated company;
- Payments made by a resident for services performed in whole or in part in Saudi Arabia;
- Amounts for exploitation of a natural resource in Saudi Arabia;
- Attributable to a permanent establishment of a non-resident located in Saudi Arabia.

Tax rates apply to net profits, which are defined as the difference between:
- The gross income, i.e. the sum of all profits, earnings or compensations(regardless of their nature or mode of payment) received in relation to the business activity, including capital gains on fixed assets and occasional profits but excluding exempt income; and,
- Deductible expenses.

The regulations specify that proceeds from the following are part of gross income: buying and selling, financial and commercial transactions, activities pertaining to the dealing in or development of oil or other mineral resources, and transactions concerning movable or immovable property. In addition, commissions, profits on shares and securities and, in general, proceeds from any business transaction the object of which is profit or from any source of wealth are included in gross income.

Exempt income includes capital gains related to the alienation of negotiable securities on the stock market (subject to conditions) and capital gains on the sale of properties which are not part of business assets.

DEDUCTIBLE EXPENSES

All costs and expenses paid or incurred during the tax year to earn taxable income such as salaries and wages, travel expenses which are connected with the business or enterprise, and rent on properties used in the business, are deductible from the tax base. As a general rule, however, expenses are only deductible if they satisfy the following conditions:
- They are actual/real;
- They are related to taxable income (which means that costs related to exempt income will not be deductible);
- They are related to the tax year during which they were incurred;
- They do not increase the value of fixed assets.

The regulations provide for a certain number of other expenses which may be deducted from the tax base. Specifically, the regulations provide for the deduction of:
- Employers' contributions paid for the employees to retirement funds (as defined by the applicable regulations) and to (appropriate) savings funds. The deduction is limited to a maximum of 25% of the employee's income;
- Research and development (R&D) expenses incurred in Saudi Arabia during the tax year. The deduction does not apply to the cost of land and other fixed assets acquired for the purposes of R&D activities. These assets remain depreciable under the standard rules;
- Costs of repair, maintenance and improvement of (depreciable) fixed assets. These costs are deductible from the tax base in the year in which they are incurred. The deduction is limited to 4% of the residual value of the group of assets concerned at the end of the tax year. Any excess over this amount is added to the residual value and depreciated accordingly.

NON-DEDUCTIBLE EXPENSES

The following expenses are not deductible:

- Salaries, wages and the like paid to an entrepreneur, partner or shareholder or to their dependents or relatives, except in the case of stock companies;
- Any amount paid in excess of the actual value of a transaction made with one of the persons; mentioned above;
- Leisure expenses such as costs of parties, sports events, travelling expenses, etc.;
- Income tax and related penalties whether due in Saudi Arabia or elsewhere;
- Penalties and fines due to the infringement of applicable regulations;
- Bribes;
- Commissions paid to insurance agents in excess of 3% of the premiums collected by the insurance company in Saudi Arabia;
- Payments made by Saudi branches to headquarters that are wholly owned by foreign companies for:
  a) Royalties;
  b) Interest or other financial costs;
  c) General administrative costs determined by apportionment on a lump-sum basis (see indirect expenses below);
- Amounts paid in excess of normal market prices for transactions made between associated enterprises.

DEPRECIATION

All fixed assets, whether tangible or intangible (except land) are depreciable using the straight-line method of depreciation only. Depreciation is normally calculated on a full-year (12 months) basis. However, where a depreciable asset is brought into the taxpayer's business part way through a fiscal year, the amount of depreciation must reflect the date on which the asset was first put into use. Normally, a monthly pro-rata basis is acceptable.

Depreciation allowances are calculated for groups of assets (and not individually for each asset) at the following rates:

- Buildings – 5%;
- Movable industrial and agricultural facilities – 10%;
- Machinery, factories and equipment, including computer programmes and means of transport – 25%;
- Costs of geological studies, exploring and drilling expenses and costs of preparatory operations for the exploitation and development of natural resources – 20%;
- All other fixed assets, whether tangible or intangible, not covered by the above (including ships, aircraft, trains, furniture, etc) – 10%.

Goodwill may not normally be depreciated whilst the business is run as a going concern. Where goodwill has been purchased for value, it may be treated as a depreciable asset if an individual ruling to that effect is obtained from the Department of Zakat and Income Tax (DZIT).

STOCK/INVENTORY

The cost of inventory is calculated using the absorption cost method. Taxpayers using cash-based accounting may use the direct (or prime) cost method.

Closing stock is valued at the book value or the market value whichever is lower. Book value is determined by using the weighted average method. However, the taxpayer may use another method, after obtaining written permission from the DZIT. He may not change this method without the prior approval of the DZIT.

DIVIDENDS

Saudi Arabia resident companies are taxable on dividends receivable whether or not those dividends are received from other Saudi Arabian companies or from overseas.

INTEREST DEDUCTIONS

Interest expenses are deductible up to the following limit (except for banks):

(Income from loans + 50% x other income) – Deductible expenses (other than interest).

LOSSES

Operational losses of a business may be carried forward indefinitely. However, the annual deduction is limited to 25% of the profits as shown in the annual return. Losses related to exempt activities may not be deducted or carried forward.

FOREIGN SOURCED INCOME

Resident companies are taxed on their worldwide income, i.e. including income from

transactions carried on, or branches situated, abroad. This means that all forms of overseas income are subject to tax under standard rules.

INCENTIVES

Incentives are contained in the Investment Law and its implementing regulations which are:

- 50% of the annual training costs for the Saudi labour; and,
- 50% of their annual wages paid to the Saudis.

C. FOREIGN TAX RELIEF

No relief for foreign taxes is granted under Saudi tax regulations.

D. CORPORATE GROUPS

There is no group tax regime in Saudi Arabia.

E. RELATED PARTY TRANSACTIONS

The DZIT may reallocate revenues and expenses relating to transactions made between related parties or parties under the same control in order to reflect the returns that would have resulted if the parties were independent and unrelated. Companies are deemed to be under common control if the same person or related persons control, directly or indirectly, 50% or more of the voting rights or value of the company.

F. WITHHOLDING TAX

Distributed income (including dividends) paid to non-residents is subject to a 5% withholding tax. However, the withholding tax does not apply to distributions made by companies operating in the oil and the gas sectors.

The regulations define distributed income as any distribution made by a resident company to a non-resident shareholder. Distributed income is also deemed to include profits transferred by a PE to a related entity.

Income from loans paid to a non-resident is subject to a 5% withholding tax. Royalties paid to non-residents are subject to a final 15% withholding tax. Other withholding taxes are as follows:

- Management fees – 20%;
- Payments made to head office or an associated entity against services– 15%;
- Rent, technical and consultancy services, payments made for airtickets, air freight or marine freight, international telecommunication, dividend, loans fees (interest) and insurance or reinsurance premiums– 5%;
- Any other payments – 15%.

G. EXCHANGE CONTROL

There is no exchange control in operation in Saudi Arabia.

H. PERSONAL INCOME TAX

The following persons are subject to taxation:

- A resident Saudi individual who does business in the Kingdom;
- A non-resident who does business in the Kingdom through a permanent establishment;
- A non-resident with income subject to tax from sources within the Kingdom.

A natural person is resident in the Kingdom for a tax year if he meets either of the following two conditions:

1) He or she has a permanent place of abode in the Kingdom and physically resides in the Kingdom for a period in aggregate not less than 30 days during the taxable year; or
2) He or she physically resides in the Kingdom for a period of not less than 183 days in the taxable year.

For the purpose of this paragraph, presence in the Kingdom for part of a day is considered presence for the whole day. Presence in case of transit between two points outside the Kingdom is not included.

Only business income earned by individuals is taxable. There is no tax on employment income. Business and professional income is taxed in the same way and under the same rules as corporate profits. Individuals not carrying on a business or professional activity are not taxed on interest and dividend income.

Individuals carrying on a business or professional activity are taxed at the same rate (i.e. 20%) and under the same rules as corporate entities. Income tax can be paid by instalments throughout the tax fiscal year. Income tax is payable within 120 days of fiscal year end.

SOCIAL SECURITY CONTRIBUTIONS

With effect from 26 March 2001, employees pay a contribution of 9% for insurance relating to old age, disability and death.

Certain employees such as civil servants, artisans, farmers, seamen, domestic servants, etc are excluded from the insurance scheme. Note, however, that the three latter categories of persons may be covered by the scheme on the basis of a ministerial decision. Furthermore, persons carrying on independent business activities such as professionals, tradesmen, artisans, etc and employer's family members employed in a family-run enterprise where no other workers are employed may request to be covered by the scheme.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Recipient	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty	5	5	15
Treaty:			
Austria	5	5	10
Bangladesh	10	7.5	10
Belarus	5	5	10
China, People's Republic of	5	10	10
Czech Republic	5	0	10
France	0	0	0
Greece	5	5	10
India	5	10	10
Ireland	0/5 [13]	0	5/8 [11]
Italy	5/10 [1]	5	10
Japan	5/10 [9]	10	5/10 [10]
Luxembourg	5	0	5/7 [14]
Malaysia	5	5	8
Malta	5	0	5/7 [14]
Netherlands	5/10 [2]	5	7
Pakistan	5/10 [3]	10	10
Poland	5	5	10
Romania	5	5	10
Russia	5	5	10
Singapore	5	5	8
South Africa	5/10 [2]	5	10
South Korea (Republic of Korea)	5/10 [4]	5	5/10 [10]
Spain	0/5 [5]	5	8
Syria	0	7.5	15
Tunisia	5	2.5/5 [16]	5
Turkey	5/10 [6]	10	10
Ukraine	5/15 [15]	10	10
United Kingdom	5/15 [7]	0	5/8 [11]
Uzbekistan	7	7	10
Vietnam	5/12.5 [8]	10	7.5/10 [12]

Notes:

1. Should not exceed:
   - 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that has owned, directly or indirectly, at least 25% of the capital of the company paying the dividends for a period of at least 12 months preceding the date the dividends were declared.

- 10% of the gross amount of the dividends in all other cases.

2. Should not exceed:
   - 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that directly holds at least 10% of the capital of the company paying the dividends.
   - 10% of the gross amount of the dividends in all other cases.
3. Should not exceed:
   - 5% of the gross amount of dividends if the beneficial owner is (i) a company or (ii) an entity wholly owned by the government.
   - 10% of the gross amount of the dividends in all other cases.
4. Should not exceed:
   - 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends.
   - 10% of the gross amount of the dividends in all other cases.
5. Should not exceed:
   - 5% of the gross amount of the dividends.
   - The contracting state of which the company paying the dividends is a resident Should exempt from tax the dividends paid by that company to a company (other than a partnership) that is a resident of the other contracting state, as long as it directly holds at least 25% of the capital of the company paying the dividends.
6. Should not exceed:
   - 5% of the gross amount of the dividends:
   a) If the beneficial owner is a company (other than a partnership) that directly holds at least 20% of the capital of the company paying the dividends; or,
   b) If the beneficial owner is central bank or an entity that is wholly owned by the government.
   - 10% of the gross amount of the dividends in all other cases.
7. Should not exceed:
   - 15% of the gross amount of the dividends where qualifying dividends are paid by a property investment vehicle.
   - 5% of the gross amount of the dividends in all other cases.
8. Should not exceed:
   - 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that directly holds at least 50% of the capital of the company paying the dividends, or has invested USD 20 million or more, or any equivalent currency, in the capital of the company paying the dividends.
   - 12.5% of the gross amount of the dividends in all other cases.
9. Should not exceed:
   - 5% of the gross amount of the dividends if the beneficial owner is a company that holds, directly or indirectly, during the period of 183 days ending on the date on which entitlement to the dividends is determined, at least 10% of the voting shares or of the total issued shares of the company paying the dividends.
   - 10% of the gross amount of the dividends in all other cases.
10. Should not exceed:
    - 5% of the gross amount of the royalties that are paid for the use of, or the right to use, industrial, commercial, or scientific equipment.
    - 10% of the gross amount of the royalties in all other cases.
11. Should not exceed:
    - 5% of the gross amount of the royalties that are paid for the use of, or the right to use, industrial, commercial, or scientific equipment.
    - 8% of the gross amount of the royalties in all other cases.

12. Should not exceed:
    - 7.5% of the gross amount of such royalties that are paid for rendering of any services or assistance of a technical or managerial nature.
    - 10% of the gross amount of such royalties in all other cases.
13. Should not exceed:
    - 5% of the gross amount of the dividends.
    - The contracting state of which the company paying the dividends is a resident Should exempt from tax the dividends paid by that company to a company (other than a partnership) that is a resident of the other contracting state, as long as it directly holds at least 25% of the capital of the company paying the dividends or when paid to the government, the central bank, or any institution, agency, or fund wholly owned by the government of Ireland.
14. Should not exceed:
    - 5% of the gross amount of the royalties that are paid for the use of, or the right to use, industrial, commercial, or scientific equipment.
    - 7% of the gross amount of the royalties in all other cases.
15. Should not exceed:
    - 5% of the gross amount of the dividends if the beneficial owner directly holds

at least 20% of the capital of the company paying the dividends.
- 15% of the gross amount of the dividends in all other cases.

16. Should not exceed:
    - 2.5% of the gross amount of income from debt-claims for banking institutions.
    - 5% of the gross amount of income from debt-claims in all other cases.

SERBIA

MEMBER FIRM

City	Name	Contact Information
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BASIC FACTS

Full name:	Serbia
Population:	7.1 million (2013)
Capital:	Belgrade
Major language:	Serbian
Major religion:	Christianity
Monetary unit:	Euro
Internet domain:	.rs
International dialling code:	+381
Ministry of Finance website:	www.mfin.gov.rs

KEY TAX POINTS

- Corporate income tax is payable by a resident who is a legal entity established or has its place of effective management and control in the territory of the Republic of Serbia. Non-residents are taxed only on their income sourced through a permanent establishment in Serbia.
- The standard rate of Value Added Tax is 20%. A reduced rate of 10% applies to certain hospitality-related and other goods and services.
- A 20% withholding tax is applicable to various forms of payment to non-residents including to interest, dividends, royalties, rental fees, capital gains and certain service fees.
- Income tax is chargeable on all Serbian residents in respect of income generated in Serbia and other countries.

A. TAXES PAYABLE

CORPORATE TAX

Corporate income tax is payable by the following:
- Resident is legal entity established or has its place of effective management and control in the territory of the Republic of Serbia. Residents are taxed on their income generated in the territory of the Republic, as well as on worldwide income.
- Non-residents are taxed only on their income sourced through a permanent establishment in Serbia. A permanent establishment is any permanent place of business through which a non-resident conducts his business.

A taxable entity includes a company registered as a joint stock company, a limited liability company, a general partnership, limited partnership, a socially owned company or a public enterprise, co-operative, branch office or any other legal entity generating income from the sale of goods or rendering services to the market.

The tax year is the same as the calendar year, although a different tax year may be used if approved by the tax authorities. A tax period may not exceed 12 months in length and may only be changed once every five years. Tax returns must be filed with the tax authorities within 180 days of the end of the tax year. A monthly instalment payment system applies based on the profits arising in the previous period.

The tax rate on all profits and gains is 15%.

BRANCH PROFITS TAX

Branch profit are treated as ordinary income and taxed accordingly.

CAPITAL GAINS TAX

Gains from the sale of capital assets are included in a company's taxable income and

taxed at the same rate as other profits. Capital losses may be set-off against capital gains in the year they arose. Capital losses may be carried forward for five years but may not be carried back.

VALUE ADDED TAX (VAT)

According to Law on VAT, taxpayer is an entity that independently trades in goods and services as a producer, trader or provider of services for the purpose of profit. The VAT rules also apply to the following:

- Agents assigned by foreign entities doing business in Serbia but without a permanent business unit in Serbia;
- Recipients of goods and services if foreign entity do not assign agent;
- Entities that account for VAT in their invoices but are not obliged to pay the tax according to the Law on VAT;
- Entities that import goods.

Taxpayers whose total turnover did not exceed RSD 8,000,000 in the preceding calendar year are not obliged to register as VAT. The taxable amount tor domestic goods and services is the sales price, including excise and duty costs and all secondary expenses charged to the recipient of the goods and services. The standard rate is 20%. A reduced rate of 10% applies to certain hospitality-related and other goods and services.

CUSTOMS DUTIES

Goods imported into Serbia are subject to customs duty rates provided in the Law on Customs Tariff. These rates are ad valorem (the only exception is related to the importation of other cigarettes containing tobacco, where a combined ad valorem and specific customs duty rate is prescribed) and applies to goods originating in countries that have a most favoured nation (MFN) status in trading with Serbia.

Goods originating in other countries are subject to MFN duty rates increased by 70%. At the moment, the only trading partner with Serbia that does not have MFN status is Taiwan. Customs duty rates in Serbia range from 0% to 57.6%, with most being under 30%. At the moment, the 57.6% rate only applies to cigarettes containing tobacco.

EXCISE DUTIES

Special excise duties apply to the following:

- Mineral oils;
- Alcohol;
- Tobacco products and
- Coffee.

Excise duty in Serbia is specific (for oil derivatives, alcoholic beverages, cigars, cigarillos, and coffee), ad valorem (for pipe tobacco), and combined (specific + ad valorem on retail price for cigarettes).

Excise duties stated in Serbian currency are adjusted on a half-year basis according to variations of the consumer price index (CPI) declared by relevant government bodies in charge of statistics. For oil derivatives, the government can modify the specific excise duty amounts during the year according to changes in prices of crude oil on the market.

REAL ESTATE TRANSFER TAX

This is payable by the person or entity acquiring the real estate. The tax rate is 2.5%. The tax base is the contact value unless is lower than marker value on the date of acquisition.

LOCAL TAXES

There are no local taxes on income in Serbia.

PROPERTY TAX

Property tax is payable in Serbia by all legal entities and individuals who own or have rights over real estate located in the Republic of Serbia such as:

- Rights to usufruct;
- Right to use and inhabit;
- Tenancy right of one year or for indefinite period of time; and,
- Urban usage right (municipal, public and other state-owned land) exceeding 1,000 square meters in area.

If the legal owner of the real estate is not known or cannot be determined, the property tax is levied on the person with beneficial ownership of the property (eg a tenant).

Where the taxpayer keeps books, the property tax on real estate is levied at a flat rate of 0.40%. Where the taxpayers do not keep books, the property tax on land is maximum to 0.30%.

If the taxpayer is an individual or entrepreneur who is taxed on the so-called lump-sum income basis, the rates of property tax on real estate are progressive, as shown in the following table:

Number	Tax Base	Tax Liability
1.	To RSD 10,000,000	Until 0.40%
2.	From RSD 10,000,000 to RSD 25,000.000	Tax from point 1 plus 0.6% on amount over RSD 10,000,000
3.	From RSD 25,000,000 to RSD 50,000.000	Tax from point 2 plus 1.0% on amount over RSD 25,000,000
4.	Over RSD 50,000,000	Tax from point 3 plus 2.0% on amount over RSD 50,000,000

A taxpayer does not pay property tax relating to the ownership of real estate with a total value not exceeding RSD 400,000.

Property tax is assessed on the basis of the facts reported in the tax return in the first taxable year applicable to that property. In subsequent years, the tax return should only be submitted if the facts relevant to the liability have changed. Property tax is paid quarterly within 45 days from the beginning of the three month period.

TRADE NAME TAX

This is payable by individuals and legal entities which are liable to pay corporate income tax or personal income tax and are registered for the performance of a business activity.

TAX ON THE USE OF PUBLIC LAND

This is payable by individuals and legal entities that make use of public land. The amount of the tax is prescribed by the individual commune or city.

PAYROLL TAXES

The employer is liable to withhold personal income tax (PIT) and social security contributions on payment of salaries to employees, at the following rates:

- 10% PIT.
- 19.9% social security contributions payable by the employee.
- 17.9% social security contributions payable by the employer.

The tax and contributions base is gross salary. The social security contributions base is limited to five average monthly salaries in Serbia.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are those calculated under the accounting regulations, adjusted in accordance with the provisions of the Corporate Income Tax Law.

OPERATIONAL EXPENSES

Significant adjustments include:

Expenses which are not recognised as expenses for corporate income tax purposes include:

- Expenses which cannot be documented;
- Bad debt provisions for receivables to entities that are also creditors, to the liability amount;
- Gift and contributions to political organizations;
- Gifts if the recipient is a related entity;
- Interest payable for untimely payment of interests between related parties;
- Expenses incurred other than for the purpose of conducting business activities;
- Calculated and unpaid redundancy remuneration due to employees;
- Interest payable for untimely payment of taxes, contributions and other public charges;
- Cost of forced collection of tax and other debts and cost of tax offence proceedings and other proceedings conducted by competent authorities;
- Fines levied by competent authorities, penalty clauses and penalties.

Expenditure recognised for corporate income tax purposes up to certain amounts including:

- Depreciation computed in accordance with tax depreciation rules;
- Bad debt provisions, write-off of receivables and general provisions;
- Expenses for health care, scientific, educational, humanitarian, religious, ecological and sport-related purposes are tax-deductible up to 5% of total revenue;
- Expenses for cultural purposes are tax-deductible up to 5% of total revenue;

- Membership fees paid to chambers of commerce and other associations (except political parties) are deductible up to 0.1% of gross revenue;
- Advertising and promotional expenses are tax deductible up to 10% of total revenue;
- Business entertainment expenses are tax deductible up to 0.5% of total revenue.

FIXED ASSETS

According to the Corporate Income Tax Law, fixed assets are tangible and intangible assets of which the service life is longer than a year and recognised in the records as fixed assets except natural resources and goodwill.

Fixed assets are divided into five groups with depreciation rates prescribed for each as follows:

Depreciation Group	Depreciation Rate
I	2.5%
II	10.0%
III	15.0%
IV	20.0%
V	30.0%

A straight-line depreciation method is prescribed for the first group. A declining balance method is prescribed for assets in other groups. Detailed regulation of the division of fixed assets into groups, and the method of determining depreciation, is prescribed under special by-laws issued by the Ministry of Finance.

VALUATION OF INVENTORY

Cost of materials and the purchase value of merchandise are tax deductible up to the amount calculated by applying the average weighted cost method or FIFO method. If another method is used, an adjustment for tax purposes should be made.

RESERVES AND PROVISIONS

Provisions for bad and doubtful debts are tax deductible if at least 60 days have expired from the due date. A provision has to be made individually for each debt. A write-off of an individual debt, (except for those from debtors which are also creditors) is recognised as an expense under the following conditions:

- The debt has been written off as uncollectible;
- The taxpayer has initiated a court procedure to collect debt or duly reported the receivables in case of liquidation or bankruptcy procedure over the debtor.

Long-term provisions are recognised for tax purposes if they are made for the renewal of natural resources, warranty period costs and retained caution money and deposits.

DIVIDENDS

Dividends and other income that constitutes a share in the profit of resident companies is not included in the tax base if received from resident companies.

INTEREST DEDUCTIONS

Interest payable is generally tax deductible except for interest payable on taxes, contributions and other public charges, fines and penalties. However, rules restrict deductions for interest on any loan owed to related parties if the loan is more than four times the net asset value of the company.

LOSSES

Ordinary losses may be carried forward for five years but may not be carried back.

C. FOREIGN-SOURCED INCOME

Companies resident in Serbia are taxed on their worldwide income.

When profit generated in another country is taxed in the foreign country, a company has the right to decrease its tax liability by claiming a tax credit from the tax authorities in Serbia.

There are no provisions that provide for the possibility that taxation of income earned abroad may be deferred.

D. INCENTIVES

A taxpayer who invests at least RSD 1,000,000,000 in fixed assets and additionally employs at least 100 employees is entitled to tax relief for the next ten years in respect

of the invested asset.

Every non-profit organisation with excess income up to RSD 400,000 is tax exempt if it fulfils several conditions.

E. FOREIGN TAX RELIEF

Double tax relief is available under the provisions of various double tax agreements with other territories. Unilateral relief is available in other cases by means of a credit for overseas taxes against the Serbian tax payable on the same income.

F. CORPORATE GROUPS

Parent and subsidiary companies are recognised as a group for tax consolidation purposes if the parent has direct or indirect control at least 75% of the subsidiary's share capital. All members of the group must be resident companies.

Once approved, tax consolidation must be applied for the next five years.

G. RELATED PARTY TRANSACTIONS

A transfer price is the price of transactions between related parties. Related parties exist if there is a possibility of control or influence over business decisions between them. Ownership of 25% or more, or a majority of shares, is considered as potential control. Influence over business decisions exists when an associated party holds 25% or more, or individually holds the greatest portion, of votes in the taxpayer's management bodies. If the same persons participate in management or control of both companies, a connection between them will be deemed to exist.

Close family members are also regarded as related parties. Non-resident entities from tax havens are considered as related parties of resident entities. The Serbian Ministry of Finance prescribed the list of countries that are to be considered as tax havens for the application of relevant CIT Law provisions.

A company should disclose transactions with related parties separately at transfer prices and at arm's-length prices in its CIT calculation. Positive difference between these prices (adjustments of expenses) and negative difference (adjustments of revenues) is included in taxable profit.

Serbian CIT Law recognises the following methods for determining arm's-length prices:
- Comparable uncontrolled price (CUP).
- Cost plus.
- Resale minus.
- Transactional net margin (TNMM).
- Profit split.
- Any other method that allows determination of arm's-length prices if none of the above methods can be applied.

It is mandatory to prepare and submit transfer pricing documentation together with the CIT return for periods starting from 1 January 2013.

Transfer pricing rules for intra-group loans

Any interest incurred on related party loans exceeding the arm's-length interest rate is not tax deductible. Arm's-length interest is deemed to be the:
- weighted average key policy rate for the tax period, for loans denominated in dinars, and
- weighted average interest rate at which domestic banks borrowed from foreign lenders in related tax period, for foreign currency loans.

These indicators are determined by the National Bank of Serbia and published by the Ministry of Finance. However, taxpayers are entitled to determine market interest rates by using all general methods for determining arm's-length interest rates. In case the taxpayer decides to determine interest rates by applying general methods, it will be obligated to apply such interest rates for assessment of all related party loans.

Transfer pricing rules in this respect are applied up to the amount of tax deductible interest determined in accordance with the thin capitalisation threshold.

Thin capitalisation

The interest and related costs will be fully deductible if the loans from related parties do not exceed four times the taxpayer's net equity (ten times for banks and leasing

companies). The amount of a taxpayer's net equity for this purpose is calculated as the average of the total assets less total liabilities at the beginning and the end of the year, while the amount of loan from related parties is calculated as a daily average for the year. In cases where the loans from related parties exceed the prescribed threshold, the amount of non-deductible interest will be calculated as proportional to the amount of loans exceeding the 4:1 (10:1) threshold.

H. WITHHOLDING TAX

A 20% withholding tax is applicable to various forms of payment to non-residents including:
- Interest;
- Dividends;
- Royalties;
- Rental fee;
- Capital gains; and,
- Certain service fees.

Special withholding tax rules apply in case of non-resident entities from tax havens. Withholding tax is payable at the rate of 25% on royalties, interest, income from lease of immovable property and other assets, and service fees paid to non-resident entities from tax havens. Dividend payments to non-residents from tax havens are subject to withholding tax at 20%. Serbian Ministry of Finance publishes a list of jurisdictions that are regarded as tax havens. Withholding tax rates envisaged by applicable DTTs are provided in the following table.

I. EXCHANGE CONTROL

There are no exchange controls in Serbia.

J. PERSONAL TAX

INCOME TAX

Income tax is chargeable on all Serbian residents in respect of income generated in Serbia and other countries.

A Resident of the Republic of Serbia (hereinafter referred as "resident') is each person who:
- Has a personal residence or his centre of interests in Serbia;
- Resides in Serbia for at least 183 days, whether or not consecutively, within a period of 12 months beg inning or ending in the respective taxation year.

Serbian residents are taxed on their worldwide income including:
- Income from wages (tax rate -10%);
- Income from agricultural activity and forestry (tax rate - 20%);
- Income from independent personal activities (tax rate - 10%);
- Income from royalties etc. (tax rate - 20%);
- Income from capital (tax rate - 15%);
- Income from property and property rights (tax rate - 15% and 20% on rental fees);
- Capital gains (tax rate - 15%); and,
- Other income (tax rate - 20%).

Annual personal tax is paid under a withholding tax system.

Tax credits are available for overseas taxes up to the amount of tax suffered in Serbia on the income concerned.

INCOME FROM WAGES

Income from wages represents earnings based on the full-and part-time employment based on contracts concluded with the employer, or with the Youth Cooperative, until the age of 26.

Income from wages is tax chargeable either earned in cash or cash equivalents, shares (except the shares assigned in process of privatization) and similar.

The taxable person is the employee, but the employer is responsible for calculating and withholding personal income tax on behalf of its employees. The tax rate is currently 10%.

Specified types of income, up to the prescribed amounts, are tax exempt. They include public transportation cost for home to office travel and daily allowances for business trips. In certain cases, non-residents working for diplomatic and consular missions or

international organizations in Serbia are not taxable.

ANNUAL INCOME TAX

Annual income tax is also payable on any amount exceeding three times the annual average wage. It is payable based on the following rates:

- Any amount up to six times the average annual salary - 10%;
- Any amount higher than six times the average annual salary - 10% of six times the average annual salary + 15% on the amount paid which exceeds six times the average annual salary.

K. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends[1] (%)	Interest (%)	Royalties (%)
Domestic rates:			
Corporations	15	15	15
Individuals	15	15	20
Treaty countries:			
Azerbaijan	10	10	10
Albania	5/15	10	10
Austria	5/15	10	5,10
Belgium	10/15	15	10
Belorussia	5/15	8	10
Bosnia-Herzegovina	5/10	10	10
Bulgaria	5/15	10	10
Great Britain and Northern Ireland	5/15	10	10
Greece	5/15	10	10
Denmark	5/15	10	10
DNK Korea	10	10	10
Egypt	5/15	15	15
Estonia	5/10	10	5,10
India	5/15	10	10
Iran	10	10	10
Ireland	5/10/10	10	5,10
Italy	10	10	10
Qatar	5/10	10	10
China	5	10	10
Cyprus	10	10	10
Kuwait	5/10	10	10
Latvia	5/10	10	5,10
Libya	5/10	10	10
Lithuania	5/10	10	10
Hungary	5/15	10	10
Former Republic of Macedonia	5/15	10	10
Malaysia	10/20	10	10
Malta	5/10	10	5,10
Moldavia	5/15	10	10
Germany	15	-	10
Norway	15	-	10
Pakistan	10	10	10
Poland	5/15	10	10
Romania	10	10	10
Russian Federation	5/15	10	10
Slovakia	5/15	10	10
Slovenia	5/10	10	5,10

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	Dividends[1] (%)	Interest (%)	Royalties (%)
Turkey	5/15	10	10
UAE	5/10	10	10
Ukraine	5/10	10	10
Finland	5/15	0	10
France	5/15	0	0
Netherland	5/15	0	10
Croatia	5/10	10	10
Montenegro	10	10	5,10
Czech Republic	10	10	5,10
Switzerland	5/15	10	10
Sweden	5/15	0	0
Spain	5/10	10	10
Sri Lanka	12.5	10	10

NOTE:

1 If receiver of dividend has at least 25% of share capital, a lower rate of two presented is applied.

SIERRA LEONE

MEMBER FIRM

City	Name	Contact Information
Freetown	Madonna Thompson	232-76-294555 m.thompson@masonhill.info
Freetown	Kofi Addai	232-76-638396 k.addai@masonhill.info

BASIC FACTS

Full name:	Republic of Sierra Leone
Capital:	Freetown
Main languages:	English, Temne, Mende, Krio
Population:	6,190,280 (2013 estimate)
Major religion:	Islam
Monetary units:	Sierra Leone Leone (SLL)
Internet domain:	.sl
Int. dialling code:	+232

KEY TAX POINTS

- Resident companies pay tax at 30% on their worldwide chargeable income. Non-Resident companies pay tax at the rate of 30% on income sourced in Sierra Leone.
- Capital gains tax is payable by a chargeable person at the rate of 30% of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person (exemptions apply)
- A branch in Sierra Leone of a non-resident company is subject to tax on repatriated income at the rate of 30% as though such income were a dividend taxable at the rate of 10%, this tax being in addition to income tax on the chargeable income of the branch.
- The Goods and Service Tax (GST) is a form of Value Added Tax (VAT). It is aimed at being comprehensive for most goods and services. Exports are zero-rated and imports are levied at the same taxes as domestic goods and services adhering to the destination principle.
- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source subject to it not exceeding the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- Individuals resident in Sierra Leone are subject to personal tax at increasing

scales and rates with a top rate of tax of 30%. The income tax year of assessment is 1st January to 31st December.

A. TAXES PAYABLE

TAXES AND LEVIES
The National Revenue Authority (NRA) in Sierra Leone administers most of the taxes payable including the major revenue contributors.
The Domestic Taxes Department (DTD) of the NRA has been established as a 'one-stop shop' for the administration of all Sierra Leone's domestic taxes – namely the Goods and Services Tax, Income Tax Pay-As-You-Earn (PAYE), Corporation Tax, Withholding Tax, Payroll Tax, Personal Income Tax, Rent Tax and Foreign Travel Ticket Tax.
In the future, the DTD will also administer non-tax revenues, such as levies and royalties and Excise duties. It exercises its functions with the authority of the Commissioner General of the NRA

RESIDENTS AND NON-RESIDENTS
RESIDENT INDIVIDUAL
1. An individual shall be treated as resident in Sierra Leone for the entire year of assessment if that individual:
- Has a normal place of abode in Sierra Leone and is present in Sierra Leone at any time during the year of assessment;
- Is present in Sierra Leone on more than one hundred and eighty two days (182) in a twelve month period that commences or ends during the year of assessment; or
- Is an official of the Government of Sierra Leone posted overseas during the year of assessment.

2 An individual who was not a resident in the preceding year of assessment shall not be treated as a resident for the period preceding the day the individual was first present in Sierra Leone during the year of assessment.
3. An individual who is not a resident in the following year of assessment shall not be treated as a resident for the period following the last day on which the individual was present in Sierra Leone during the year of assessment if during that period the individual had a closer connection to a foreign country than to Sierra Leone.
4. For the purposes of this section an individual shall not be treated as present in Sierra Leone on any day when:
- The individual crosses the border to Sierra Leone to perform services as an employee in Sierra Leone;
- The individual is in transit between two points outside Sierra Leone;
- The individual is present in Sierra Leone for the purpose of medical treatment or full-time study; or
- The individual is present in Sierra Leone by of diplomatic status or being dependant of a person with diplomatic status.

TEMPORARY RESIDENT INDIVIDUAL
An individual treated as resident, shall be treated as temporarily resident in Sierra Leone for the entire year of assessment if that individual:

Is not a citizen of or domiciled in Sierra Leone;
Does not intend, during the year of assessment, to reside in Sierra Leone for a total period of more than four years, and
As of the end of the year, has not been resident in Sierra Leone for more than four years.

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COMPANY TAX
Company tax is based on computed chargeable income.
Resident companies pay tax at 30% on their worldwide income.

Temporarily Resident Taxpayer-The calculation of the chargeable income of a temporarily resident taxpayer is similar to that for a resident taxpayer except assessable income includes only Sierra Leone source income and income from other sources that is remitted to Sierra Leone.

A company is considered a resident if it satisfies the three alternative tests of residence; place of incorporation; place of management and control; and place of majority of operations. Subject to subsection (2), a company that does not satisfy any of these tests is a non-resident person for the year of assessment.

Non-Resident companies pay tax at the rate of 30% on income sourced in Sierra Leone.

A permanent establishment of a non-resident person in Sierra Leone shall be treated

as a resident person separate from but associated with its non-resident owner”

CAPITAL GAINS TAX

Capital gains tax shall be payable by a chargeable person at the rate of 30% of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person.
Chargeable asset” includes land and sea, property attached and integrated equipment, fixtures, improvements including leases, anything growing on the land and all interest in the property including sea which may be right to future ownership, right to occupy as tenant, life estate, the right to explore, develop, extract or produce oil, and other minerals, the right to shares, stocks and other investment opportunities in an entity, business or company, intellectual property rights, reversion of property , if it is not used for its current purpose, an easement across another person’s property and any other privileges relating to the property, business and business asset including goodwill wherever situated.

Chargeable disposal” means the sale, realization or change of hands of a chargeable asset other than those specifically exempt from capital gain.
Chargeable person” means a person, individual, corporation and related organizations including permanent establishment, associates, affiliates and joint ventures which have made chargeable disposal of a chargeable asset during a year of assessment.

EXEMPTION FROM CAPITAL GAINS

- Capital gain of a person that is up to and under the minimum chargeable income of Le3,600,000 per annum or per transaction;
- Capital gain accruing to or derived by a company out of a merger, amalgamation or re-organization of the company where there is continuity of underlying ownership in the asset of at least one quarter.
- Capital gain resulting from a transfer of ownership of the asset by a person to that person’s spouse, children, parent, brother or sister;
- capital gain resulting from a transfer of ownership of the asset between former spouses as part of a divorce settlement or a genuine separation agreement;
- Capital gain where the amount received on realization is, within one year of realization, used to acquire a chargeable asset of the same nature (referred to as “replacement asset”); and
- Where part only of the amount received or realized is used in the manner referred to in paragraph (e), any part of the capital gain represented by the amount used to acquire the replacement asset is less than the cost base of the asset realized at the time of realization.”

BRANCH PROFITS TAX

A branch in Sierra Leone of a non-resident company shall be subject to tax on repatriated income at the rate of 30% as though such income were a dividend taxable at the rate of 10%, this tax being in addition to income tax on the chargeable income of the branch.

Repatriated income is the higher of—
- Funds repatriated in the year out of accumulated profits; and
- The chargeable income of the branch less—
- Sierra Leone income tax paid on that chargeable income; and Any profit reinvested or retained in the branch

SALES TAX / VALUE ADDED TAX

The Goods and Service Tax (GST) is a form of Value Added Tax (VAT). It is aimed at being comprehensive for most goods and services.

Export will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.

GST applies to each of the following (with some exceptions):
- All goods subject to customs duty
- All goods subject to excise duty
- All goods listed in the First Schedule of the GST Act 2009. These include foods and beverages, wines and spirits, hydrocarbons, tobacco, cement, medicines, paints, perfume and toiletries, soaps, detergents, candles, matches, plastics, paper and paper articles, ammunition and weapons, furniture, motor vehicle bodies, structures and parts of structures for building, bridges, etc.

Every registered GST trader shall in the ordinary course of business, maintain an electronic cash register as may be determined by the Commissioner-General for the purpose of recording all transactions.

Turnover threshold for supplies over a 12-month period is Le 350,000,000.

Goods and services tax shall be imposed on the following in accordance with the Goods and Services Tax Act 2009-

- For mining companies, all non-production related items;
- For construction companies all non-construction related items; and
- For agricultural companies all non-agricultural related items.

The classification of items that are non-production related, non-construction related and non-agricultural related shall be determined by the Commissioner -General.

The rate of GST applicable to a taxable supply or import is:

- If the supply or import is zero-rated under the First Schedule, zero per cent;
- In any other case, 15 per cent.

FRINGE BENEFITS TAX

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value.

Non-cash Benefit

	Value to be added for tax purposes
Motor vehicle	P×(R+20%C) where C is the purchase cost or full lease cost of the vehicle; P is the proportion of the employee's non business use; R is the employer portion of the running cost of the vehicle in the year.
Accommodation	Market rent of accommodation reduced by payment made by employee toward the benefit
Discharge/reimbursement of employee utility expenditure	Amount paid or reimbursed
Provision of domestic assistants	Employer's contributions towards the total emoluments paid to domestic assistant
Provision of meal, refreshment or entertainment	Actual cost to employer of providing the benefits
Waiver of an obligation	Amount of payment or repayment waived

LOCAL TAXES

The City/Town Councils in the 14 Districts administer local taxes.

OTHER TAXES

1. National Social Security And Insurance Trust (Nassit)

The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust set up by the National Social Security and Insurance Trust Act No. 5 of 2001 to administer Sierra Leone's National Pension Scheme.

The primary responsibility of the Trust is the part replacement of income lost as a result of the contingencies of old age, invalidity and death.

Employers and employees contribute 10% and 5% respectively of the employees' employment income.

2. Small and micro tax payer regime
Turnover income tax payable in Leones

i.	under 10,000,000	Nil
ii.	10,000,001-20.000,000	100,000 plus 2% of the amount above 10,000,000
iii.	20,000,001-100,000,000	300,000 plus 4% of the amount above 20,000,000
iv.	100,000,001-200,000,000	3,500,000 plus 5% of the amount above 100,000,000
v.	200,000,000-350,000,000	8,500,000 plus 6% of the amount above 200,000,000

3. Payroll tax

All employers should make a return and pay tax for all non-citizen employees they employ, as follows:

ECOWAS Nationals	- Le 500,000 per employee per year
Non-ECOWAS Nationals	- Le 3,000,000 per employee per year

The amount payable, together with the completed Return, must be submitted to the DTD on or before 31st January of the year in which they apply. Where a non-citizen is employed in the course of the year, a subsequent return and payment must be filed within 14 days from the date of the employment.

4. Business Registration

The Office of the Administrator and Registrar-General (OARG) deals with starting a business and registering property indicators. Stamp duty is applicable and rates vary according to the type of instrument.

Inheritance / Estate duty – a tax duty of 10% of the value of the entire estate is payable

Stamp and Transfer Duty – Stamp duty rates vary from 1% to 12.5%. This applies to agreements, bills of exchange, promissory notes, bills of lading, bonds, leases and conveyances

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act 2000 lists specific regulations for dealing with fixed assets, real estate, products, shares or securities sold, as well as deductible property plant and equipment, depreciation, bad and doubtful debts and meals, refreshment and entertainment.

CAPITAL ALLOWANCES
CAPITAL ALLOWANCE DEDUCTION

Depreciable assets are classified into groups with depreciation rates as follows—
Group Assets Included Rate of Capital Allowance

1. Plant, machinery and equipment, including automobiles and trucks - 40%
2. All other tangible depreciable assets except buildings- and intangible depreciable assets - 10%
3. Buildings used to house industrial, manufacturing, or agricultural activities 15%
4. Buildings used to house commercial activities other than those described in group 3 – 10%
5. Buildings other than those described in groups 3 and 4 - 5%
6 Expenditure on start-up costs on mineral and petroleum prospecting and exploration 100%
7 Production rights and other expenditure incurred on mineral and petroleum development shall be follows:

- initial allowance 40%
- annual allowance 20%

INVESTMENT ALLOWANCES

The amount of investment allowance to be deducted from business income is five percent of the cost of the relevant asset.

BUSINESS INVESTMENT RELIEF

The maximum relevant amount of business investment relief available to an individual is fifty percent of qualifying investments totaling not more than Le3, 000,000 in any year of assessment.

DEPRECIATION

Depreciation is not allowed. However, capital allowances deduction for depreciation of a taxpayer's depreciable assets are allowed.

STOCK/INVENTORY

Trading stock

- A taxpayer who maintains trading stock shall establish and maintain inventories of such stock.
- A deduction shall be allowed for the cost of trading stock sold during the year of assessment.
- The cost of trading stock sold in a year of assessment shall be determined by adding to the value of opening trading stock the cost of goods acquired during the year and subtracting the value of closing trading stock.
- A cash-basis taxpayer may calculate the cost of trading stock on the prime-cost or absorption-cost method and an accrual-basis taxpayer shall calculate the cost of trading stock on the absorption-cost method.
- The value of trading stock on hand at the end of the year of assessment shall be the lower of its cost or market value at that date.
- Where particular items of trading stock are not readily identifiable, a taxpayer may account for the trading stock on the first-in-first-out method or the average-cost method, but once chosen, a stock valuation method may only be changed with the written permission of the Commissioner, and a taxpayer using the last-in-first-out method shall change to the first-in-first-out or the average stock method within five years from the date of commencement of this Act.

CAPITAL GAINS AND LOSSES

The gain realised or the loss incurred on the disposal of a business or investment asset

is taken into account in determining chargeable income.
The gain from the disposal of an asset is the excess of the consideration received over the adjusted cost base of the asset.
The loss from the disposal of an asset is the excess of the adjusted cost base over the consideration received.
The gain or loss on disposal of an asset which is not a business or investment asset is not taken into account in determining chargeable income.

DIVIDENDS
Dividends received from an investment in Sierra Leone by a resident and a non-resident person is subject to a final withholding tax at 10%. The withholding tax on dividend does not apply to a dividend paid by a resident company to another resident company or to a complying retirement fund resident in Sierra Leone. Under certain conditions, payments other than distributions out of profits may be treated as dividends.

INTEREST DEDUCTIONS
A taxpayer that is not a bank is entitled to a deduction of eighty percent of the interest expenses paid in respect of a debt obligation incurred by the taxpayer to produce assessable income.

LOSSES
Any allowable loss suffered by the taxpayer to the extent that the loss has not been deducted in a previous year of assessment in-so-far as the tax payable each year will be less than 50% of the tax due if such loss is not carried forward;

FOREIGN SOURCED INCOME
Income is from a foreign-source if it is derived from an activity which occurs out of Sierra Leone.

Any income which is not from a source in Sierra Leone is foreign-source income.

INCENTIVES
Importation of plants, machinery or equipment.
The following shall be entitled to duty free import for a period of three years from the date of first registration.
- New and existing businesses importing plants, machinery or equipment excluding vehicles
- New business if it invests at least US$10,000,000.00; and
- An existing business if it invests at least US$5,000,000.00 in expanding the business.

PETROLEUM REFINERY
A petroleum refinery investing a minimum of US$20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for the following relief–
a) A corporate tax relief not exceeding five years; and
b) Equipment and machinery for establishing the refinery shall be imported free of duty for a period of five years.

A new business investing a minimum of US$2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for the following relief–
a) A corporate tax relief not exceeding five years; and
b) Equipment and machinery for establishing a new business shall be imported duty free for a period of five years.

AGRICULTURE
(1) Entities engaged in agricultural production shall be entitled to duty-free import of agricultural inputs for a period of five (5) years from the date of first registration.
(2) For the purpose of this section “agricultural inputs” means:
(a) Fertilizers;
(b) Pesticides;
(c) Insecticides;
(d) Seeds and seedlings;
(e) Hybrid tree seeds;
(f) Seed animal for feeding purpose;
(g) Day-old-chicks; and
(h) Animal sement.

(1) The income derived from investment in poultry business shall be exempt from income tax for a period of three (3) years:
(a) In the case of a Sierra Leonean citizen if the investment is at least US$50,000; and
(b) In the case of a non-citizen, if the investment is at least US $500,000

(2) Import of feeds, vaccine and veterinary drugs for poultry and livestock shall attract

duty free import for a period of five years from the date of commencement of business.

RESEARCH AND DEVELOPMENT

For the purposes of income tax, any expenses incurred on research and development by an investor, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

TRAINING

For the purposes of income tax, any expenses incurred on training of local staff in an approved training programme, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

C. FOREIGN TAX RELIEF

- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source.
- The allowable tax credit in respect of any foreign-source income may not exceed the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- The allowable tax credit in respect of foreign-source income and the Sierra Leone income tax imposed on that income are calculated separately for each amount of foreign-source income derived by a taxpayer.
- Foreign-source income derived by a foreign branch of a resident company is aggregated and considered a single receipt of income.

Foreign employment income of residents

Foreign-source employment income derived by a resident individual during a year of assessment from employment in a foreign country shall be exempt from income tax if the income is chargeable to tax in the foreign country.

D. CORPORATE GROUPS

There are no special rules existing for the taxation of groups.

E. RELATED PARTY TRANSACTIONS

Expenses incurred in these transactions are allowable. But the Commissioner General has power to re-characterise a transaction entered into as part of a tax avoidance scheme.

F. EXCHANGE CONTROL

Exchange controls are under direct supervision of the Bank of Sierra Leone.

Foreign Exchange: In order to improve transparency and efficiency in foreign exchange transactions and achieve a market-determined foreign exchange rate, the Bank of Sierra Leone (BSL) has initiated a weekly auctions of non-cash foreign exchange. While the auction is primarily designed as a mechanism for the BSL to efficiently inject foreign exchange into the market, it also envisages a window for the sale of foreign exchange by other economic agents at market rates.

DIAMOND EXPORTING

- Residents and non-residents are allowed to finance their diamond operations in Sierra Leone in United States Dollars, in notes, drafts or bank transfers.
- Diamond Exporters should ensure that moneys brought into Sierra Leone for their transactions are channelled through the banking system. Foreign exchange could be brought into Sierra Leone in any of the following ways: -

A. Letter of Credit
B. Telegraphic Transfer
C. Cash Dollar Notes

- For B and C above, Diamond Exporters will be allowed to export up to the amount of funds confirmed by the commercial banks as brought in.
- On a quarterly basis, commercial banks will be required to submit to the Bank of Sierra Leone returns on the inflows and outflows in respect of each licensed exporter.
- The list of commercial banks in Sierra Leone at any point in time would be obtained from the Bank of Sierra Leone.

G. PERSONAL INCOME TAX

Rates of tax applicable to individuals resident in Sierra Leone

There was a pronouncement of the revised minimum wages in 2014 to Le 500,000.

Tax Threshold	Rate of Tax
Not over Le 3,600,000 per annum	nil
Next Le 3,600,000 per annum	15%
Next Le 3,600,000 per annum	20%
Excess over Le 10,800,000 per annum	30%

On a monthly basis, the rates are as follows:

Tax Threshold	Rate of Tax
Not over Le 300,000 per month	nil
Next Le 300,000 per month	15%
Next Le 300,000 per month	20%
Excess over Le 900,000 per month	30%

Further, for individuals receiving employment income, there is a threshold on non-taxable allowance of Le 2,600,000 per annum or Le 220,000 per month.

The income tax year of assessment is 1st January to 31st December.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

There is a double tax treaty with the United Kingdom (UK). It is very old but is still valid because it has never been cancelled.

This UK – Sierra Leone Treaty was extended by the colonial authorities to cover countries such as The Gambia; Ghana; Nigeria ;Canada ;New Zealand ;Denmark and Norway.

However, this does not reduce the rate of withholding taxes on payments to non-residents.

WITHHOLDING TAX RATES

(a) Rates of tax to be withheld from payments made to residents
Type of payment Rate
Payments to contractors -5%
Dividends -10%
Interests - 15%
Rents -10%
Royalties - 25%
Pensions and annuities - 15%
Natural resource payments - 25%
Real property - 10%
Winnings of Le 500,000 and above from any lottery - 10%

(b) Rates of tax to be withheld from payments made to non-residents:
Employment income - 25%
Payments to contractors -10%
Dividends - 10%
Interest - 15%
Rents and royalties - 25%
Pensions and annuities - 25%
Natural resource payments -25%
Payments to or applications for the benefit of non-resident beneficiaries - 25%"

INVESTMENT INFORMATION

The Investment Promotions Act 2004 was enacted to promote and attract both domestic and foreign private investment for the development of production and value adding opportunities, to improve export and employment opportunities. The Act provides for several incentives for investors. Sections 8-10 of the Act provides for the following;

- Expatriate personnel with work permits shall be permitted to make remittances

abroad through their commercial banks, subject to such withholding tax obligations as are contained in the Income Tax Act 2000.

- The remittance of profits, after taxes, earned by a foreign investor from a business enterprise, is guaranteed as constituting current international transactions in respect of which payments transferred abroad shall be allowed without restriction.
- An investor may freely repatriate proceeds received from the liquidation of a business enterprise and awards resulting from any settlement of disputes in respect of such business enterprise.
- There shall be no restriction on the transfer of repayments of principal and interest on an arms length third party loan contracted outside Sierra Leone and registered with the Bank of Sierra Leone but interest payments due on such loans may be subject to the withholding tax obligations in the Income Tax Act, 2000.

Residence and Work Permit

All foreign citizens are required to obtain a work permit from the Ministry of Labour

ANNUAL BUDGET

The yearly budget is presented to Members of Parliament by the Minister of Finance and Economic Development for discussion and ratification by Parliament at the end of November of each year, for the commencement of the financial year on 1st of January.

SINGAPORE

MEMBER FIRM

City	Name	Contact Information
Singapore	GOH Bun Hiong	+65 6500 9359 bunhiong@pkf.com

BASIC FACTS

Full name:	Republic of Singapore
Population:	5.4 million (2013 PRB)
Capital:	Singapore
Major languages:	English, Malay, Mandarin, Tamil
Major religions:	Taoism, Buddhism, Islam, Christianity
Monetary unit:	1 Singapore dollar = 100 cents
Internet domain:	.sg
International dialing code:	+65
Inland Revenue website:	www.iras.gov.sg

KEY TAX POINTS

- Resident and non-resident companies are chargeable to corporate income tax on income accruing or derived in Singapore, or income received in Singapore from outside Singapore. Companies and individuals are taxed on a preceding year basis.
- Goods and service tax, a value added tax, is levied on taxable goods and services in Singapore and on imports into the territory.
- Subject to certain conditions, foreign branch profits and foreign services income remitted into Singapore by any resident person are exempt from tax.
- Dividends received from Singapore-resident companies are exempt from tax.
- Capital gains are generally not taxable, although transactions may be categorised as being trading in nature, and thus taxable.
- There are various tax exemptions and incentives to encourage trading and investment in Singapore.
- Up to a certain amount, chargeable income (CI) of new companies is tax-exempt for the first three tax years of assessment. There is a partial tax exemption on the first SGD 100,000 of CI and on 50% of the next SGD 200,000 of CI.
- Related party transactions are expected to be carried out at arm's length. There are no thin capitalisation or controlled foreign company provisions.
- Payments between resident companies do not generally attract withholding tax. Interest, royalty and certain other payments by Singaporean companies to non-resident companies are, however, subject to withholding tax.
- Individual residents are subject to tax on income accruing in or derived from Singapore, or received in Singapore. Foreign income received by residents is otherwise generally exempt from tax. Non-residents are generally subject to tax on income accruing in or derived from Singapore, but not on foreign income remitted to Singapore.
- A 'not ordinarily resident scheme' is designed to attract global talent to relocate

to Singapore, and provides certain personal income tax incentives for the first five years of residence.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Resident and non-resident companies are taxed on income accruing in or derived from Singapore as well as on foreign income received (actual or deemed) in Singapore. Remittance of foreign income (dividends, branch profits, services income) may be tax exempt when remitted by a resident company under certain conditions. A company is tax resident in Singapore if the management and control of its business is exercised in Singapore.

The standard corporate tax rate is 17% with effect from the 2010 year of assessment. A partial tax exemption is given for the first SGD 300,000 of chargeable income (CI). Under this scheme, 75% of the first SGD 10,000 of CI is tax exempt and 50% of the next SGD 290,000 of CI is tax exempt. This exemption does not apply to income of a non-resident company subject to a final withholding tax rate. Qualifying newly incorporated Singaporean companies may enjoy a separate tax exemption scheme for its first three consecutive years of assessment. This scheme allows qualifying new companies to enjoy a tax exemption on the first SGD 100,000 of CI and on 50% of the next SGD 200,000 of CI.

The tax year, referred to as the year of assessment (YA), runs from 1 January to 31 December of each year. Income for the YA is computed based on the income derived in the preceding calendar year (known as the basis year) from all sources. For a trade, business, profession or vocation with a non-31 December accounting year end, the Inland Revenue Authority of Singapore (IRAS) normally accepts the accounting year as the basis year instead of the calendar year. Under such circumstances, tax is assessed for each YA on the income for the accounting year preceding that YA.

A company is required to provide an estimate of its CI within three months after the end of its financial year. The estimated tax payable can be paid via instalments. The number of instalments available depends on when the estimated CI is filed within the three month window period and on the method of filing. The annual corporate income tax return must be filed by 30 November of the YA. After the submission of the tax return, IRAS will issue a notice of assessment to collect any tax shortfall. The tax shortfall has to be paid within one month after the date of issue of the notice of assessment.

GOODS AND SERVICES TAX (GST)

GST is a broad-based consumption tax aimed at taxing the final consumer of the goods and services. The supply of goods and services made in the ordinary course of business in Singapore by a GST registered person is subject to GST. The importation of goods into Singapore is also subject to GST. Persons carrying on businesses that make taxable supplies are required to register for GST if their annual turnover (retroactive or prospective) is more than SGD 1 million. A GST registered person (GST taxpayer) has to charge GST on their supplies (output GST) and pay GST on their purchases (input GST). The GST taxpayer has to file a monthly or quarterly GST return to declare the Output GST collected and the Input GST incurred. They will pay (or claim) the difference (after netting the Output GST against the Input GST) together with the GST return.

The standard GST rate is 7%. The export of goods and the provision of international services are zero-rated. The sale and rental of residential properties and specified financial services are exempt from GST.

STAMP DUTY

Stamp Duty is levied on legal instruments relating to the sale, mortgage or lease of immovable property and the sale or mortgage of stocks and shares.

B. DETERMINATION OF TAXABLE INCOME

Singapore-incorporated companies are required to prepare their financial accounts according to Singapore Financial Reporting Standards (FRSs). The FRSs are closely modelled after the International Accounting Standards (IAS) and International Financial Reporting Standards QFRS) issued by the International Accounting Standards Board (IASB). The accounting profits are adjusted in accordance with Singapore tax rules to arrive at the taxable income.

Companies are required under FRSs to prepare their financial accounts according to their functional currency. Those with non-Singapore dollar functional currency accounts are required to furnish their tax computations to the IRAS in that functional currency.

Expenses must be incurred wholly and exclusively for the production of income in order to be tax deductible unless specifically disallowed or restricted (e.g. non-commercial motor vehicles, medical expenses, expenses of a capital nature). Special rules apply to expenses incurred by investment holding companies, companies that commence business activities during the financial year and expenses incurred in respect of foreign sourced income.

INTEREST DEDUCTIONS

Interest expenses are tax deductible unless they are incurred in respect of non-taxable income or are regarded to be of a capital nature. There are no thin capitalisation rules in Singapore.

STOCK / INVENTORY

There are no prescribed valuation methodologies under the domestic income tax law. As such, the IRAS will generally accept the valuation methodology under the FRSs.

CAPITAL GAINS AND LOSSES

There is no separate capital gains tax regime in Singapore. Gains of a capital nature are not subject to income tax. Similarly, expenses of a capital nature are not deductible for income tax purposes. The IRAS will look at the facts and circumstances of the transaction to determine whether the gain is capital in nature or a trading gain which is subject to income tax.

DIVIDENDS

Dividends paid by Singapore companies are exempt from tax in the hands of the shareholder from 1 January 2008. Foreign sourced dividends remitted into Singapore may be tax-exempt under certain circumstances.

CAPITAL ALLOWANCE

Capital allowances, instead of accounting depreciation, are granted for plant and machinery acquired and used in a trade or business. Most plant and machinery qualify for three-year straight line tax depreciation. Low cost items (costing not more than SGD 5,000 per item) may be tax depreciated in full, subject to a total claim of SGD 30,000 for each YA. Certain equipment (such as computers, automation equipment, pollution-control equipment and energy-saving equipment) may qualify for 100% tax depreciation in the year of acquisition.

Capital expenditure incurred prior to 22 February 2010 for the construction or acquisition of an industrial building qualifies for the Industrial Building Allowance (IBA) if the building is used for qualifying purposes. Subject to the transitional provisions, capital expenditure incurred after 22 February 2010 no longer qualifies for IBA.

Current year unutilised capital allowances can be carried back (up to a total of SGD 100,000 for both unutilised capital allowances and unutilised tax losses) to the YA immediately preceding the YA in which the capital allowance arose. The unutilised capital allowances can also be carried forward indefinitely. The utilisation of unutilised capital allowances carried back or carried forward is subject to the business continuity test and the shareholding test. For YA 2009 and YA 2010, unutilised capital allowances (together with unutilised losses) can be carried back to the three YAs immediately preceding YA 2009 or YA 2010 and up to a limit of SGD 200,000.

The business continuity test requires the business/trade for which the capital allowances were granted to continue. The shareholding test requires that there is no substantial change (no more than 50%) in the ultimate shareholders and their respective shareholdings on certain dates.

TAX LOSSES

Current year unutilised trade losses can be carried back (up to a total of SGD 100,000 for both unutilised capital allowances and unutilised tax losses) to the YA immediately preceding the YA in which the trade losses were incurred. The unutilised tax losses can also be carried forward indefinitely. For YA 2009 and YA 2010, the unutilised losses (together with unutilised capital allowances) can be carried back to the three YAs immediately preceding YA 2009 or YA 2010, (as the case may be) and up to a limit SGD 200,000.

The carry back/forward of tax losses is subject to the same shareholding test for the carry back/forward of unutilised capital allowances.

TAX INCENTIVES

Singapore has a comprehensive list of tax incentives and development schemes to attract investments and to assist investors in expanding their businesses. Highlights of key incentives and schemes are summarised below.

The Regional and International Headquarters Awards encourages companies to use Singapore as a regional or global base. A customised package of tax incentives (such as Pioneer Incentive, Development and Expansion Incentive and Investment Allowances) and grants will be given to qualifying companies.

The Pioneer Incentive encourages the introduction and growth of new industries in Singapore. A pioneer enterprise is granted full income tax exemption on its qualifying profits for up to 15 years.

Investors undertaking projects that will generate significant economic benefits for Singapore may apply for the Development and Expansion Incentive. This incentive provides preferential income tax rates on all qualifying profits above a pre-determined base for a set period.

Other than the above, Singapore also offers a range of tax incentives with respect to the banking, finance and shipping industries.

In addition, companies investing into new equipment that introduces new technology to the industry or contributes to its efficiency can apply for Investment Allowances. This is a capital allowance given to partially offset the costs of acquiring qualifying equipment within a set period and is in addition to the normal tax depreciation.

The Approved Royalties Incentive encourages companies to transfer their cutting edge technology and know-how to Singapore by providing full or partial withholding tax exemptions for royalty payments or technical assistance fees payable to non-residents.

Grants are also available with respect to productivity/process improvement projects, staff training, new product development, business capabilities improvements, R&D, intellectual property protection initiatives and overseas ventures.

C. FOREIGN TAX RELIEF

Under Singapore's network of 76 comprehensive double tax treaties, Singapore will grant a tax credit for foreign tax suffered in the treaty country. The tax credit granted is limited to the lower of the foreign tax suffered and the Singapore tax payable on that income. Singapore also grants a unilateral tax credit for certain income derived from countries that have not entered into tax treaties with Singapore.

D. CORPORATE GROUPS

A corporate group (comprising of a Singapore-incorporated holding company and its Singapore-incorporated subsidiaries) can transfer current-year unutilised losses, unutilised capital allowances and unutilised donations within companies in the corporate group. There is a 75% ownership requirement that needs to be maintained to remain within the corporate group.

E. RELATED PARTY TRANSACTIONS

Under the domestic tax law, related party transactions have to satisfy the arm's length principle. The IRAS can make adjustments if it is of the opinion that the arm's length principle is not applied appropriately by the taxpayer.

F. WITHHOLDING TAX

1.	Interest, fees, payments in connection with any loan or indebtedness	15% (final tax)
2.	Royalty or other payment for the use of movable property	10% (final tax)
3.	Payment for the use or right to use scientific, technical, industrial or commercial knowledge or information	10% (final tax)
4.	Technical assistance and service fees and management fees	Prevailing corporate tax rate (20% for individuals)
5.	Rent or other payments for the use of movable properties	15% (final tax)
6.	Time charter fees and voyage charter fees, bareboat charter fees	Nil to 2%
7	Directors' remuneration/directors' fees	20%

There is no withholding tax on dividends.

G. EXCHANGE CONTROLS

There are no exchange controls in Singapore.

H. PERSONAL TAXATION

Resident individuals deriving employment income and rental income is subject to income tax based on the following progressive rates (to be revised from the Year of Assessment 2017). Various personal reliefs are available to resident individuals.

Taxable Income (SGD)	(%)
Up to 20,000	0
20,001 – 30,000	2
30,001 – 40,000	3.5
40,001 – 80,000	7
80,001 – 120,000	11.5
120,001 – 160,000	15
160,001 – 200,000	17
200,001 – 320,000	18
Over 320,000	20

A Singapore citizen is considered tax resident if the individual normally resides in Singapore except for temporary absences that are consistent with the claim to be a resident. A foreigner is considered resident in Singapore for tax purposes if the individual is physically present or exercises a Singapore employment for 183 days or more during the basis year.

Non-resident individuals exercising an employment in Singapore are subject to income tax depending on the number of days in Singapore. Employment income derived from short term employment (not more than 60 days) is exempt from Singapore income tax for the non-resident employee. This exemption does not apply to non-resident company directors, non-resident public entertainers or non-resident professionals including foreign experts, foreign speakers, queen's counsels, consultants, trainers, coaches etc. Non-resident employees exercising an employment in Singapore for a period of 61-182 days will be taxed at the higher of 15% (without personal tax reliefs) or the progressive resident rates (with personal tax reliefs). Non-residents deriving rental income are taxed at 20%.

Dividend income from Singapore companies, interest income from savings, current or fixed deposit accounts with approved banks or finance companies in Singapore and foreign-sourced income are tax - exempt for individuals (regardless of residency).

NOT ORDINARILY RESIDENT SCHEME (NOR)

The NOR scheme was first introduced to attract global talent to relocate to Singapore. Under the NOR scheme, qualifying individuals are taxed based on the days in Singapore. An individual can apply for NOR status if they have three consecutive non-resident tax years immediately prior to their first year of residency in Singapore. The NOR status would be accorded to the qualifying individual for a five-year period commencing with their first year of residency in Singapore. During this five-year period, the individual may claim for applicable yearly tax concessions under the NOR scheme as long as they are tax resident for that year.

I. TREATY WITHHOLDING TAX RATES

The chart shows the withholding tax rates applicable under the Singapore tax treaties that are currently in force. The domestic withholding tax rate will apply if it is lower than the treaty rate. Singapore does not levy any withholding taxes on dividend payments. Special rates with respect to distributions by Real Estate Investment Trusts have not been reflected in this summary.

In addition, Singapore has pending treaties with Ecuador, Kazakhstan, Laos, and San Marino; Transport treaties have also been concluded with Bahrain, Brazil, Chile, Hong Kong, Oman, Saudi Arabia, United Arab Emirates and United States of America.

	Dividends (%)	Interest (%)	Royalties (%)
Treaty countries:			
Albania	0[18]/5	0[18]/5	5

	Dividends (%)	Interest (%)	Royalties (%)
Australia	15	10	10
Austria	0[19]/10	5	5
Bahrain	0	5	5
Bangladesh	15	10	10
Barbados	0	0[18]/12	8
Belarus	5[18]	5[18]	5
Belgium	0/5[4]/15	0[2]/5	5
Brunei	10	5[2] /10	10
Bulgaria	5	5	5
Canada	15	15	15
China	5[1]/10	7[2]/10	10
Cyprus	0	7[2]/10	10
Czech Republic	5	0	10
Denmark	0[1] /5[9]/10	10	10
Egypt	15	15	15
Estonia	5[1]/10	10	7.5
Fiji	5[4]/15	10	10
Finland	5[4]/10	5	5
France	10[4]/15	10	0
Georgia	0	0	0
Germany	5[4]/15	8	8
Guernsey	0	12[18]	8
Hungary	5[1]/10	5	5
India	10[1]/15	10[2]/15	10[10]/15
Indonesia	10[1]/15	10	15
Ireland	0	0[18]/5	5
Isle of Man	0	12[18]	8
Israel	5[4]/10	7	5
Italy	10	12.5	15[11]/20
Japan	5[5]/15	10	10
Jersey	0	12[18]	8
Kazakhstan	5[1]/10	10	10
Kuwait	0	7	10
Latvia	5[1]/10	10	7.5
Libya	0/5[18,19]/10	0[18]/5	5
Liechtenstein	0	0[18]/12	8
Lithuania	5[1]/10	10	7.5
Luxembourg	5[4]/10	10	10
Malaysia	5[1]/10	10	8
Malta	0[15]	7[2]/10	10
Mauritius	0	0	0
Mexico	0	5[2]/15	10
Mongolia	5[1] /10	5[2]/10	5
Morocco	0	0[18]/10	10
Myanmar	5[1] /10	8[2]/10	10[11]/15
Netherlands	0[1]/15	10	0
New Zealand	5[4]/15	10	5
Norway	5[1]/15	7	7
Oman	5	7	8

	Dividends (%)	Interest (%)	Royalties (%)
Pakistan	10[6]/12.5[6]/15	12.5	10
Panama	4/5[19]	0[18]/5	5
Papua New Guinea	15	10	10
Philippines	15[12]/25	15	0[13]/15[14]/25
Poland	5/10[19]	5[18]	2[20]/5
Portugal	10	10	10
Qatar	0	5	10
Romania	5	5	5
Russian Federation	5[16,18]/10	7.5	7.5
Saudi Arabia	5	5	8
Slovak Republic	5[4] /10	0	10
Slovenia	5	5	5
South Africa	5[4] /15	0	5
South Korea	10[1]/15	10	15
Spain	0/5[19]	5	5
Sri Lanka	15	0[2]/10	15
Sweden	10[1]/15	10[2]/15	0
Switzerland	5[18,19]/15	0[18]/5	5
Taiwan	-[7]	-[17]	15
Thailand	20[1]	10[2]/25	15
Turkey	10[1]/15	7.5[2]/10	10
Ukraine	5[3]/15	10	7.5
United Arab Emirates	5	7	5
United Kingdom	0/15[21]	0[2,18]/5	8
Uzbekistan	5	5	8
Vietnam	5[8]/ 7[8]/12.5	10	5[11]/10

NOTES:

1 The rate applies to dividends paid to a company which holds directly at least 25% of the capital of the paying company. For the treaty with Demark, the shares must be held for an uninterrupted period of at least one year, and the dividends are declared in that period. For the treaty with Netherlands, the capital can be held indirectly.

2 The rate applies to interest received by a bank or financial institution. For the treaty with Belgium, the payer must be a banking enterprise. For the treaty with Sweden, the payer must be engaging in an industrial undertaking.

3 The rate applies to dividends paid to a company which holds directly at least 20% of the capital of the paying company.

4 The rate of 5% applies to dividends paid to a company which holds directly at least 10% of capital or voting power, as the case may be, of the paying company. In the case of a company holding at least 25% of the capital for an uninterrupted period of at least 12 months, no withholding taxes are applicable.

5 The rate applies to dividends paid to a company which holds directly at least 25% of the voting shares of the paying company during a six month period prior to the year-end for which the distribution of profits occur.

6 10% if the beneficial owner is a company and paid by a company engaged in an industrial undertaking. 12.5% if the beneficial owner is a company and paid by a company not engaged in an industrial undertaking.

7 The aggregate of dividend withholding tax and corporate income tax on the payer's profits cannot exceed 40% of the taxable income from which the dividends are declared.

8 5% for dividends paid to a company which contributed directly or indirectly more than 50% of the capital of the paying company or more than USD 10 million. 7% for dividends paid to a company which contributed between 25% to 50% of the capital of the paying company.

9 The rate applies to dividends received by a pension fund or similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits.

10 The rate applies to a royalty paid for any industrial, commercial or scientific equipment and related technical service fees.

11 The rate applies to payments of any kind received as consideration for the use of, or the right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial or scientific experience.
12 The tax rate applies when the recipient is a company (including partnership) and during the part of the paying company's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.
13 The tax rate applies in the case of Singapore where the royalties are approved under the Economic Expansion Incentives (Relief from Income Tax) Act of Singapore.
14 The tax rate applies in the case of the Philippines where the royalties are paid by an enterprise registered with the Philippine Board of Investments and engaged in preferred areas of activities and also royalties in respect of cinematographic films or tapes for television or broadcasting.
15 The tax on the gross amount of the dividends shall not exceed the tax chargeable on the profits or income of the company out of which the dividends are paid.
16 The lower rate applies if the beneficial owner of the dividends is a company which holds directly 15% of the capital of the company paying the dividends and has invested in it at least USD 100,000 or its equivalent in other currencies.
17 The treaty is silent in respect of interest income. As such, the domestic rules will apply.
18 Exempt if paid to certain government/quasi-government institutions.
19 The lower rate applies to dividends paid to a company which holds at least 10% of the capital.
20 The rate applies to a royalty paid for any industrial, commercial or scientific equipment.
21 The higher rate applies in the case of distributions to a real estate investment trust.

SLOVAK REPUBLIC

MEMBER FIRM

City	Name	Contact Information
Bratislava	Jana Sadlonova	+421 2582 82717 sadlonova@pkf.sk

BASIC FACTS

Full name:	Slovak Republic
Capital:	Bratislava
Main language:	Slovak
Population:	5.42 million (2013 estimate)
Major religion:	Christianity
Monetary unit:	Euro (EUR)
Internet domain:	.sk
Int. dialling code:	+421

KEY TAX POINTS

- Resident companies are subject to corporate income tax on their worldwide income. Non-residents are subject to corporate income tax only on income sourced in the Slovak Republic.
- The corporate tax rate is 22%.
- VAT is paid on the supply of goods and services. The standard rate had been 19% but was temporarily raised to 20% on 1 January 2010. This higher rate continues in force in 2013.
- Capital gains are considered taxable income and taxed at the flat 23% tax rate.
- There is no concept of group relief.
- All transactions between related companies realised across borders must be conducted at an arm's length basis. Any difference arising between the price of the actual transaction and that regarded as the arm's length pr1ce will be adjusted for tax purposes.
- Dividends are neither subject to personal nor corporate income tax.
- A 19% tax rate applies to withholding taxes at source.
- Personal income tax is payable by permanent residents within the Slovak Republic individually on their worldwide income. Non-residents are only subject to tax on Slovak-sourced income.

- An annual tax is levied on the owner or beneficial owner of a building situated within the Slovak Republic. There is no inher1tance tax, gift tax or real estate transfer tax.
- Individuals can request the tax authorities to donate 2% of their Slovak personal income tax liability to an eligible Slovak non-profit organisation.

A. TAXES PAYABLE

COMPANY TAX

Slovak resident companies are subject to corporate income tax on income derived from worldwide sources, while non-residents are subject to corporate income tax only on income sourced in the Slovak Republic. Income tax has been covered since 1 January 2004 by the Income Tax Act (No. 595/2003 Coll.), which brought significant reforms favouring taxpayers. The Act was recently amended with a new tax rate for legal entities and, in some cases, sole proprietors.

Resident companies are those which have their legal seat or place of effective management in the Slovak Republic.

On 1 January 2014, the corporate tax rate was lowered to 22%. This is a flat rate applicable to all corporations and legal entities without exception. The fiscal year is the calendar year or the taxpayer's fiscal year (subject to notification to the tax authorities).

Tax is due and payable:

- In a single payment if the previous tax liability was less than EUR 2,500.00;
- In quarterly instalments if the previous tax liability was between EUR 2,500.00 and EUR 16,600.00;
- In monthly instalments if the previous tax liability was over EUR 16,600.00.

Tax returns for the applicable period should be filed by 31 March of the following year. A three-month extension of the deadline may be requested with a simple notice to the tax authorities.

The concept of a tax licence was introduced on 1 January 2014, where a registered legal entity is required to pay a minimum tax even if the company reports a loss. There are three brackets determining the minimum tax to be paid which is based on annual turnover and whether the company is registered for value added tax: EUR 480 (non-VAT payers whose annual turnover is under EUR 500,000), EUR 960 (VAT payers whose annual turnover is under EUR 500,000) and EUR 2,880 (net turnover over EUR 500,000).

Starting on 1 March 2014, withholding tax is increased to 35% for payments made in favour of a taxpayer residing in a country that has no double taxation treaty with the Slovak Republic. A list of such countries is published by the Ministry of Finance of the Slovak Republic on its website: www.finance.gov.sk.

Taxpayers can donate 1.5% to 2% of their paid taxes to non-profit organisations. Based on a written request, the tax authorities will provide the donated amount to the designated non-profit organisation.

There is an opportunity to inform the tax authorities in writing about any change of the tax period from the calendar year to a fiscal year.

CAPITAL GAINS TAX

There is no separate capital gains tax. Gains from sales of assets are incorporated into taxable income when determining the company's tax liability.

BRANCH PROFITS TAX

There is no separate branch profits tax in the Slovak Republic. The income of Slovak branches of foreign companies is subject to taxation in the Slovak Republic at the flat rate of 22%.

VALUE ADDED TAX (VAT)

The current VAT Act (No. 224/2004 Coll.) entered into effect with the accession of the Slovak Republic into the European Union on 1 May 2004 and is harmonised with similar laws in other EU Member States (based on Council Directive 2006/112/EC).

VAT is paid on the supply of goods and services within the country, the intra-Community acquisition of goods, and on the importation of goods from countries outside the EU.

The standard rate is 20%. There is a reduced rate of 10% for medicines, books and other printed matter.

There is also a special excise tax imposed on selected commodities such as petroleum, wine, spirits, tobacco, beer, electricity, coal and natural gas.

FRINGE BENEFITS TAX

Fringe benefits (goods or services) to employees are taxed as part of their total taxable amount at a flat rate of 19%. Any tax levied on an employee is deducted by the employer. Starting 1 January 2013, an increased rate of 25% is levied on personal incomes earned during the year above a stipulated threshold. In 2015, this annual income threshold is EUR 35,022.31.

LOCAL TAXES

The main local taxes that a municipality can levy are property tax (on land, buildings and flats), hotel tax, tax on the operation of vending machines and machines that do not offer cash prizes, as well as local fees on community waste disposal and low-value construction waste.

Motor vehicle tax is also charged for categories of vehicles used by businesses or self-employed persons.

Local taxes paid are a recognised deduction from income tax.

OTHER TAXES

An annual tax is levied on the owner or beneficial owner of a building situated within the Slovak Republic. The rate of tax depends on the size, quality, type and location of the property. This tax is deductible on a cash basis for income tax purposes. There is no inheritance tax, gift tax or real estate transfer tax levied in the Slovak Republic.

Employers pay contributions to social security and health insurance amounting to 35.2% of gross income paid to employees as shown on payroll records up to a maximum assessment set by law. These contributions are deductible when determining taxable income.

The rates are as follows:

Health insurance	10.00%
Hospitalisation	1.40%
Retirement insurance	14.00%
Disability	3.00%
Unemployment insurance	1.00%
Accident insurance	0.80%
Guaranty insurance	0.25%
Reserve fund	4.75%

B. DETERMINATION OF TAXABLE INCOME

A company's taxable income is determined by ascertaining assessable income according to official accounting and then subtracting all deductions. Generally, to be deductible, expenditure must be wholly and exclusively incurred for the purposes of the business. Certain income that has already been subject to withholding tax is not included in taxable income, with some exceptions such as royalties. Special additional conditions apply to deductions of some expenses. For example, special expenses defined by tax law are tax-deductible only for the period in which they are fully paid and special income (e.g. contractual penalties, late fees) is taxable only for the period in which it is received.

DEPRECIATION

The tax law prescribes the rules under which a business depreciates its assets. Property, plant and equipment are divided into six groups according to their expected useful life (periods ranging from four to 40 years). The straight-line depreciation method is used, although accelerated (declining-balance) depreciation may be applied in the case of machinery and technological equipment in depreciation groups 2 and 3 (in general, NACE Classifications 25-32, although the amended Income Tax Act specifically outlines the applicable statistical classification numbers). The choice of method is carried out on an asset-by-asset basis and, once the method is selected, it cannot be changed. Intangible assets (capitalised development costs) can be amortised over five years from when they were expensed. Amortisation may be postponed without the taxpayer losing the right to amortise in future periods.

(Note: Starting from 1 January 2012, assets are depreciated in the first year pro rata according to the number of months.)

STOCK / INVENTORY

All trading stock on hand is valued at purchase price including any additional procurement costs incurred. Internally generated inventory must be valued on the basis of production costs. In the event that a temporary impairment in inventories is found during stocktaking, an allowance is made. Accepted valuation methods include FIFO, average acquisition costs or pre-defined (planned) prices but not LIFO.

CAPITAL GAINS AND LOSSES

Capital gains are considered taxable income and taxed at the applicable tax rate: 22% for legal entities, 19% for individuals up to annual income of EUR 35,022.31, and 25% of earnings from individuals above that figure. Losses from the sale of stock or a share of a limited liability company are recognised as a tax deduction only up to the amount of income. There are three exceptions when the loss is fully recognised for tax purposes:

- A loss from the sale of specially quoted stock on an exchange;
- A loss from the sale of bonds to the extent of income received from the bond included in its price;
- A loss from the sale of stock certified by a broker.

DIVIDENDS

In the Slovak Republic, dividends are subject to neither personal nor corporate income tax. This applies to dividends paid out in 2004 onwards. For profits earned and not paid out as dividends prior to 2004, the undistributed profits are taxed at a rate of 19% when they are paid out or at the tax rate according to the applicable double taxation treaty.

Dividends paid out by companies in a group to corporate shareholders resident in an EU Member State who have a direct holding of at least 25% of the capital is not taxed.

(Note: most taxable income and dividends paid out since 2011 are included when assessing health insurance contributions.)

INTEREST DEDUCTION

Interest paid by a company is treated as an ordinary business expense. Starting in 2015, the Slovak Republic is again applying thin-capitalisation related restrictions on the deduction of interest from loans.

Note: Most taxable income earned and also any dividends paid out after 2011 will be used to determine the basis for assessing health insurance premiums. This assessment is applied unless dividends are paid out to a citizen or resident of the European Union and the recipient's health insurance is provided outside the Slovak Republic. In the case of third country citizens, the assessment is handled on a case by case basis.

LOSSES

Losses in a year may be carried forward and set off against profits in the subsequent four years uniformly with no obligation to reinvest the deducted losses.

FOREIGN SOURCED INCOME

The Slovak authorities levy taxes on all foreign income received by Slovak residents and companies whose registered office is in the Slovak Republic.

INCENTIVES

Incentives for investors are governed by legislation on government subsidies (No. 231/1999 Coll., as amended), under which tax benefits may also be an incentive to invest. Specific tax benefits have to be negotiated with the Economics Ministry.

C. FOREIGN TAX RELIEF

Tax paid in a foreign country is set off against tax liabilities in the home country in accordance with double taxation treaties with the applicable country (either by a deduction or exemption).

Income earned by individuals (i.e. from wages and salaries) is exempt from taxation where proof is given that the income will be taxed abroad and where the Slovak Republic has no double taxation treaty with the other country which has taxed the income. If a double taxation treaty exists, the treaty method of exemption takes precedence.

D. CORPORATE GROUPS

There is no concept of corporate groups in the Slovak Republic. For tax purposes, profits and losses of holding and subsidiary companies may not be consolidated.

E. RELATED PARTY TRANSACTIONS

All transactions between related parties must be conducted at an arm's length basis with the meaning of arm's length price depending upon each individual transaction. Any difference arising between the price of the actual transaction and that regarded as the arm's length price will be adjusted for tax purposes.

F. WITHHOLDING TAX

The Slovak Republic imposes a 19% withholding tax at the source, which applies also to interest and royalties. This tax rate may be reduced to the tax rate set in the relevant double taxation treaty. There is no withholding tax on dividends.

G. EXCHANGE CONTROL

Slovakia has been using the Euro as its currency since 1 January 2009. The Foreign Exchange Act allows the Euro to be used freely to pay for business and other costs, for direct investment and reinvestment and for purchase of real estate property abroad. Also, it is legal to accept financial credit (i.e. receive loans) from companies with no registered office within the Slovak Republic but, in certain circumstances, there is a requirement to report such credit.

The Foreign Exchange Act partially restricts the ability for companies without a registered office in the Slovak Republic to acquire real property in the Slovak Republic. Capital transfers are regulated and there is a duty to report and obtain a special permit or licence from the central bank.

Starting in 2013, there is a separate law restricting cash payments to a ceiling of EUR 5,000, except for individuals not operating an undertaking, where the ceiling for payments in cash is EUR 15,000.

H. PERSONAL TAX

Personal income tax is payable by permanent residents within the Slovak Republic individually on their worldwide income. Non-residents are only subject to tax on Slovak sourced income. If an individual spends 183 days or more of the relevant calendar year in the Slovak Republic, that person is deemed to be resident in the Slovak Republic. Under Slovak law, employees hired under an employment contract pay contributions for social security, retirement and health insurance amounting to 13.4%. This is withheld by the employer.

The rate of contributions is as follows:

Health insurance	4.00%
Hospitalisation	1.40%
Retirement	4.00%
Disability	3.00%
Unemployment insurance	1.00%

Different rates apply to contributions made by self-employed persons.

The personal income tax rate in the Slovak Republic remains 19%, though starting 1 January 2013 the personal income tax rate is raised to 25% on annual earnings above EUR 35,022.31. In addition and in all cases, the personal allowance is reduced on a sliding scale to zero when taxable income is more than 176.8 times subsistence income (in 2015, this figure is EUR 35,022.31).

Tax returns for the applicable period should be filed by 31 March of the following year, although a three-month extension can be requested with a simple notice to the tax authorities. Income tax on earnings from employment is withheld monthly. Provisional payments on income from business operations, rental income, etc. are paid quarterly or monthly depending on the last known tax liability (between EUR 2,500 and EUR 16,000 or over EUR 16,600 respectively) and as a single payment if the last tax liability did not exceed EUR 2,500).

Individuals can request the tax authorities to donate 2% of their Slovak personal income tax liability to an eligible Slovak non-profit organisation. The Act sets out who can receive such charitable contributions, for example, civic associations, foundations and religious organisations. These recipients must meet several conditions.

Real property tax is paid on land and buildings, with the tax rate depending on the quality of land and location of the buildings (number of citizens).

I. TREATY AND NON· TREATY WITHHOLDING TAX RATES

Note: All treaties follow the OECD model with the exception of the double taxation treaty between the Slovak Republic and Mongolia, which follows another basis. Mongolia is not included in the table below.

	Dividends[1] (%)	Interest[2,3,5] (%)	Royalties[2,4] (%)
Non-treaty countries	0	19	19
Treaty countries:			
Australia	0	10	10
Austria	0	0	5/0
Belarus	0	10/0	10/5
Belgium	0	10/0	5/0
Bosnia and Herzegovina	0	0	10
Brazil	0	15/10	15/25
Bulgaria	0	10	10
Canada	0	10/0	10/0
China	0	10/0	10
Croatia	0	10	10
Cyprus	0	10/0	5/0
Czech Republic	0	0	10/0
Denmark	0	0	5/0
Estonia	0	10/0	10
Finland	0	0	10/5/1
France	0	0	5/0
Georgia	0	5	5
Germany	0	0	5
Greece	0	10	10/0
Hungary	0	0	10
Iceland	0	0	10
India	0	15/0	30
Indonesia	0	10/0	15/10
Ireland	0	0	10/0
Israel	0	10/5/2[5]	5
Italy	0	0	5/0
Japan	0	10/0	10/0
Kazakhstan	0	10/0	10
Korea	0	0/10	10/0
Kuwait	0	10/0	10
Latvia	0	10/0	10
Lithuania	0	10	10
Libya	0	10	5
Luxembourg	0	0	10/0
Macedonia	0	10	10
Malta	0	0	5
Mexico	0	10/0	10
Moldova	0	10	10
Montenegro	0	10	10
Netherlands	0	0	5
Nigeria	0	15	15
Norway	0	0	5/0
Poland	0	10/0	5

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	Dividends[1] (%)	Interest[2,3,5] (%)	Royalties[2,4] (%)
Portugal	0	10	10
Romania	0	10/0	10/15
Russia	0	0	10
Serbia	0	10	10
Singapore	0	0	10
Slovenia	0	10	10
South Africa	0	0	10
Spain	0	0	5/0
Sri Lanka	0	10/0	10/0
Sweden	0	0	5/0
Switzerland	0	10	10/0
Syria	0	10	12
Taiwan	0	0/10	5/10
Tunisia	0	12	15/5
Turkey	0	10/0	10
Turkmenistan	0	10/0	10
Ukraine	0	10	10
United Kingdom	0	0	10/0
United States	0	0	10/0
Uzbekistan	0	10	10
Vietnam	0	10	5/10/15

NOTES:

1 Dividends paid out within the Slovak Republic are generally not subject to tax where paid out of profits generated from 1 January 2004 onwards.

2 Interest and royalties are tax exempt for associated companies in EU Member States in accordance with EU Directives (see Section 'F' above).

3 The lower tax rate generally applies to interest on loans provided by the government or the central bank. It is advisable to check the applicable double taxation treaty for specific details.

4 Separate tax rates for royalties are generally applied so that the higher rate is for industrial royalties and the lower rate is for cultural royalties. It is advisable to check the applicable double taxation treaty for specific details.

5 The withholding rate is reduced to 5% if a bank or financial institution receives the interest.

SLOVENIA

MEMBER FIRM

City	Name	Contact Information
Ljubljana	Primož Pecnik	+386 1 230 85 10 primoz.pecnik@pkf.si
Ljubljana	Tomaž Lajnšcek	+386 1 230 85 10 tomaz.lajnscek@pkf.si

BASIC FACTS

Full name:	Republic of Slovenia
Population:	2 million (2013 PRB)
Capital:	Ljubljana
Major language:	Slovenian
Major religion:	Christianity
Monetary unit:	Euro (EUR)
Internet domain:	.si
International dialling code:	+386
Ministry of Finance website:	www.carina.gov.si/en

KEY TAX POINTS

- Resident companies are subject to corporate income tax on their worldwide income. Non-residents are taxable on Slovenian source income.
- Capital gains are included in a company's profits subject to corporate income tax. 50% of gains derived from the disposal of shares are exempt under certain circumstances.
- VAT is chargeable in accordance with the provisions of EU law. A standard rate of 22% applies to most transactions with a reduced rate of 9.5% available on some goods and services.
- Relief for double taxation is provided by means of credit for overseas tax suffered on overseas income. The credit is the lower of the foreign tax paid and the Slovenian tax on the income concerned.
- Withholding taxes are due in respect of various types of payments to residents and non-residents. Withholding taxes do not apply to dividends distributed to persons where a common system of taxation applies or in respect of dividends and similar incomes distributed through a business unit of a non-resident located in Slovenia.
- Resident individuals are subject to income tax on their worldwide income. Non-residents are taxable on Slovenian source income.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in Slovenia if it has its legal seat or place of effective management in Slovenia. Resident companies are taxed on their worldwide income. Non-resident companies are taxed on their Slovenian source income. Corporate income tax is levied on the taxable profits of private companies at a rate of 17% for year 2013 and forward with a special rate of 0% for investment funds, pension funds, insurance undertakings for pension plans (under certain conditions) and venture capital companies which were set up under the Venture Capital Companies Act and which prepare a separate tax statement for that part of their activity.

As of 1 January 2013 there is an optional flat-rate taxation regime. In accordance with this flat-rate regime, the tax base was determined on the basis of lump-sum costs accounting for 70% of income (increased to 80% for the year 2015 and forward). The income shouldn't exceed EUR 50.000 per year (increased to EUR 100.000 for the year 2015 and forward under certain conditions).

BRANCH PROFIT TAX

Non-resident companies are subject to corporate income tax in Slovenia on business activities carried on through a permanent establishment in Slovenia.

VALUE ADDED TAX (VAT)

GENERAL

All companies pay VAT except those carrying out certain defined activities, small businesses and farmers with a turnover and income below defined thresholds, and those dealing with products intended for export and international transport.

VAT is payable on all supplies of goods and services effected by a taxable person acting as such for consideration within the territory of Slovenia, on intra-Community acquisition, including intra-Community acquisition of new means of transport, and on importation of goods. It is also imposed on the transfer of ownership of buildings or parts thereof if the transfer is made before first occupancy or within a period of two years after first occupancy.

Slovenia adopted a value added tax system in July 1999. In May 2004, when Slovenia became a member of the European Union, all provisions concerning intra-Community trade were enacted. The Slovenian VAT Act was generally changed with effect from 1 January 2010. The purpose of those changes was to follow the development of European VAT regulations.

TAXABLE PERSONS

A taxable person must apply for registration if the value of his supplies within the period of the last 12 months exceeds the threshold of EUR 50,000. There is a separate threshold for registration in the VAT system for agricultural activities exceeding EUR 7,500 in accordance with the cadastral income of agricultural and forestry land. A foreign taxable person who makes supplies where the place of supply is Slovenia is liable to be registered irrespective of the fact that his turnover does not meet the prescribed threshold of EUR 50,000.

Small businesses (including farmers) may apply for voluntary registration which is valid for at least a five-year period.

RATES

There are two VAT rates applicable in Slovenia (new rates are applied from1 July 2013):

(1) The standard rate of 22% applies to all supplies of goods and services not specified as being subject to the reduced rate or to exemptions.

(2) The reduced rate of 9. 5% applies to goods and services specifically defined by the VAT Act. These include food, medicines, the supply of medical appliances for the personal use of disabled persons, supply of water, supply of books and other printed materials, tickets to cultural and sports events and the construction, renovation and supply of residential property unless it is built or supplied as part of social policy.

VAT DECLARATION – PAYMENT / VAT RETURN

VAT shall be paid no later than the last day of the month following the expiration of the tax period. Registered persons shall calculate their tax liability and submit a VAT return for the tax period (calendar month or calendar quarter). Taxable persons who are obliged to submit recapitulative statements shall submit a monthly VAT return on the 20th day of the month following the expiration of the tax period. In principle, tax credits (excess of input tax over output tax in the tax period) shall be carried forward to the next tax period. However, VAT may be refunded to a taxable person upon his request within 21 days after the VAT return is submitted.

THE PLACE OF SUPPLY OF SERVICES

There are different rules depending on the place of the provision and type of service. From 1 January 2010, business-to-business (B2B) supplies of services are taxed where the buyer is situated, rather than where the seller is located. For business-to- consumer (B2C) supplies of services, the place of taxation is where the seller is established.

However, in certain circumstances, the place of supply is the place of consumption. These exceptions include services such as: intermediary services; services connected with immovable property; transport services; cultural, artistic, sporting, scientific, educational, entertainment or similar services, ancillary transport services, valuations of movable tangible property or work on such property; restaurant and catering services; the hiring of means of transport, and electronic services supplied to consumers.

For services provided in the fields of culture, art, sports, science, education, entertainment, fairs, exhibitions to businesses, the place of consumption is the headquarters of the purchaser.

FOREIGN TAXABLE PERSONS VAT REFUND

Foreign taxable persons are entitled to a refund of VAT paid in the Republic of Slovenia on supplies of goods and services and upon importation of goods if the conditions defined by law are fulfilled. The claim for a refund of VAT must be filed electronically in the claimant's own territory.

To obtain a refund of VAT in Slovenia, the taxable person, if established in another Member State, must address an electronic refund application to Slovenia and submit it to the Member State in which he is established via the electronic portal set up by that Member State. Minimum refund limits are as follows:

- EUR 400 or the equivalent in national currency if the refund period is between three months and less than a calendar year;
- EUR 50 or the equivalent in national currency if the refund period is of a calendar year or the remainder of a calendar year.

VAT refunds due to taxable persons established outside the EU are only granted according to the conditions of reciprocity. Refund applications must be submitted by 30 June of the calendar year following the refund period to the competent tax authority.

SPECIAL SCHEME FOR SMALL TAXABLE PERSONS

Small enterprises whose turnover does not exceed EUR 50.000 are exempt from charging VAT and have consequently no right to recover input VAT.

SPECIAL SCHEME FOR FARMERS

Farmers are exempt from charging VAT if their fanning income does not exceed EUR 7,500. They are not able to recover VAT incurred on their purchases, but they are allowed to charge VAT a flat rate at 8% on supplies to taxable persons and retain it.

SPECIAL CASH ACCOUNTING SCHEME

Small businesses with a taxable turnover of up to EUR 400,000 per year, exclusive of VAT, may opt for the cash accounting scheme under which a taxable person may account for VAT on the basis of cash paid and received. Certain transactions are excluded from the scheme e.g. exports, imports, intra-Community supplies, intra-Community acquisitions, etc.).

FINANCIAL SERVICES TAX

Financial Services Tax Act is introducing liability to pay tax on financial services that are exempt from VAT according to current regulations governing the VAT system and services performed by insurance brokers and insurance agents.

Subject of taxation are:

(a) Grant and negotiation of credits or loans in the form of money and the management of credits or loans in the form of money by the person granting them;
(b) Negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit;
(c) Transactions, including negotiation, involving deposit and current accounts, payments, transfers, debts, cheques and other payment instruments;
(d) Transactions, including negotiation, involving currency, bank notes and coins used as legal tender;
(e) Services provided by insurance brokers and insurance agents.

The tax base is the fee or commission paid on the basis of a concluded financial service. Transactions in shares, interests in companies or associations, debentures and other securities and management of investment funds are not subject to the financial services tax, even though these services are exempt from VAT.

Liability to pay the tax arises when the financial service is performed. A financial service is considered to have been performed when a fee (commission) has been paid tor this service.

Any person performing financial services in the territory of the Republic of Slovenia is subject to the financial services tax. A financial services tax return must be filed by anyone subject to the tax. It is a transaction tax and is charged at the moment when the financial service is performed. A financial service is considered to have been performed when a fee (commission) has been paid for this service.

The tax rate increased from 6.5% to 8.5% of the tax base in 2015.

FRINGE BENEFITS TAX

In principle, all fringe benefits given by employers or other persons to their employees or family members of employees in connection with employment, such as the private use of company cars, rental benefits, zero-interest loans, discounts on products and services, gifts and share options, are taxed.

LOCAL TAXES

There are no special regional or local taxes in Slovenia.

OTHER TAXES

Other taxes not covered above are:

- Personal income tax;
- Derivative instruments gains tax;
- Contractual work tax;
- Contributions to social security insurance;
- Taxes on lottery winnings;
- Tax on gambling;
- Inheritance and gift tax;
- Property tax (new Real Estate Tax has not been enforced yet);
- Tax on vessels;
- Circulation tax;
- Tax on insurance services;
- Immovable property transfer tax;
- Customs Duties and Excise Duties.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION

Depreciation costs are allowed in Slovenia. Rates applicable to the main types of assets are:

Building projects, including investment property	3%
Parts of building projects, including parts of investment property	6%
Equipment, vehicles and machinery	20%
Parts of equipment and equipment for research	33.3%
Computers and computer equipment	50%

Long-term plantations	10%
Breeding and working herds	20%
Other investments	10%

STOCK / INVENTORY AND RECEIVABLES
If the cost of stock and inventory exceeds the net realisable value, the effect of write-offs is tax deductible. The write-off of a receivable is recognised as an expense when recorded in the business accounts. However, the amount written off must not exceed the lower of the following two amounts: the arithmetical average of the actual write-off of the last three years or the amount representing 1% of taxable revenues in the tax period.

CAPITAL GAINS AND LOSSES
Capital gains from regular income are subject to tax. Capital gains are included within the profits chargeable to corporation tax for an accounting period. Capital losses can be set against income of an accounting period when they are realised. 50% of capital gains derived on the disposal of shares are exempt where:
- The shares represent at least an 8% participation in capital or voting rights of the company;
- The shares have been held for at least six months;
- The company has at least one employee;
- The participation is not in a company in a low tax jurisdiction (Where the nominal tax rate is less than 12.5%).

DIVIDENDS
Companies paying dividends withhold tax at a rate of 15% on each dividend distributed to residents and non-residents of Slovenia. If international treaties on the avoidance of double taxation stipulate a tax rate lower than 15%, the tax rate from the treaty applies. No withholding tax applies where a resident taxpayer notifies the payer of its tax number or if a non-resident taxpayer with activities in a business unit in Slovenia notifies the payer of its tax number. No tax is withheld from payments of dividends and similar income distributed to companies resident in the EU with at least 10% equity stake which has been held for at least 24 months prior to the dividend payment.

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding the Principality of Liechtenstein) if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar applies to payments of dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds. Companies are, in most cases, exempt from tax on dividends if the payer is:
- Liable to pay tax by the Corporate Income Tax Act; or,
- A tax paying resident in an EU Member State under that State's domestic tax law , is not deemed to be resident outside the EU under a tax treaty concluded with a non-member state; or,
- Liable to pay the equivalent of Slovenian corporate income tax and is resident in a country in which the rate of tax on corporate profits is at least 12.5%.

INTEREST DEDUCTIONS AND WITHHOLDING TAX RATE
Interest paid on borrowed money is treated as a regular financial expense and can be set against income arising in the same accounting period. Thin capitalisation rules apply to loan finance received from shareholders (and some other loans under certain circumstances) who have at least a 25% participation in the company unless the taxpayer can demonstrate that the loan finance would have been provided on the same terms by a non-related entity. These rules prescribe a maximum debt to equity ratio of 6:1 in 2008 to 2010, 5:1 in 2011 and 4:1 from 2012.

Withholding tax at a rate of 15% applies to interest payments. In the case of interest on loans raised and securities issued by the government of Slovenia and interest paid by banks there is no withholding tax.

ROYALTIES WITHHOLDING TAX RATE
Withholding tax at a rate of 15% applies to royalties. There is no withholding tax if a resident taxpayer notifies the payer of its tax number and if a non-resident taxpayer for activities in a business unit in Slovenia notifies the payer of its tax number.

LOSSES
Losses are calculated as the surplus of expenses over revenues defined by the Corporate Income Tax Act. Losses may be offset against taxable profits in the following years. Losses may be carried forward undefined but the carry back of losses is not permitted.

The tax base may be decreased by the amount of loss from previous tax periods up to a

maximum of half the tax base (before1 January 2013, 100% of the tax base) and may be carried forward indefinitely (unless more than 50% ownership of the capital has changed in the meantime and under some other additional circumstances).

FOREIGN SOURCE INCOME

Slovenia has no special rules that apply to foreign source income. All legal persons carrying out commercial activities and having their head offices in Slovenia or having their place of effective management in Slovenia (partnerships and other corporate forms, investment funds, banks, insurance companies, co-operative enterprises, public enterprises and other legal persons) are subject to corporate income tax. Non-residents (legal persons who do not have their headquarters in Slovenia or their place of effective management in Slovenia) are subject to corporate income tax to the extent that their income has its source in Slovenia.

INCENTIVES

A 100% deduction is available for research and development (R&D) investment activities and the purchase of R&D services not exceeding the amount of the taxable base. There is also a 40% deduction for amounts invested in equipment and intangibles, again only up to the amount of the taxable base. There are also further general tax incentives under certain conditions for entities that provide work for employees, trainees or disabled persons, as well as relief for donations and voluntary supplementary pension insurance.

A tax relief of 45% of eligible salary payments (subject to a maximum of the employer's tax base) is granted to a taxpayer who employs a person under the age of 26 or a person above the age of 55 who has been registered as unemployed with the Employment Service of the Republic of Slovenia for at least six months and has not been employed with this taxpayer or his/her associated enterprise for the last 24 months.

There are further general tax incentives available to entities that provide work for apprentices or disabled persons. A taxpayer who employs disabled persons under the Act regulating the vocational rehabilitation and employment of disabled persons may claim a tax deduction equal to 50% of the salaries of such persons but not exceeding the amount of the taxable base.

A taxpayer who employs disabled persons with a 100% physical or hearing disability may claim a reduction in the taxable base in the amount of 70% of the salaries of such persons but not exceeding the amount of the taxable base.

If a taxpayer under a teaching agreement employs an apprentice or student to perform practical work in professional education, the taxpayer may claim a reduction in the taxable base in the amount of the salary paid but not exceeding 20% of the average monthly salary in Slovenia for each month of performing practical work and for each individual person who takes part in such professional education.

A taxpayer may claim a reduction in the taxable base for amounts paid in cash and in kind for humanitarian, disabled, charitable, scientific, educational, medical, sports, cultural, ecological and religious purposes. A reduction may also be claimed for payments made to residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) who are established under special regulations for the performance of such activities and up to an amount equivalent to 0.3% of the taxpayer's taxable revenue in the current tax period.

A taxpayer may also claim a reduction in the taxable base for amounts paid in cash and in kind to political parties up to an amount equivalent to three times the average monthly salary per employee of the taxpayer in the current tax period. The cumulative amount of relief granted may not exceed the amount of the taxable base. An additional reduction of 0.2% of the taxpayer's taxable revenue is granted for amounts paid in cash and in kind for cultural purposes and voluntary societies incorporated for protection from natural and other disasters who work in the public interest and are residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) and are established under special regulations for the performance of such activities.

Relief is available for voluntary supplementary pension insurance up to 24% of the compulsory contributions for pension and disability insurance for an insured employee but no more than EUR 2,819.09 annually (for the year 2015) per employee may apply under certain conditions.

Additional tax incentives for eligible costs for initial investments and employment costs are given to companies which operate in an economic zone.

C. FOREIGN TAX RELIEF

Relief for double taxation is provided by means of credit for overseas tax suffered on overseas income. The credit is the lower of the foreign tax paid and the Slovenian tax on the income concerned.

D. CORPORATE GROUPS

Groups cannot be taxed as a single entity in Slovenia.

E. RELATED PARTY TRANSACTIONS

Transactions of Slovenian resident companies with non-resident companies must be carried out on an arm's length basis or adjustments are required for tax purposes. The rules also apply to transactions between Slovenian resident companies with which they are related where one is in a tax advantageous position (e.g. through losses brought forward from an earlier period).

Companies are related by virtue of a 25% participation of one in the other or a common 25% participation by a third company.

F. WITHHOLDING TAX

A company paying dividends withholds tax at a rate of 15% on each distributed dividend to residents and non-residents of Slovenia but this may be reduced under the terms of a relevant double taxation treaty. No withholding tax is payable on dividends distributed to persons where a common system of taxation applies (broadly where the payee has at least 10% equity in the payor, with shares having been held for at least 24 months prior to the payment) or where the recipient is resident in another EU or EEA member state (provided that the withholding tax cannot be credited in the recipient's residence state).

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding the Principality of Liechtenstein) if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. A similar principle applies to payments of dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds.

Withholding tax is charged in respect of payments to resident and non-resident persons by a resident of the Republic of Slovenia. This applies to dividends and similar incomes, except for dividends and similar incomes distributed through a business unit of non-residents located in the Republic of Slovenia including:

- Interest (with some exceptions such as interest on loans taken out by the Republic of Slovenia or any interest paid by a bank to a non-resident, except inter-bank interest);
- Payments for using or for the right to use copyrights, patents, licences, trademarks and other owners' rights and other similar incomes;
- Payments for real estate leases;
- Payments for the services of contractors and athletes if these payments belong to another person (for example a society where they perform the service);
- Payments for services to non-EU resident companies suffering tax at a rate less than 12.5%.

Withholding tax is not required on payments to:

- The Republic of Slovenia, a self-governing local unit in Slovenia or the Bank of Slovenia;
- A taxable person who has informed the income payer of their tax number;
- A non-resident taxable person who is obliged to pay the income tax which they generate through activities in a business unit or via a business unit in the Republic of Slovenia and who has informed the income payer of their tax number. The domestic tax rate is 15% in all cases. Double tax treaties may apply which reduce the rate applicable.

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G. EXCHANGE CONTROLS

There are no exchange controls in Slovenia.

H. PERSONAL TAX

PERSONAL INCOME TAX

Personal income tax is levied on six categories of income:

- Income from employment;

- Business income;
- Income from basic agriculture and forestry;
- Income from rents and royalties;
- Income from capital;
- Other income accruing to persons liable to tax in the Republic of Slovenia. Residents are liable to income tax on their worldwide income (i.e. income derived in Slovenia as well as abroad). Non-residents are liable to income tax on income derived in Slovenia.

An individual, regardless of his nationality, is a resident in Slovenia for personal income tax purposes if he has a formal residential tie with Slovenia i.e. has permanent residence in Slovenia, is a Slovenian public employee employed abroad or was a Slovenian resident but is currently employed in an EU institution). A person who is present for more than 183 days in a taxable year in Slovenia is deemed to be resident there in that tax year.

Each individual is treated as a separate taxpayer. There is no taxation of spouses or a family as a whole. The tax year is the calendar year.

Tax on income from capital (on interest, dividends and capital gains) is paid according to a flat income tax rate. Any such tax payment is treated as a final tax for residents and non-residents alike. Tax rates are the following:
- Interest: 25% (20% before 1 January 2013);
- Dividends: 25% (20% before 1 January 2013);
- Capital gains: 25% (20% before 1 January 2013) for a holding period of up to five years, 15% for a holding period from five to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years, and 0% for a holding period greater than 20 years.

Income tax on other categories of income (income from employment, business income, income from basic agriculture and forestry, rental income, royalties and other income hereinafter referred to as active income) is paid during the tax year in the form of advance tax payments.

The rate for advance tax payment is prescribed by the Personal Income Tax Act. Any such advance tax payment of a non-resident is treated as a final tax while, in the case of a resident, it is treated as a prepayment of tax.

Tax schedule for the year 2014 (in EUR) - it is the same for the year 2015

The tax schedule for the year 2015 is as follows:

Taxable Income			
Exceeding (EUR)	Not exceeding (EUR)	Tax on lower amount (EUR)	Tax Rate
0.00	8.021,34		16%
8.021,34	18.960,28	1.283,41 +	27% above
18.960,28	70.907,20	4.236,92 +	41% above
70.907,20	-	25.535,16 +	50% above

Advance tax payments are deductible from the annual active income tax liability of a resident and any difference is collected upon receipt of an assessment from the tax authorities

The Tax Administration is obliged to generate an annual tax return from its own information, to assess the tax and submit the return to the taxpayer. If the taxpayer does not dispute the tax assessment, the tax will be due (the difference between the total tax payable and the total amount of tax paid in advance) within 60 days of the day the tax assessment is submitted.

When the total sum of advance payments exceeds the annual tax payable, a refund will be provided within the same time limit. If the tax assessment has not been submitted to the taxpayer by the end of May, then the taxpayer is obliged to file an annual income tax return by the end of June. Then the tax liability of the taxpayer will be calculated by the Tax Administration which is obliged to issue a written order before 31 October of the same year. The tax due (the difference between the total tax payable and the total amount of tax paid in advance) must be paid within 30 days of the day the written order is submitted. When the total sum of advance payments exceeds the annual tax payable, a refund is provided within the same time limit.

Notwithstanding this, no annual tax return is required for:

- Taxpayers whose annual taxable base does not exceed the amount of the general allowance (EUR 3,302.70 in 2014 and 2015; and,
- Taxpayers whose only income is a pension and who have not paid an advance tax during the taxable year and have not claimed an allowance for dependent family members, and whose additional income does not exceed EUR 80.

These taxpayers may opt, whether to file a tax return or not. Taxpayers who are liable to tax on business income are obliged to submit their income tax declarations on business income to the local Tax Administration office by 31 March of the following year.

All taxpayers (except for basic agricultural and forestry activity) must keep records of their income. They are obliged to keep records for at least five years from the year to which they relate. To avoid double taxation of income,

Slovenia has concluded a considerable number of double taxation conventions.

EXEMPTIONS

There are a number of exemptions within each category of income which are defined by the Personal Income Tax Act.

ALLOWANCES AND DEDUCTIONS

Allowances that reduce the aggregated taxable base (deductions) for a resident taxpayer on an annual level include (for the year 2014 and 2015):

GENERAL ALLOWANCE:

- EUR 6,519.82 for residents with active income up to EUR 10,866.37;
- EUR 4,418.64 for residents with active income between EUR 10,866.37 and EUR 12,570.89;
- EUR 3,302.70 for residents with active income more than EUR 12,570.89.

Personal allowances:

- Disabled person's allowance: EUR 17.658,84 if the resident is a disabled person;
- Independent artists, journalists and sportsmen: a special deduction of 15% of their revenues (up to EUR 25,000 of revenues);
- Student allowance: 75% of the basic yearly allowance (amount of 2.477,03 for 2014 and 2015) for income earned by pupils or students for temporary work done on the basis of a referral issued by a special organization dealing with job-matching services for pupils and students.

Family allowances:

Family allowances are granted to residents who are supporting their family members, as follows:

- EUR 2.436,92 for the first dependent child; for each subsequent dependent child this amount is increased;
- EUR 8.830 for a dependent child who requires special care;
- EUR 2.436, 92 for any other dependent family member;
- Special deduction for voluntary additional pension insurance payments: premiums paid by a resident to the provider of a pension plan based in Slovenia or in an EU Member State according to a pension plan that is approved and entered into a special register, but limited to a sum equal to 24% of the compulsory contribution for compulsory pension and disability insurance for the taxpayer, or 5.844% of the taxpayer's pension, and no more than EUR 2.819,09 annually.

Pensioners and working disabled persons are entitled to a tax credit in the amount of 13.5% of the pension/compensation received from compulsory pension and disability insurance.

Self-employed persons may claim additional allowances:

- Allowance for investment;
- Allowance for investment in research and development;
- Allowance for employing disabled persons;
- Allowance for donations.

An individual who is a resident of another EU Member State and derives income from employment, business income, income from agriculture, rental income, royalties or other income in Slovenia may claim a general allowance, seniority allowance, family allowance, disabled person allowance, Independent artists, journalists and sportsmen allowance and special deduction for voluntary additional pension insurance payments, if the individual can attest that the above-stated income derived in Slovenia amounts to at least 90% of his/her entire taxable income for the tax year, and that this income is not taxed in the country of his/her residence. A non-resident claiming such allowances is obliged to file the same annual active income tax return that applies to residents.

DIRECT TAXES ON PROPERTY
INHERITANCE AND GIFT TAX
Inheritance and gift tax applies to transfers of property. The tax is paid by individuals or legal persons of private law receiving property in the form of inheritance or gifts. Taxpayers are divided into four categories according to their relationship with the deceased or donor as follows:
- Class I: all direct descendants and spouses;
- Class II: parents, siblings and their descendants;
- Class III: grandparents;
- Class IV: others.

The tax base of inherited or given property is the value after deduction of debts and other liabilities.

For real estate, this value is set at 80% of gross appraisal value. For movable property except money this value is set as market value.

Exemptions to the inheritance and gift tax include:
- Individuals classified under Class I;
- Taxpayers who inherit a house or apartment and who own only one house or apartment themselves and have lived in the same house as the decedent;
- Farmers who inherit agricultural land or an entire farm; and,
- Legal persons of private law, established for religious, humanitarian, educational, cultural, charitable and certain other activities.

Movable property up to a value of EUR 5,000 is also exempt from taxation.

The tax is levied progressively depending on the value of the property and the category under which the relation to the deceased or donor is classified. Inheritance and gift tax rates are as follows:

Category	Tax Rate Ranges
Class II	5% to 14%
Class III	8% to 17%
Class IV	12% to 39%

Taxpayers must declare their liability to the local tax authority within 15 days of receiving a gift. The assessment of inheritance tax is made according to the inheritance decision sent by the court to the tax authority. The tax is payable within 30 days of the assessment being issued

PROPERTY TAX
REAL ESTATE TAX ACT
Real Estate Tax Act has been invalidated by Slovenian Constitutional Court in 2014. A new Act expects to be adopted in the future.

TAX ON PROFITS DUE TO CHANGES IN LAND USE
The Public Finance Balance Act. (ZUJF), entered into force on 31 May 2012, introduced a new tax on profits due to changes in land use. The new tax applies to capital gains from the sale of land whose use has been altered to building use after acquisition. The taxable persons are residents and non-residents, natural or legal persons selling the land. The tax base is the difference between the value of the land at disposal and the value of the land at acquisition.

The tax rates are 25% for transfers within 1 year after the change in land use; 15% for transfers within 1 to 3 years after the change in land use; 5% for transfers within 3 to 10 years after the change in land use and 0% for transfers in a period exceeding 10 years after the change in land use. The tax applies to transactions undertaken after 31 May 2012.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

A list of the double taxation conventions currently in force at 1 January 2015 are as follows:

	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries	15	15	15
Treaty countries:			
Albania	10/5	7	7
Austria	15/5	5	5

	Dividends (%)	Interest (%)	Royalties (%)
Armenia	10/5	10	5
Azerbaijan	8	8	5/10
Belarus	5	5	5
Belgium	15/5	10	5
Bosnia-Herzegovina	10/5	7	5
Bulgaria	10/5	5	5/10
Canada	15/5	10	10
People's Republic of China	5	10	10
Croatia	5	5	5
Cyprus	5	5	5
Czech Republic	15/5	5	10
Denmark	15/5	5	5
Estonia	15/5	10	10
Finland	15/5	5	5
France	15/0	5	5
Georgia	5	5	5
Germany	15/5	5	5
Greece	10	10	10
Hungary	15/5	5	5
Iceland	15/5	5	5
India	15/5	10	10
Ireland	15/5	5	5
Isle of Man	Not Valid	Not Valid	Not Valid
Israel	5/10/15	5	5
Italy	5/15	10	5
Korea, Republic of	15/5	5	5
Kuwait	5	5	10
Latvia	15/5	10	10
Lithuania	15/5	10	10
Luxembourg	15/5	5	5
Macedonia	15/5	10	10
Malta	15/5	5	5
Moldova	10/5	5	5
Montenegro	10/5	10	5/10
The Netherlands	15/5	5	5
Norway	15/0	5	5
Poland	15/5	10	10
Portugal	15/5	10	5
Qatar	5	5	5
Romania	5	5	5
Russia	10	10	10
Singapore	5	5	5
Serbia	10/5	10	5/10
Slovak Republic	15/5	10	10
Spain	15/5	5	5
Sweden	15/5	0	0
Switzerland	15/5	5	5
Thailand	10	10/15	10/15
Turkey	10	10	10
Ukraine	5/15	5	5/10

	Dividends (%)	Interest (%)	Royalties (%)
Uzbekistan	8	8	10
United Kingdom	15/0	5	5
United States	15/5	5	5

Convention has been ratified with Egypt but not yet effective. The convention ratified with Isle of Man is not valid for the dividends, interest and royalties purposes.

New conventions and protocols have been ratified and are effective from the 1 January 2015 with Iran, Kosovo, Luxembourg (protocol) and United Arab Emirates.

	Dividends (%)	Interest (%)	Royalties (%)
Iran	7	5	5
Kosovo	5/10	5	5
United Arab Emirates	5	5	5

SOMALILAND

MEMBER FIRM

City	Name	Contact Information
Hargeisa	Atul Shah	ashah@ke.pkfea.com

BASIC FACTS

Full name:	Republic of Somaliland
Capital:	Hargeisa
Main languages:	Somali, Arabic
Population:	3.5 million (2008 estimate)
Major religion:	Islam
Monetary units:	Somaliland Shilling (SLSH)
Internet domain:	.so
Int. dialling code:	+252

KEY TAX POINTS

- Resident companies pay tax at a rate of 10% whilst non-resident companies pay tax at the higher rate of 16.3%.
- Capital gains are liable to tax at 10% (of the net gain).
- Value Added Tax (VAT) is levied at 5%.
- Personal tax is levied at 6% on gross income.

A. COMPANY TAX

Company tax is based on computed tax profits as follows:

Resident companies:	10%
Non-resident companies:	16.3%

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B. CAPITAL GAINS TAX

10% of the net gain

C. BRANCH PROFITS TAX

Branch of a foreign entity pays tax at the rate of 16.3%.

D. SALES TAXES/VALUE ADDED TAX (VAT)

The VAT rate is 5%.

E. LOCAL TAXES

Employment income is taxed at 6% of the gross annual income
Vehicle road tax rate 0.5% of the value of the vehicle

F. LAND RATES

Land rates are based on the percentage of the site value.

G. RENTAL INCOME TAXES

10% of the rental income

H. SINGLE BUSINESS PERMIT

Depending on the type of business, this permit costs a minimum of USD 200 to a maximum of USD 600.

I. CAPITAL ALLOWANCES

Land 0%
Buildings 5%
Machinery 10%
Computers 33%
Equipment 20%
Trucks 20%

J. PERSONAL TAX

6% on the gross income

SOUTH AFRICA

MEMBER FIRM

City	Name	Contact Information
Durban	Paul Gering	+27 031 573 5000 paul.gering@pkf.co.za
Durban	Kubashni Moodley	+27 031 573 5000 kubashni.moodley@pkf.co.za
Port Elizabeth	Deon van Zyl	+27 041 398 5600 deon.vanzyl@pkf.co.za
Gauteng (East Rand)	Henico Schalekamp	+27 011 907 7260 henico.schalekamp@pkf.co.za
Gauteng (West Rand)	Josua Pietersen	+27 011 675 0907 josua.pietersen@pkf.com
Cape Town	Derick Wesson	+27 21 914 8880 dwesson@radwes.co.za

BASIC FACTS

Full name:	Republic of South Africa
Population:	52.9 million (2013 PRB)
Capital:	Pretoria (name may change to Tshwane). Cape Town is legislative capital
Largest city:	Johannesburg
Major languages:	11 official languages including English, Afrikaans, Sesotho, Setswana, Xhosa and Zulu
Major religion:	Christianity, Islam, indigenous beliefs
Monetary unit:	1 Rand = 100 cents
Internet domain:	.za
International dialling code:	+27
South African Revenue Service website:	www.sars.gov.za

KEY TAX POINTS

- Resident companies are generally taxed on their worldwide income. Non-resident companies are taxed on their South Africa-sourced income.
- Dividends paid or that become payable by a South African company to a shareholder are subject to a 15% withholding tax. Withholding tax is not levied however on dividends paid to another South African company and dividends paid by headquarter companies.
- Where a branch of a foreign company operates in South Africa, a branch profits tax at the rate of 28% of taxable income applies.
- VAT is imposed at 14% on most goods and services supplied by a vendor. Exports

are zero-rated and very few exemptions exist.

- Employees are taxed on the value of fringe benefits as determined in accordance with a separate schedule to the Income Tax Act.
- Although group taxation is not applicable, corporate rules provide relief in respect of transactions between group companies and between founding shareholders and their company.
- The South African Revenue Services are empowered to make adjustments to cross-border transactions between related parties that are not conducted on arm's length terms. While no specific thin capitalisation rules apply, the normal arm's length transfer pricing principle applies in respect of loans as well.
- Royalty and similar income are subject to withholding taxes at source at a rate of 15% (effective 1 January 2015). Royalties paid by headquarter companies are exempt from the withholding tax. A 15% withholding tax applies to dividends earned by non-residents and a 15% withholding is also applicable to dividends in specie (where the company declaring the dividends will be liable for the tax).
- A 15% withholding tax on interest paid or payable to non-residents is to be imposed from 1 March 2015. Notable exclusions include interest paid on so-called portfolio debt capital, i.e. government bonds, listed securities, debts owing by local banks, domestic brokerage accounts, etc., international bank finance and interest paid by a headquarter company.
- Resident individuals are generally subject to personal income tax on their worldwide income irrespective of the source. Non-resident individuals are generally subject to tax on their South Africa-sourced income only.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in South Africa (SA) if it is incorporated, formed or established in SA or has its place of effective management (day to day management) in SA.
Subject to certain limited exemptions, South African resident companies and close corporations (companies) are taxed on their worldwide income. Furthermore, and again subject to certain exemptions, the international 'anti-avoidance' practice of taxing income earned by Controlled Foreign Companies (CFCs) applies to South African residents.

Normal tax is payable by South African companies on their worldwide taxable income at the rate of 28%. The tax is payable by both public and private companies as well as close corporations.

Small business corporations are close corporations and private companies with only natural persons as shareholders, gross income of less than R20 million during a year of assessment, and where not more than 20% of its gross income consists of investment income or income from the rendering of a personal service. These corporations qualify for taxation at the following rates in respect of the years of assessment ending between 1 April 2015 and 31 March 2016:

Taxable income		Rates of tax
R0 –	R 73 650	Nil
R73 651 –	R365 000	7% of the amount over R73 650
R365 001 –	R550 000	R20 395 + 21% of the amount over R365,000
R550 001 +		R59 245 + 28% of the amount over R550,000

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Life assurers are taxed according to the four fund approach. The taxable income of what is known as The Individual Policyholder Fund is taxed at 30%. The Company Policyholder Fund and The Corporate Fund are taxed at 28%. Retirement Fund's receipts and accruals are exempt from tax.

Mining companies are, in addition to their specific corporate rates of tax, subject to a royalty calculated on the gross sales relating to the transfer of mineral resources. The royalty is calculated in terms of a specific formula and depending on whether refined or unrefined minerals are transferred can range from 0.5% to 7%.

TRUSTS

South African trusts pay tax at a flat rate of 41% (2015: 40%) on each Rand of taxable income. Notwithstanding the aforementioned, special provisions apply to testamentary trusts (for so long as the beneficiaries remain minors under the age of 18 years) and trusts created for the benefit of mentally or physically challenged persons. These trusts pay tax at rates applicable to resident individuals.

Founders and donors of trusts may be taxed on income earned by the trust in terms of

certain attribution rules (deeming provisions). The same can apply to beneficiaries of non-resident trusts in certain circumstances.

CAPITAL GAINS TAX (CGT)

CGT was introduced with effect from 1 October 2001. South African residents are taxed on their worldwide assets while non-residents are only subject to CGT on any direct or indirect interest or right in or to immovable property situated in SA, and assets of a permanent establishment through which they carry on a trade in SA.

CGT is triggered on the disposal or deemed disposal of an asset which includes but is not limited to any event, act, forbearance or operation of law that results in the creation, variation, transfer or extinction of an asset.

A noteworthy deemed disposal arises on emigration from SA or termination of SA tax residence (exit charge).

CGT not only affects assets purchased and sold after 1 October 2001 but it also affects assets acquired prior to this date and disposed of subsequent to 1 October 2001. In the case of assets acquired prior to 1 October 2001 and disposed of subsequent thereto, the gain is calculated based on the growth in value after 1 October 2001 which, of necessity, has resulted in legislation providing for complex alternatives to determine the gain at the time of disposal.

Strictly speaking, CGT is not a separate tax but rather forms an integral part of SA's income tax legislation. In short, subject to any exclusions and exemptions, a taxable gain is calculated by taking the difference between the proceeds received on disposal of the asset and the base cost and then multiplying this amount by an inclusion factor (which varies depending on the nature of the taxpayer). The resultant sum is then added to the taxpayer's normal taxable income and taxed accordingly.

A capital loss results where the base cost exceed the proceeds on disposal. Capital losses are however ring-fenced and may not be set off against a taxpayer's taxable income from revenue sources but may be set off against capital gains, with any excess capital losses carried forward for set off against any capital gains arising in subsequent years of assessment.

A summary of some of the more relevant inclusion rates and effective rates are set out below:

Nature of taxpayer	Inclusion rate	Maximum tax rate	Effective rate
Company/close corporation	66.6%	28%	18.7%
Natural person	33.3%	41%	0% to 13.7%
Trust	66.6%	41%	27.3%

BRANCH PROFITS TAX

Where a branch of a foreign company operates in South Africa, a branch profits tax at the rate of 28% of taxable income applies.

DIVIDENDS TAX (DT)

Dividends paid or that become payable by a South African company to a shareholder are subject to a 15% withholding tax. Notable exclusions from the DT are dividends paid to another South African company and dividends paid by headquarter companies. The DT may be reduced for dividends paid to foreign shareholders in terms of any applicable Double Tax Agreement.

VALUE ADDED TAX (VAT)

VAT is imposed on most goods and services supplied by a vendor at 14%. Exports are zero-rated. Very few exemptions exist. Compulsory VAT registration is triggered when the value of taxable supplies in a 12 month period exceeds or is expected to exceed R1 million. As from 1 April 2014, compulsory VAT registration is triggered when the value of taxable supplies have already exceeded the R1 million threshold within the preceding 12 months or there is a written contractual commitment to make taxable supplies exceeding R1 million within the next 12 months.

FRINGE BENEFITS TAX

Employees are taxed on the value of fringe benefits as determined in accordance with a separate schedule to the Income Tax Act. The tax levied is in accordance with the tax rates applicable to natural persons.

DONATIONS TAX

Subject to certain exemptions, donations tax is levied at the rate of 20% on the value of any property disposed of under any donation (or deemed donation) made by a natural person, company, municipality or trust resident for tax purposes in SA.

SECURITIES TRANSFER TAX

With effect from 1 July 2008, securities transfer tax is levied on every transfer of a security. A security in essence is any share in a company, member's interest in a close corporation or any right or entitlement to receive any distribution from a company or close corporation.

Only securities issued by companies incorporated, established or formed inside SA and companies incorporated, established or formed outside SA, which are listed on a South African exchange, are taxable.

The tax rate is 0.25% and is applied to the taxable amount in respect of any transfer of a security.

TRANSFER DUTY

Transfer duty is imposed on the transfer of immovable property (on or after 1 March 2015) at the following rates:

Property Value	Rates of Tax
On the first R750 000	0%
For R750 001 to R1 250 000	3% on the value above R750 000
For R1 250 001 to R1 750 000	R15 000 + 6% on the value above R1 250 000
For R1 750 001 to R2 250 000	R45 000 + 8% on the value above R1 750 000
For R2 250 000 +	R85 000 + 11% on the value above R2 250 000

Other taxes

These include, amongst others, customs and excise duties, and skills development levies.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by deducting expenditure incurred in the production of income and other allowable expenses and allowances from the company's income. Capital gains are subject to CGT with effect from 1 October 2001.

Allowances/plant, machinery and equipment used in manufacture

Asset Type	Conditions for annual allowance	Annual Allowance
Industrial buildings or improvements and buildings used for research and development (note 1)	Construction of buildings or improvements on or after 1 January 1989, provided building is used wholly or mainly for carrying on process of manufacture or similar process or research and development.	5% of cost (previously 2%) (Note 2)
	Construction of buildings or improvements on or after 1 July 1996 to 10 September 1999 and the buildings or improvements are bought into use before 31 March 2000 and used in the process of manufacture or similar process.	10% of cost (Note 2)
New commercial buildings (other than residential accommodation) (Note 3)	Any cost incurred in erecting any new and unused building, or improving an existing building on or after 1 April 2007 wholly or mainly used for the purpose of producing income in the course of trade.	5% of cost

Building in an Urban Development Zone	Costs incurred in erecting or extending a building in respect of demolishing, excavating the land, or to provide water, power or parking, drainage or security, waste disposal or access to the building improvement to existing buildings.	20% in first year 8% in each of the 10 subsequent years
Hotel Buildings	Construction of buildings or improvements, provided used in trade as hotelkeeper or used by lessee in trade as hotelkeeper. Refurbishments (Note 4) which commenced on or after 17 March 1993.	5% of cost 20% of cost
Hotel equipment	Machinery, implements, utensils or articles bought into use on or after 16 December 1989.	20% of cost
Aircraft	Acquired on or after 1 April 1995.	20% of cost (Note 2)
Farming equipment and equipment used for production of renewable energy	Machinery, implements, utensils or articles (other than livestock) bought into use on or after 1 July 1988 for farming operations. Biodiesel plant and machinery bought into use after 1 April 2003. Machinery used for the generation of electricity from wind power, solar energy, hydropower, biomass comprising organic wastes, land fill gas or plant materials.	50% in first year 30% in second year 20% in third year
Ships	South African registered ships used for prospecting, mining or as a foreign-going ship, acquired on or after 1 April 1995.	20% of cost (Note 2)
Plant and Machinery (Note 1)	New and unused manufacturing assets acquired on or after 1 March 2002 will be subject to wear and tear allowances over 4 years. Used manufacturing assets	40% in first year 20% in each of the 3 subsequent years (Note 5) 20% of cost
Plant and Machinery (small business corporations only)	New and unused plant and machinery bought into use on or after 1 April 2001 and used by the taxpayer directly in the process of manufacture.	100% of cost
Non-manufacturing assets (small business corporation only)	Acquired on or after 1 April 2005.	50% in first year 30% in second year 20% in third year
Licences	Expenditure, other than for infrastructure to acquire a licence from government body to carry on telecommunication services, exploration, production or distribution of petroleum or the provision of gambling facilities.	Evenly over the period of the licence, subject to a maximum of 30 years
Communication lines and cables	Acquiring electronic communication lines or cables for direct joint ownership. Premium in respect of an indefeasible right of use (IRU)	5% of cost Period of use (IRU must have a legal term of at least 20 years)
Environmental treatment and recycling asset and improvements	Any new and unused air, water and solid waste treatment and recycling plant or pollution control and monitoring equipment used in the course of the taxpayer's trade and required by law of the Republic.	40% in first year 20% in each of the three subsequent years

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Environmental waste disposal asset and improvements thereto	Any new and unused air, water, and solid waste disposal site, dam, dump, reservoir, or other structure of a similar nature of a permanent nature, used in the course of the taxpayer's trade and required by the law of the Republic.	5% of cost

Notes:
1. As from 1 April 2012, new or unused assets or buildings used for the purposes of research and development will also qualify for the allowances.
2. Recoupment of allowances can be deducted from the cost of the replacement asset.
3. Allowances available to owners as users of the building or as lessors/financiers.
4. Refurbishment is defined as any work undertaken within the existing building framework.
5. Where plant and machinery is used in a process of manufacture or similar process, the taxpayer is obliged to make use of the allowances and not the wear and tear rates.
6. Prior to 1 January 2013, wear and tear on any assets acquired from a connected person may only be claimed on the original cost to the seller less allowances claimed by the seller, plus recoupments and CGT included in the seller's income.

CERTIFIED EMISSION REDUCTIONS
Income received by a person disposing of credit emission reductions (CERs) emanating from Clean Development Mechanism (CDM) projects as envisaged in the Kyoto Protocol, will be wholly exempt from income tax and capital gains tax. This exemption includes 'in specie' distributions and applies in respect of CERs disposals on or after 11 February 2009. This concession ceases to apply from 1 January 2021.

As CERs will, by default, be exported, they will be zero-rated for VAT purposes.

STOCK INVENTORY
All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year ranks as a deduction. Trading stock is valued at the lesser of cost or net realisable value. Consumable stores and work-in-progress on hand constitute trading stock. The LIFO method of valuing trading stock is not permitted in respect of years of assessment commencing on or after 1 July 2000.

RESEARCH AND DEVELOPMENT EXPENDITURE
As from 2 November 2006, specific deductions are allowed for expenditure incurred in respect of qualifying research and development activities. The department of Science and Technology must approve the entire 150% deduction. Only expenditure incurred is on or after the date of receipt of the application is eligible for this deduction.

Plant and machinery used for research and development qualify to be written off over four years (40:20:20:20). As from 1 January 2015, these assets can be written off over three years (50:30:20). Buildings used for research and development activities qualify for a 5% annual allowance.

INTELLECTUAL PROPERTY
Where the expenditure was incurred before 29 October 1999, the deduction is allowed over the number of years of the duration of use or 4% of the expenditure, whichever is greater.

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Where the expenditure was incurred on or after 29 October 1999 and exceeds R5 000 the annual deduction is limited to:

5% of the expenditure in the case of an invention, patent, copyright, knowledge or other property of a similar nature

10% of the expenditure in the case of a design n or other property of a similar nature. No allowance is allowed in respect of any expenditure incurred on or after 29 October 1999 in respect of the acquisition of any trademark or property of a similar nature.

INTEREST AND FINANCE CHARGES
Interest incurred in the production of income is a deductible expense. Where the loan or instrument in respect of which interest is incurred complies with certain requirements, such interest is deemed to be incurred on a day-to-day basis.

Interest incurred prior to the commencement of trade is deductible in the year in which trade commences.

TAX LOSSES
Subject to certain anti-avoidance provisions, company tax losses are carried forward

to the following year provided the trading activity is perpetuated and income is derived from that trade. For natural persons, tax losses from secondary trades are ring-fenced in certain circumstances.

INTEREST RECEIVED

Interest received (or accrued) is included in gross income. Where the loan or instrument in respect of which interest is received complies with certain requirements, such interest is deemed to accrue on a day-to-day basis.

FOREIGN SOURCED INCOME

South African resident individuals and corporates are subject to tax in SA on their worldwide income.

However, this general principle may be overridden by the provisions of a double taxation agreement or certain unilateral relief provisions contained in South African tax legislation.

A comprehensive set of rules govern the determination of the source of income.

Foreign dividends, i.e. dividends paid or payable by a foreign company, in respect of a share in that company are taxable, subject to certain exemptions.
The following foreign dividends are fully exempt from tax:

- If the shareholder (whether alone or together with any other company forming part of the same group of companies as that person) holds at least 10% of the total equity shares and voting rights in the company;
- If the shareholder is a company which is in the same country as the foreign company paying the dividend;
- If the dividend is in respect of foreign shares listed on the Johannesburg Stock Exchange and from 1 March 2014 includes a dividend in specie;
- If the dividend is declared out of net income which has already been taxed in SA in terms of the legislation regulating the taxation of CFCs, in the hands of the shareholder. Certain limitations apply in respect of this exemption.

Foreign dividends that are not fully exempt from tax are exempt in part based on a specified formula, the effect of which is that the foreign dividend will be subject to an effective 15% tax.

INCENTIVES

The Department of Trade and Industry provides an additional industrial investment allowance for qualifying industrial assets and projects. No tax holiday scheme is in force.

REGIONAL HEADQUARTER COMPANY AND INVESTMENT FUND REGIMES

A headquarter company regime applies from years of assessment commencing on or after 1 January 2011. Qualifying criteria for a headquarter company are:

- For the duration of the year of assessment each shareholder of the headquarter company must have held at least 10% of the headquarter company's equity shares and voting rights
- Where the company in question was dormant for a part of the year of assessment in which the qualifying 10% shareholding stands to be determined, the shareholding during the dormant part of the year must be ignored
- At the end of the year of assessment and all previous years of assessment of that company, 80% or more of the cost of the total assets of the company was attributable to one or more of the following:
  - any interest in equity shares in
  - any amount loaned or advanced to
  - any intellectual property that is licensed by the company to any foreign company in which that company (whether alone or together with any other company forming part of the same group of companies as that company) held at least 10% of the equity shares and voting rights (qualifying investments)
- Where the foreign company in question is dormant, the 80% of the cost of its total assets requirement should be ignored for that part of the year of assessment or previous years of assessment during which it was dormant)
- Where the gross income of that company for that year of assessment exceeds R5 million, 50% or more of that gross income consisted of amounts in the form of one or both of the following:
  - any rental, dividend, interest, royalty or fee paid or payable by any foreign company that constitutes a qualifying investment; or
  - any proceeds from the disposal of any interest in a foreign company or in intellectual property licensed to a foreign company that constitutes a

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qualifying investment, and
- The company elects to be classified as a headquarter company.

The SA tax implications of qualifying as a headquarter company are:
- The company is resident in SA for normal tax purposes but is excluded from the definition of a resident for purposes of the corporate roll over rules.
- Dividends declared are not subject to Dividends Tax.
- Dividends received from a headquarter company do not enjoy the general local dividend exemption and are treated as foreign dividends, subject to the foreign dividend taxation rules.
- The disposal of shares by the headquarter company in foreign companies could qualify for CGT exemption in SA in terms of the participation exemption rule.
- No application of transfer pricing rules for back to back cross-border loans to foreign companies that constitute qualifying investments.
- No application of transfer pricing rules for back to back licensing of intellectual property (losses as result of back to back licensing will however be ring-fenced).
- Exemption from the pending withholding tax on interest in respect of back to back loans.
- Exemption from withholding tax on royalties in respect of back to back royalties paid to a foreign shareholder (applicable from 1 January 2015).
- Exemption from securities transfer tax.

A regional investment fund regime also applies from years of assessment commencing on or after 1 January 2011. Qualifying foreign investors will be regarded as passive investors with no exposure to South African tax because of the use of a South African portfolio manager.

C. FOREIGN TAX RELIEF

Tax credits are granted in respect of foreign taxes paid on foreign sourced income in accordance with unilateral provisions contained in the Income Tax Act and numerous Double Tax Agreements. Where income is sourced in SA, no foreign tax credit will be allowed but a deduction of the foreign taxes suffered is likely to be allowed. Special rules apply to foreign taxes suffered on income received or accrued from services rendered in SA.

D. CORPORATE GROUPS

Group taxation is not applicable. However, corporate rules exist which provide relief in respect of transactions between group companies and between founding shareholders and their company. The relief provisions deal with the following transactions:
- asset-for-share transactions
- intra-group transactions
- unbundling transactions
- transactions relating to liquidation, winding-up or deregistration
- amalgamation transactions.

Briefly, the corporate rules provide for the following tax relief in respect of the above mentioned transactions, provided certain requirements are met:
- CGT
- STC (until 31 March 2012)
- Dividends Tax (effective from 1 April 2012)
- Securities transfer tax
- Income tax, specifically with respect to capital allowances claimed, recovery of
- capital allowances and the transfer of trading stock
- Transfer duty
- VAT.

The corporate rules have been expanded to include most inbound and foreign-to-foreign restructuring transactions that fall within the list of transactions set out above. These rules are complex. However, for the most part they require that the transactions be effected within a group of companies and that only built in capital gains assets would qualify for the roll over relief.

E. RELATED PARTY TRANSACTIONS

The Commissioner for the South African Revenue Services is empowered to make adjustments to cross-border transactions between related parties that are not conducted on arm's length terms. While no specific thin capitalisation rules apply, the normal arm's length transfer pricing principle applies in respect of loans as well. There are also limitations on certain deductions and allowances on transactions between connected parties.

F. WITHHOLDING TAXES

Royalty and similar income are subject to withholding taxes at source. The applicable rate will increase from 12% to 15 % from 1 January 2015. As from 1 July 2013, royalties paid by headquarter companies are exempt from the withholding tax.

A 15% withholding tax on dividends earned by non-residents applies from 1 April 2012. Dividends in specie will be subject to the 15% tax but the company declaring the dividends will be liable for the tax.

A 15% withholding tax on interest paid or payable to non-residents is to be imposed from 1 March 2015. Notable exclusions include interest paid on so-called portfolio debt capital, i.e. government bonds, listed securities, debts owing by local banks, domestic brokerage accounts, etc., international bank finance and interest paid by a headquarter company.

As from 1 January 2016, a withholding tax on cross border consultancy, management and technical fees from a South African source is to be imposed at a rate of 15%. Service fees which constitute remuneration are exempt from this withholding tax.

G. EXCHANGE CONTROL

Subject to certain limited exclusions, South African residents are subject to exchange controls. Exchange controls have been relaxed somewhat in recent years. Non-residents are excluded from the ambit of exchange controls.

H. PERSONAL TAX

As a result of the change from a source-based system of taxation to a resident-basis of taxation, SA resident individuals are subject to tax on their worldwide income irrespective of the source of the income, except for certain exclusions.

Non-resident individuals, subject to certain exclusions, are subject to tax on their SA-sourced income only.

A natural person will be regarded as a resident for tax purposes if he is ordinarily resident in SA or where the person is not ordinarily resident in South Africa but spends more than a certain number of days in SA (the physical presence test).

The income tax rates applicable to natural persons for the tax year ending 29 February 2016 are:

Taxable Income	Rates of Tax
R 0 – R181 900	18% of each R1
R181 901 – R284 100	R 32 742 + 26% of the amount over R181 900
R284 101 – R393 200	R 59 314 + 31% of the amount over R284 100
R393 201 – R550 100	R 93 135 + 36% of the amount over R393 200
R550 101 – R701 300	R149 619 + 39% of the amount over R550 100
R701 301 +	R208 587 + 41% of the amount over R701 300

In respect of the 2016 year of assessment, the first R23,800 (2013: R22 800) of local interest earned is exempt from tax for individuals younger than 65 years and the first R34,500 (2013: R33 000) for individuals aged 65 years or older.

Deductions available to salaried employees and directors are restricted to the following:

- Bad debt allowance
- Doubtful debts allowance
- Wear and tear allowance
- Pension or retirement annuity fund contributions
- Donations to qualifying Public Benefit Organisations
- Home office expenses, subject to requirements
- Legal expenses
- Prior to 1 March 2015, premiums paid in terms of an certain allowable insurance policies
- As from 1 March 2008, refunded awards for services rendered and refunded restraint of trade awards .

Retirement saving contribution deductions are subject to certain limitations. Medical

expenses are not deductible but a tax credit is available in respect of medical scheme contributions/fees. In addition to the medical scheme fees tax credit a further tax credit is available in respect of additional medical expenses, subject to certain limitations.

DEEMED EMPLOYEES

Labour brokers and personal service providers are regarded as employees. A labour broker is a natural person who, for reward, provides a client with other persons to render a service for the client or procures such other persons for the client and remunerates such person.

A personal service provider is a company or trust where any service rendered on behalf of the entity to its client is rendered personally by any person who is a connected person in relation to such entity and certain provisions are met.

A labour broker who is not in possession of an exemption certificate will be subject to employees' tax at the rate applicable to individual taxpayers. A personal service provider will be subject to employees' tax at a rate of 28% in the case of a company and 40% in the case of a trust.

Deductions available to deemed employees are limited to remuneration for services rendered, contributions to pension and provident funds, legal expenses, bad debts, rent, finance charges, insurance, repairs and maintenance and fuel, incurred wholly and exclusively for trade.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Withholding tax rates for dividends, royalties and interest (from 1 March 2015) paid to non-residents from SA are set out in the table below The rates below assumes a South African domestic withholding tax rate of 15% as it applies in respect of royalties paid to non-residents from 1 January 2015 (for the rates as it would have applied in respect of royalties paid to non-residents prior to 1 January 2015, please refer to earlier versions of this guide).

	Royalties %	Dividends %	Interest %
Non Treaty Countries	15	15	15
Treaty Countries			
Algeria	10	10/15	10
Australia	5	5/15	10
Austria	0	5/15	0
Belarus	5/10	5/15	5/10
Belgium	0	5/15	10
Botswana	10	10/15	10
Brazil	10/15	10/15	10
Bulgaria	5/10	5/15	5
Canada	6/10	5/15	10
Croatia	5	5/10	0
Cyprus	0	0	0
Czech Republic	10	5/15	0
Democratic Republic Of Congo	10	5/15	10
Denmark	0	5/15	0
Egypt	15	15	12
Ethiopia	15	10	8
Finland	0	5/15	0
France	0	5/15	0
Germany	0	7.5/15	10
Ghana	10	5/15	5/10
Greece	5/7	5/15	8
Hungary	0	5/15	0
India	10	10	10
Indonesia	10	10/15	10
Iran	10	10	5

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	Royalties %	Dividends %	Interest %
Ireland	0	5/10	0
Israel	0/15	15	15
Italy	6	5/15	10
Japan	10	5/15	10
Korea	10	5/15	10
Kuwait	10	0	0
Lesotho	10	15	10
Luxembourg	0	5/15	0
Malawi	15	15	15
Malaysia	5	5/10	10
Malta	10	5/10	10
Mauritius	0	5/15	0
Mexico	10	5/10	10
Mozambique	5	8/15	8
Namibia	10	5/15	10
Netherlands	0	5/10	0
New Zealand	10	5/15	10
Nigeria	7.5	7.5/10	7.5
Norway	0	5/15	0
Oman	8	5/10	0
Pakistan	10	10/15	10
Peoples Republic Of China	7/10	5	10
Poland	10	5/15	10
Portugal	10	10/15	10
Romania	15	15	15
Russian Federation	0	10/15	10
Rwanda	10	10/15	10
Saudi Arabia	10	5/10	5
Seychelles	0	5/10	0
Singapore	5	5/15	0
Slovak Republic	10	5/15	0
Spain	5	5/15	5
Swaziland	10	10/15	10
Sweden	0	5/15	0
Switzerland	0	5/15	5
Taiwan	10	5/15	10
Tanzania	10	10/15	10
Thailand	15	10/15	10/15
Tunisia	10	10	5/12
Turkey	10	10/15	10
Uganda	10	10/15	10
Ukraine	10	5/15	10
United Kingdom	0	5/10/15	0
Usa	0	5/15	0
Zambia	15	15	15
Zimbabwe	15	15	15

Note
The above rates are provided as a guide only. A number of DTA's provide for alternative rates, including zero, to be applied in specific circumstances. The DTA's are available on www.sars.gov.za

SOUTH SUDAN

MEMBER FIRM

City	Name	Contact Information
Juba	Atul Shah	+254 20 4270000 atulshah@ke.pkfea.com

BASIC FACTS

Full name:	Republic of South Sudan
Capital:	Juba
Main languages:	English, Bari, Dinka, Murle, Nuer, Zande and around 60 other languages
Population:	8,260,490 (2008 census)
Major religion:	Christianity
Monetary units:	South Sudanese Pound (SSP)
Internet domain:	.ss
Int. dialling code:	+211

KEY TAX POINTS

- The tax rate by which a Company is taxed ranges from 10% to 20% and depends on the level of turnover.
- Capital gains are deemed as business income subject to the applicable corporate tax rate.
- A Sales tax applies at a rate of 5% (however this can increase to 10% where the economy is under pressure).
- Transactions between related parties are required to be at arm's length.

A. FISCAL YEAR END

Residents
Individuals: 31 December
Companies use their financial year-end

Non-residents
Foreign companies use their fiscal year-end

B. TAXES PAYABLE

COMPANY TAX

Company tax is based on computed tax profits as follows:

Corporation tax: 10% - for entities with turnover of less than SSP 1m
15% - for entities with a turnover between SSP 1m and SSP 75 m
20%- for entities with a turnover of over SSP 75 m

CAPITAL GAINS TAX

Capital gains are deemed as business income subject to the applicable corporate tax rate.

INDIVIDUAL TAXATION

Both resident and non-resident are taxed at progressive rates up to 15%.
The basis of taxation for residents is on worldwide income, whereas for non-residents is at source.

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WITHHOLDING TAX

The relevant rates are as follows:	Resident	Non-Resident
Dividends	10%	10%
Interest	10%	10%
Royalties	10%	10%
Rent	10%	10%
Management service fee	N/A	N/A

SALES TAXES

	Resident	Non-Resident
Sales tax	5%	5%

Applicable on goods produced or imported into South Sudan. 10% increase during periods of budgetary austerity. 0% for goods produced by small businesses < SSP 1m in turnover

OTHER TAXES

	Resident	Non-Resident
Excise tax	5% to 30%	5% to 30%

Applicable on excisable goods produced or imported into South Sudan and on excisable services.

OTHER MATTERS

- Exchange controls - exist for both residents and non-residents.
- Transfer pricing - transactions between related parties are required to be at arm's length.
- Thin capitalization - No thin capitalization rules exist.
- Double tax agreements – None.
- Treaties awaiting conclusion and/or ratification – None.

SPAIN

MEMBER FIRM

City	Name	Contact Information
Barcelona	Aischa Laarbi	+34 934 145 928 Legaldpt@pkf.es
Madrid	Santiago Gonzalez Barrau	+34 915 561 199 sgonzalez@pkf-attest.es
Malaga	Ana Maria Lopez Narbona	+34 952 221 996 alopez@fmclegal.com

BASIC FACTS

Full name:	Kingdom of Spain
Population:	46.6 million (2013 PRB)
Capital:	Madrid
Major languages:	Spanish (Castilian), Catalan, Valencian, Gallego (Galician), Euskera (Basque)
Major religion:	Christianity
Monetary unit:	1 euro = 100 cents
Internet domain:	.es (.cat for Catalonia)
International dialling code:	+34
Agencia Tributaria website:	www.aeat.es

KEY TAX POINTS

- A Spanish resident company is liable to corporation tax on all sources of income and capital gains, wherever arising. A non-resident company is taxed on income and gains of a branch carrying on a trade in Spain. Foreign branch profits of a Spanish company are liable to Spanish tax.
- Capital gains are taxed as ordinary income.
- The transfer of real estate is generally subject to VAT at 21%. This is reduced to 10% for private residential property. If the transferor is not within the VAT system, transfer tax at 6% is applicable.
- Transfer tax is payable on the transfer of movable property, at a rate of 4% of the value.
- VAT is levied on the supply of taxable goods and services. The normal VAT rate is 21%. There is a reduced rate of 10% and a super-reduced rate of 4% on certain basic goods and services. A zero rate exists for exports and international services provided to non-EU countries.
- Dividends and interest are generally paid subject to a withholding tax of 19% at source (20% on 2015), although this is normally reduced or eliminated by a double tax treaty.
- Foreign taxes may be credited against Spanish corporation tax, whether or not a treaty exists with the foreign country.
- Spanish-resident individuals are liable for personal tax on their worldwide income; non-residents are only liable on Spanish-sourced income.
- Resident individuals were subject to net wealth tax in respect of their worldwide assets. The different autonomous governments can establish different reductions.
- There is an inheritance tax charge on a recipient of property passing by gift or death.

A. TAXES PAYABLE
FEDERAL TAXES AND LEVIES
COMPANY TAX

Spanish resident companies are liable to corporation tax on all sources of income and capital gains, wherever arising. A company is treated as resident in Spain if it is incorporated in Spain, has its registered office in Spain or its effective management is in Spain.

A non-resident company is taxed on income and gains of a branch carrying on a trade in Spain.

Trading profits, other income and capital gains are liable to corporation tax at the rate of 25% (28% on 2015). Special tax rates are chargeable on portfolio investment funds (1%), on mutual insurance societies (25%), on co-operatives (except for capital gains) (20%), and on non-profit institutions (10%).

For companies with an annual turnover in the previous year not exceeding EUR 10 million (small companies) the rate applicable during 2015 is 25% on the first EUR 300,000 of taxable income and 28% on profits in excess of that limit.

For companies with an annual turnover in the previous year not exceeding EUR 5 million (micro companies) are allowed to apply the general rate (25%) from 2015. These micro companies, with fewer than 25 employees, need to maintain or create jobs.

The Spanish tax year is the calendar year but companies can establish a different tax year. The main condition is that the tax year must not exceed 12 months.

Corporation tax is due for payment 6 months and 25 days after the financial year end (on 25 July 2015, for example, for the year ended 31 December 2014). The tax return must be filed by the same date.

There are two systems for advance payments:
(1) Payments are calculated as 18% of the previous year's tax liability. The payments are due on 20 April, 20 October and 20 December.
(2) Payments are based on the forecasted taxable income of the period as follows.

General rate is 17% (20% on 2015). Three payments due on:
- 20 April: Taxable income of the period January-March less withholdings.
- 20 October: Taxable income of the period January-September less withholdings and advance payment of 20 April.
- 20 December: Taxable income of the period January-November less withholdings and advance payment of 20 April and 20 October.

The second system is mandatory for companies whose annual turnover is more than EUR 6,010,121.04.
In this system and only during 2012, 2013, 2014 and 2015, the general rate is 20% for companies whose annual turnover is between EUR 0 and EUR 10,000,000, 21% for companies whose annual turnover is between EUR 10,000,001 and EUR 20,000,000, 24% for companies whose annual turnover is between EUR 20,000,001 and EUR 60,000,000 and 27% for those with turnover of more than EUR 60,000,000.

CAPITAL GAINS

Capital gains are taxed as ordinary income. Foreign-sourced capital gains are fully liable to Spanish corporate income tax with a credit for any foreign taxes payable, although such gains can be exempt under the terms of a double tax treaty.

PERSONAL INCOME TAX
The personal income tax rate for capital gains as a result of the sale of wealth goods is 19% (20% on 2015).

Capital losses realised on the sale of goods may be offset against capital gains and saving incomes (with the limit of 10% on 2015, 15% on 2016 and 20% on 2017) or carried forward for four years to offset against capital gains realised in subsequent years.

The losses not generated from the disposal of any wealth good may be set off against up to 25% of ordinary income and the remainder may be carried forward for up to four years to offset against future capital gains realised on the sale of assets.

BRANCH PROFITS TAX
Foreign branch profits of a Spanish company will be liable to Spanish tax.

VALUE ADDED TAX (VAT)
VAT is levied on the supply of taxable goods and services. The normal VAT rate is 21%. There is a reduced rate of 10% and a super-reduced rate of 4% on certain basic goods and services. A zero rate exists for exports and international services provided to non-EU countries.

FRINGE BENEFITS TAX (FBT)
There is no fringe benefits tax in Spain.

LOCAL TAXES
The main local taxes comprise: transfer tax, economic activity tax (trade licenses), property tax, tax on the increase of the value of urban land, tax on motor vehicles, tax on construction, planning permission and opening licenses for each business premises.

OTHER TAXES
The transfer of real estate is generally subject to VAT at 21%. This is reduced to 10% for private residential property and to 4% in the case of some housing. If the transferor is not within the VAT system, transfer tax at 6% is applicable. Transfer tax is also payable on the transfer of movable property. The rate is 4% of the value. The Spanish autonomous regions are allowed to modify the transfer tax rate and to fix their own rates (e.g. the tax rate for real estate properties is 10% in Catalonia and 6% in Madrid).

B. DETERMINATION OF TAXABLE INCOME

Trading profits are calculated for tax purposes in accordance with financial accounts but adjusted for the main items as follows.

DEPRECIATION
Depreciation can be deducted on a straight-line basis, reducing-balance basis (in the case of new tangible assets with a life of more than three years) or on an individual basis (if approved by the tax authorities).

The Ministry of Finance issues guidelines on the maximum straight-line rates as follows:

Asset	Rate (%)
Motor vehicles	16
Office equipment	10
Industrial buildings and hotels	3
Office and shop buildings	2
Air conditioning and central heating	12
Computer equipment	25
Software	33

Land cannot be depreciated.

STOCK / INVENTORY
Stock and work in progress are valued at the lower of cost or market value. FIFO and average cost methods are acceptable.

CAPITAL GAINS AND LOSSES
As discussed above, capital gains and losses are included in the overall taxable profits of companies.

DIVIDENDS
Dividends paid are subject to a 19% (20% on 2015) withholding tax at source whether they are paid to residents. Dividends paid to EEC residents are subject to a 19% (20% on 2015). Dividends paid to non EEC residents are subject to a 24%.
The withholding tax rate may be reduced under the relevant double tax treaties. Dividends received by certain companies (EU parent companies) are not subject to withholding tax at source if the holding is more than 5% and has been held for more than 12 months. Ally withholding tax suffered may be credited against the recipient company's corporate income tax liability.

A Spanish company receiving a dividend from another Spanish company whose share participation is lower than 5% of the capital is subject to tax on 50% of the dividend. A Spanish portfolio investment company or a parent that has held more than 5% of the share capital is exempt from tax on dividends received from other Spanish companies.

INTEREST DEDUCTIONS
Interest is normally deductible on an accruals basis. Withholding tax of 19% (20% on 2015) is generally deductible from interest paid although this is normally reduced or eliminated by a double tax treaty. Since 2012 there are some limits to some financial expenses deduction.

LOSSES
From 1st January 2015 there is any time limit to carry forward the tax losses with future profits. The carry forward of losses is not normally restricted by a change in the ownership of a company's shares.

In 2015 there are some restrictions on how losses can be utilised. Up to 50% of taxable profit may be off-set by companies with turnover between EUR 20,000,000 and EUR 60,000,000 and up to 25% of taxable profits may be off-set by companies with turnover of more than EUR 60,000,000.

From 2016 all the companies will be allowed to off-set only the 70% positive tax basis with previous year's tax losses.

FOREIGN SOURCED INCOME
Under the International Fiscal Transparency regime, Spanish resident companies can be subject to tax on profits earned by certain non-EU resident subsidiaries in which they have more than a 50% interest. These rules apply to passive income earned by the subsidiary and taxed at a rate less than 75% than that which it would have been taxed if it had been earned by the Spanish resident company.

INCENTIVES
A credit against tax payable may be taken for 25% of research and development expenses. Where the expenses exceed the average amount incurred in the preceding two years, a credit equal to 42% is available on the amount exceeding the average amount.

- In addition there is a credit against tax payable of 12% of the cost of technological innovation of existing products.

Industrial development banks and companies and venture capital companies and funds are subject to special tax regimes.

C. FOREIGN TAX RELIEF

Foreign taxes may be credited against Spanish Corporation Tax regardless of whether a tax treaty exists with the foreign country. There is no system of global foreign tax credited. Under certain circumstances, profits arising in permanent establishments of Spanish companies may be exempt from Spanish tax if they have suffered a similar tax overseas. Foreign tax credits are not available for the underlying taxes which the foreign company pays on the profits.

D. CORPORATE GROUPS

Permission may be obtained from the tax authorities to consolidate the results of a group of companies for corporate income tax purposes. The group must be headed by a Spanish resident company which directly or indirectly owns more than 75% of its subsidiaries. All subsidiaries must be Spanish resident companies.

The result of consolidation is that all income, gains and losses of the group are brought together for tax purposes.

E. RELATED PARTY TRANSACTIONS

For tax purposes, transactions between related companies will be treated as if they had been made at arm's length prices.

In certain cases (if certain thresholds are exceeded), the companies must disclose related parties transactions made during the year in the annual corporate tax form.

F. WITHHOLDING TAX

Withholding taxes paid to Spanish resident companies must generally be deducted from dividends and interest at 19% (20% on 2015) and from royalties at 24%. A 0% rate applies to royalties paid to associated EU resident companies. There are also withholding taxes payable on technical assistance fees and management fees payable to non-residents. All types of interest paid to EU resident companies (excluding Cyprus holding companies) are exempt.

G. EXCHANGE CONTROLS

In principle, all direct investments into Spain require previous verification by the Direccion General del Tesoro y Polftica Financiera (DGTPF). Outward direct investments also require approval by the DGTPF.

H. PERSONAL TAX

Individual residents are liable to Personal Income Tax (IRPF) in respect of their worldwide income. Non-residents are liable to IRPF only on their Spanish sourced income. An individual is deemed to be resident for tax purposes if:
(i) He or she stays in Spain for more than 183 days in any calendar year;
(ii) His or her centre of vital interests is in Spain;
(iii) His or her spouse and minor dependent children qualify as residents of Spain. Fringe benefits in cash or kind constitute employment income. Ordinary gains and losses are treated as ordinary income.

All businessmen and self-employed professionals are required to file quarterly returns and make advance payments by 20 April, 20 July and 20 October of the current year and 30 January of the next year on account of final income tax liability for the current year.

All resident employees and self-employed individuals must register and pay monthly contributions to the Spanish social security system. The general rate of the employee's general social security contributions is 6.35% and the employer's contribution is 30.15%.

The current tax rates for taxpayers are as follows:

Tax Basis (Euros)	2015 % Tax Rate	2016 % Tax Rate
Up to 12.450	20%	19%
From 12.450 up to 20.200	25%	24%
From 20.200 up to 35.200	31%	30%
From 35.200 up to 60.000	39%	37%
From 60.000	47%	45%

The current tax rates for savings incomes are as follows:

Tax Basis (Euros)	2015 % Tax Rate	2016 % Tax Rate
Up to 6.000	20%	19%
From 6.000 up to 50.000	22%	21%
From 50.000	24%	23%

Usually when earned income is less than EUR 22,000 the individual is not obliged to prepare a tax return

Resident individuals were subject to net wealth tax in respect of their worldwide assets. The different autonomous governments can establish different reductions (e.g. Madrid).

Inheritance tax is also levied on the recipient of property passing by way of gift or death. The tax rate for inheritance can be chargeable in a progressive rate, from 0% to 34%from father to son, and increased rates in other cases.

The rate is determined with reference to the total value of assets gifted to each beneficiary.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends				
	General	Parent-Subsidiary			
		% Minimum Share	Rate	Interest	Fees
Non treaty-countries	19% (20% on 2015) for EEC countries and 24% for non EEC Countries			19% (20% on 2015) for EEC countries and 24% for non EEC Countries	19% (20% on 2015) for EEC countries and 24% for non EEC Countries
Treaty countries:					
Albania	10	75/10	0/5	0/6	0
Algeria	15	10	5	0/5	7/14
Argentina	15	25	10	0/12	3/5/10/15
Armenia	10	25	0	5	5/10
Australia	15	-	-	10	10
Austria	15	50	10	5	5
Azerbaijan (USSR Treaty)	18	-	-	0	5
Barbados	5	25	0	0	0
Belarus (USSR Treaty)	18	-	-	0	5
Belgium	15	25	-	0/10	5
Bolivia	10	25	-	0/15	15/0
Bosnia and Herzegovina	10	20	5	0/7	7
Brazil	10	-	-	0/10/15	10/12,5
Bulgaria	15	25	5	0	0
Canada	15	-	-	15	0/10
Czech Republic	15	25	5	0	0/5
Chile	10	20	5	5/15	5/10
China	10	-	-	10	10
Colombia	5	20	0	0/10	10
Costa Rica	12	20	5	0/5/10	10
Croatia	15	25	0	0	8
Cuba	5	25	-	10	0/5
Denmark (Denounced 01/01/2009)					
East Timor (Treaty of Thailand)	10	-	-	10/15	5/8/15
Ecuador	15	-	-	5/10	5/10
Egypt	12	25	9	0/10	12
El Salvador	12	50	0	0/10	10
Estonia	15	25	5	0/10	5/10
Finland	15	25	10	10	0/5
France	15	10	0	0/10	0/5
Georgia	10	10	0	0	0
Germany	10	10	5	0	0
Greece	10	25	5	0/8	6
Hong Kong	10	25	0	0/5	5
Hungary	15	25	5	0	0
Iceland	15	25	5	0/5	5
India	15	-	-	0/15	10/20

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Indonesia	15	25	10	0/10	10
Iran	10	20	5	0/7,5	5
Ireland	15	25	-	0/10	5/8/10
Israel	10	-	-	0/5/10	5/7
Italy	15	-	-	0/12	4/8
Jamaica	10	25	5	0/10	10
Japan	15	25	10	10	10
Kazakhstan	15	10	5	0/10	10
Korea	15	25	10	0/8/10	10
Kuwait	5	10	0	0	5
Kyrgyzstan (USSR Treaty)	18	-	-	0	5
Latvia	15	25	5	0/10	5/10
Lithuania	15	25	5	0/10	5/10
Luxembourg	15	25	10	0/10	10
Macedonia	15	10	5	0/5	5
Malaysia	5	5	0	0/10	5/7
Malta	5	25	0	0	0
Mexico	15	25	5	0/10/15	0/10
Moldova	10	25/50	5/0	0/5	8
Morocco	15	25	10	10	5/10
The Netherlands	15	25/50	5/10	10	6
New Zealand	15	-	-	0/10	10
Norway	15	25	10	10	5
Pakistan	10	25/50	7,5/5	0/10	7,5
Panama	10	40/80	5/10	0/5	5
Philippines	15	10	10	0/10/15	10/15/20
Poland	15	25	5	0	0/10
Portugal	15	25	10	15	5
Romania	15	25	10	10	10
Russian Federation	5/10/15	-	-	5	5
Former USSR	18	-	-	0	5
Saudi Arabia	15	25	0	0/5	8
Serbia	10	25	5	0/10	5/10
Singapore	5	10	0	0/5	5
Slovak Republic	15	25	5	0	0/5
Slovenia	15	25	5	0/5	5
South Africa	15	25	5	0/5	5
Sweden	15	50	10	15	10
Switzerland	15	10	0	0	5/0
Tajikistan (USSR Treaty)	18	-	-	0	5
Thailand	10	-	-	0/10/15	5/8/15
Trinidad and Tobago	10	25/50	5/0	0/8	5
Tunisia	15	50	5	5/10	10
Turkey	15	25	5	10/15	10
United Arab Emirates	5/15	10	-	0	0
United Kingdom	15	10	10	12	10
United States (Signed on January 2013, not in force yet)					

Uruguay	5	75	0	0/5	5/10
Uzbekistan					
(USSR Treaty)	10	25	5	0	5
Venezuela	10	25	0	0/4,95/10	5
Vietnam	15	25/50	7/10	10	10

* Currently the Treaties between Spain and Oman, Nigeria, Namibia and Belarus are in the pipeline.
* Spain is working with a view to publish new Treaties with India.
* Treaties with United States of America and Uzbekistan have been signed but they are not applicable at this time.

ST LUCIA

MEMBER FIRM

City	Name	Contact Information
Castries	J. Wendell Skeete	+ 1758 450 7777 pkf@candw.lc

BASIC FACTS

Full name:	St Lucia
Population:	170,311 (2013 estimate)
Capital:	Castries
Major languages:	English
Major religion:	Christianity
Monetary unit:	East Caribbean dollar
Internet domain:	.lc
International dialling code:	+1758
Ministry of Finance, Economic Affairs, Planning & Social Security website:	www.finance.gov.lc

KEY TAX POINTS

- A resident company is taxed on worldwide income. A non-resident company is taxed on income derived or sourced from St. Lucia. The current standard corporation tax rate is 30%.
- The standard rate of Value Added Tax is 15% and a reduced rate of 8% applies for goods and services supplied by hotels.
- Taxes are required to be withheld from payments to non-residents of an income nature and also from payments to residents for labour contracts and certain services.
- Resident individuals are taxed on world income; however only to the extent received in St. Lucia if they are not ordinarily resident in St. Lucia. For non-residents, taxable income means income generated from St. Lucia and income from activities performed in St. Lucia.

A. TAXES PAYABLE

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COMPANY TAX

A company is deemed to be resident if it is either incorporated in St. Lucia or it is centrally managed and controlled in St. Lucia. A resident company is taxed on worldwide income. A non-resident company is taxed on income derived or sourced from St. Lucia.
Rate – The current corporation tax rate is 30%; however, a rate of 33.33% is imposed on companies which since the introduction of the reduced tax rate remain non-compliant.
Tax year – The tax year is based on the company's fiscal year end.
Filing requirements – corporate tax returns must be filed within 3 months of the financial year end date of the company along with financial statements and payment of any tax due.
Penalties – 5% of the tax payable plus 10% of the tax unpaid and interest of 1.04% per month.
Tax instalments – The tax instalments are due on March, June and September 25th. It is based on 1/3 of the last tax return filed.
Tax filing extension – An extension should be requested at least 2 weeks before the company's fiscal year end.

CAPITAL GAINS TAX - NONE
Gains from the sale of capital assets are not subject to tax in St Lucia.

BRANCH PROFITS TAX
The tax on a foreign corporation's branch's profits and earnings is the same as regular corporate tax

VALUE ADDED TAX (VAT)
VAT is imposed on the sale of goods or supply of services within St. Lucia and the import of goods into St. Lucia. The standard rate is 15% and a reduced rate of 8% applies for goods and services supplied by hotels. Certain goods and services may also be zero-rated or exempt. The registration threshold is a total value of supplies exceeding XCD 180,000. Voluntary registration is also available. Monthly returns and payments must be submitted by the 21st day of the following month.

OTHER TAXES ON CORPORATIONS
Property tax – A rate of 0.4% is imposed on commercial property.
Social security – Employers contribute at a rate of 5% of employee earnings. The contributions ceiling is XCD 250 per month.
Stamp duty – Stamp duty is charged on any document that evidences a legal or contractual relationship between two or more parties.
Transfer tax – Transfer tax on the sale of real property is 2.5% to 5% for a resident company vendor (10% for a non-resident vendor) and 2% for the purchaser. Non-resident purchasers must obtain an alien landholding licence at 7.5% of the value of the property. The transfer of shares is subject to 0.5% transfer tax however if 75% or more of a company's assets consist of property, the transfer is deemed to be of real property.
Customs duties – Imported goods are subject to customs duties according to the CARICOM Common External Tariff.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is determined by ascertaining assessable gross income and reducing it by allowable deductions.

DEPRECIATION
Deductions are allowed for the cost of commercial buildings, plant and machinery and vehicles as follows:

Initial allowance	20%
Annual allowance	2.5% - 25%

CAPITAL GAIN AND LOSSES
Gains from the sale of capital assets are not subject to tax in St Lucia.

DIVIDENDS
Dividends paid to residents and non-residents are not subject to income tax or withholding tax.

INTEREST DEDUCTIONS
Interest expense is tax deductible.

FOREIGN SOURCE INCOME
A resident company is taxed on worldwide income.

INCENTIVES
Under the Fiscal Incentives Act, approved enterprises engaged in the manufacture of an approved product are granted tax holidays and exemption from import duties. Under the Tourism Incentive Act, an approved Tourism product is granted certain tax and import duty exemptions. St. Lucia IBCs have the option to elect to be liable to income tax on their profits and gains at a rate of 1% or to be exempted from income tax.

OTHER
Losses can be carried forward up to 6 years. Losses utilised may only reduce the taxable income by 50%. The carry-back of losses is not permitted. There are no anti-avoidance rules in respect of thin capitalisation, transfer pricing and controlled foreign companies.

C. FOREIGN TAX RELIEF

Tax credits are granted at the lesser of the tax charged in St. Lucia on the foreign source income and the tax payable in the other country.

D. CORPORATE GROUPS

Corporate tax returns are based only on separate and not on consolidated financial statements.

E. RELATED PARTY TRANSACTIONS

Related party transactions negotiated at arm's length are treated the same as non-related party transactions. The Internal Revenue Department may make any adjustments necessary where a transaction is deemed to be for the purpose of tax avoidance.

F. WITHHOLDING TAXES

Taxes are required to be withheld from payments to non -residents of an income nature and also from payments to residents for labour contracts and certain services. See section I below for applicable rates.

G. EXCHANGE CONTROL

There are no exchange controls in St Lucia.

H. PERSONAL TAX

Basis – Resident individuals are taxed on world income; however only to the extent received in St. Lucia if they are not ordinarily resident in St. Lucia. For non-residents, taxable income means income generated from St. Lucia and income from activities performed in St. Lucia.
Residence – An individual is considered resident if physically present in St. Lucia for at least 183 days.
Filing status – Each individual must file a tax return.
Taxable income – Taxable income includes employment and business income less allowable deductions and allowances.
Capital gains – Capital gains are not subject to tax.
Deductions and allowances – Personal allowance of XCD 18,000 and unlimited medical expenses; other allowances are available for children, life insurance and certain residential expenses.
Rates – 10% of the 1st 10,000, 15% of the 2nd 10,000, 20% of the 3rd 10,000 and 30% thereafter.
Tax year – The calendar year.
Filing and payment – tax returns must be filed by 31 March together with a payment of any tax due. A Pay As You Earn (PAYE) system is used to deduct tax from the salaries of employees.
Penalties – 5% of the tax liability (for late filing). For late payments, 10% of the unpaid tax balance plus interest at the rate of 1.04% per month.
Other taxes on individuals:
Stamp duty – Same as for corporations.
Property tax – A rate of 0.25% is imposed on residential property.
Social security – Employees contribute at a rate of 5% of earnings. The contributions ceiling is XCD 250 per month.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Treaties are in force with CARICOM and Switzerland.

	Local	Caricom	Non-Caricom
Dividends	Nil	Nil	Nil
Interest	Nil	15%	15%
Royalties	10%	15%	25%
Management fees	10%	15%	25%
Branch remittance tax	N/A	Nil	Nil

SWAZILAND

MEMBER FIRM

City	Name	Contact Information
Manzini	Thabsile Ntshalintshali	+268 2505 4016 thabsile@pkf.co.sz

BASIC FACTS

Full name:	Kingdom of Swaziland
Capital:	Lobamba (royal / legislative); Mbabane (administrative)
Main languages:	English, siSwati
Population:	1,106,000 (2014 estimate)
Major religion:	Christianity
Monetary units:	South African Rand (ZAR); Swazi Lilangeni (SZL)
Internet domain:	.sz
Int. dialling code:	+268

KEY TAX POINTS

- Company income tax in Swaziland is a 27.5% flat rate on the taxable profit as adjusted for income tax purposes.
- Resident and non resident companies are subject to income tax on income accrued or derived from Swaziland. Different rates apply to resident and non-resident companies.
- No tax is payable on capital gains.
- VAT Act no. 12 of 2011 was introduced in Swaziland on 1 April 2012 through the VAT Act no. 12 of 2011. VAT is chargeable on imports and the supply of goods and services in Swaziland. It is imposed at 14% on most goods and services supplied by a Vendor. Certain goods and all exports are zero rated.
- Swaziland has entered into a limited number of double taxation agreements with certain countries, including South Africa, the United Kingdom and Mauritius.
- There is no wealth tax, real estate tax or inheritance tax, sales tax or gift tax in Swaziland.
- Relief for double taxation is provided by means of credit for overseas tax suffered on overseas income.

A. TAXES PAYABLE

COMPANY TAX

Federal taxes and levies:

The Kingdom of Swaziland income tax system is source-based, i.e. income from a source within or deemed to be within Swaziland will be subject to taxation. Taxes are paid in two instalments in advance based on a provisional assessment, which should be at least 90% of the prior year tax charge. The Swaziland tax year is 30 June.

The estimate of taxable income may not be less than the taxable income assessed for the latest preceding year of assessment in respect of which an assessment has been issued not less than twenty one (21) days before the date such estimate is made, unless the taxpayer can satisfy the Commissioner General that the taxable income for the current year will be less than that for such preceding year.

Provisional tax payments are made as follows;

First payment:

This payment must be made within six months from the commencement of the year of assessment or approved financial year-end date. The estimate of taxable income may not be less than the taxable income assessed for the latest preceding year of assessment, unless the taxpayer can satisfy the Commissioner General that the taxable income for the current year will be less than that for such preceding year.

Second payment:

This payment must be made not later than the last day of the year of assessment or approved financial year end date. Where there has been an increase in the taxable income during the course of the current tax year, all taxpayers are obliged to make good the difference realized when paying either the first or second provisional tax.

Third payment:

It must be paid on or before the due date of the income tax return. Interest at the rate of 18% per annum will be charged on any amount not paid by the date stated and in

addition, a penalty equal to 20% of such amount may be imposed.

TRUSTS

(1) Every trustee who makes any payment from trust income to a beneficiary who has a vested right to such income shall withhold tax at the rate of thirty-three per cent of the gross amount.
(2) The tax withheld shall be on account of the liability to tax of such beneficiary on the income derived from the trust.
(3) Every trustee who has withheld any tax shall -
(a) within fifteen days from the date of payment remit to the Commissioner the amount of tax so withheld; and,
(b) furnish within thirty days after the end of the year of assessment to the beneficiary to whom the payment is made a certificate, showing the amount of the payment made and the tax withheld during the year of assessment.
(4) Every trustee making any payment to which this section applies shall maintain a record showing in relation to each year of assessment-
(a) the payment made to each beneficiary; and,
(b) the tax withheld from such payment, and such record shall be kept for the period specified for examination by the Commissioner as and when required.
(5) The deduction of tax under this section shall not relieve a beneficiary from the obligation to furnish a return for the assessment of the tax or any return from any other obligation imposed by the Income Tax Order of 1975 Amended.
(6) A trustee who fails to withhold any tax or having withheld such tax fails to remit such tax to the Commissioner, as required shall, in addition to any penalty for which he may be liable, be personally liable to pay the Commissioner that amount of tax as if it were tax due and payable by such person under Part VII of the Income Tax Order of 1975 as Amended.

BRANCH PROFITS TAX

Branches of non-resident Companies are subject to tax on Swaziland profits as if they were resident Companies. In addition, branch profits tax of 15% is charged on the deemed repatriated income. Such branch profits tax being paid or payable to a Company incorporated or registered as such in a neighbouring country (South Africa, Botswana, Lesotho, Mozambique and Namibia) and that it is neither a subsidiary nor a branch of a Company incorporated or registered outside a neighbouring country, the rate of tax for which such first mentioned Company shall be liable, at the rate of twelve and one half percent (12.5%).

VALUE ADDED TAX (VAT)

There is no Sales tax in Swaziland. Value Added Tax (VAT) was introduced in Swaziland in April 2012. It is administered by the VAT Act No.12 of 2011 as well as the VAT Regulations of 2012. VAT is tax that is charged on the consumption of goods and services in Swaziland. VAT is also tax charged on the importation of goods and services into Swaziland.

Standard rated supplies

These are taxable supplies that are neither exempt nor zero rated. VAT charged on standard rated supplies is 14%.

Exempt supplies (first schedule of the VAT Act no. 12 of 2011)

- These are goods and services that do not attract VAT at all
- Suppliers of these goods and services cannot register for VAT
- Businesses dealing in exempt goods and services when purchasing taxable supplies have to pay VAT
- They cannot claim the VAT they incurred from their purchases as input tax because they are not VAT registered

Zero-rated supplies (second schedule of the VAT Act no. 12 of 2011)

- These are goods and services that attract VAT at 0%
- Suppliers of these goods and services can register for VAT
- Such businesses can claim the VAT they incurred from their purchases as input tax at the end of each tax period

VAT DECLARATION – PAYMENT/VAT RETURN

There are two applicable tax periods;

Category A - One month tax period

Businesses who make annual taxable supplies of E20 million and above; or
Businesses approved to deferred import VAT; must submit on a monthly basis.

Category B – three month tax period

Businesses that make annual taxable supplies of less than E20 million are required to submit returns at three months intervals (quarterly).The return must be accompanied by proof of payment when applicable.

Advance Payment on Vat

Taxpayers are advised to note the following on advance payment of VAT which shall come into effect on 01 April 2015:

a. Monthly and quarterly filers are allowed to make advance payments of the VAT due even before the end of their tax period. The return will only be submitted on or before the 20th day of the month following the end of the tax period.
b. Taxpayers must have made all VAT payments relating to that particular tax period on or before the 20th day of the month following the end of the tax period.
c. Advance payment does not absolve the taxpayer from submitting the required VAT Returns as stipulated in Section 32 of the VAT Act, failure to submit on or before the due date shall continue to attract penalties in terms of Section 57 of the VAT Act.
d. The facility provided by this Practice note is given as an option to both "Category A" and "Category B" taxpayers. Taxpayers who are comfortable with the payment intervals as prescribed in the legislation may continue to make payments in that manner.

FRINGE BENEFITS TAX

In general, benefits provided to employees are added to their remuneration and taxed accordingly. There are, however, some exceptions, these include all other benefits in kind that an employee may enjoy at the expense of the employer; E.g. remuneration of domestic assistants by the employer on behalf of the employee; the amount of the remuneration paid to the assistants is added to the employee's salary before calculation of tax.

The value of free passage by road, rail, ship, or air that are paid for an employee. Such value is not taxable if the duration for the employment contract is two years or more. If the contract is less than two years the contract should not be renewable.

STAMP DUTY

Stamp duty is levied on legal instruments relating to the sale, mortgage or lease of immovable property and the sale or mortgage of stocks and shares.

LOCAL TAXES

Employment income is taxed on a withholding tax (WHT) basis known as Pay As You Earn (PAYE) at a graduating scale of 33% per annum.

COMPANIES

Tax Rate Date From	Tax Rate Date To	Tax Rates
1 July 2012	30 June 2013	30%
1 July 2013	To Date	27.5%

INDIVIDUALS

Taxable Income		Tax Rates	
E0	- E100 000	0	+ 20% of the excess of E0
E100 000	- E150 000	E20 000	+ 25% of the excess of E100 000
E150 000	- E200 000	E32 500	+ 30% of the excess of E150 000
E200 000		E47 500	+ 33% of the excess of E200 000

PART TIME EMPLOYEES' REMUNERATION

Remuneration		Tax Rate
0	- 8 333	20%
8 333	- 12 500	25%
12 500	- 16 666	30%
16 666		33%

WITHHOLDING TAX RESIDENT AND NON RESIDENT

Resident And Non-Resident Tax	Rate Of Tax	Due Date
Non-resident shareholders' tax (NRST) on dividends	SACU Area 12.5%. Outside SACU 15%	Within 30 days from the day on which the dividend is declared
Non-resident tax on interest	10%	Within 15 days after the date of accrual
Withholding tax on royalties and management fees	15%	Within 15 days from the date of payment.
Withholding tax on non-resident contractors	15%	Within 15 days from the date of payment.
Withholding tax on entertainers and sportsmen	15%	Within 15 days from the date of payment.
Repatriated Branch Profits	15%	Within 15 days from the date of payment.
Withholding tax on non-resident persons	15%	Within 15 days from the date of payment.

CONCESSIONARY RATES OF NORMAL TAX IN THE CASE OF REDUNDANT OR RETIRING INDIVIDUALS – 2013 TO DATE

Taxable Income		Tax Rates	
E0	- E100 000	0	+ 20% of the excess of E0
E100 000	- E150 000	E20 000	+ 25% of the excess of E100 000
E150 000	- E200 000	E32 500	+ 30% of the excess of E150 000
E200 000		E47 500	+ 33% of the excess of E200 000

OTHER TAXES

These include amongst others, customs and excise duties and graded tax.

There are two rates relating to graded tax;

- The rate for all Swazi adults in receipt of income is E18/annum and this is payable via the first PAYE remittance system.
- The rate for an adult male person not in receipt of income is E4.20/annum.
- Female adults not in receipt of an income are not obliged to pay Graded tax.

EXCISE DUTY

Special excise duties apply to the following;

- Alcohol
- Tobacco products
- Perfumes etc

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Temporary importation

Security is provided for the payment of customs duties and other taxes due in the event that the goods are not re-exported within the required deadline - to ensure that goods that were imported for other than home consumption are not diverted to such consumption;

Permanent importation

Release for free circulation (The term "free circulation" is used to describe imported goods on which all import formalities have been complied with and any customs duties or other charges have been paid and not repaid in whole or in part.)
At point of entry -obtain data to identify the goods and apply non-tariff measures (e.g licenses)

-perform point of entry controls - if necessary
-collect or secure import duties
-release the goods

Transit – suspension of duties and other charges, security required.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
WEAR AND TEAR ALLOWANCE - ITEM AND PERIOD OF WRITE OFF (NUMBER OF YEARS)

Description	Write off period
Computers software (pc's); special patterns and tooling; video cassettes	2
Bulldozers; calculators; computers (pc's); computers software; concrete transit mixers; Dictaphones; fax machines; motorized concrete mixers; patterns, tooling and dyes; textbooks; trucks (heavy duty)	3
Aircraft (light – passenger / commercial / helicopters); bicycles; compressors; debarking equipment; delivery vehicles; excavators; fork-lifts trucks; front-end loaders; graders; mobile cranes; mobile refrigeration units; motorcycles; motorized chain saws; pallets; portable concrete mixers; refrigerated milk tankers; tractors; excavators; trucks (others); track mounted cranes; water tankers	4
Battery chargers; cinema equipment; cash registers; computers (main frame); curtains; dental and doctors equipment; drilling equipment (water); engraving equipment; fire extinguishers (loose units); garden irrigation equipment (movable); hairdressers equipment; laboratory research equipment; Laundromat equipment; mobile caravans; motor mowers; musical instruments; passenger cars; photocopying equipment; portable generators; power tools (hand operated); public address systems; radio communication equipment; scales; solar energy units; staff training equipment; surveyors field equipment; tape recorders; telephone equipment; trailers; washing machines; workshop equipment; x-ray equipment	5
Adding machines; air conditioner (movable); arc welding equipment; balers; cheque writing machines; cold drink dispensers; crop sprayers; demountable partitions; drills; electric saws; electrostatic copiers; fertilizers spreaders; fitted carpets; furniture and fittings; gantry cranes; gas cutting equipment; gas heaters; and cookers; gear shapers; grinding machines; guillotines; harvesters; heat dryers; heating equipment; incubators; ironing and pressing equipment; kitchen equipment; knitting machines; lathes; medical theatre equipment; milling machines; ovens and heating devices; ovens for heating food; perforating equipment; photographic equipment; planers; ploughs; refrigeration equipment; refrigerators; sanders; seed separators; sewing machines; shop fittings; spin dryers; spot welding equipment; television sets; video machines; decoders; typewriters; vending machines (including video game machines); water tanks	6
Burglar alarms (removable); gymnasium equipment; neon signs and advertising boards; surveyors instruments; weighbridges (movable parts)	10
Lift installation (goods); lift installations (passengers); water distillation and purification plant	12

DEPRECIATION

Wear and Tear allowances or depreciation in respect of machinery, plant, implements, utensil and articles (including vehicles and equipment) Under Section 14(1)(c)

Group	Description Of Goods Assets Included	Depreciation Rate
1	Computer hardware and software; lorries; buses; video recorders	33 1/3%
2	Aircraft; construction equipment (mobile) (including – bulldozers, concrete mixers, graders, road scrapers); lifts and elevators; light delivery vehicles (LDV's); motor cycle; tractors; videotapes; plant and machinery working 24 hours per day	25%

3	Casino equipment, hotel soft furnishings (including carpets); medical equipment; sound and projection equipment; televisions; trailers; plant and machinery working two shifts per day	20%
4	Furniture and fittings; legal and professional libraries; musical equipment; office equipment including (accounting machines, air conditioning plant, binds and curtaining, fans) and any depreciable asset not included in any other group, including plant and machinery working one shift per day	10%
5	Railroad cars, locomotives and railroad equipment; engines and turbines; public utility plant	5%
6	Industrial Buildings	4%

Where a taxpayer elects to claim the deduction of wear and tear allowances on a straight-line basis, such taxpayer shall obtain approval from the Commissioner of Taxes before claiming the wear and tear on straight-line basis. Requests for allowances to be granted on the "straight-line" will be considered if the following conditions in respect of the assets to which such method will be applied are satisfied:

(a) The taxpayer maintains adequate records
(b) The straight-line basis will apply to all assets of the same class
(c) The annual return of income contains a schedule disclosing in respect of each asset disposed of during the year of assessment:
(i) The date of acquisition and the original cost
(ii) The income tax value as at the end of the immediately preceding tax year
(iii) The price realised on disposal or scrapping as well as the tax value of any profit or loss
(d) The rates of allowance granted will be such that the rate per annum reduces the value of the asset to nil at the end of its agreed estimated life
(e) An asset written off in full shall be brought into account at a residual value of E1 for record purposes

Where a taxpayer applies the straight-line method, the asset shall be written off in equal annual instalments over its estimated useful life. The wear and tear deduction must be reduced proportionately if the asset was acquired and commissioned during the year of assessment.

Where a taxpayer has been granted permission to apply the straight-line method, the write-off periods shall be in line with the periods prescribed by the Commissioner. Taxpayers must obtain prior approval to apply a different write-off period to an asset approved, for the proposed write off period from the Commissioner of Taxes.

TRADING STOCK

(1) There shall be taken into account, in the determination of the taxable income derived by any person, during any year of assessment, from carrying on any trade (other than farming), the value of all trading stock held and not disposed of by him (hereinafter referred to as "the value of trading stock held") at the beginning and end of each year of assessment.
(2) The cost of trading stock disposed of during the year of assessment is determined by adding to the opening value of trading stock the cost of trading stock acquired during the year, and subtracting the closing value of trading stock.
(3) The value of trading stock held by any person at the beginning of any year of assessment shall be deemed to be –
(a) where the person carried on trade on the last day of the previous year of assessment, the value of trading stock held on that date; or
(b) where the person commenced the trade during the year of assessment, the cost to the person of any stock acquired prior to the commencement of the trade.
(4) The value of trading stock held at the end of a year of assessment shall be deemed to be the lower of cost or market value to the person carrying on the trade.
(5) For the purposes of this subsection, the cost of any trading stock in relation to any date shall be -
(a) the cost incurred in acquiring such trading stock; and
(b) any further costs incurred up to such date in getting such trading stock into its then existing condition or location.
(6) Where any trading stock has been acquired by any person -
(a) for a consideration which cannot be valued; or
(b) otherwise than by way of a transaction at arm's length, such trading stock shall be deemed to have been acquired at a cost equal to the price which, in the opinion of the Commissioner, was the current market price of such trading stock

on the date of acquisition.

(7) Where particular items of trading stock are not readily identifiable, a person may account for that trading stock on the first-in-first-out method or the average cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner.

DIVIDENDS

Non-Residents Tax	Rate Of Tax	Due Date
Dividends for companies in Botswana, Lesotho, Namibia and South Africa	12.5%	Within 30 days from the day on which the dividend is declared
Dividends - for other countries	15%	Within 30 days from the day on which the dividend is declared
Residents	**Rate Of Tax**	**Due Date**
Dividends	10%	Within 15 days from the date of payment

INTEREST DEDUCTIONS

Levy of non-residents tax on interest.
If any amount of interest accrues to or in favour of -
(a) any person, other than a company, not ordinarily resident in Swaziland;
(b) the estate of any deceased person who, at the date of his death, was not ordinarily resident in Swaziland; or
(c) a company not registered in Swaziland; and the debtor in respect of such amount is ordinarily resident or carries on business in Swaziland, there shall be levied and paid a tax (in this Part referred to as nonresidents tax on interest) equal to ten per centum of such amount.

Application of provisions

For the purpose of this Part -

(a) if interest is payable or is credited to any person having an address outside Swaziland such interest shall, until the contrary is proved, be deemed to have accrued to any person, estate or company, as the case may be,

(b) if the debtor in respect of any amount of interest is the estate of any deceased person, such estate shall be deemed to be ordinarily resident or to be carrying on business in Swaziland, if such person at the date of his death, was ordinarily resident or was carrying on business in Swaziland;

(c) if the debtor in respect of any amount of interest is a company, such company shall be deemed to be ordinarily resident in Swaziland if it is registered, managed or controlled in Swaziland; and

(d) any amount accruing to any shareholder in a building society out of the profits of such society shall be deemed to be interest.

LOSSES

Tax losses can be carried forward to offset against future profits. Losses that are offset may be carried forward indefinitely.

Losses cannot be carried back against profits of previous years.

FOREIGN SOURCED INCOME

Foreign tax relief is limited only to countries which have a Double Taxation Agreement with Swaziland.

INCENTIVES

The Memorandum of Understanding (MOU) sets out terms and conditions, which shall apply in respect of the grant of a Development Approval Order (DAO) by the Minister of Finance (MoF) to whichever Company that has applied for the (MOU). The tax concession is granted under the (DAO) for a period of 10 years.

C. FOREIGN TAX RELIEF

Relief for double taxation is provided by means of credit for overseas tax suffered on overseas income. The credit is the lower of the foreign tax paid and the Swaziland tax on the income concerned.

Foreign tax relief is limited only to countries with double taxation relief. These include; Mauritius, South Africa and the United Kingdom.

D. CORPORATE GROUPS

There is no special regime for the taxation of groups of companies. Each Company is taxed as a separate entity. Losses incurred by one affiliate may not be offset against profits made by another affiliate.

E. RELATED PARTY TRANSACTIONS

Inter-company pricing between affiliated companies must be carried out on an arm's length basis or the income of both companies is adjusted for income tax purposes.

Taxpayers are obliged to provide the tax authorities with documentation containing data about the activities of the taxpayer and other parties to the transaction. This includes a list of the parties to the transaction, the description of the transaction, the terms of the transaction, methods of pricing, terms and conditions of payments etc. functions of the parties of the transaction, information about accepted risks considered by the taxpayer when concluding the transaction and so on.

F. EXCHANGE CONTROL

There are no exchange controls in effect.

G. PERSONAL INCOME TAX

Personal income tax is levied on resident and non resident individuals, whether or not they are citizens of Swaziland.

INDIVIDUALS – 2013 TO DATE

Taxable Income		Tax Rates
E0	- E100 000	0 + 20% of the excess of E0
E100 000	- E150 000	E20 000 + 25% of the excess of E100 000
E150 000	- E200 000	E32 500 + 30% of the excess of E150 000
E200 000		E47 500 + 33% of the excess of E200 000

When applying the above rates the following should be taken into account:

- Tax payable by a natural person will be reduced by a tax rebate amount not exceeding E8, 200 per tax year
- The rates are applicable on the amount exceeding E41 000
- The tax rebate does not apply in the case of redundant or retiring individuals.
- Tax payable by a natural person will be further reduced by a secondary rebate of additional amount not exceeding E2000 if the person is over 60 years old on the last day of assessment.

Taxpayers who are liable to tax on business income are obliged to submit their income tax declarations on business income to the Swaziland Revenue Authority by 31 October every year.

All taxpayers must keep records of their income.They are obliged to keep records for at least five years from the year to which they relate. To avoid double taxation, Swaziland has concluded a considerable number of double taxation conventions.

H. EXEMPTIONS

There are a number of exemptions within each category of income which are defined in Section 12 of The Income Tax order of 1975 Amended.

(1) There shall be exempt from normal tax –

(a) the receipts and accruals of –

(i) a pension fund, a retirement annuity fund, a benefit fund or a provident fund;

(ii) any company, society or other association of persons, whether or not registered under any law, the profits or gains of which, other than profits or gains from investments, are derived solely from transactions with or on behalf of its individual members, and the constitution of which does not admit of the distribution of its profits or gains to any persons other than the members with whom or on whose behalf the transactions took place, and does not confer upon any person any benefit other than benefits accruing to that person from transactions with or on behalf of such person, except as regards any receipts or accruals from investments by any such company, society, or association of persons; and

(iii) any exempt organisation other than business income that is not related to the function constituting the basis for the existence of the organisation.

(b) the income of any person entitled to privileges under the Diplomatic Privileges Act to the extent provided in such Act;
(c) the salaries and emoluments of any person in respect of services rendered to the Government of any country other than Swaziland if that person is not ordinarily resident in Swaziland or is ordinarily resident solely for the purpose of performing such services;
(d) war pensions or gratuities;
(e) dividends received by or accrued to or in favour of –
(i) any person not ordinarily resident or carrying on business in Swaziland;
(ii) the estate of any deceased person who at the date of his death was not ordinarily resident or carrying on business in Swaziland, if, but for this exemption, such estate would have been liable for normal tax in respect of such dividend; and
(iii) any company;

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

DOUBLE TAX TREATIES AND REDUCED RATES

Country	Dividends Qualifying Companies (%)	Interest	Royalties (%)
Mauritius	7.5	5	7.5
South Africa	10	10	10
United Kingdom	15	Fully taxable	*

* Taxable only in the state of residence of the recipient

SWEDEN

MEMBER FIRM

Please email Oliver Grosse-Brauckmann, PKF International EMEI Director, at oliver.grosse-brauckmann@pkf.com for details of Swedish tax contacts.

BASIC FACTS

Full name:	Kingdom of Sweden
Population:	9.5 million (2013 PRB)
Capital:	Stockholm
Major language:	Swedish
Major religion:	Christianity
Monetary unit:	1 Swedish krona = 100 ore
Internet domain:	.se
International dialling code:	+46
Ministry of Finance website:	www.skatteverket.se

KEY TAX POINTS

- Corporate tax is levied on the worldwide income of companies resident in Sweden and also on profits which arise from activities carried out in Sweden through a branch or an agency.
- In general, output VAT is levied on all domestic sales, but not on export or EU sales.
- Stamp duty of 4.25% is levied on real property, 1.5% if the buyer is an individual.
- Dividends received from other Swedish companies are exempt from tax if the dividends derive from business-related holdings.
- Controlled foreign corporation (CFC) legislation exists to ensure that profits originating from low tax jurisdictions are included in the controlling Swedish company's taxable income.
- Double taxation is generally relieved by providing credits for the foreign tax paid. However, some older Double Taxation Conventions exempt foreign income from Swedish tax if it is taxed abroad.
- Transactions at a non-arm's length price are covered by transfer pricing rules, which allow the tax authorities to make an adjustment to impose arm's length prices where profits have been shifted to a company not subject to Swedish tax.
- There are no withholding taxes on interest, royalties and rent paid from Sweden to non-residents. Dividends paid to a non-resident shareholder are subject to a 30% withholding tax that may be reduced by Double Taxation Conventions.
- Under certain circumstances, dividends paid to a non-resident company are tax exempt provided that the receiving company has held 10% or more of the voting

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power in the distributing company for 12 months and the receiving company is taxed in the country where it is resident.
- Residents must pay tax on their worldwide income and capital gains. Non-residents are subject to tax only on income from sources in Sweden.
- Capital income is taxed separately from income from employment at a rate of 30%. Capital income is comprised of interest, gains from the sale of capital assets, gains from the sale of real estate, dividends etc. Interest expenses and capital losses can be set off against capital income. 30% of the net capital loss up to SEK 100,000 can be set off against tax on income from employment. 21% of any excess above SEK 100,000 can be utilised in this way.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
Corporate tax is levied on the worldwide income of companies resident in Sweden and also on profits which arise from activities carried out in Sweden through a branch or an agency.

A company is resident for tax purposes when it is registered in Sweden. Royalties received from Swedish licensees are taxable in Sweden as income from a permanent establishment situated in Sweden. Where a treaty exists, the right to tax may be waived or limited. Since 2004 Sweden has adopted Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. In accordance with the Directive, royalty payments shall be exempt from withholding tax provided that the beneficial owner is a company or a permanent establishment in another Member State and the payor and payee are associated (one holds 25% or more of the capital of the other or a third company holds 25% or more of both companies).

The corporate tax rate is 22%. The fiscal year depends on the company´s financial year A split financial year may end on the last day of any any month during the calendar year The assessment year is the twelwe month period following the applicable financial year. Permission from the tax authorities is needed to change from a calendar year to a split financial year or from a split financial year to another split financial year. Tax returns are filed annually and should be submitted within six months of the end of the tax year.

BRANCH PROFITS TAX
A branch’s taxable trading profits and capital gains are calculated on the same basis as for Swedish resident companies.

SALES TAX/VALUE ADDED TAX (VAT)
In general, output VAT is levied on all domestic sales but not on export or EU sales. The general rate of VAT for goods and services in Sweden is 25% of the assessed value. Certain goods and services are exempt from tax or taxed at a lower rate. A 12% rate applies to the sale of foodstuffs, restaurant, catering and tourism services. A 6% rate applies to newspapers and periodicals, transport, cinema and concert tickets. Returns for input and output VAT need to be settled each month or quarter with the Swedish tax authorities. However, for companies with a turnover not exceeding 1 million SEK VAT may be reported in an annual VAT return.

FRINGE BENEFITS TAX (FBT)
There is no specific FBT.

SOCIAL SECURITY CONTRIBUTIONS
Employers are liable to pay social security contributions relating to salaries and benefits paid to their employees. The social security fees levied for national social security is 31.42%. Employers also have to pay social security fees at a rate of 24.26% on pension costs. For 2015, the total of social security contributions for individuals between the age of 18 and 25 is reduced to 15.49%. For individuals over 65 years the rate is 10,21 % and for those born 1937 or earlier no contributions have to be paid.

LOCAL TAXES
There are no local taxes imposed on companies.

OTHER TAXES
Stamp duty of 4.25% is levied on real property and 1.5% if the buyer is an individual. A stamp duty is also levied on mortgage loans at a rate of 0.4%, 1% or 2% of the principal amount of the loan where secured on businesses, aircraft, immovable property or ships.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is primarily based on the financial accounts. The net profit for the year is adjusted for certain tax-related items. The taxable income of a company is determined using the accruals basis of accounting. Taxable income is based on worldwide income less allowable deductions. Generally, to be deductible, expenditure must be incurred for the purposes of the business. For flow-through entities, such as partnerships and limited partnerships, taxable income is determined in a similar way as for corporations. The difference is that they are not taxable persons. Hence, the income is taxed at the partner/owner level.

Companies are allowed to make provisions to a tax allocation reserve (periodiseringsfond) of up to 25% of taxable income. The provision must be dissolved (added to income) after six years.

DEPRECIATION

SHORT-LIFE ITEMS

Equipment and machinery with a value of less than SEK 22.250 or with an expected economic life of three years or less may be fully depreciated in the year of acquisition.

MACHINERY AND EQUIPMENT

(1) The most common method is depreciation as recorded in the books. Depreciation of up to 30% per annum of the book value at the end of the year may be deducted.
(2) An alternative rule allows a straight-line depreciation of 20% per annum if this results in a lower book value in any year.
(3) If the taxpayer can prove that the real value of machinery and equipment is lower than that derived under both the above depreciation methods, depreciation resulting in the real value may be used instead.

INTANGIBLE ASSETS

Intangible assets are depreciated in the same way as machinery and equipment, see above. However, it is not necessary to use the same method for all assets, i.e. machinery and equipment may be depreciated with 30% and the intangible assets with 20%.

BUILDINGS

Depreciation is allowed on an annual straight line basis calculated on the acquisition cost at the rates of 2% to 5%. This method is independent of the depreciation made in the financial accounts.

STOCK/INVENTORY

Stock and work in progress is valued at the lower of acquisition cost or market value on a FIFO basis. However, stock may be valued at 97% of its aggregate acquisition value, excluding real property, debt claim and securities.

CAPITAL GAINS AND LOSSES

Capital gains derived by a company are taxed as part of its normal business income although there are special rules for the disposal of shares. Gains on the disposal of shares in resident and non-resident companies are exempt from tax if they constitute a business-related holding. This generally applies to unquoted shares and also to quoted shares held for at least the year prior to the date of disposal and which represent at least 10% of the company's voting rights or considered necessary for the business conducted by the shareholding company or any of its affiliates.

DIVIDENDS

Dividends received from other Swedish companies are exempt from tax if the dividends derive from business-related holdings (using the same definition as above).

INTEREST DEDUCTIONS

Interest is normally deductible on an accruals basis rather than a paid basis as far as companies are concerned. There are no specific thin capitalisation rules but interest paid between affiliated companies must be at an arm's length rate. There are certain restrictions on tax deductions for interest payments on intra-group loans for acquisition of shares.

LOSSES

Losses can be carried forward indefinitely, provided there is continuity of ownership. Losses arising on the disposal of portfolio shares may only be offset against gains arising on the disposal of similar shares. Portfolio shares are those where the shareholder has not held 10% of the voting power in the company concerned for the requisite 12-month period.

FOREIGN SOURCE INCOME

Controlled foreign company rules apply such that some corporate shareholders of foreign legal entities with low-taxed income are taxed on their share of the income as normal Swedish business income. The rules apply where the shareholder has a direct or indirect interest in at least 25% of the capital of voting rights in the foreign legal entity. The net income of a foreign legal entity is considered low taxed if it is not taxed at all or taxed at a rate lower than 55% of the Swedish tax rate (12.1% in 2013). There are extensive exceptions for foreign legal entities that are domiciled in, and with income from, jurisdictions on the so-called 'white list', although certain types of income received by entities in those jurisdictions are excluded. From 1 January 2008, an exemption from these rules applies to income from a controlled foreign entity that is resident within the EEA if the shareholder can prove that the foreign entity is established in the other country for business reasons and is engaged in real economic activities.

INCENTIVES

There are no particular tax incentives for companies operating in under-developed areas. However, companies acting in certain thinly populated areas will be charged reduced social security tax.

C. FOREIGN TAX RELIEF

Double taxation is generally relieved by providing credits for the foreign tax paid. However, some older Double Taxation Conventions exempt foreign income from Swedish tax if it is taxed abroad. Costs related to exempt income cannot be deducted. If international double taxation cannot be avoided by credit or exemption, the tax payer may deduct the foreign tax as a cost or carry forward any surplus credit for five years. Many Swedish Double Taxation Conventions include rules about tax sparing (matching credit). These rules can be used when investing in developing countries.

D. CORPORATE GROUPS

Consolidated tax returns cannot be filed in Sweden. However, profits may be transferred between the entities in a Swedish group of companies by group contributions. Group contributions are deductible by the contributing company and taxable income of the receiving company. The main requirements for group contributions are:

(a) The companies must be registered in the EU and taxed in Sweden and none of them must be an investment company. Due to discrimination rules, group contributions between Swedish companies are accepted even if a foreign group company holds one of the Swedish companies. Group contributions between a foreign branch in Sweden and a Swedish company are also accepted due to discrimination rules.

(b) The parent company must hold – directly or indirectly – more than 90% of the shares in the group company for the entire fiscal year. If the operation in a company starts during the fiscal year, the parent company must have held the shares from the time when the operation started.

From 1 July 2010, a Swedish resident company may deduct a group contribution paid to its subsidiary which is resident in another EU Member State, provided the parent company holds at least 90% of the shares of the foreign subsidiary and the subsidiary has been dissolved through liquidation. The deductible amount cannot, however, exceed the lower of (i) the amount of the loss of the subsidiary in its final period and (ii) the loss of the subsidiary in the previous year (i.e. the year before liquidation) calculated under the tax rules in both countries in question.

E. RELATED PARTY TRANSACTIONS

Transactions at a non-arm's length price are subject to transfer pricing rules, which allow the tax authorities to make an adjustment to impose arm's length prices. Assets may be transferred between Swedish companies without any tax consequences provided that group contributions between the companies are possible. Interest paid between affiliated companies must be at an arm's length rate if group contribution rules are not applicable.

F. WITHHOLDING TAX

There are no withholding taxes on interest, royalties and rent paid from Sweden to a receiver abroad (although see the commentary in A. above regarding the deeming of royalty payments by Swedish licensees as income derived from a permanent establishment). Dividends paid to a non-resident shareholder are subject to a 30% withholding tax that may be reduced by Double Taxation Conventions. Dividends to a company resident within the EU holding 10% or more of the voting power in the distributing company are exempt from withholding tax.

Dividends to a company resident in a non-EU country are also tax exempt provided that the shares constitute fixed business assets of the receiving company which has held 10% or more of the voting power in the distributing company for 12 months and is taxed in the country where it is resident.

G. EXCHANGE CONTROL

There is no exchange control in Sweden.

H. PERSONAL TAX

Swedish residents are subject to tax on their worldwide income and capital gains. Taxable income includes all remuneration received from employers, whether in cash or in kind, such as free food, free accommodation, company cars etc. Pensions, unemployment benefits etc are also included in the taxable income. It is permissible to deduct certain costs from the income, e.g. travelling costs between work and home up to a maximum amount set annually.

A foreign national will be liable to tax if he is regarded as resident in Sweden, which will be if he has an essential connection to Sweden, is present in Sweden for a period of more than 183 days or has his principal home in Sweden during the tax year. Individuals pay both national income tax and municipal income tax. In 2015 taxable income of less than SEK 443.300 will be subject to municipal tax only. The municipal income tax is imposed at a flat rate which varies from region to region (31,99% average, 29,855% in Stockholm), in addition to this a church rate of about 1% has to be paid, for an individual who is not a member of a church the rate is lower. For taxable income exceeding SEK 443.300 there is also a national income tax calculated at a rate of 20% on income up to SEK629.200. On taxable income exceeding this amount the rate is 25%. Taxable income is reduced by a tax allowance of between SEK 13.100 and SEK 34.300 dependeing on the income. Individuals over 65 year of age are entitled to a higher tax allowance. Since 2007 there is also a general tax reduction linked to income from active work.

Non-residents are subject to tax only on income from sources in Sweden. Employment income is taxed at a flat rate of 20%.

Capital income is taxed separately from income from employment at a rate of 30% and is not subject to municipal income tax. Capital income is comprised of interest, gains from the sale of capital assets, gains from the sale of real estate, dividends etc. Interest expenses and capital losses can be set off against capital income. 30% of the net capital loss up to SEK 100,000 can be set off against tax on income from employment. 21% of any excess above SEK 100,000 can be utilised in this way.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Sweden has concluded approximately 70 multilateral or bilateral Double Taxation Conventions with other States. These conventions are often renegotiated which means that the withholding tax rates frequently change. A withholding tax rate in a convention where Sweden is one of the parties may also change because of a change in a convention concluded by third parties due to a most-favoured nation provision. Therefore, it is important to consult the relevant treaty to check the withholding tax rates listed in the table below.

	Individuals, Dividends[1] (%)	Royalties (%)
Treaty countries:		
Albania	15/5	5
Argentina	15/10	3/5/10/15
Australia	15	10
Austria	10/5	0/10
Bangladesh	15/10	10
Barbados	15/5	5
Belarus	10/0/5	3/5/10
Belgium	15/5	0
Bolivia	15/0	15
Bosnia and Herzegovina	15/5	0

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	Individuals, Dividends[1] (%)	Royalties (%)
Botswana	15	15
Brazil	25/–	25/–
Bulgaria	10	5
Canada	15/5	0/10
Chile	10/5	5/10
China	10/5	6/10
Croatia	15/5	0
Cyprus	15/5	0
Czech Republic	10/0	0/5
Denmark	15/0	0
Egypt	20/5	14
Estonia	15/5	5/10
Faroe Islands	15/0	0
Finland	15/0	0
France	15/0	0
The Gambia	15/0/5	5/12.5
Germany	15/0	0
Greece	0	5
Hungary	15/5	0
Iceland	15/0	0
India	10	10
Indonesia	15/10	10/15
Ireland	15/5	0
Israel	15/5	0
Italy	15/10	5
Jamaica	22.5/10	10
Japan	15/0/5	10
Kazakhstan	15/5	10
Kenya	25/15	20
Korea, Republic of	15/10	10/15
Latvia	15/5	5/10
Lithuania	15/5	5/10
Luxembourg	15/0	0
Macedonia	15/0	0
Malaysia	15/0	8
Malta	15/0	0
Mauritius	15/5	15
Mexico	15/0/5	10
Montenegro	15/5	0
Morocco	0	0
Namibia	15/0/5	5/15
Netherlands	15/0	0
New Zealand	15	10
Norway	15/0	0
Pakistan	–[2]/15	10
Philippines	15/10	15
Poland	15/5	5
Portugal	10	10

	Individuals, Dividends[1] (%)	Royalties (%)
Romania	10	10
Russia	15/5	0
Serbia	15/5	0
Singapore	15/10	0
Slovak Republic	10/0	0/5
Slovenia	15/5	0
South Africa	5/15	0
Spain	15/10	10
Sri Lanka	15	10
Switzerland	15/0	0
Taiwan	10	10
Tanzania	25/15	20
Thailand	–[2]/15/20	15
Trinidad and Tobago	20/10	0/20–
Tunisia	20/15	5/15
Turkey	20/15	10
Ukraine	10/0/5	0/10
United Kingdom	5/0	0
United States	15/0/5	0
Venezuela	10/5	7/10
Vietnam	15/5/10	5/15
Zambia	15/5	10
Zimbabwe	20/15	10

1 The reduced rate generally applies to dividends paid to corporates with a minimum participation in the Swedish company. The level of participation varies from treaty to treaty.
2 There is no reduction under the treaty – the domestic rate applies.

SWITZERLAND

MEMBER FIRM

City	Name	Contact Information
Geneva	Roder Jean-Claude	+ 41 22 301 54 40 jean-claude.roder@scfid.ch
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BASIC FACTS

Full name:	Swiss Confederation
Population:	8.0 million (2013 PRB)
Capital:	Bern
Largest city:	Zurich
Major languages:	German, French, Italian, Romansch
Major religion:	Christianity
Monetary unit:	1 Swiss Franc = 100 Rappen
Internet domain:	.ch
International dialling code:	+41
Federal Department of Finance website:	www.efd.admin.ch

KEY TAX POINTS

- In Switzerland, taxes are governed by federal law and 26 different cantonal tax laws.
- Corporate income tax is payable by Swiss resident companies on corporate net profit.
- Foreign branch income of a Swiss corporation is exempt from Swiss taxation.
- Capital gains on real estate for direct federal tax and several cantonal tax purposes are aggregated with and taxed as part of ordinary income.
- VAT is charged on the domestic delivery of goods and rendering of services and a tax on the importation of goods and services into Switzerland. The VAT rate is usually 8%. Special lower rates (2.5% or 3.8%) apply for various services and goods, except for some exemptions.
- Dividends paid from Swiss capital companies to Swiss residents and non-residents are subject to 35% withholding tax. Shareholders resident abroad may obtain relief under the appropriate double taxation treaty.
- There is no federal withholding tax on royalties.
- Deemed distributions may arise to the extent that prices between related parties exceed those on arm's length terms. Withholding tax may be applied to the deemed distributions.
- A Swiss resident individual is subject to Swiss federal, cantonal and communal taxes on his worldwide income and net wealth, with the exception of income from investments in foreign permanent establishments and real estate situated abroad. Basically, foreigners are regarded as resident from date of registration.
- Net wealth taxes, inheritance and gift taxes are levied by most cantons, but they are not levied at federal level.

A. TAXES PAYABLE

FEDERAL AND CANTONAL TAXES AND LEVIES

Taxes are governed in Switzerland by federal law and 26 different cantonal tax laws. The cantonal tax laws were harmonised with effect from 1993. Tax declaration procedures and the determination of the taxable income in the various cantons are similar and in line with the federal law. However, the cantons do set their own tax rates. The presence of different tax legislation means that the fiscal burden on a Swiss company depends not only on the size of its income and assets but, to a considerable degree, also on the location of its registered office, its business objects and the nature of its operations. Taxation may vary significantly from one canton to another. In general, the cantonal laws are flexible and include tax privileges for special purpose companies e.g. holding companies.

CORPORATE TAX

Corporate income tax is payable by Swiss resident companies on corporate net profit (i.e. on the profit after taxes). Exceptions to this rule may be found in some cantons where a special tax on capital gains realised on the sale of immovable property may be levied. Income of Swiss resident companies from business operations, permanent establishments and immovable property situated abroad is exempt from income tax but included in calculating progressive corporate income tax rates.

Each resident taxpayer has to file an annual tax return. As a rule, non-resident taxpayers have to file tax returns only if they maintain a permanent establishment or own immovable property in Switzerland including gains on the sale of such property and on income from debts secured by real estate situated in Switzerland.

Cantonal income tax rates are predominantly flat rates. Some cantons use graduated rates. The federal income tax is 8.5% (statutory tax rate applicable on taxable income after taxes, effective tax rate is 7.83%).

Effective ordinary corporate tax rates on income vary significantly from one canton to another (from approximately 12% up to a maximum of approximately 24% in 2015.

An annual capital tax is due at the cantonal and communal level on taxable capital which is usually at least the value of paid in share capital. The effective ordinary capital tax rates vary from 0.01% to 0.52% depending on the canton of residence. Reduced rates are usually applicable for special purpose companies.

There are a number of special purpose companies in Switzerland, i.e. domiciliary and holding companies.

Domiciliary companies only have administrative activities in Switzerland and are exclusively engaged in international business. Companies qualifying for domiciliary status are completely exempt from cantonal tax on dividend income and on capital gains from qualifying participation. Other Swiss-sourced income is taxed at ordinary income tax rates whereas profits from trading outside are usually also subject to tax at

reduced rates. Swiss federal tax does not provide for any particular relief for domiciliary companies.

Holding companies are exempt from cantonal and communal corporate income tax and are often also subject to capital tax at reduced rates. Holding companies may own real estate in Switzerland. However, as an exception, any income or capital gains generated from such real estate is subject to ordinary taxation. Federal income tax is levied at ordinary corporate income tax rates.

Corporate tax reforms (CTR III) - Brief Summary

The corporate tax reforms are designed to increase the appeal of Switzerland as a tax location and to reinstate its international acceptance. There has been criticism of certain tax arrangements for holding, domiciliary and mixed companies. The reforms are designed to eliminate the different taxation of domestic and foreign company profits by the cantons. At the same time, dialogue is under way with the EU. To remain competitive internationally, privileged taxation of royalties and interested-adjusted profit tax are to be newly introduced. The cantons also have the opportunity to lower the profit taxes. The reduction in tax receipts associated with the reforms should be distributed equally between the Confederation, the cantons and the communes.

New regime anticipated 2018-2020 timeframe, i.e. most likely 2019 and earliest January 1, 2018.

CAPITAL GAINS TAX

Capital gains on real estate for direct federal tax and several cantonal tax purposes are aggregated with and taxed as part of ordinary income. In other cantons, recaptured depreciation is taxed with ordinary income, while the realised increase in value is subject to a special real estate gains tax.
Capital gains realised on the sale of investments are (partially) tax exempt, provided:

(1) The sales price exceeds the (historical) acquisition costs of the investment;
(2) The securities sold amount to at least 10% of the sold company's share capital or entitle the purchaser to at least 10% of the profit or reserves of the sold company;
(3) The investment was held for a period of at least one year.

BRANCH PROFITS TAX

Foreign branch income of a Swiss corporation is exempt from Swiss taxation. Swiss branches of foreign companies are assessed on the profit and capital attributable to the branch. Branches of foreign companies are treated for income tax purposes basically in the same way as those of local corporations. Some cantons apply special rules to Swiss finance branches of foreign companies. The finance branches are subject to reduced income tax rates (a reduced tax basis applies due to special deemed interest deductions) and usually also reduced annual capital tax rates.

VALUE ADDED TAX (VAT)

VAT is charged on the domestic delivery of goods and rendering of services and a tax on the importation of goods and services into Switzerland. The VAT rate is usually 8%. Special lower rates (2.5% or 3.8%) apply for various services and goods. In addition, various exemptions exist.

LOCAL TAXES

The municipalities levy income taxes, mostly in the form of annually determined surcharges on the cantonal taxes. The tax rates may differ from one community to another.

OTHER TAXES

There are no taxes on income other than the federal, cantonal and communal taxes as mentioned above. In many cantons the churches also levy an income tax, generally based on a percentage of cantonal taxes.

SOCIAL SECURITY

Compulsory old age and survivors' insurance/unemployment insurance/children allowance on gross salaries are payable at 12.5% (6.25% payable by the employer and employee respectively). Contributions to compulsory pension plans vary in accordance with the benefits covered and are usually shared by employer and employee. The employer generally has to bear at least half. Health insurance has to be organised and paid on a private basis.

ISSUANCE STAMP DUTY TAX

The issuance and increase of the nominal capital of the following securities are generally subject to issuance Stamp Duty tax:

	Rate (%)
Shares of Swiss corporations	1*
Quotas of Swiss private limited companies	1*
Shares in Swiss co-operative societies	1*

* Nil % up to a paid-in capital of CHF 1,000,000.

Further, capital contributions made by shareholders and credited to reserves (capital surplus) are subject to 1% issuances Stamp Duty tax. Since 1 March 2012 issuance Stamp Duty tax is no longer due on the issuance of debentures and money market papers.

SECURITIES TRANSFER STAMP DUTY TAX

The transfer of taxable deeds (securities, debentures) is generally subject to securities transfer Stamp Duty tax if a Swiss securities dealer is involved. The tax rate is 0.15% for Swiss taxable deeds and 0.3% for foreign taxable deeds. Various exemptions exist. Except from Swiss banks and brokers, capital companies with taxable deeds of more than CHF 10 million in their balance sheet qualify as a Swiss securities dealer with regard to Stamp Duty law.

B. DETERMINATION OF TAXABLE INCOME

The starting point for determining taxable income of corporate entities is the net income reported as per the statutory accounts. This means all types of income, including capital gains, are part of the taxable income. The reported profit may be adjusted for tax purposes by adding back, e.g. expenses that are not commercially justified such as excessive depreciation and provisions, hidden profit distributions and costs in connection with the purchase or improvement of fixed assets.

DEPRECIATION

Depreciation of tangible and intangible assets is allowed where 'commercially justified' and recorded in the books. For tax purposes, both the straight-line and the declining balance methods may be used. The use of one method should be constant over the years and should only be changed if absolutely necessary. Safe haven rates have been published by the federal tax authorities, which are considered commercially justified.

STOCK / INVENTORY

Inventories must be carried at the lower of cost or market value. Cost is generally determined using the FIFO or average method. As a concession, a reserve against stock contingencies may be set up in the books. If this reserve does not exceed one-third of the lower of cost or market value of the inventory at the balance sheet date, it will be admitted by all tax authorities without enquiry.

CAPITAL GAINS AND LOSSES

See discussion above. As a rule, capital gains realised by corporations are not taxed separately but are added to any other income in the year of realisation and taxed at ordinary tax rates. Exceptions may apply to capital gains realised on the disposal of immovable property.

The sale of an investment of at least 20% in another company's share capital by a Swiss company to a foreign or Swiss group company may, under certain circumstances, be made at either book value (tax- exempt restructuring) or fair market value. The sale of an investment of less than 20% in another company's share capital to a foreign affiliated entity or to a Swiss company regardless of the investment may only be completed at fair market value.

Capital gains realised by a foreign shareholder on the sale of a Swiss subsidiary company are not subject to Swiss taxation, except for the sale of Swiss real estate companies, which would be considered as a direct sale of the Swiss properties owned by such companies.

DIVIDENDS

Dividends received are classified as business income but federal law and all cantonal laws allow a relief of taxes payable if the shareholding company owns more than 10% of the share capital or is entitled to at least 10% of the profit or reserves of the dividend distributing company or if the investment has a fair market value of more than CHF 1 million (qualifying investment). If the recipient of a dividend is a holding company, dividend income is exempt from corporate income taxes at cantonal and communal level.

Dividends paid from Swiss capital companies to Swiss residents and non-residents are subject to 35% Swiss withholding tax. Shareholders resident in Switzerland may

apply for the notification procedure under certain circumstances or can reclaim the withholding tax. Shareholders resident abroad may obtain relief under the appropriate double taxation treaty or the tax savings agreement between Switzerland and the EU. Interest deductions.

A company may generally deduct all interest paid or accrued during a business year, although loan arrangements between related parties must be made on an arm's length basis. If the funds raised by interest bearing loans are loaned-on to affiliates, an interest spread of one-quarter to one-half per cent is basically required for the Swiss company if lending and on-lending are made in the same currency. Safe haven rates are published annually by the Swiss Federal Tax Administration for loans from and to affiliates.

Thin capitalisation rules apply to reduce the deduction available where the interest relates to monies borrowed from related parties. The Swiss Federal Tax Administration has issued thin capitalisation guidelines in a Circular Letter ("Kreisschreiben"). In general, any interest paid on loans from related parties that are classified as hidden equity are treated as hidden profit distributions, i.e. may be added back to taxable income and be subject to withholding tax. The excessive portion of the loan, reclassified as equity, may be subject to capital tax.

LOSSES

A limited loss carry forward mechanism is available (for seven years) for federal and cantonal income taxes (there is an unlimited use of loss carry forward in certain recapitalisation scenarios "Sanierung"). Swiss tax law provides neither for loss carry back nor for the consolidation of profitable and unprofitable group companies.

FOREIGN SOURCED INCOME

Switzerland has no controlled foreign company legislation and a foreign company may be treated as a conduit only in instances where it is used for tax avoidance purposes. All income reported by a Swiss company is, in principle, subject to Swiss federal, cantonal and communal taxes (exception see e.g. domiciliary companies).

INCENTIVES

Tax incentives are granted on a case-by-case basis and their extent and duration largely depend on the size of the investment and the importance attributed to the economic development of the canton or region concerned by the cantonal and federal governments. Such an incentive may be either relief or exemption from income and annual capital tax for up to ten years.

Provisions future expenses relating to research and development payable to third parties are tax deductible up to a maximum of 10% of the net profit, with a ceiling of CHF 1 million.

Under certain conditions, companies are allowed to set up a tax privileged 'recession reserve' up to an amount of 20% of the company's annual gross salaries paid. The amounts are deductible for federal, cantonal and communal tax purposes.

Accelerated write-down on fixed asset investments is granted in certain cantons. A wide variety of non-tax incentives are granted by these regions, such as cash grants, participation in project costs, partial or entire assumption of interest expenses on loans required for realisation of the project, subsidies for training personnel etc.

C. FOREIGN TAX RELIEF

Double tax relief is granted by means of tax exemption of foreign branch and real property income and by the deduction of any non-recoverable foreign withholding taxes. Based on most double taxation agreements, a credit against Swiss income taxes is granted for the unrelieved portion of foreign withholding taxes on dividends, interest and royalties or similar fees but not for underlying income taxes on dividends received from subsidiaries.

The tax credit is granted for taxes derived from treaty countries under which Switzerland has committed itself to such a tax credit. Foreign taxes of these countries are creditable only if they are irrecoverable and actually paid or, in respect of treaties that provide for a tax-sparing credit, if they are deemed to be paid.

D. CORPORATE GROUPS

Each entity in Switzerland is subject to taxes independent from the corporate group and tax returns have to be filed for each Swiss subsidiary and branch. Revenue and capital losses cannot be transferred within a corporate group.

E. RELATED PARTY TRANSACTIONS

Intra-group transactions are not challenged by the tax authorities if they are made on an arm's length basis. There are neither provisions in tax laws nor any administrative practices that would challenge a transaction solely on the grounds of being made between related parties. However, intra-group transactions, where the consideration paid for goods or services is higher than what an independent third party would be willing to pay or the consideration for goods or services sold is less than what an independent third party would require, may be deemed as hidden profit distributions and be adjusted for determining taxable income. Hidden profit distributions are, in addition, subject to withholding tax in the same way as dividends.

Payments to foreign affiliates in respect of management fees, research and development, general and administrative expenses are deductible, if made on an arm's length basis. They should, however, be specific and identifiable as a commercially justified charge to the Swiss entity.

F. WITHHOLDING TAX

The company must withhold a tax of 35% and remit this amount to the tax authorities on all cash dividends and dividends in kind, including bonus shares and surplus liquidation proceeds. As per 1 January 2011 reserves that have been paid in directly by shareholders can be distributed withholding tax free. This tax is in general levied at source. However, it can be applied through the notification procedure under certain circumstances. Most treaties provide for a reduction of the normal 35% rate.

Withholding tax on interest is levied at a rate of 35% but only on bonds, bond-like loans and deposits accepted by Swiss banks from non-bank clients. No withholding tax is levied on inter-company loans.

There is no withholding tax on royalties.

G. EXCHANGE CONTROL

There are, at present, no currency restrictions on inward investments, and the Swiss franc is freely convertible into any other currency. Bank accounts may be maintained in local or foreign currencies either in or outside Switzerland without restriction. There is no distinction between resident and non-resident accounts. If the Swiss accounts are kept in a currency other than Swiss francs (i .e. in a functional currency), exchange gains or losses from the conversion of the functional currency accounts to CHF accounts are no longer taxable or tax deductible since the issuance of a respective federal court law decision in October 2009.

H. PERSONAL TAX

A Swiss resident individual is subject to Swiss federal, cantonal and communal taxes on his worldwide income and net wealth, with the exception of income from investments in foreign permanent establishments and real estate situated abroad. Basically, foreigners are regarded as resident from date of registration (usually within one week of arrival where the individual intends to stay permanently in Switzerland).

The cantons levy a wage source tax on salaries paid by domestic employers to expatriates. The tax is deducted monthly from the expatriate's gross income, including any benefits in kind, based on the cantonal tax table.

Individuals' resident abroad and drawing income from or owning net assets in the form of a permanent establishment or real estate in Switzerland are subject to Swiss taxes thereon at the rates that would apply to their worldwide taxable income or net assets. The tax liability is, however, limited to their Swiss taxable income and net assets.

Income tax is payable on assessable income less allowable deductions. The assessable income must include, in gross income, all compensation received as salary, living and housing allowances, tax reimbursements and the fair market value of any benefits in kind.

The tax rates of direct federal tax on income and all cantonal taxes on income and net wealth are on a progressive basis.

The federal tax rates apply separately to single and married taxpayers. These rates are valid as per 1 January 2012. The married taxpayers' rate also applies to registered couples of the same sex living together and to widowed, separated and divorced or single persons living with children who are minors and studying at their expense.

The tax rates for unmarried taxpayers are as follows:

If taxable Income is between (CHF)	Tax on lower amount is (CHF)	Tax on excess is (%)
0 - 17'800	–	0
17,800 - 31,599	–	0.77
31,600 - 41,399	131.65	0.88
41,400 - 55,199	217.90	2.64
55,200 - 72,499	582.20	2.97
72,500 - 78,099	1,096.00	5.94
78,100 - 103,599	1,428.60	6.60
103,600 - 134,599	3,111.60	8.80
134,600 - 175,999	5,839.60	11.00
176,000 - 755,199	10,393.60	13.20
755,200 or above	86,848.00	

If taxable income exceeds CHF 755,200 the exceeding income is subject to a flat rate of 11.50%.

The tax rate for married taxpayers is as follows:

If taxable Income is between (CHF)	Tax on lower amount is (CHF)	Tax on excess is (%)
0 – 29,000	–	0
29,000 – 50,899	–	1
50,900 – 58,399	226	2
58,400 – 75,299	376	3
75,300 – 90,299	883	4
90,300 – 103,399	1.483	5
103,400 – 114,699	2,138	6
114,700 – 124,199	2,816	7
124,200 – 131,699	3,481	8
131,700 – 137,299	4,081	9
137,300 – 141,199	4,585	10
141,200 – 143,099	4,975	11
143,100 – 144,999	5,184	12
145,000 – 895,799	5,412	13
895,800 –	103,016	11.5

* If taxable income exceeds CHF 889,500, the exceeding income is subject to a flat rate of CHF 11.50%.

In addition, cantonal and municipal taxes are payable which are considerably higher. The tax rates are dependent on the canton in which the individual is resident. There are also net wealth taxes, inheritance and gift taxes levied by most cantons.

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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Ordinarily the rate of Swiss withholding tax is 35%. Relief, when granted, is generally by way of refund. The table below stipulates the remaining tax for the recipient for each type of income.

The information contained therein is valid as at 10 October 2012. On 1 July 2005 the agreement on the taxation of savings income between Switzerland and the EU came into effect. A limited company with a direct participation of 25% or more which is held longer than two years can file a request for the application of the declaration procedure. In this case, a 0% rate results.

	Dividends Portfolio (%)	Substantial Holdings[1] (%)	Interest (%)
Resident corporations and individuals	0	0	0
Non-resident corporations and individuals			
Non-treaty countries:	35	35	35
Treaty countries:			
Albania	15	5	5
Algeria	15	5	0/10
Argentina	15	10	12
Armenia	15	5	0/10
Azerbaijan	15	5	10
Australia	15	15	10
Austria	15	0	0
Belarus	15	5	0/5/8
Belgium	15	10	0/10
Bangladesh	15	10	0/10
Bulgaria	15	5	0/10
Canada	15	5	0/10
Chile	15	15	15/5
China	10	10	0/10
Colombia	15	0	10
Croatia	15	5	0/5/10
Czech Republic	15	5	0
Denmark	15	0	0
Ecuador	15	15	0/10
Egypt	15	5	0/15
Estonia	15	5	0/10
Finland	10	0	0
France	15	0	0
Georgia	10	0	0
Germany	26,375/15	0	0
Ghana	15	5	10
Greece	15	5	7
Hungary	10	0	0
Iceland	15/18/20	5	0
India	10	10	10
Indonesia	15	10	10
Iran	15	5	0/10
Ireland, Republic of	0	0	0
Israel	15	5	0/5/10
Italy	15	15	12.5
Ivory Coast	15	15	0/15
Jamaica	15	10	5/10
Japan	10	0/5	0/10
Kazakhstan	15	5	0/10
Korea, Republic of	15	5	0/10
Kyrgyzstan	15	5	5
Kuwait	15	15	10
Latvia	15	5	10
Liechtenstein	–	–	0/–[2]

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	Dividends Portfolio (%)	Substantial Holdings[1] (%)	Interest (%)
Lithuania	15	5	10
Luxembourg	15	0	0/10
Macedonia	15	5	0/10
Malaysia	15	5	10
Malta	0	0	10
Mexico	15	0	5/10
Moldova	15	5	0/10
Mongolia	15	5	0/10
Montenegro	15	5	10
Morocco	15	7	10
Netherlands	15	0	0
New Zealand	15	15	10
Norway	15	0	0
Pakistan	20	10	10
Philippines	15	10	10
Poland	15	0	5/10
Portugal	15	10	10
Qatar	15	5/10	0
Romania	15	0	0/5
Russia	15	5	5/10
Serbia	15	5	10
Singapore	15	5	5
Slovak Republic	15	0	0/5
Slovenia	15	5	5
South Africa	15	5	5
Spain	15	0	0
Sri Lanka	15	10	5/10
Sweden	15	0	0/5
Tajikistan	15	5	0/10
Thailand	15	10	0/10/15
Trinidad and Tobago	20	10	10
Tunisia	10	10	10
Turkey	15	5	5/10
Ukraine	15	5	0/10
United Kingdom	15	0	0
United States	15	5	0
Uruguay	15	5	10
Uzbekistan	15	5	0/5
Venezuela	10	0	5
Vietnam	15	7/10	0/10

NOTES:

1 The rates necessary to constitute a substantial holding vary on a country by country basis accordingly reference should be made to the individual treaties.

2 The zero rate applies to loans secured on immovable property. The domestic rate applies in all other cases.

TAIWAN

MEMBER FIRM

City	Name	Contact Information
Taipei	Wisdom Lee	+886 2 8792 2628 wl@pkf.com.tw

BASIC FACTS

Formal name:	Republic of China (ROC)
Population:	23.3 million (2013 PRB)
Capital:	Taipei
Major languages:	Mandarin Chinese (official), Min Nan Chinese (Taiwanese)
Major religions:	Taoism, Buddhism, Christianity
Monetary unit:	1 New Taiwan dollar (NT$) = 100 cents
Internet domain:	.tw
International dialling code:	+886
Ministry of Finance website:	www.mof.gov.tw.

KEY TAX POINTS

- Domestic entities are taxed on a worldwide basis, while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan-sourced income but no place of business or agent in Taiwan, the company's income is taxed at source under the withholding tax regime.
- Taiwan taxes all profit-seeking enterprises operating in Taiwan with total taxable income over NT$ 120,001 at 17% (but the tax may not exceed 50% of the portion of taxable income over NT$ 120,000).
- All gains and losses on the disposal of capital assets are taxable as current year income or deductible as expenses with the exception of marketable securities, futures and land.
- VAT at 5% is known as the 'business tax' and applies to business entities in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rate. Financial institutions are subject to business turnover tax. Professional practitioners are not subject to VAT or business turnover tax for service revenue earned.
- There are no local income taxes although minor provincial, country and city taxes are imposed.
- Foreign tax suffered on overseas income is creditable against Taiwanese tax subject to a limit of the Taiwanese tax payable on such income. Any unused tax credits may not be carried back or forward to other years.
- Domestic corporations paying certain types of income are required to withhold tax between 5% and 20%.
- Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions.

A. TAXES PAYABLE

BUSINESS INCOME TAX

Taiwan taxes all profit-seeking enterprises operating in Taiwan. Domestic entities are taxed on a worldwide basis, while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan-sourced income but no place of business or agent in Taiwan, the company's income is taxed at source under the withholding tax regime.

Domestic entities include companies that are incorporated under Taiwan Company Law.

A domestic company is incorporated when it is duly registered with the central competent authority and issued with an approval letter on its registration.

Income tax rates for profit-seeking enterprises are as follows:

	Rate
Less than NT$120,000	0%
NT$120,001 and over	17%[1]

1 17% on the total taxable income but the tax may not exceed 50% of the portion

of taxable income over NT$120,000.

TAX ON INTEREST

Interest received by a profit-seeking enterprise is taxable as non-operating income. A creditable withholding tax is imposed as follows:

(1) Domestic enterprises – 10%
(2) Foreign enterprises – 20%
For interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance, 15% of the payment is withheld.
For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 15% of the distribution is withheld.
For interest on government bonds, corporate bonds or financial bonds, 15% of the payment is withheld.
For interest derived from repo (RP/RS) trade whereby a taxpayer purchases securities or short-term commercial papers as described above in paragraphs 1 to 3 which shall be the net amount of the sale price at their maturity in excess of the original purchase price, 15% of the payment is withheld.

TAX ON RETAINED EARNINGS

Tax imputation system: Individual resident shareholders receiving dividends from a Taiwan company are entitled to an imputed credit for the income tax paid by the company. For corporate shareholders, the dividends received are not considered taxable income. However, the tax credits shall be included in the balance of its shareholder-imputed credit account (ICA) and will be imputed to the shareholders for future dividend distributions. Imputed tax credits do not apply to non-resident shareholders.

Tax on retained profits: Retained profits attract an additional 10% income tax. Profits that are earned in a year but not distributed by 31 December of the following year are subject to 10% advance tax which can be claimed as a credit against the final tax liability of both resident and non-resident shareholders.

CAPITAL GAINS TAX

All gains and losses on the disposal of capital assets are taxable as current year income or deductible as expenses with the exception of marketable securities, futures and land.
Securities Transactions: The levy of tax on gains derived from the sale of marketable securities was suspended. However, gains from marketable security transactions shall be subject to Income Basic Tax, please see 'Alternative minimum tax' below.
Futures Transactions: The levy of tax on gains from transactions of futures under Statute for Futures Transaction Tax was suspended. However, gains from futures transactions shall be subject to Income Basic Tax, please see 'Alternative minimum tax' below.
Land Transactions: See 'Land tax' below.

BRANCH PROFITS TAX

A foreign company's branch or any other permanent establishment in Taiwan is subject to income tax only on its income from Taiwanese sources.
If the foreign enterprise has neither a branch nor a business agent in Taiwan, it is subject to withholding tax on its Taiwanese source income.
The repatriation of profits by Taiwanese branches of foreign enterprises is not taxable. It is proposed, but not yet put into practice, that a branch profits tax be imposed on the repatriation of profits by the Taiwanese branch of foreign enterprises so that a branch does not have a tax-preferable treatment over a subsidiary.

SALES TAX / VALUE ADDED TAX (VAT)

VAT at 5% is known as the business tax and applies to business entities in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rate. Financial institutions are subject to business turnover tax. Professional practitioners are not subject to VAT or business turnover tax for service revenue earned.

Currently, the tax rate that applies to banks, insurance companies, trust and investment companies, securities traders, futures traders, bills finance companies and pawnshops is 2% (except for reinsurance premium income, for which the rate is 1%).

Effective from July 1, 2014, 5% tax rate shall apply to the banking and insurance enterprises for their sales amounts which are connected with banking and insurance business, but the sales amounts from reinsurance premiums shall be taxed at

1%. 2% tax rate shall apply to the enterprises for their sales amounts which are connected with investment trusts, securities, futures, commercial paper and pawnshops.

Profit-seeking enterprises (eg manufacturers, wholesalers and retailers) are collectors of VAT and are required to pay the net VAT, being taxes collected from sales less taxes paid on purchases and business expenses, to their district tax offices and file returns. Zero ratings and exemptions exist for some items.

FRINGE BENEFITS TAX (FBT)

Although there is no separate FBT, perquisites or other benefits supplementing normal wages and salaries are included in the computation of employment income and are taxable as such. Minor exceptions do exist. See 'Personal tax' below.

LOCAL TAXES

There are no local income taxes although minor provincial, country and city taxes are imposed. See other taxes below.

OTHER TAXES

Other taxes are summarised below.

CUSTOMS DUTY AND TRADE PROMOTION SERVICE FEE

Customs Duty on taxable imported goods is based on the value of the goods including transport and insurance costs or on the quantity imported with different rates depending on the category of the goods. There are no harbour duties but a 'Trade Promotion Service Fee' is payable at rate of 0.0425% or less based on the value of goods, and a 'Commercial Port Dues' is payable based on the length of containers or the weight of goods.

COMMODITY TAX

Commodity Tax (Excise Duty) is imposed on certain designated commodities whether manufactured locally or imported. Commodity Tax on taxable commodities is based on the value or quantities of commodities manufactured or imported depending on the category of commodities.

STAMP TAX

Stamp Tax is imposed on business transaction documents, property titles, permits and the like. The following are exempt from stamp duty: all types of instruments used by offshore banking branches, documents executed abroad, receipts for the delivery of goods and certain other transactions. Subject to stamp tax are the following documents: receipts for cash, contracts or deeds for purchase or sale of chattels, contracts or deeds for undertaking jobs and contracts or deeds for sale, exchange, donation or division of real property.

SECURITIES TRANSACTION TAX

The rate is 0.3% for a transaction in shares or share certificates embodying the right of shares issued by a company limited by shares and 0.1% of corporate bonds or any securities which have been duly approved by the government. Bonds issued by governments are exempt from securities transaction tax.

The securities transaction tax levied on corporate bonds and finance bonds are exempted from levy for seven years from 1 January 2010.

FUTURES TRANSACTION TAX

The tax rate for transactions in option contracts or option contracts on futures is not less than 0.1% and not more than 0.6%. The tax rate for transactions in stock index futures contracts, interest rate futures contracts and other futures contracts varies from 0.0000125% to 0.06%.

LAND TAX

Three types of land tax are imposed: rural land tax, land value tax, and land value increment tax.

(1) Rural Land Tax: Applicable to rural or urban land used for agricultural production. The Rural Land Tax has not been levied since 1987.
(2) Land Value Tax: All land having value is subject to land value tax with a flat rate of 1% applicable to land for industrial use. For residential land meeting certain requirements for self-use, the flat rate is 0.2%. For land reserved for public buildings, the rate is 0.6% if the land is used for buildings during the reserved period. Land used for other purposes is subject to a progressive rate of tax ranging from 1% to 5.5%.
(3) Land Value Increment Tax: The sale of land gives rise to tax imposed on the increase in the assessed value since the previous sale or transfer. Rates vary from 20% to 40% on a progressive scale except for:

(a) self-use residential land under certain requirements is taxed at 10%
(b) transfers by inheritance, government approved sales of industrial land and sales followed by replacement purchases in certain circumstances are exempt.
For land that has been owned for a period of over 20 years, its land increment tax on the portion exceeding 20% shall be reduced by 20% to 40%.

DEED TAX
Deed Tax is imposed on the transfer of real estate at tax rates varying from 2% to 6%. Deed Tax is not imposed on the land where Land Value Increment Tax is imposed.

BUILDING TAX
Building Tax is levied annually on the assessed value of buildings and improvements at the following rates: 3% to 5% for commercial space, professional offices and private hospitals; 1.5% to 2.5% for premises of non-profit organisations; and 1.2% to 2% for residential buildings.

SPECIFICALLY SELECTED GOODS AND SERVICES TAX
Specifically selected goods and services tax is imposed on the sale, manufacture, and import of specifically selected goods or the sale of specifically selected services within the territory of Taiwan.
Specifically selected goods and services include:
(1) Buildings and land which has been held for a period of no more than two years.
(2) Passenger cars with nine seats or fewer and a selling price or taxable value of not less than NT$3 million.
(3) Yachts which have length of not less than 30.48 meters.
(4) Airplanes, helicopters, or ultra-light vehicles with a selling price or taxable value of not less than NT$3 million.
(5) Turtle shells, hawksbill, coral, ivory, furs, and their products: any of the aforesaid items that has a selling price or taxable value of not less than NT$500,000.
(6) Any item of furniture with a selling price or taxable value of not less than NT$500,000.
(7) Membership rights with a selling price of not less than NT$500,000, except when in the nature of a refundable deposit.
The tax rate is 10%. However, 15% tax will be levied if the holding period of buildings and land is no more than one year.

B. DETERMINATION OF TAXABLE INCOME

In arriving at taxable income, certain expenses are allowed against total income. Expenses relating to the earning of business income are generally deductible to the extent that they are ordinary and necessary business expenses. The expenditure must be incurred in the course of operating a business or subsidiary. Certain foreign enterprises are permitted to calculate their taxable income as a percentage of their net income rather than claiming deductions for expenses. A foreign enterprise engaged in certain sectors (e.g. international transport, construction contracting, technical services, equipment leasing), regardless of whether it has a branch or a business agent in Taiwan, may apply to the Tax Authorities to consider a percentage of its gross business income as taxable. This percentage is 10% for an international transport business and 15% for all other businesses.

The following adjustments are required when calculating taxable income.

DEPRECIATION AND DEPLETION
The following methods are acceptable to the Tax Authorities: straight-line, declining-balance, sum-of-year's-digits, production quantity and machine/working hour methods. In specified circumstances, revaluation of fixed assets so as to increase claims for depreciation is allowable.

Property with a useful life of less than two years or a value of less than NT$80,000 are fully deductible in the year the purchase occurs. There is a depreciation limit of NT$2.5 million on passenger cars.

LOSSES
The carry forward of losses is limited to ten years, while loss carry back is prohibited. In the case of loss carry forwards, these are only available to companies which keep a complete set of accounting records and which file blue returns or returns certified by a CPA.

STOCK/INVENTORY
Inventory may be valued at cost or the lower of cost or net realized value. Cost may be determined using the specific identification, first-in first-out, moving average, weighted average, or other methods approved by competent authority. Uniformity

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between book and tax reporting is not required.

DIVIDENDS

A domestic company which owns shares in another domestic company is, regardless of the percentage of ownership, exempt from business income tax on the dividends from another domestic company. However, imputation credits may not be used by companies and must be passed on to shareholders who are individuals.

A domestic company is taxable on dividends received from foreign companies although a unilateral foreign tax credit is generally available subject to the requirement of reciprocal treatment by that foreign country and limited to the lesser of foreign tax paid or the tax which would otherwise have been payable in Taiwan.

INTEREST DEDUCTIONS

Interest payable on loans necessary for business operations is deductible in the period it is actually incurred. Interest on borrowings from individuals or firms other than financial institutions over the standard rate prescribed by tax offices will be disallowed to the extent of the excess.

Thin capitalisation rules became effective since taxable year 2011. The excess interest expenditure on the debts owed directly or indirectly by an enterprise to a related party shall not be considered as expenses or losses if the proportion of related party debt to equity of the enterprise exceeds the specified ratio of 3:1.

FOREIGN SOURCE INCOME

Foreign income of Taiwanese corporations is taxable in Taiwan with double taxation being relieved by way of foreign tax credits.

TAXES

All taxes with the exception of income tax and taxes relating to capital acquisitions (e.g. taxes on the purchase of land) are deductible. However, the deduction is only available in the year the taxes are paid or accrued. Fines or penalties under Taiwanese law are not deductible.

INCENTIVES

Based on the Statute of Industrial Innovation, a company may credit up to 15% of the company's total expenditure on R&D against its business income tax payable for that year. However, this credit shall not exceed 30% of the business income tax payable by the company in that year.

Based on the Biotech and New Pharmaceutical Industry Development Act, be effective until 31 December 2121, biotech and new pharmaceutical companies are entitled to a deduction from their business income tax liability when undertaking R&D on new drugs and high-risk medical devices, as well as the training of personnel. The deduction is limited to 35% of the total amount invested in R&D and personnel training and may be credited against the business income tax within five years from the year the tax liability is incurred. The total amount of investment credited against the payable corporate income tax in each year shall not exceed 50% of the amount of business income tax payable in a year, however, this restriction shall not apply to the amount to be offset in the last year of the aforesaid five-year period.

Besides, investors who invest in biotechnology and new pharmaceutical companies and hold the shares for more than three years are entitled to a deduction from the business income tax payable for a period of five years starting from the year the tax liability is incurred, up to 20% of the acquisition cost of the shares.

The Statute for Private Participation in Infrastructure Projects provides tax incentives and government support for a private company investing in government-approved infrastructure projects. The tax incentives include:

- A company may enjoy a five-year tax exemption on business profits derived from government-approved infrastructure projects.
- Corporate shareholders holding registered stock issued by a private company in a government-approved infrastructure projects for at least four years can offset the shareholder investment tax credit against their business income tax liability. The tax credit is 20% of the cost of the shares.
- A private company investing in government-approved infrastructure or transportation construction projects may credit 5% to 20% of qualified expenditure incurred against its business income tax liability starting from the year the expenditure is incurred.

Under the Offshore Banking Act, domestic and foreign banks can conduct an offshore banking business exempt from income tax, business tax, stamp duties, and withholding tax on interest.

ALTERNATIVE MINIMUM TAX

The Income Basic Tax (IBT) Act is effective from 2006. If the amount of regular income tax for a company or an individual is greater than or equal to the amount of basic tax, the income tax shall be calculated in accordance with the Income Tax Act. Where the amount of regular income tax is less than the amount of basic tax, the total tax payable is the amount of the basic tax. According to the Act, capital gains derived from marketable securities and futures and some other income exempted from regular income tax by incentives shall be included in the basic income of the company and subject to IBT.

C. FOREIGN TAX RELIEF

Foreign tax suffered on overseas income is creditable against Taiwanese tax subject to a limit of the Taiwanese tax payable on such income.
Any unused tax credits may not be carried back or forward to other years.

D. CORPORATE GROUPS

Generally, group taxation is not permitted except for meeting the requirements of consolidated tax returns in Business Mergers and Acquisitions Act.

E. RELATED PARTY TRANSACTIONS

Royalties, interest and service fees paid to foreign (and Taiwanese) affiliates require adequate supporting transaction vouchers and documents to be deductible. Such payments are subject to withholding tax. Transactions between related parties are subject to Transfer Pricing Guidelines effective from 1 January 2005 and contemporaneous documentation is required on an annual basis.

F. WITHHOLDING TAXES

Domestic corporations paying certain types of income are required to withhold as follows: [1234]

Recipient	Salaries	Dividends	Interest	Royalties/ rentals	Professional fees/ commissions
	%	%	%	%	%
Resident corporations	N/A	–	10	10	10
Resident individuals	5[2]	–	10[1]	10	10
Non-resident corporations	N/A	20	15/20[3]	20	20
Non-resident individuals	18	20	15/20[3]	20	20

1 For interest on short-term marketable securities, the final withholding tax rate is 10%.
2 Withholding in accordance with withholding schedule or a flat rate of 5%.
3 See “Tax on Interest” above.
4 For non-resident individuals, the final withholding tax rate for gains from securities transactions is 15%.

G. EXCHANGE CONTROL

At present there is no limit on genuine trade-related remittances whether inward or outward. For non-trade-related remittances, the long standing controls were relaxed from 1997. Business entities can remit up to US$50,000,000 (or the equivalent) into or out of Taiwan each year without advance approval from Central Bank. The limit for individuals remains unchanged at US$5,000,000 per year. Each remittance in excess of US$1,000,000 for a corporate or US$500,000 for an individual requires supporting documentation.

H. PERSONAL TAX

Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions. Non-residents who stay in Taiwan for no more than 90 days within a calendar year are taxed on their gross income under the withholding tax system without allowance for deductions and exemptions. A non-resident staying in Taiwan over 90 days but

less than 183 days within a calendar year who has no Taiwanese source income other than salaries from local employers is not required to file an income tax return if 18% tax on local salaries is withheld. In practice, however, a non-resident may prefer to file an annual tax return voluntarily, without allowance for deductions and exemptions, in order to keep a clean tax record in Taiwan.

Residence is determined on the basis of whether a person is domiciled in Taiwan and lives in Taiwan on a regular basis. An individual will also be considered to reside in Taiwan when, although not domiciled in Taiwan, they reside in Taiwan for 183 days or longer within a calendar tax year.
The types of compensation deemed to be taxable income include:

- Cost of living allowance
- Expatriation premium
- Relocation allowance
- Education for dependent children
- Life insurance premiums exceeding NT$2,000 per month paid by the employer on the employee's behalf.

Tax-exempt income includes:

- Qualifying professional expatriates' housing provided by the employer may be tax-exempt
- Meals allowance of up to NT$1,800 per month
- Overtime pay for up to 46 hours per month
- Travel expenses to allow a qualifying professional expatriate employee to return to their home country.

Effective from 1 January 2013, if an individual derives gains from securities transactions, such gains shall be subject to income tax. At the same time, if such individual incurs losses in securities transactions in such items, the individual may be entitled to a deduction against the gains from the transactions in the same year.

DEDUCTIONS

A taxpayer may select either the 'standard deduction' or 'itemised deductions' and may, in addition thereto, declare 'special deductions'.
Standard deduction: For 2015, NT$ 90,000 for a single taxpayer; NT$ 180,000 for a taxpayer and his/her spouse.
Itemised deductions, subject to certain limitations, include:

- Charitable contributions
- Insurance premiums up to NT$24,000 per insured person for life or labour insurance
- Medical and childbirth expenses
- Disaster losses incurred due to force majeure, if not otherwise covered by insurance
- Mortgage interest incurred on self-use residential dwelling up to NT$300,000 per income tax return per year
- Rent for housing up to NT$120,000 per income tax return per year. However, no deduction shall be made for taxpayers who have filed the aforesaid mortgage interest on the same tax return.

Special deductions, subject to certain limitations, include:

- Losses from disposal of properties other than land and securities, not to exceed total gains from disposal of properties in the same taxable year
- Salary or wage earner's special deduction up to NT$128,000 per salary or wage earner in 2015
- Interest income exclusion up to NT$270,000 per income tax return
- Deduction for the disabled up to NT$128,000 per disabled person in 2015
- Deduction for higher education of children up to NT$25,000 per person

Deduction for qualified pre-school children up to NT$25,000 per child

EXEMPTIONS

Remuneration for services rendered in Taiwan received from an employer outside Taiwan (with no charge back to a Taiwan entity) by an employee who is a non-resident will be exempt from tax provided the employee stays in Taiwan for no more than 90 days.

Remuneration for services rendered in Taiwan received from an employer outside Taiwan is also exempt if received by non-resident directors, managerial officers and technicians of an approved FIA entity who are sent to Taiwan for no more than 183 days in a tax year to undertake preparatory work such as investment planning, plant construction or market surveys.

PERSONAL EXEMPTION

For 2015, the personal exemption is NT$85,000.

TAX RATE

The tax brackets and rates of resident individual income tax for 2015 are as follows:

Net taxable income (NT$)	Rates (%)
1– 520,000	5
520,001–1,170,000	12
1,170,001–2,350,000	20
2,350,001–4,400,000	30
4,400,001 and above	40
10,000,001 and above	45

Effective from 1 January 2013, the tax payable derived from gains on marketable security transactions shall be computed separately in accordance with tax rate of 15%.

ALTERNATIVE MINIMUM TAX

The Income Basic Tax (IBT) Act is effective from 2006. The basic tax is calculated in a similar manner as for companies with items added back to calculate the relevant income, including the following:

- Income derived from overseas sources excluded from gross consolidated income
- Non-cash donations or contributions deducted from gross consolidated income
- Insurance payments received by the beneficiary of a life insurance policy or annuity in which the beneficiary and the proposer are not the same person and the life insurance policy and annuities are contracted after this Act coming into force
- Gains derived from transactions of beneficiary certificates of privately-placed securities investment trust funds
- The amount of income or deduction which is entitled to reduction, exemption or deduction from the consolidated income tax as may be provided by laws which may be promulgated after the implementation of this Act and thereafter announced by the Ministry of Finance.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The following withholding tax rates are applicable to Taiwanese-source dividends, interest and royalties paid to non-residents where the income is not connected with a permanent establishment in Taiwan.

	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries:	20	15,20	20
Treaty countries:			
Australia	10,15	10	12.5
Austria	10	10	10
Belgium	10	10	10
Denmark	10	10	10
France	10	10	10
Gambia	10	10	10
Germany	10	10,15	10
Hungary	10	10	10
India	12.5	10	10
Indonesia	10	10	10
Israel	10	7,10	10
Kiribati	10	10	10
Luxembourg	10,15	10,15	10
Macedonia	10	10	10
Malaysia	12.5	10	10
New Zealand	15	10	10
Netherlands	10	10	10
Paraguay	5	10	10
Senegal	10	15	12.5
Singapore	40[1]	-[2]	15

	Dividends (%)	Interest (%)	Royalties (%)
Slovakia	10	10	5,10
South Africa	5,15	10	10
Swaziland	10	10	10
Sweden	10	10	10
Switzerland	10,15	10	10
Thailand	5,10	10,15	10
United Kingdom	10	10	10
Vietnam	15	10	15

1 The treaty limits the aggregate of the corporate income tax and the tax on the dividends to 40% of that part of the taxable income out of which the dividends are declared.
2 The treaty is silent so the domestic rate applies. See Section F above.

TANZANIA

MEMBER FIRM

City	Name	Contact Information
Dar es Salaam	Mustansir Gulamhussein	+255 22 2139339 mgulamhussein@tz.klsaea.com

BASIC FACTS

Full name:	United Republic of Tanzania
Capital:	Dodoma
Main language:	Swahili, English
Population:	47.40 million (2014 estimate)
Major religion:	Islam, Christianity
Monetary unit:	Tanzanian Shilling (TZS)
Internet domain:	.tz
Int. dialling code:	+255

KEY TAX POINTS

- Corporate tax is payable by Tanzanian companies on their worldwide taxable income at the rate of 30%.
- Value Added Tax is generally charged at the standard rate of 18% on any supply of goods or services in mainland Tanzania.
- There are several sources of income that are subject to withholding taxes, generally at rates from 2% to 15%.

A. TAXES PAYABLE

CORPORATE TAX

A company is resident in United Republic of Tanzania if it is incorporated, formed or established in Tanzania or has its place of effective management (day to day management) in Tanzania.

Subject to certain limited exemptions, Tanzanian resident companies and close corporations (companies) are taxed on their worldwide income as provided on Income Tax Act 2004 section 67.

Furthermore, and again subject to certain exemptions as provided on Income Tax Act 2004 second schedule, the international ‘anti-avoidance’ practice of taxing income earned by Controlled Foreign Companies (CFC) applies to Tanzania residents. Corporate Tax is payable by Tanzanian companies on their worldwide taxable income at the rate of 30%. The tax is payable by both public and private companies as well as close corporations.

For Individuals, where the turnover exceeds TZS 20,000,000 the taxpayer is obliged to prepare audited financial statements in respect of his/her business.

THAILAND

MEMBER FIRM

City	Name	Contact Information
Bangkok	Suvimon Vongratanakunton	+66 2 108 1591 (ext. 105) suvimon@pkfthailand.asia
Bangkok	John Casella	+66 2 108 1591 john.casella@pkf.com

BASIC FACTS

Full name:	Kingdom of Thailand
Population:	66.72 million (2013 estimate)
Capital:	Bangkok
Major languages:	Thai
Major religion:	Buddhism
Monetary unit:	Baht (THB)
Internet domain:	.th
International dialling code:	+66
Ministry of Finance website:	www2.mof.go.th

KEY TAX POINTS

Companies incorporated in Thailand are subject to corporate income tax on all profits derived from both domestic and foreign sources. Foreign companies carrying on business in Thailand are subject to corporate income tax on the net profit arising from that Thai based business.

- Capital gains are treated as part of ordinary income for the tax purposes.
- A profit remittance tax is imposed on profits remitted out of Thailand by Thai branches of foreign companies.
- VAT is payable on imports and the supply of goods and services in Thailand. A standard rate of 7% applies, although certain supplies are zero-rated or exempt.
- Relief is provided by way of credit for overseas taxes against taxation in Thailand up to a maximum of the Thai tax on the overseas income concerned.
- The rate of withholding tax applicable to the payment of dividends by Thai companies varies according to whether the company is listed on the Thailand Stock Exchange and whether the recipient owns at least 25% of the voting shares in the company paying the dividend.
- Resident individuals are subject to income tax on Thai source income and income earned overseas if remitted to Thailand. Non-residents are only subject to tax on income from sources in Thailand.

A. TAXES PAYABLE

CORPORATE INCOME TAX

Corporate income tax (CIT) is a direct tax levied on a juristic person which is established under Thai or foreign laws and carries on business in Thailand or which derives from certain types of income from Thailand.

The term 'juristic person' (hereinafter referred to as 'company') means a juristic company or partnership operating in Thailand. The term also includes any joint venture and any trading or profit-seeking activity carried on by a foreign government or its agency or by any other juristic body incorporated under a foreign law.

Companies incorporated in Thailand are subject to corporate income tax on all profits derived from both domestic and foreign sources on its worldwide net profit at the end of each 12 month accounting period. The ordinary fiscal year for tax submission is for the 12 month period ending 31 December. However, with the consent of the Director-General, corporate taxpayers may choose a substituted accounting period for the purpose of determining taxable income.

A 'foreign company' means a company incorporated under a foreign law. Generally, a foreign company is treated as carrying on business in Thailand if it has an office, a branch or any other place of business in Thailand or has an employee, agent or representative for carrying on business in Thailand. A foreign company carrying on business in Thailand is subject to CIT only on net profit arising from, or in consequence of, business carried on in Thailand, at the end of each accounting period. A separate profit remittance tax of 10% of the amount remitted is imposed on foreign companies that remit their Thailand-based profits offshore. Profit means any sum set aside out of

profit, as well as any sum which may be regarded as profit.

The CIT rate in Thailand has temporarily reduced from a maximum rate of 30% to 20% in 2015. The Thai Revenue Department (TRD) has not yet indicated whether this rate will be extended indefinitely. However, a prolonged reduction in CIT would be consistent with the TRD's treatment of Value Added Tax, which has remained at a reduced rate for more than 15 years.

CIT rates vary depending on the type of taxpayer and are applied at graduated rates depending on the level of taxable income starting from 0% up to 20%. CIT is payable twice a year, using Form PND50 and Form PND51.

Thai and foreign companies carrying on business in Thailand are required to file their annual tax returns (Form PND50) within 150 days from the closing date of their fiscal accounting periods. The tax payment must be submitted together with the tax return. In addition to the annual tax payment, any company subject to CIT on net profits is also required to file their half-year tax return (Form PND51). A company is obliged to estimate its annual net profit as well as its tax liability and pay half of the estimated tax amount within two months after the end of the first six months of its accounting period. The prepaid tax is creditable against its annual tax liability.

CAPITAL GAINS TAX

There is no specific capital gains tax in Thailand. Instead, capital gains are treated as ordinary income for the purpose of calculating income tax.

BRANCH PROFITS TAX

There is no specific branch profits tax in Thailand. The Thai branches of foreign companies will generally only be taxed in Thailand on the net profits arising from the business carried on in Thailand. The Thai branches are subject to the same rate of tax as resident companies. A separate profit remittance tax is, however, imposed on such profits remitted out of Thailand.

VALUE ADDED TAX (VAT)

VAT replaced sales tax on 1 January 1992. It is an indirect tax imposed on the value added of each stage of production and distribution.

Any person or entity that regularly supplies goods or provides services in Thailand and has an annual turnover exceeding THB 1.8 million is subject to VAT in Thailand. A supplier of services to an offshore person will also attract VAT if the service is used in Thailand. VAT will also apply to any import of goods or services. Suppliers of goods and services collect VAT output tax. Purchasers of goods and services pay VAT input tax. Input tax is deducted from output tax to determine VAT liability. Certain businesses are exempt from VAT.

VAT is currently levied at a rate of 7% on gross receipts, although a zero rate applies to exported goods and services (that are totally used abroad). The official VAT rate is actually 10% not 7%; however, the VAT rate was reduced to 7% in 1997 and this reduced rate has since been extended by the TRD continuously thereafter.

OTHER TAXES:
SPECIFIC BUSINESS TAX (SBT)

There are some businesses that are not subject to VAT but are subject to SBT, although certain entities and activities may be exempt from SBT. The tax is imposed on gross revenue and the rate of tax differs according to the nature of the business performed as follows:

Business	Tax base	Tax rate (%)
1. Banking, finance and similar business	Interest, discounts, service fees, other fees, profits from foreign exchange	3.0
2. Life insurance	Interest, service fees and other fees	2.5
3. Pawn brokerage	Interest, fees, remuneration from selling overdue property	2.5
4. Real estate	Gross receipts	3.0
5. Factoring	Interest, discounts, service fees and other fees	3.0

Note: Local tax at the rate of 10% is imposed on top of SBT.

PETROLEUM INCOME TAX

Income derived from petroleum operations is subject to the Petroleum Income Tax Act. It is levied on net profit adjusted under the conditions specified by the Petroleum

Income Tax Act and profit distribution outside Thailand. Petroleum income is taxed at various rates and the maximum rate is 50%. The income tax rate is reduced to 10% of net taxable profit derived from the gross revenue on the export and import of fuel oil not less than THB 2 billion per annum into or between duty free zone.

STAMP DUTY

Stamp duties are payable on most documents filed by companies with the Government agencies or entities and on official documents of the company, including transfers of land, leases, stock transfers, debentures, mortgages, life assurance policies, annuities, power of attorney, promissory notes, letters of credit, cheques, etc. Stamp duties are levied on instruments and not on transactions or persons. For the purposes of Stamp Duty, an instrument is defined as any document chargeable with duty under the Revenue Code. The Stamp Duty rules are contained in Chapter VI of Title II of the Revenue Code.

Only instruments listed in the Stamp Duties schedule are subject to Stamp Duty and the persons liable to pay Stamp Duties are those associated with the instrument. They are, for example, the persons executing the instrument, the holders of the instrument or the beneficiary. General exemptions are available under the Revenue Code. Rates vary according to the class of the instrument. Non-compliance can result in a penalty or surcharge of tax.

For certain categories of instruments, the liable person may pay Stamp Duties in cash instead of affixing stamps on the instruments. For example, the land or building lease agreement or hire of work contract, which their values are at least THB 1,000,000.

EXCISE TAX

Excise tax is levied on certain types of products such as alcoholic beverages, tobacco and fruit juice.

LOCAL TAXES:
SIGNBOARD TAX

This tax may be imposed at various rates per square meter (depending on the language) on any signs or billboards that display a name, trademark or product for the purpose of advertising or providing information on businesses.

PROPERTY TAXES

Owners of land and buildings in designated areas may be subject to either local administration tax (based on the unimproved capital value of land) or house and land tax (calculated at a percentage of actual or imputed annual rental value).

Local administration tax is based on the appraised value of land as determined by the local authorities. Land that is subject to house and land tax is not subject to this tax. House and land tax covers all properties with the exception of owner occupied residences. The annual value is the official assessment of rental income that could be derived from such premises.

B. DETERMINATION OF TAXABLE INCOME

Income tax is payable by both individuals and companies on their taxable income. Taxable income is defined as assessable income less allowable deductions. For individuals, certain additional allowances can also be deducted against the assessable income.

CIT of a company carrying on business in Thailand is calculated from the company's net profit on an accrual basis. A company shall take into account all revenue arising from or in consequence of the business carried on in an accounting period and may deduct all expenses in accordance with the conditions prescribed by the Revenue Code. Additional deductions on certain types of expenditure may also be allowable.

No.	Description	Tax base (THB)	Rate 2014	Rate 2015
1	Small and medium enterprise	Net Taxable Profit:		
		0 - 300,000	Exempt	Exempt
		300,001 - 1,000,000	15%	15%
		> 1,000,001	20%	20%
2	Standard enterprise	Net Taxable Profit	20%	20%
3	Company listed on Stock Exchange of Thailand (SET)	Net Taxable Profit	20%	20%

No.	Description	Tax base (THB)	Rate 2014	Rate 2015
4	Foreign company engaging in international transportation	Gross Receipts		
5	Foreign company not carrying on business in Thailand but receiving dividends from Thailand	Gross Receipts	Generally at 10%	Generally at 10%
6	Foreign company not carrying on business in Thailand but receiving other types of income apart from dividends from Thailand	Gross Receipts	Generally at 10%	Generally at 10%
7	Foreign company remitting profits out of Thailand	Amount Remitted		
8	Profitable association and foundation	Gross Receipts		
9	Regional Operating Headquarters (ROH)	Net Taxable Profit		
10	Company granted tax privileges from Board of Investment (BOI)	Net Taxable Profit		

1. A 'small and medium enterprise' refers to companies with paid-up capital not exceeding THB 5 million at the end of each accounting period and revenue from sales of goods and services of not more than THB 30 million in the relevant accounting period.
   In addition to the paid up capital, if the amount of revenue derived from sales of goods and services is more than THB 30 million, the company is no longer qualified for income tax deduction as a small and medium enterprise, even if the amount of revenue reduces below THB 30 million in subsequent years. Please note that the volume of sales of goods excludes the sale of assets where the business is operated and is not in the business to buy such assets for directly sale.
2. An entity may qualify for concessions granted as a Regional Operating Headquarters (ROH). There are two types of ROH applications, comprising model I and II. ROH model I includes a reduced corporate income tax rate of 10% and a flat personal income tax rate of 15% for expatriate individuals (for a four-year period) if certain conditions are met including the provision of administrative, technical, management and other supporting roles to 'affiliates' or branches in at least three other countries other than Thailand.
   ROH model II includes a corporate income tax exemption for 10 years on the service income derived from abroad and a corporate income tax and withholding tax exemption for 10 years on dividends received from, and paid to, foreign entities. It also grants a reduced corporate income tax rate of 10% for a 10 year period on the service income derived in Thailand as well as royalties and interest income derived from abroad. A flat personal income tax rate of 15% for expatriate individuals (for an eight-year period) is also provided if certain conditions are met. ROH model II has more stringent rules in order to qualify for this concession including the requirement for a minimum number of associated companies or branches outside Thailand, minimum expenditure requirements and minimum requirements in relation to employees.
3. Depending on the location (investment zone) and type of activity undertaken, a company may qualify for a tax exemption (tax holiday) for three to eight years on corporate profits as well as a reduction of import duty on imported machinery and materials, as well as an exclusion of income tax on dividends derived from BOI activities.

DEDUCTIBLE EXPENSES

For the purpose of calculating CIT, the following items are allowed to be deducted:

(1) Ordinary and necessary expenses. However, the deductible amount of the following expenses is allowed at a special rate:
  - 200% deduction of research and development expenses;
  - 200% deduction of job training expenses;
  - 200% deduction of expenditure on the provision of equipment for the disabled;
  - 200% deduction for donations made to private schools or educational institution;
  - 200% deduction for donations made to Thai sport authorities or association;

(2) Interest, except interest on capital reserves or funds of the company;

(3) Taxes, except for Corporate Income Tax and Value Added Tax paid to the Thai

government;
(4) Net losses carried forward from the last five accounting periods;
(5) Bad debts;
(6) Repair and maintenance;
(7) Donations of up to 2% of net profits;
(8) Provident fund contributions;
(9) Entertainment expenses up to 0.3% of gross receipt but not exceeding THB 10 Million;
(10) Depreciation: Special accelerated depreciation rates are available for certain asset classes. Alternatively, a company can use the rate based on the estimated life of the asset;
(11) Exhibition or expo costs incurred either domestically or overseas;
(12) 200% deduction for domestic employee training expense which can include seminar room rental costs, accommodation, transportation, food and other expenses; and,
(13) Full depreciation for car purchase in respect of a car rental business for the expenses incurred. Previously, a cost limit of THB 1 Million in respect of depreciation applied.

DIVIDENDS

A resident individual taxpayer who derives dividends has a choice of including the dividend in assessable income or paying a final withholding tax at 10% and excluding such dividend from their income. Taxpayers who choose the first option must gross up the dividend to include the 10% withholding tax deducted as well as the company tax paid on that dividend (normally 20%). A tax credit is, however, granted for both the withholding tax and company tax deducted.

Dividends received by a company listed on the Stock Exchange of Thailand are exempt from tax as are those received by any other company incorporated in Thailand holding at least 25% of the voting shares in another Thai company, without any cross shareholding either directly or indirectly, provided that the related investments have been held for a period of at least three months before and three months after the receipt of the dividends.

Where a Thai company does not qualify for the conditions specified above including the 25% voting shareholding and no cross shareholding criterion, it will nevertheless only need to include in its assessable income an amount of 50% of a dividend received from another company incorporated in Thailand if it can maintain that three month holding period before and after distribution of dividend.

Dividends paid by a foreign company to a Thai company will be exempt from Thai corporate income tax if the paying company has a minimum corporate tax rate of 15% and the Thai company has a 25% or more equity interest in the foreign entity and maintains its shareholding in that company for a six-month period.

INTEREST

Interest income derived by a resident individual may, at the taxpayer's election, be excluded from the computation of income tax provided that tax at 15% is withheld at source. However, the following forms of individual's interest income are exempt from any tax:

- Interest on bonds or debentures issued by a government organisation;
- Interest on saving deposits in commercial banks if the aggregate amount of interest received is not more than THB 20,000 during a taxable year.

With respect to interest expenses, there is no thin capitalisation law that restricts deductibility.

INCOME FROM SALE OF IMMOVABLE PROPERTY

There are special rules applicable to individuals calculating the gains on sale of immovable property which may allow the taxpayer to pay final withholding tax to the Land Department in lieu of including the gain on sale as normal assessable income.

LOSSES

A tax loss, being the excess of allowable deduction over assessable income, can only be carried forward for a maximum years as described below:

- Non BOI Company: 5 years
- BOI Promoted Company: Net taxable loss incurred during the BOI promoted period can be deducted against net taxable profit after the expiration of the BOI promoted period but not more than 5 years from the expiry date of the BOI promoted period.

C. FOREIGN TAX RELIEF

For income derived from countries which do not have a Double Taxation Agreement (DTA) with Thailand, foreign tax credits are allowed, subject to certain criteria and conditions, up to the amount of Thailand tax that would have been payable had the income been derived in Thailand. The same rules apply with respect to foreign tax relief for DTA countries. Thailand is now party to DTAs with 58 foreign countries.

D. CORPORATE GROUPS

Each company is taxed as a separate legal entity. Losses incurred by one affiliate may not be offset against profits made by another affiliate.

E. RELATED PARTY TRANSACTIONS

Regulations have been issued to counter aggressive inter-company pricing practices. These regulations are intended to prevent the manipulation of profits and losses within a group of related companies and ensure that goods and services traded between the related companies are priced at an arm's length value. The Revenue Department also has the power to assess income resulting from transfers which it deems is below market value.

F. WITHHOLDING TAX

1. Withholding Tax Rates: Payments to resident individuals

For certain categories of income, the payer of income has to withhold tax at source, file the necessary return (Form PND 1, 2, or 3 as the case may be) and submit the amount of tax withheld to the District Revenue Office. The tax withheld shall then be credited against tax liability of a taxpayer at the time of filing the PND return. The following are the withholding tax rates on some categories of income:

No.	Types of income	Withholding tax rate
1.	Employment income/hire of work	0–35% (depending on level of income and applicable allowances)
2.	Interest	15%
3.	Dividends	10%
4.	Royalty	5 – 15%
5.	Rents[1]	5%
6.	Prizes	5%
7.	Service and professional fees[1]	3%
8.	Public entertainer remuneration	5%
9.	Advertising fees[1]	2%
10.	Capital Gain[2]	0 – 35%

NOTES:
1. Not applicable if an individual is the payer of income.
2. Not applicable for sale of shares on the SET.

2. Withholding Tax rates: Payments to resident corporations and branches of foreign companies

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Certain types of income paid to companies are subject to withholding tax at source. The withholding tax rates depend on the types of income and the tax status of the recipient. The payer of income is required to file the return (Form PND 53) and submit the amount of tax withheld to the District Revenue Offices within seven days of the following month in which the payment is made. The tax withheld will be credited against final tax liability of the taxpayer. The following are the withholding tax rates on some important types of income:

No.	Types of Income	Withholding tax rate
1.	Interest	1% if paid to local companies 10% if paid to associations or foundations
2.	Dividends	10%
3.	Royalties	3% if paid to local companies 10% if paid to associations or foundations
4.	Rents	5% if paid to local companies 10% if paid to associations or foundations

No.	Types of Income	Withholding tax rate
5.	Prizes	5%
6.	Services and professional fees	3% if paid to local companies 10% if paid to associations or foundations
7.	Hire of work	3% if paid to local companies or branches of foreign companies in Thailand 5% if paid to foreign company not having a permanent branch in Thailand but carrying on business in Thailand
8.	Advertising fees	2% if paid to local companies

Government agencies are required to withhold tax at the rate of 1% on all types of income paid to Thai companies.

3. Withholding Tax Rates - Payments to non-residents
Apart from dividends, which attract withholding tax at 10%, most other payments applicable to a non-resident that resides in a non-DTA country (including interest, royalties, rent, management fees, consultancy payments and capital gains) would attract withholding tax at 15%. A DTA, however, exists with many countries. The rates of withholding tax may therefore be reduced depending on the rate specified in the applicable DTA (see treaty and non-treaty WHT rates below).

G. EXCHANGE CONTROL

Exchange control regulations are in place to govern the importation and repatriation of funds by residents and non-residents, and the import and export of goods. Subject to certain criteria and thresholds, forms are required.

H. PERSONAL TAX

Personal Income Tax (PIT) is a direct tax levied on the taxable income of a person. A 'person' means an individual, an ordinary partnership, a non-juristic body of persons, a deceased person and an undivided estate. In general, a person liable to PIT has to compute his or her tax liability, file tax returns and pay tax, if any, on a calendar year basis.

Taxpayers are classified into 'resident' and 'non-resident'. A 'resident' means any person residing in Thailand for a period or periods aggregating 180 days or more in any tax (calendar) year. A resident of Thailand is liable to pay tax on income from sources in Thailand on a cash basis, regardless of where the money is paid, as well as on the portion of income from foreign sources that is brought into Thailand in the same year that the foreign income is derived. A 'non-resident' is, however, subject to tax only on income from sources in Thailand.

Income chargeable to PIT is called 'assessable income'. The term covers income both in cash and in kind. Therefore, any benefits provided by an employer or other persons, such as rent-free housing or the amount of tax paid by the employer on behalf of the employee, are also treated as assessable income of the employee for the purpose of PIT.

Assessable income is divided into eight categories. Certain deductions and allowances can be offset against assessable income in order to calculate taxable income. Taxpayers shall make deductions from assessable income before the allowances are granted.

DEDUCTIONS PERMITTED FOR THE CALCULATION OF PIT

No.	Type of Income	Deductions
1.	Income from employment	40% but not exceeding THB 60,000
2.	Income from hire of work	40% but not exceeding THB 60,000
3.	Income received from copyright	40% but not exceeding THB 60,000
4.	Income in the nature of interest, dividend, capital gain	not deduction
5.	Income from letting out of property on hire:	
	– building and wharves	30%
	– agricultural land	20%
	– all other types of land	15%
	– vehicles	30%

No.	Type of Income	Deductions
	– any other type of property	10%
6.	Income from professional services	30% except for the medical profession where 60% is allowed
7.	Income derived from contract of work whereby the contractor provides essential materials besides tools	actual expense or 70%
8.	Income derived from business, commerce, agriculture, industry, transport, or any other activities not specified earlier	actual expense or 40% to 85% depending on the types of income

ALLOWANCES PERMITTED FOR THE CALCULATION OF PIT

Types of Allowances	Amount
Personal allowance	
- Single taxpayer	THB 30,000 for the taxpayer
- Non-juristic partnership or body of persons	THB 30,000 for each partner but not exceeding THB 60,000 in total
Spouse allowance (legally married)	THB 30,000
Child allowance (child under 25 years old and studying at educational institution, or a minor, or an adjusted incompetent or quasi-incompetent person)	THB 15,000 each (maximum three children)
Education (additional allowance for child studying in educational institution in Thailand)	THB 2,000 each child (limited to three children)
Life insurance premium paid by taxpayer or spouse	Amount actually paid but not exceeding THB 100,000 each
Pension insurance premium	Maximum allowance (exemption) of THB 200,000 but not exceeding 15% of income
Health insurance premium paid for taxpayer's and spouse's parents (total income of parents shall not exceed THB 30,000)	Amount actually paid but not exceeding THB 15,000
Approved provident fund contributions, retired mutual fund, and pension insurance premium paid	Maximum allowance (exemption) of THB 500,000 but not exceeding 15% of income
Long term equity fund	Maximum allowance (exemption) of THB 500,000 but not exceeding 15% of income
Home mortgage interest	Amount actually paid but not exceeding THB 100,000
Social security contributions	Amount actually paid
Parent allowance (parents of either taxpayer and/or legal spouse over 60 years of age with income less than THB 30,000)	THB 30,000 each parent
Disability allowance (cost of caring for disabled persons)	THB 60,000
Charitable contributions	Amount actually donated but not exceeding 10% of income after standard deductions and allowances
Educational contributions	Two times the actual donation but not exceeding 10% of income after standard deductions and allowances
Domestic Travel Expenses (costs of tour packages or hotel rooms in Thailand)	Amount actually paid but not exceeding THB 15,000 (Not applicable to Non-juristic partnership or body of persons)

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TAX RATES FOR RESIDENTS AND NON-RESIDENTS (FROM 2013)

The tax rates for resident and non-resident Individuals (2013 and subsequent years) are as follows:

Taxable income (THB)	Tax Rate (%)	Tax Amount	Accumulated Tax
0 – 150,000	Exempt	–	–
150,001 – 300,000	5	7,500	7,500
300,001 – 500,000	10	20,000	27,500
500,001 – 750,000	15	37,500	65,000
750,001 – 1,000,000	20	50,000	115,000
1,000,001 – 2,000,000	25	250,000	365,000
2,000,001 – 4,000,000	30	600,000	965,000
4,000,001 and over	35		

In addition to the normal THB 150,000 threshold tax exemption, persons over age 65 get an exemption on the first THB 190,000 of taxable income.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The schedule below is only intended to give a general outline of the rates of tax applicable to interest, dividend and royalty payments under Thailand's Double Tax Treaties. It is advisable to consult the relevant tax treaty for more detailed information.

The table below sets out the lower of the treaty rate and the applicable domestic rate on dividend, interest and royalty payments.

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Non-treaty countries	10	15	15
Treaty countries:			
Armenia	10	10/15	15
Australia	10	10/15	15
Austria	10	10/15	10/15
Bahrain	10	10/15	15
Bangladesh	10	10/15	5/10/15
Belarus	10	10/15	15
Belgium	10	10/15	5/15
Bulgaria	10	10/15	5/15
Canada	10	10/15	5/15
Chile	10	10/15	10/15
China	10	10/15	15
Cyprus	10	10/15	5/10/15
Czech Republic	10	10/15	5/10/15
Denmark	10	10/15	5/15
Estonia	10	10	8/10
Finland	10	10/15	15
France	10	3/10/15	5/15
Germany	10	10/15	5/15
Hong Kong	10	10/15	5/10/15
Hungary	10	10/15	15
India	10	10/15	15
Indonesia	10	10/15	15
Israel	10	10/15	5/15
Italy	10	10/15	5/15
Japan	10	10/15	15
Korea	10	10/15	5/10/15
Kuwait	10	10/15	15

	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Laos	10	10/15	15
Luxembourg	10	10/15	15
Malaysia	10	10/15	15
Mauritius	10	10/15	5/15
Myanmar	10	10	5/10/15
Nepal	10	10/15	15
Netherlands	10	10/15	5/15
New Zealand	10	10/15	10/15
Norway	10	10/15	5/10/15
Oman	10	10/15	15
Pakistan	10	10/15	10/15
Philippines	10	10/15	15
Poland	10	10/15	5/15
Romania	10	10/15	15
Russia	10	10	15
Seychelles	10	10/15	15
Singapore	10	10/15	15
Slovenia	10	10/15	10/15
South Africa	10	10/15	15
Spain	10	10/15	5/8/15
Sri Lanka	10	10/15	15
Sweden	10	10/15	15
Switzerland	10	10/15	5/10/15
Taiwan	5/10	10/15	15
Turkey	10	10/15	15
Ukraine	10	10/15	15
United Arab Emirates	10	10/15	15
United Kingdom	10	10/15	5/15
United States	10	10/15	5/8/15
Uzbekistan	10	10/15	15
Vietnam	10	10/15	15

NOTES:

1 The lower rate generally applies if certain conditions are met including having a specified minimum percentage of equity in the company paying the dividend.

2 The lower rate generally applies to interest for which a financial institution is beneficially entitled.

3 The lower rate generally applies to payments made as consideration for the right to use any copyright of literary, artistic or scientific work.

TRINIDAD AND TOBAGO

MEMBER FIRM

City	Name	Contact Information
Port of Spain	Renée-Lisa Philip	+1 868 624-4569 rlphilip@pkf.co.tt

BASIC FACTS

Full name:	The Republic of Trinidad and Tobago
Population:	1.22 million (2014 estimate)
Capital:	Port of Spain
Major languages:	English
Major religion:	Christianity, Hinduism
Monetary unit:	Trinidad and Tobago Dollar (TTD)
Internet domain:	.tt
International dialling code:	+1868
Ministry of Finance & The Economy website:	www.finance.gov.tt/

KEY TAX POINTS

- Resident companies are liable to corporation tax on their worldwide income. Other companies are taxed on their income from sources in Trinidad and Tobago. The standard rate of corporation tax is 25%, but this can be varied if there is a double tax treaty.
- Although the basic rate of VAT is 15%, some items such as exports and basic foodstuffs are charged at the rate of 0% and some services such as real estate transactions as well as financial and insurance services are VAT exempt.
- Stamp Duty is levied on several documents, and also on transfers of commercial real estate charged at rates of 2%, 5% and 7%.

A. CORPORATION TAX

This is a tax on business profits accruing in Trinidad & Tobago. Resident companies (those controlled from Trinidad and Tobago, wherever they are incorporated) are liable to corporation tax on their worldwide income. Other companies are taxed on their income from sources in Trinidad and Tobago.

The standard rate of corporation tax is 25%. However, this can be varied if there is a double tax treaty. Trinidad & Tobago has double taxation treaties with Barbados, Guyana, Jamaica, Antigua-Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and the Grenadines, Denmark, Germany, Italy, Norway, Sweden, Switzerland, United Kingdom,
United States, Venezuela, India, France, Spain, Brazil and Luxembourg.

A credit is given against the company's corporation tax liability for any business levy paid. See section on business levy.

'Income-generating' expenses i.e. expenses that are wholly and exclusively incurred in the production of the income, are deductible when calculating taxable income.

Allowable deductions include:

- Bad debts;
- Rates and taxes on real estate;
- Fire insurance premiums;
- Contributions paid to an approved pension fund for the benefit of employees;
- Lump sum payments made to an employee for past services;
- Employer contributions to national insurance;
- Employer contributions to an approved profit sharing plan;
- Management charges paid.
- 150% of promotional expenses incurred wholly and exclusively in creating or promoting exports to foreign markets;
- 150% of employee training expenses;
- Art and culture up to a maximum of TTD 3,000,000.

Non-resident companies trading in Trinidad and Tobago through a permanent

establishment are subject to a further withholding tax of 5% of their taxable profits less allowances for corporation tax paid. The tax is payable regardless of whether net profits are remitted back to head office.

Trading losses may be carried forward indefinitely for relief against future profits. Trading losses cannot be utilised against the profits of earlier years.

B. INCOME TAX

Income from all sources, after allowable deductions, is taxed at a flat rate of 25%. Non-residents are not entitled to tax deductions. Allowable deductions include the following:

- Personal Allowance – TTD 60,000 (TTD 72,000 for resident individuals who have attained the age of 60 years);
- Contributions to pension plans and 70% of national insurance contributions – TTD 50,000;
- Alimony - 100% of contributions.

Individuals who are resident and domiciled in Trinidad and Tobago are liable to income tax on their worldwide income. Those who are resident but not domiciled in Trinidad and Tobago are liable to income tax on their income arising in Trinidad and Tobago and on any income brought into the country from abroad. Dividends received by resident individuals from resident companies are exempt from tax. Non-resident individuals are taxed on their income from sources in Trinidad and Tobago.

C. BUSINESS LEVY

This tax is levied on gross sales i.e. all income received in the ordinary course of business activities, before allowing any deductions for business expenses. The rate of the Business Levy is 0.2% of the gross sales/receipts. The Business Levy is not payable in the first three years after a company is first registered.

D. CAPITAL GAINS TAX

Capital gains tax is charged at a flat rate of 25% on profits made on the disposal of an asset within twelve months of acquisition. Otherwise, there is no capital gains tax.

E. NATIONAL INSURANCE

Employees and employers must pay national insurance. Contributions are calculated based on established wage classes. The maximum employee contribution is TTD 5,761.60 per year. The employer pays twice that of the employee.

F. HEALTH SURCHARGE

The employee's contribution is approximately TTD 429 per year. Employers do not contribute.

G. VALUE ADDED TAX (VAT)

This tax is levied on the selling price of goods and services and on the value of goods imported into Trinidad and Tobago.

Businesses must register for VAT if their annual sales exceed TTD 360,000. Although the basic rate of VAT is 15%, some items such as exports and basic foodstuffs are charged at the rate of 0% and some services such as real estate transactions as well as financial and insurance services are VAT exempt.

Businesses, other than those making exempt supplies, can recover the excess of VAT paid on purchases over VAT received on sales.

TUNISIA

MEMBER FIRM

City	Name	Contact Information
Tunis	Lassaad Marouani	+21671889835 pkf.marwani@gnet.tn

BASIC FACTS

Full name:	Republic of Tunisia
Population:	10.98 million (2014 estimate)
Capital:	Tunis
Major languages:	Arabic
Major religion:	Islam
Monetary unit:	Tunisian Dinar (TND)
Internet domain:	.tn
International dialling code:	+216
Ministry of Finance website:	www.portail.finances.gov.tn

KEY TAX POINTS

- Companies are generally liable to corporate income tax at the rate of 25%.
- Value Added Tax is charged at 6% (IT services, hotels and restaurant activities, and equipment), 12% (raw materials, craft industry products, medical activities, and canned food) or 18% (operations related to services and goods not subject to another rate).
- Inherited property and gifts are subject to tax at rates varying from 2.5% to 35%, depending on the closeness of relation.
- For certain categories of income, the payer of income has to withhold tax at source, file a tax return and submit the amount of tax withheld to the finances.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Limited companies, limited partnerships and cooperatives are liable to corporate income tax on their profits stemming from any business they carry on in Tunisia. Foreign companies not carrying on business in Tunisia but deriving certain types of income from Tunisia are subjected to company tax.

Tax rates: Companies are liable to corporate income tax at the rate of 25%. It is reduced to from 30% to 25% since 2014. However, a number of companies and legal entities such as companies operating in handicraft activities, agriculture and fishing are taxable at the rate of 10%. This tax rate is also applicable to profits made on export activities from 2015. Other companies operating in sectors of banks, insurance, production and services linked to petroleum, telecommunications are subject to a rate of 35% on their income.

Exporting companies are liable to income tax at 10% since 2014. Individuals are taxed on the third of revenues of exportation.

Minimum tax liability: A corporation has to pay a minimum tax liability of 0.2% of the total gross turnover with a minimum account, due even without any turnover, of TND 300 for companies taxable at the rate of the 10%. For those taxable at the rate of 25% or 35%, the minimum amount is TND 500.

Legal entities liable to company tax and individuals liable to personal income tax carrying on a trade business are subjected to three tax instalments each representing 30% of the total levy calculated on incomes and profits of the previous year.

Tax instalments should be paid during the 28 days of respectively the 6th, 9th and 12th months following the balance sheet date.

CAPITAL GAINS TAX

Capital Gains or Losses: For non-resident legal entities, gains stemming from disposal of buildings established in Tunisia or rights related to them are subject to corporate income tax. A capital gain is the difference between sale price and cost price or purchase price. These entities are imposable a withholding discharge of 25% of the capital gain. For closed-end investment companies and credit institutions, capital gains related to securities are deductible from taxable income.

For both residents and non-residents, interest is subject to a withholding tax at 20% (a more favourable rate if the case is covered by a non-double imposition treaty). For the non-resident, the amount withheld is offset against ordinary income tax on this income. Rental income from student accommodation or catering is deductible from taxable income during the first 10 years. This rent should respect specifications established by the supervisory ministry.

From 1 January 2011, the following are exempt from capital gain from the sale of securities:
- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed before 1 January 2011 and the sale of shares in a transaction introductory Stock Exchange of Tunis is deductible from taxable income.
- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed from 1 January 2011 is also deductible from taxable income when the transfer `takes place after the expiry of the year following the year of acquisition or subscription of a maximum of 10,000 dinars per year'.

Otherwise the gain described above shall be subject to income tax at 10% or 25% thereof (individual or company).
- Corporation tax is payable by non-resident legal persons not established in Tunisia at a rate of surplus value cited above. The capital gain subject to tax on companies is equal, in this case, to the difference between the sale price and the purchase price of stocks, shares or units or the subscription price and from transfer operations performed during the year preceding the tax after deduction of capital loss from operations in question.

VALUE-ADDED TAX (VAT)

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Tunisia, including industrial and handicraft activities, liberal or commercial professions, are subject to VAT.

Exports by definition are consumed abroad and are usually not subject to VAT and any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports and, ultimately, export-derived income or revenue.

VAT that is charged by a VAT-registered business and paid by its customers is known as “output VAT” (that is, VAT on its output supplies). VAT that is paid by a business to other businesses on the supplies that it receives is known as “input VAT” (that is, VAT on its input supplies). A business is generally able to recover input VAT to the extent that the input VAT is attributable to (i.e, used to make) its taxable outputs. Input VAT is recovered by setting it against the output VAT for which the business is required to account to the Tunisian government or, if there is an excess, by claiming a repayment from the Tunisian government.

Three different VAT rates apply in Tunisia:
- 6%: information technology services, hotels and restaurant activities and equipment;
- 12%: raw materials, craft industry products, medical activities, and canned food;
- 18%: operations related to services and goods not subject to another rate.

According to article 18 of the Tunisian VAT code, a sales invoice issued by a VAT registered business should contain certain compulsory information including client name, address and fiscal register, date of the transaction, price of the goods or services sold, VAT rate.

FRINGE BENEFITS TAX

Fringe benefits are considered to be a part of the salary paid to an employee; hence they are subject to social security and income taxes. Fringe benefits taxable are evaluated on the basis of their market value.

LOCAL TAXES

The tax on the rental value is a municipal tax on buildings. The owner of the property is liable for collection of the tax. The base of this tax is the gross rental value determined in accordance with a general census carried out every three to five years by the local authorities. The rate is fixed per local authority which may be divided into two zones, urban and suburban (where the rate is lower). The land tax on undeveloped land is owed by occupiers, owners or persons enjoying the land.

OTHER TAXES AND LEVIES:
SOCIAL SECURITY TAXES

The social security rates are 9.18% on behalf of the employee and the 16.57% on behalf of the employer and 0.5% for employer’s compensation on behalf of the employer.

REAL ESTATE TAX

The purchase of real estate is subject to the following:

- A registration duty of 5% on the purchase price increased by VAT;
- A Stamp Duty of TND 15 per sheet of contract;
- A real estate property Conservation Duty of 1% on the purchase price increased by VAT;
- A registration will be increased by 1% of the purchase price for non-registration of the property purchased;
- A supplementary charge of 3% in cases where the owner has failed to declare the value of his property.

Any real estate buyer who is an individual or a corporate entity subject to a regular accounting system must withhold tax on the real estate purchase price. This tax is 2.5% on the purchase price increased by VAT.

EXCISE TAX

This is a federal tax on specific goods and services either imported or manufactured in Tunisia. It is levied on a variety of items such as cigarettes, tobacco, alcoholic beverages, cosmetics, perfume and private cars. Excise tax is levied on sale price or customs value for imported goods.

According to the Tunisian Excise Tax Code, several rates apply to different goods. A joint list is available on the code, fixing different rates.

GIFTS, WEALTH, ESTATE AND/OR INHERITANCE TAX

Inherited property and gifts are subject to tax at the following rates:

- Direct line relatives (children, spouses, parents, etc): 2.5%;
- Brothers and sisters: 5%;
- Collateral line relatives: 25%;
- Relatives beyond the fourth degree: 35%;
- Unrelated individuals: 35%.

VOCATIONAL TRAINING TAX

This is payable monthly at the rate of 2% of the total gross wages. A special rate of 1% is applicable to the manufacturing sector.

TAX FOR PROMOTING EMPLOYEES' ACCOMMODATION

Employers have to pay a tax at the rate of 1% of total gross salaries to promote the employee's accommodation. Farmers are exempt from this tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results.

Profits are habitually considered gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income and not paid cash for amounts more than TND 20,000.

Taxable income includes also capital gains, except for capital gains stemming from disposal of securities listed on the Tunisian Stock Exchange and capital gain from an initial public offering on the TSE.

DEPRECIATION

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted.

Assets of a lower value than TND 200 may be fully written off during their first year.

Companies may choose the declining-balance method to calculate depreciation on hardware, agriculture equipment and newly purchased manufacturing equipment (from 1 January 1999).
From 1 January 2008, a company is eligible to use the declining balance method to compute depreciation on manufacturing equipment financed by leasing.

STOCK / INVENTORY

For the determination of net income, inventories must be valued at their cost price. If market value or realisable value is lower at the end of the year, the company must set up reserves for depreciation of inventories, which is deductible within the limit of 30% of the taxable income.

DIVIDENDS

Collected dividends that are distributed by Tunisian companies are tax-exempt for both residents and non-residents companies. Individuals are subject to withholding tax at 5% since 2015 if it exceeds TND 10,000 per year.

The non-capitalised earnings, amounts given to partners or shareholders and attendance fees given to members of the board of directors are assimilated to dividend payment.

Gains from stock option exercises: in Tunisia, stock options are recognised only in the following sectors of activities:

- Software engineering;
- Software services;
- Telecommunications and new technologies sectors;
- Listed companies.

When the plan is recognised by Tunisian Law to be a stock option, the gain is not subject to taxation. This advantage is awarded under the double condition that:

- At the date the stock option is granted, the employee does not hold more than 10% of the subscribed share capital; and,
- The shares are not sold during a period of three years starting from 1 January of the subsequent year in which the option is exercised.

When Tunisian law does not recognise the stock option plan, the exercise gain made by the employee (difference between the exercise price and the fair market value of the shares at the date of exercise) will be subject to income tax.

INTEREST DEDUCTION

Interest from foreign currency deposits or from convertible Dinar is deductible from taxable income. The interests on loans granted, or left at the disposal of the Tunisian company by partners or shareholders are fully deductible from the taxable income of shareholders or partners, under the following conditions:

- The interest rate does not exceed 8%;
- The amounts do not exceed 50% of the capital which should be fully paid up.

A limitation of interest rates is not applicable when the partner or shareholder who benefits from the interest is a bank, in which case interest is deductible from the taxable base to the limit applicable on the market.

LOSSES

The deficit recorded during a business year which resulted from a regular accounting record in compliance with corporate accounting legislation is deducted successively from the results of the following business years up until and including the fourth year. For any profit business year, the deduction of deficits and depreciation is carried out according to the following order:

(a) Reportable deficits;
(b) The depreciation of the concerned business year;
(c) Deferred depreciation in deficit periods.

During a business year when the profit is not sufficient to carry out the total deduction of the deficit and depreciation, the remaining part is put back successively on the results of the subsequent business years up until and including the fourth year.

FOREIGN SOURCED INCOME

According to the Tunisian tax legislation, revenues from foreign-source realised by individuals and which were subject to tax payment in the country of origin are not taxed.

Non-resident legal entities are taxable on their Tunisian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost.

Relief from foreign taxes in Tunisia depends on double tax treaty concluded by Tunisia.

INCENTIVES

Tunisian tax legislation has established a certain number of incentives to investment and creation of projects in certain sectors of activity, either by Tunisian or foreign promoters being resident or non-resident or in partnership according to the overall development strategy. These are mainly aimed at accelerating growth rate and job creation within activities related to fields determined in Article One of the Investment Incentives Code.

Various tax incentives are available for total exporting companies. 100% of the

exporting activity income is deductible from total taxable income. This deduction is made notwithstanding the minimum tax. From 1 January 2015 the exporting activity income is taxable at the rate of 10%.

Major incentives are available for investments made by enterprises settled in areas that need development (regional development zones). Income stemming from investments carried out in these areas is fully deductible from the taxable income during the first ten years of activity but, for subsequent business years, only 50% is deductible from the tax base.

As part of the promotion of small and medium enterprises, the Finance Act 2011 has provided management measures to support businesses created from 1 January 2011. It concerns new investment for which the turnover does not exceed TND 300,000 for service activities and non-commercial professions, and TND 600,000 for trade and activities such as processing and consumption on the premises.

Such income is deductible from taxable income, revenues or profits from operations conducted during the first three years of operation. The benefit of this advantage is subject to the condition that the keeping of accounts in conformity with accounting law firms.

C. FOREIGN TAX RELIEF

Relief from foreign taxes in Tunisia depends on whether a double tax treaty has been concluded by Tunisia. Tunisia has concluded 67 non-double imposition treaties applicable on 1 January 2008.

D. CORPORATE GROUPS

When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Tunisia and abroad are consolidated.

E. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax return and submit the amount of tax withheld to the finances.

In the context of harmonization of the rate of withholding tax on interest paid for loans to banks, non-resident, non-established in Tunisia with those contained in the conventions on avoidance of double taxation; the finance law for the management of 2011 replaced the rate of withholding tax of 2.5% by 5%.

The Finance Act for 2014 has proposed a rate of 25% as a withholding tax rate on revenues or income of non-residents located in tax free areas.

F. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on income of an individual more than TND 5,000 per year. Taxpayers are classified into resident and non-resident.

According to Tunisian laws, three criteria are used to indicate that an individual has a habitual residence in Tunisia.

(1) Main residence of the person is in Tunisia;
(2) Principal place of residence (period equal to, or more than, 183 days during a civil year) is in Tunisia;
(3) Civil servant or state employee carrying out his/her duty in a foreign country, where they aren't subject to personal income tax on global income.

A non-resident is subject to tax only on personal income from Tunisian sources. Income chargeable to personal income tax is called assessable income and is divided into seven categories:

(1) Income from commerce and industry;
(2) Income from non-trading professions;
(3) Income from agriculture and fishing activities;
(4) Wages, salaries, pensions and life annuities;

(5) Land income;
(6) Income in the nature of dividends and interests resulting from the detention of securities and bonds;
(7) Income from any other activity not specified earlier.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. A taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.

In general, a person liable to personal income tax has to compute his tax liability, file tax return and pay tax, if any, accordingly on a calendar year basis.

Married couples file tax returns as separate individuals. The income of children is reported on the tax return of the head of the family. A spouse can report income of the children on his/her tax return in certain circumstances.

INCOME TAX RATES:

Amount (TND)	Rate	Effective Tax Rate of the Upper Limit
0 - 1,500	0%	0%
1,501 - 5,000	15%	10.5%
5,001 - 10,000	20%	15.25%
10,001 - 20,000	25%	20.12%
20,001 - 50,000	30%	26.05%
Over 50,000	35%	-

For trading and non-trading activities in accordance with the revenue code, a minimum tax liability is due of 0.1% of the total gross turnover or receipts except for turnover or receipts from export activities, with a minimum amount of TND 100 due even without any turnover.

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

- Fees, royalties and non-trading activities compensation paid to non-resident: 15%.
- When a treaty exists, apply the treaty rate if less than 15%.
- Capital gains paid to non-resident: 20%.
  When a treaty exists, apply the treaty rate if less than 20%.
- Interests on loans paid to banks non-established in Tunisia: 5%.
  When a treaty exists, apply the treaty rate if less than 5%.
- Invoice that exceeds TND 1,000 (VAT included): 1.5%.

TURKEY

MEMBER FIRM

City	Name	Contact Information
Istanbul	Kadir Sayıcı	+90 212 426 00 93 k.sayici@pkfistanbul.com
Izmir	Selman Uysal	+90 232 466 01 22 selmanuysal@pkfizmir.com

BASIC FACTS

Full name:	Republic of Turkey
Population:	76.67 million (2013 estimate)
Capital:	Ankara
Largest city:	Istanbul
Major language:	Turkish
Major religion:	Islam
Monetary unit:	Turkish lira
Internet domain:	.tr
International dialling code:	+90

Revenue Administration website:	www.gib.gov.tr

KEY TAX POINTS

- Corporations in Turkey can be regarded as either limited or full taxpayers. Full taxpayers are liable for tax on their worldwide income. Limited taxpayers are subject to tax on income derived in Turkey.
- A foreign corporation is regarded as a limited taxpayer in Turkey, and is taxable on its Turkish-sourced income only.
- Capital gains are normally regarded as part of ordinary corporate income.
- VAT is levied on all goods and services supplied within the scope of commercial, industrial, agricultural and independent professional activities and on the importation of goods and services.
- Dividends received from Turkish resident companies and paid to individual residents or non-residents are subject to 15% withholding tax.
- Interest paid for business purposes in an operational period may be deducted but it must be capitalised if it relates to the acquisition of a fixed asset.
- Controlled foreign company (CFC) rules exist in Turkey. They apply where a resident company has at least a 50% interest in a non-resident company and certain other conditions apply.
- Transfer pricing rules apply to resident companies with transactions with related parties, whether resident or not in Turkey.
- Individuals resident in Turkey are liable for income tax on their worldwide income, but non-resident individuals are liable for income tax only on income earned in Turkey.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Corporations in Turkey can be regarded as either limited or full taxpayers. Full taxpayers are liable for tax on their worldwide income. Limited taxpayers are subject to tax on income derived in Turkey.

Corporations are regarded as full taxpayers if their statutory head office or actual business centre is located in Turkey as stated in the articles of association. Thus foreign-owned subsidiaries wholly established in Turkey are regarded as unlimited taxpayers whereas foreign branches are treated as limited taxpayers.

A foreign corporation is regarded as a limited taxpayer in Turkey and is taxable on its Turkish sourced income only.

The basic rate of corporation tax for resident and non-resident companies is 20%. In addition to the basic rate, there is a corporate withholding tax which varies from 0% to 20%.

The tax year is the calendar year although a special permit can be obtained from the Ministry of Finance for a different fiscal period. Returns are due during the fourth month (until 25 April) after the fiscal year end. Corporation tax is normally payable in April. The taxpayer also has to pay an advance tax for every three months, throughout the accounting period which is credited against the tax liability of the same period to be calculated in the return for that tax year.

CAPITAL GAINS TAX

Capital gains are normally regarded as part of ordinary corporate income. Capital gains derived from the sale of shares in a local company by either a foreign company or a local company are, in principle, taxable.

Taxation of capital gains derived from the sale of shares between non-residents (individuals or corporations) differs according to the legal status of the company whose shares are held. The existence of a bilateral tax treaty between the country of residence of the non-resident shareholder and Turkey may generally result in capital gains tax being avoided in Turkey on the condition that the holding period exceeds one year.

In general, this is also true for the capital gains arising from the sale of shareholding in a limited company.

Tax resident companies are eligible for the participation exemption scheme in respect of certain shareholdings. Under this scheme, 75% of the gains derived from the sale of shares in subsidiaries are exempt. Two conditions must be met:

- The shares must have been held for two years prior to the disposal; and,
- The amount of the gain must be kept in a special reserve account for at least five years.

The sale revenue must be collected by the end of the second calendar year following

the year of sale.

BRANCH PROFITS TAX
There is no branch profits tax in Turkey. Permanent establishments of foreign companies are taxed on the profits earned in Turkey.

VALUE ADDED TAX (VAT)
VAT is levied on all goods and services supplied within the scope of commercial, industrial, agricultural and independent professional activities and on the importation of goods and services.

The supply of all goods and services is subject to VAT unless exempt. The standard rate is 18%.

Currently, there are also various different rates ranging from 1% to 18%. VAT is levied monthly. Returns have to be filed on or before the 24th day of the next month and the tax has to be paid by the 26th.

SPECIAL CONSUMPTION TAX
Special consumption tax was introduced on 12 June 2002 in order to simplify the Turkish tax system. When special consumption tax came into force, the high level VAT taxes were decreased to a maximum of 18%.

The Council of Ministers' Decision numbered 2013/5761 published on the Official Gazette and the website of the Revenue Administration became effective on 1 January 2014. It sets the increased rates and fixed amounts of Special consumption taxes applicable to certain types of goods (i.e. tobacco products, alcoholic drinks, mobile phones and all non-electric cars with engine over 1,600 cc.)

Special consumption tax is realised during importation or at the end of production and at rates from 0.5% to 145%. There are four different types of main product groups that are listed under the special consumption tax law. The lists and the related product groups are classified as follows:

List No. Product groups
1. Petroleum and solvent products
2. Vehicles (Transportation vehicles are included, tractors are excluded).
3. Tobacco products and alcoholic / non-alcoholic beverages
4. White goods, electrical home products, luxury goods

LOCAL TAXES
There are general municipal taxes and real estate taxes on building and land.

B. DETERMINATION OF TAXABLE INCOME

Basically, corporate income is calculated as the difference in the value of the net assets on the last day and the first day of the calendar year. Assets which are added or withdrawn during this period should either be subtracted from, or added to, the resulting difference. Deductible and non-deductible expenses and tax-exempt corporate income also affects the calculation of taxable income.

DEPRECIATION
The taxpayer may choose either the straight-line or the declining-balance method. A taxpayer who initially chooses the declining balance method for an asset may switch to the straight - line method but the tax payer who begins with the straight line method is not permitted to switch to the declining balance method.

Depreciation rates to be applied tor fixed assets are determined and announced by the Ministry of Finance through communiques based on the asset's useful life. The maximum depreciation rate is 50%.

STOCK / INVENTORY
Inventory is valued at cost using the FIFO or weighted average method.

CAPITAL GAINS AND LOSSES
Capital gains and losses of resident companies constitute regular business income.

DIVIDENDS
Dividends received from Turkish resident companies and paid to individual residents or non-residents are subject to 15% withholding tax.

INTEREST DEDUCTIONS
Interest paid for business purposes in an operational period may be deducted but

it must be capitalised if it relates to the acquisition of a fixed asset. Interest paid or calculated on the basis of equity capital is disallowable.

LOSSES

Net operating losses can be carried forward for five years. The loss must be covered by the first available year's income. Losses cannot be carried back.

FOREIGN SOURCED INCOME

Controlled foreign company (CFC) rules exist in Turkey. They apply where a resident company has at least a 50% interest in a non-resident company and the following conditions apply:

- 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income;
- The CFC must be subject to an effective income tax rate lower than 10% on its commercial profit in its home country;
- Gross revenue of the CFC must exceed the equivalent of TRY 100,000 in a foreign currency in the related period.

INCENTIVES

The "Decision on Government Supports in Investments" has been finalised through the Council of Ministers Decision no. 2012/3305 published in the Official Gazette dated 19.06.2012 and the "Communique on the Implementation of the Decision on Government Supports in Investments" no. 2012/1.

The new incentive system can be categorised under four main headings:

- General incentive applications.
- Regional incentive applications.
- Incentivising large scale investments.
- Incentivising strategic investments.

The "Reduced Corporate Tax" application is arranged under the article 32/a of the Corporate Tax Law no. 5520 and was enforced by the "Law on the Amendment of Certain Laws" no. 5838, which was published in the repeated Official Gazette dated 28 February 2009. Reduced corporate taxes have been introduced to encourage new investments and further investment in existing projects.

Under article 32/a, income arising from qualifying investments subject to corporate tax at reduced rates. The tax savings are capped by a specified investment subsidy limit. The rate of tax applicable to such projects is calculated by dividing the investment contribution limit by the total investment made. This is illustrated in the tables below. For example, if an investment is made in region I of TRY 200 million in 2013 under the regional investment application, 15% of the income generated from that investment is subject to corporation tax at 50% of the normal rate up to 15% of the investment amount (i.e. TRY 30 million).

There is no time limit on the application of the reduced tax rate although it is not available in certain periods where there is no tax base due to loss deduction, exempted gains and other deductions. The reduced rate applies until the investment contribution limit has been reached.

Rates for 2013

	Regional Investment Applications		Large Scale Investments	
Regions	Investment Contribution rate (%)	The corporate tax or income tax reduction rate (%)	Investment Contribution rate (%)	The corporate tax or income tax reduction rate (%)
I	15	50	25	50
II	20	55	30	55
III	25	60	35	60
IV	30	70	40	70
V	40	80	50	80
VI	50	90	60	90

Rates for 2014

Regions	Regional Investment Applications		Large Scale Investments	
	Investment Contribution rate (%)	The corporate tax or income tax reduction rate (%)	Investment Contribution rate (%)	The corporate tax or income tax reduction rate (%)
I	10	30	20	30
II	15	40	25	40
III	20	50	30	50
IV	25	60	35	60
V	30	70	40	70
VI	35	90	45	90

The tax reduction rate and investment contribution rate applicable in all regions for specified strategic investments are 90% and 50% respectively.

WAGE TAX / SOCIAL SECURITY CONTRIBUTIONS

Social insurance premiums are calculated on the basis of monthly wages and are paid jointly by the worker and the employer at the following rates:

BRANCHES	EMPLOYEE (%)	EMPLOYER (%)	TOTAL (%)
Short Term Social Security Branches including occupational accidents and diseases (varies according to the job)	-	2	2
Disability, old age, death	9	11	20
General Health Insurance	5	7.5	12.5
Total	14	20,5	34,5
Unemployment Insurance	1	2	1

The above rates are applied to the gross total of salaries, wages and bonuses up to a current monthly maximum of TRY 7,809.90 from 1 January to 30 June 2015 and TRY 8,277.9 from 1 July to 31 December 2015. The premiums are paid each month to the Social Insurance Institution at the place where the worker is employed prior to the 30th day of the following month.

THE NEW TURKISH COMMERCIAL CODE

The New Turkish Commercial Code, which was accepted by the Turkish Parliament on 13 January 2011 and took effect on 1 July 2012, requires financial reports to be prepared in compliance with the TFRS. The Council of Ministers can determine which companies are subject to independent audit.

Financial statements of corporations and conglomerates subject to independent audit shall be audited by an independent auditor according to the Turkish Audit Standards issued by the Turkish Public Oversight, Accounting and Auditing Standards Authority, which is compliant with International Auditing Standards.

Financial statements of companies subject to independent audit must be organised according to Turkish Accounting Standards in accordance with international financial reporting standards or General Communique on Accounting System Application. Other companies' financial statements must be organised according to Tax procedural Law.

The Companies which will be subject to independent audit pursuant to the Turkish Commercial Code (No.6102) have been re-determined.

The companies meeting at least two of the following criterion shall be subject to independent audit;

a) Total asset size of TL 50 million or more.
b) Annual net sales revenue of TL 100 million or more.
c) Minimum of 200 employees or more.

To determine whether or not the abovementioned conditions have been satisfied;

·Financial statements of 2013 and 2014 years,
·Average number of employees for 2013 and 2014

will be considered.

C. FOREIGN TAX RELIEF

Taxes paid to foreign authorities by resident companies on their foreign sourced income may be credited against the corporation tax calculated in Turkey on the company's total income. The total tax credited is the lower of:

- The overseas tax incurred; and,
- The Turkish tax on the income concerned.

D. CORPORATE GROUPS

Group consolidation for tax purposes is not available.

E. RELATED PARTY TRANSACTIONS

The thin capitalisation issue is re-arranged in the new law article 12. According to the article, if the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as thin capital.

From 1 January 2006, transfer pricing rules apply to resident companies with transactions with related parties, whether resident or not in Turkey. However, transfer pricing rules are not applied to domestic transactions between related companies unless a loss to the Treasury has occurred. The Act applies retroactively as of 1 January 2008.

Prescribed arm's length pricing methods in the law are those described in the OECD transfer pricing guidelines, including:

- Comparable uncontrolled price method;
- Cost-plus method;
- Resale price method.

Alternatively, companies can also use alternative methods if these are considered more appropriate.

F. WITHHOLDING TAXES

The following are liable to withholding taxes when paid to a non-resident entity:

Type of Income	Rate
Contract Progress Income	3%
Profit Shares	15%
Leasing	1%
Wages and services fees	20%
Professional services in general	20%
Petroleum exploration services	5%
Rentals	20%
Deposit interest	15%
Bills and bonds	0 – 10%
Income from sales of securities	15%
Sum derived from sale or transfer of copyrights patents and trademarks	20%
Royalties	20%

Withholding taxes on dividends, interest and royalties may be reduced under the terms of the various double tax treaties with Turkey.

G. EXCHANGE CONTROL

The flow of capital in and out of Turkey is regulated by Decrees to protect the value of the Turkish currency.

H. PERSONAL TAX

Individuals resident in Turkey are liable for income tax on their worldwide income but non-resident individuals are liable for income tax only on income earned in Turkey.

Turkish nationals are deemed to be tax resident unless they have evidence of residence abroad. Foreigners are regarded as resident if they stay in Turkey without interruption for more than six months in a calendar year, other than for reasons of imprisonment or assignments for specific and temporary projects.

Income tax is charged on a trade or business, employment, professional services, dividends and interest, agriculture and rentals.

The general rule is that taxpayers must remit the amount of tax due in two equal payments. Taxpayers carrying on business or professional activities must make quarterly income tax payments during the tax year.

The following income tax rates for 2015 are applicable to income other than employment income:

Taxable Income Amount (TRY)	Tax on Lower amount (TRY)	Rate on Excess (%)
0 - 12.000	0	15
12.000 - 29,000	1.800	20
29,000 - 66,000	5,200	27
Over 66,000	15,190	35

The following income tax rates for 2015 are applicable to employment Income:

Taxable Income Amount (TRY)	Tax on Lower amount (TRY)	Rate on Excess (%)
0 - 12.000	0	15
12.000 - 29,000	1.800	20
29,000 - 106,000	5,200	27
Over 106,000	25,990	35

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries:	15	0-10-15	20
Treaty countries:			
Albania	5–15	10	10
Algeria	12	10	10
Austria	5-15	5-10-15	10
Azerbaijan	12	10	10
Bahrain	10-15	10	10
Bangladesh	10	10	10
Belarus	10-15	10	10
Belgium	10-15-[2]02	15	10
Bosnia & Herzegovina	5 - 15	10	10
Bulgaria	10-15	10	10
Canada	15-20	15	10
China	10	10	10
Croatia	10	10	10
Cyprus (Northern Republic of)	15-20	10	10
Czech Republic	10	10	10
Denmark	15-20	15	10
Egypt	5-15	10	10
Estonia	10	10	5-10
Ethiopia	10	10	10
Finland	5-15	5-10-15	10
France	15-20	15	10

	Dividends (%)	Interest (%)	Royalties (%)
Georgia	10	10	10
Germany	5-15	10	10
Greece	15	12	10
Hungary	10-15	10	10
Italy	15	15	10
India	15	10-15	15
Indonesia	10-15	10	10
Iran	15–20	10	10
Ireland	5-10-15	10-15	10
Israel	10	10	10
Japan	10-15-[2]03	10-15	10
Jordan	10-15	10	12
Kazakhstan	10	10	10
Korea, Republic of	15-20	10-15	10
Kuwait	10	10	10
Kyrgyzstan	10	10	10
Latvia	10	10	5-10
Lebanon	10-15	10	10
Lithuania	10	10	5-10
Luxembourg	10-20	10-15	10
Macedonia	5-10	10	10
Malaysia	10-15	15	10
Moldova	10-15	10	10
Mongolia	10	10	10
Morocco	7-10	10	10
Netherlands	10-15-[2]01	10-15	10
New Zealand	5-15	10-15	10
Norway	5-15	5-10-15	10
Oman	10-15	10	10
Pakistan	10-15	10	10
Poland	10-15	10	10
Portugal	5-15	10-15	10
Qatar	10-15	10	10
Romania	15	10	10
Russia	10	10	10
Saudi Arabia	5-10[6]	10	10
Serbia	5-15	10	10
Singapore	10-[1]55	7.5-10	10
Slovak Republic	5–10	10	10
Slovenia	10	10	10
South Africa	10–15	10	10
Spain	5-15	10-15	10
Sudan	10	10	10
Sweden	15-20	15	10
Switzerland	5-15	5-10	10
Syria	10	10	10-15
Tajikistan	10	10	10
Thailand	10-15	10-15	15
Tunisia	12-15	10	10

	Dividends (%)	Interest (%)	Royalties (%)
Turkmenistan	10	10	10
Ukraine	10-15	10	10
United Arab Emirates	10-12[4]	10	10
United Kingdom	15-20	15	10
United States	15-20	10-15	5-10
Uzbekistan	10	10	10
Yemen	10	10	10

NOTES:

1 A dividend received by a Netherlands company from a Turkish company is truced at 10% in Turkey if it is not subject to corporate income true in the Netherlands.

2 A dividend received by a Belgian company from a Turkish company will be truced at 10% in Turkey if it is not subject to corporate income true in Belgium.

3 The treaty rates are 10% where the recipient is a company which owns at least of the 25% of the voting shares of the company paying the dividend throughout the last six months of the accounting period for which the distribution of profits takes place, and 15% in all other cases. However, these rates are increased to 15% and 20% respectively where the Turkish tax imposed on the income of the company paying the dividends is less than 40% of such income derived in the accounting period ending immediately before the date such dividends become payable.

4 If the dividends are received from the government of that country or from a public institution wholly publicly owned, the maximum rate is 5%.

5 Dividends paid to a resident of Turkey, by a company resident in Singapore will not be subject to taxation according to the laws in force in Singapore.

6 If the beneficial owner of the dividends is the Central Bank or a Government body the rate is 5%.

UGANDA

MEMBER FIRM

City	Name	Contact Information
Kampala	Charles Oguttu	+256 312 305800 coguttu@ug.pkfea.com

BASIC FACTS

Full name:	Republic of Uganda
Population:	36.82 million (2013 census)
Capital:	Kampala
Major languages:	English, Swahili, Luganda
Major religion:	Christianity, Islam
Monetary unit:	Ugandan shilling (UGX)
Internet domain:	.ug
International dialling code:	+256
Revenue Authority website:	www.ugrevenue.com

KEY TAX POINTS

- Resident companies are taxable on their worldwide income and gains whereas non-residents are subject to tax on income sourced in Uganda.
- The standard rate of corporate income tax applicable to resident and non-resident companies is 30%, although special rates apply to small businesses and mining companies.
- Capital gains and losses only arise in respect of non-depreciable assets owned by a business. Gains are added to and taxed along with ordinary income.
- A tax at 15% is charged on repatriated profits of overseas companies with branches in Uganda
- VAT is charged at a standard rate of 18% but some supplies are zero rated or exempt.
- Dividends are generally subject to withholding tax where paid to residents or

non-residents at a rate of 15% (or 10% where the payer is listed on the Ugandan Stoke Exchange).
- Other payments for goods and services are subject to withholding tax with different rates in some cases depending on whether the recipient is resident in Uganda.
- Income tax is levied on the worldwide income of resident individuals (a foreign tax credit is granted for foreign sourced income not exceeding the appropriate Uganda income tax payable) and on the income of non-resident individuals sourced from Uganda.

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX

Resident companies are taxable on their worldwide income and gains whereas non-residents are taxed on income sourced in Uganda. Uganda-sourced income is clearly defined for purposes of the Income Tax Act.
The tax rates applicable to residents and non-residents are as follows:
- for companies (other than mining companies) and retirement funds – 30%
- for mining companies – calculated according to the following formula:
  - 70 — 1500/X where X is the number of percentage points represented by the ratio of the chargeable income to the gross revenue of the company.
  - If the rate of tax calculated above exceeds 45%, then the rate of tax shall be 45% and, if the rate of tax calculated above is less than 25%, then the rate of tax shall be 25%.

Special rates of tax apply to income from small businesses (i.e. those businesses where the income does not exceed UGX 50m per year). These presumptive tax rates fall in defined bands/ranges of gross income.
The fiscal year in Uganda runs from 1 July to 30 June. Companies must file a return of income each year by 31 December following the end of the tax year. A different accounting period (referred to as substituted year) can be opted for by seeking permission from the revenue authorities. In such cases, return of income should be filed within six months of applicable year end.

CAPITAL GAINS TAX

Capital gains are added to the income from all other sources and taxed at the rate applicable to that person.

BRANCH PROFITS TAX

Non-resident companies are subject to Ugandan corporate income tax in respect of profits earned from branches in Uganda. In addition, the branch is taxed on the repatriated income at the rate of 15%.

RENTAL INCOME TAX

Effective July 2014, rental income, expenditure and losses generated by a taxable individual or company is required to be declared in a rental income tax return separate from the usual business income tax return.

VALUE ADDED TAX (VAT)

VAT is payable on:
- every taxable supply in Uganda made by a taxable person
- every import of goods other than an exempt import
- the supply of any imported services by any person.

A taxable supply is defined as 'a supply of goods or services, other than an exempt supply, made by a taxable person for consideration as part of his business activities'.

A taxable person is a person who is required to be registered under the statute. Persons who are required to be registered are those who:
- during any period of three calendar months make taxable supplies, the value of which exclusive of any tax exceeds one quarter of the annual registration threshold
- have reasonable grounds to expect that in any period of three calendar months will make taxable supplies, the total value of which will exceed one-quarter of the annual registration threshold
- the annual registration threshold is, at present, UGX 50m.

Rates Of Tax (VAT)

There are three categories of supplies for VAT purposes: exempt, zero-rated and standard rated. The standard rate is 18%. Some types of supplies are zero rated or exempt.

FRINGE BENEFITS TAX

This is not applicable in Uganda but benefits to employees are valued as per rules of valuation under the Income Tax Act 1997 and added to the employment income to determine the tax.

LOCAL TAXES

Local service tax is levied by local authorities on resident individuals (with a few exceptions) who are above the age of 18 and are in gainful employment with effect from 1 July 2008.
Local Hotel Tax was also introduced with effect from 1 July 2008, collected and remitted to the local authority on a monthly based on bands.

OTHER TAXES

Excise, import and custom duties are applicable on several items either on ad valorem basis or at specific rates.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

The Industrial building allowance is 5% on straight-line basis.
Effective July 2014, initial allowance deduction on eligible items and industrial buildings was revoked.

The mining allowance is 100% of capital expenditure incurred in searching for, discovering and testing or winning access to deposits of minerals in Uganda.

Start-up costs for a business or expenditure incurred in the initial public offering at the stock market are allowed at a rate of 25% on a straight-line basis.
Horticulture business allowance is 20% on straight-line basis of the capital expenditure incurred in the acquisition or establishment of a horticultural plant or the construction of a greenhouse.

DEPRECIATION

Depreciation is allowable on written-down value basis at the following rates:

1.	Computers and data handling equipment	40%
2.	Automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction and earth-moving equipment	35%
3.	Buses with a seating capacity of 30 or more passengers, goods vehicles designed to carry or pull loads of 7 tonnes or more; specialised trucks, tractors, trailers and trailer-mounted containers, plant and machinery used in farming, manufacturing or mining operations	30%
4	Railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised public utility plant, equipment and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another group.	20%

STOCK/INVENTORY

A deduction is allowed for the cost of trading stock disposed of during a year of income. The closing value of trading stock is the lower of cost or market value of trading stock on hand at the end of the year.

CAPITAL GAINS AND LOSSES

Capital gains or losses are taxable only if the asset on which the gain or loss arises is owned by a business and is a non-depreciable asset. This is determined by subtracting the cost base of the asset from the consideration received on sale of the asset.

Cost base of the asset is the original cost to the taxpayer as increased by any expenditure incurred to alter or improve the asset which has not been allowed as a deduction. In case of immovable property purchased prior to 31 March 1998, the taxpayer may substitute the market value of the property as on 31 March 1998 for the original cost of the asset.

Capital gains and losses are added or subtracted from the other income of the taxpayer for that year of income and not taxed separately.

DIVIDENDS

Dividends are subject to 15% withholding tax except dividends paid by companies listed on the stock exchange to resident individuals which is 10%.

Effective July 2013, dividends have been expanded to include issue of bonus shares. However, the shares are only taxable upon disposal.

INTEREST DEDUCTIONS

Allowable in full except where a foreign-controlled resident company which is not a financial institution has a foreign debt-to-equity ratio in excess of 1:1 at any time during a year of income. A deduction is disallowed for the interest paid by the company during the year on that part of the debt which exceeds the 1:1 ratio.

LOSSES

Assessed losses are allowed to be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income. These are allowed to be carried forward indefinitely.

FOREIGN SOURCED INCOME

The gross income of a resident person includes income derived from all geographic sources and the gross income of a non-resident includes only income derived from sources in Uganda.

INCENTIVES

Industrial zones for the production of exports are being set up and investors locating in these zones will be entitled to a ten-year corporation tax holiday; duty exemption on raw materials, plant and machinery and other inputs; stamp duty exemption; duty drawback to apply on import of goods from domestic tariff area; no export tax on goods exported; exemption of withholding tax on interest on external loans; and dividends repatriated to get relief from double taxation.

From 1 July 2008, the following new incentives were granted:
1) Resident airlines have been granted exemption from income tax and withholding tax on lease rentals.
2) From July 2014, the tax exemption on business income derived from managing, operating and running schools and tertiary educational institutions was revoked.
3) From July 2014, the exemption on interest income earned by a financial institution on a loan granted to any person for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry husbandry or similar operations has been revoked.
4) New agri-processing investments set up outside a 30 km radius of Kampala are exempt from income tax. With effect from 1 July 2009 this has been modified to exempt income of a person derived from agro-processing where the person applies in writing to the Commissioner to be issued with a certificate of exemption at the beginning of his or her investment and invests in new plant and machinery to process agricultural products for final consumption. The process should involve processing of agricultural products grown or produced in Uganda.

C. FOREIGN TAX RELIEF

A resident taxpayer is entitled to a credit for any foreign income tax paid by the taxpayer in respect of foreign-sourced income included in the gross income of the taxpayer.

D. RELATED PARTY TRANSACTIONS

In order to regulate transactions between related parties, Transfer Pricing Regulations have been introduced with effect from 1 July 2011. The regulations shall apply to a "controlled transaction" where a taxpayer, who is a party to the transaction, is located in or outside Uganda. The regulations expressly require that a taxpayer who has transactions with related non-resident or resident entities must prepare transfer pricing documentation. This documentation, for a year of income, must be in place prior to the due date of filing the income tax return for that year.

E. WITHHOLDING TAX

Withholding tax is a final tax on:
- interest paid by a financial institution to a resident individual
- interest paid to any person on treasury bills by the Bank of Uganda
- dividends paid to a resident individual.

RATES OF WITHHOLDING TAX ARE AS FOLLOWS:

	Resident	Non-resident
Management fees and royalties	6%	15%
Consultancy, agency fees, etc	6%	15%
Professional fees	6%	15%

	Resident	Non-resident
Dividends[1]	15% or 10%	15%
Interest[2]	15%	15%
Sports persons and public entertainers	Nil	15%
Re-insurance premiums	Nil	15%

1 It does not apply where the dividend income is exempt from tax in the hands of a shareholder.
2 It does not apply to residents where: (i) interest is paid to a natural person; and (ii) interest other than interest from government securities paid to a financial institution.

The 6% withholding tax does not apply to taxpayers whom the Commissioner has exempted from withholding tax.
Interest on deposit auction funds issued by Bank of Uganda is taxable at 20%.
Withholding tax at 10% is applicable on purchase of an asset by a resident person from a non- resident,
Interest payment on government securities to non residents is subject to tax at 20%.
Besides the above, withholding tax is also applicable and charged on import of goods at the rate of 6%.
In case of local transactions of goods and services, 6% withholding tax is applicable where the payer is the Government, a Government body or a company/person designated by the Minister.
The rate of withholding on payments to non-residents is reduced in some cases under the provisions of double taxation agreements entered into with a small number of overseas territories (see Section I below).
From July 2014, a person who makes payments for winnings of sports betting or pool betting shall withhold tax on the gross amount of the payment at of 15%.
From July 2014, a resident person who makes a payment of premium for reinsurance services to a non-resident person shall withhold tax on the gross amount of the payment at a rate of 15%. This does not apply to reinsurance services provided by a few specified reinsurers.

F. EXCHANGE CONTROL

There are no restrictions on foreign currency flows in and out of the country. Realised exchange gains and losses are taxable/allowable in the year of realisation.

G. PERSONAL TAX

Income tax is levied on the worldwide income of resident individuals and on the income of non-resident individuals from sources in Uganda.

An individual will be regarded as resident in Uganda if he or she:
- has a permanent home in Uganda
- is present in Uganda for a period of, or periods amounting in aggregate to 183 days or more in any 12-month period that commences or ends during the year of income
- is present in Uganda during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income
- is an employee or official of the government of Uganda posted abroad during the year of income.

1. The income tax rates applicable to resident individuals are as follows.

Chargeable income (UGX)	Rate of tax
0 - UGX 235,000	Nil
UGX 235,001 - UGX 335,000	10% of the amount exceeding UGX. 235,000.
UGX 335,001 - UGX 410,000	UGX. 10,000 + 20% of the amount exceeding UGX. 335,000.
Exceeding UGX 410,000	UGX 25,000 + 30% of the amount exceeding UGX. 410,000 + 10% of the amount exceeding UGX 10,000,000

2. The income tax rates applicable to nonresident individuals are —

Chargeable income (UGX)	Rate of tax
0 - UGX. 335,000	10%
UGX 335,001 - UGX 410,000	UGX 33,500 + 20% of the amount exceeding UGX 335,000.
Exceeding UGX 410,000	UGX 48,500 + 30% of the amount exceeding UGX 410,000 + 10% percent of amount exceeding UGX 10,000,000

Where a taxpayer's income consists exclusively of employment income derived from a single employer and from which tax has been withheld, no tax return needs to be filed. Small businesses with income not exceeding UGX 50m per year run by resident individuals do not need to file a return.

H. TREATY RATES OF WITHHOLDING TAX

Country	Dividends		Interest	Royal-ties	Technical/ manage-ment fees
	Individuals/ companies	Qualifying companies			
	(%)	(%)	(%)	(%)	(%)
Denmark	15	10	10	10	10
India	10	10	10	10	10
Mauritius	10	10	10	10	10
Norway	15	10	10	10	10
South Africa	15	10	10	10	10
United Kingdom	15	15	15	15	15
Italy	15	15	15	10	10
Netherlands	15	0-5	10	10	10

1 A company is a 'qualifying company' if it owns at least 25% of the capital of the company paying the dividend.

UKRAINE

MEMBER FIRM

City	Name	Contact Information
Kyiv	Sviatoslav Biloblovskiy	+38 044 501 25 31 pkf@pkf.kiev.ua

BASIC FACTS

Full name:	Ukraine (Ukrayina)
Population:	44.29 million (2014 estimate)
Capital:	Kiev
Major languages:	Ukrainian
Major religion:	Christianity
Monetary unit:	Hryvnia (UAH)
Internet domain:	ua, .укр
International dialling code:	+380
Revenue Authority website:	www.bank.gov.ua

KEY TAX POINTS

- Starting from 2015, the Tax Code determines taxable profits as net profits before tax as per accounting records, either Ukrainian statutory or International Financial Reporting Standards (IFRS), and adjusted for 'tax differences'.
- Companies generally pay corporate profit tax at a flat rate of 18%. Reduced rates of 0% or 3% apply to qualified insurance activities.
- Value Added Tax is currently levied at a rate of 20% of the taxable value of domestic supplies, imported goods and auxiliary services. The rate on exported goods and auxiliary services is 0%. The VAT rate on supply of medicines and medical devices on the list approved by the Cabinet of Ministers of Ukraine is 7%.
- Ukrainian tax residents are subject to Personal Income Tax (PIT) on their worldwide income, whereas non-residents are only subject to taxation on the Ukrainian sourced portion of their income. The tax rate varies from 5 to 30% of the tax base. It depends on the type and amount of income. The most common applicable rate for PIT is 20%.
- In 2015 all types of incomes, which are object for PIT, are also object for military duty. The rate of this duty is 1.5% of the taxable income.
- When paying wages (or similar payment) the source of payment is obligate to accrue and transfers to budget unified social contribution tax (USC). The rate varies from 8.41% to 49.7% (depends on risk category, the most common applicable rate is near 37 %) of the accrued income in the form of wage (or similar payment). This part is paid at the expense of the source of payment (employer). The additional rate, which varies from 2.6% to 3.6%, is paid at the expense of the recipient's income.
- Legal entities and individuals (incl. non-residents) are the payers of property tax. The tax rate is based on the size of the property and set in percentage (not exceeding 2%) to the minimum statutory wage determined at 1 January of the reporting year.
- . Ukrainian government already announced its intention to propose amendments to tax code in the first quarter of 2015.

A. TAXES PAYABLE

COMPANY TAX

The tax that companies pay is known as corporate profit tax (CPT). Currently, this tax is calculated at a flat rate of 18%.

A special reduced rate of 5% is set for the companies, which are related to software industry.

For insurance activity, there is an additional tax, which is 3% on amount of insurance contracts from the tax object. This tax is the difference that reduces the profit before tax of the insurer. The rate of this tax for the contracts with term life insurance, a voluntary health insurance and insurance contracts within the non-state pension is 0%.

Special rates apply to certain types of businesses.

Starting from 01.01.2015 all entities with net taxable income more than UAH 20,000,000 (for the period ended 31.12.2014 – 10 000 000 UAH) must pay CPT in advance. The taxable base is calculated as 1/12 of the last fiscal year's CPT and must be paid in equal parts monthly. The exception of this rule is set for the entities with negative financial result in the prior year.

There are some new restrictions provided for transaction between related parties as a new edition of p. 39 of Tax Code came into force on 01.01.2015. The transaction between related parties with amount exceeding UAH 1 million (VAT not included) or 3% of taxable income is recognized as "controlled". At the same time the total taxable income of the entity and / or its related parties should exceed 20 000 000 UAH.

The taxable base for such transaction should be comparable to the taxable bases of similar transactions held by non-related parties.

CAPITAL GAINS TAX

There is no separate capital gains tax. Capital gains are treated as ordinary income.

BRANCH PROFITS TAX

There is no special profits tax on branches of foreign companies in Ukraine.

VALUE ADDED TAX (VAT)

VAT is levied on the sale of most merchandise and services and on imported goods. According to the Tax Code, the taxable base for VAT is defined as the contractual value of the goods or services supplied. There is a special method of calculating the taxable base for controlled operations as it is set in p.39 of Tax Code. The base for the operations which are recognized as controlled should be not less than the base which is calculated for the same operations between non-related parties (known as the arm-length principle (ALP)).

VAT is currently levied at a rate of 20% of the taxable value of domestic supplies, imported goods and auxiliary services. The VAT rate on exported goods and auxiliary services is 0%. The rate on supply of medicines and medical devices on the list approved by the Cabinet of Ministers of Ukraine is 7%.

Ukrainian VAT legislation for the taxation of services applies the concept of "place of supply". In general, services rendered within the Customs territory of Ukraine are taxed at the general VAT rate, regardless of whether they are rendered to residents or non-residents. However, there are certain exceptions to this rule.

According to the Tax Code, certain transactions are exempt from VAT and are not subject to VAT.

If entities meet certain criteria, they may be subject to mandatory registration as VAT payers. One such criterion is the volume of taxable supplies of goods/services during the previous 12-month period, with the taxable threshold set at UAH 1 000 000. However, if an entity's volume of taxable supplies in this period was less than UAH 1 000 000, then it can opt to register voluntarily.

The above mentioned requirement to register for Ukrainian VAT purposes applies to both resident and non-resident entities.

If an entity imports goods to Ukraine in taxable quantities, it is obliged to pay VAT during the Customs clearance process without the need to register as a VAT payer.

In addition to taxable entities, VAT law defines the concept of a tax agent (individual responsible for accruing and withholding VAT) and states that, when non-residents provide services that qualify as taxable supplies in Ukraine, VAT should be accrued and remitted to the budget by the Ukrainian customer.

For VAT accounting purposes, the so-called "first event" rule is normally used. According to this rule, output and input VAT on domestic sales are assessed in the reporting period in which goods/services are supplied or payment is received.

In general, the tax period for VAT purposes is a calendar month. Entities liable to pay VAT must therefore submit tax returns and remit VAT on a monthly basis. According to the effective tax legislation, agricultural producers may apply a special tax regime according to which the VAT liabilities collected by agricultural companies are not payable to the budget but may be used for special business purposes.
Starting on 01.01.2015 a brand new system of electronic administration is provided. It includes
Electronic registration of tax invoices and automatic control of it by tax authority. Starting from 01.07.2015, VAT-payers are obliged to use special bank accounts for operations with VAT. These accounts are opened automatically in the State Treasury of Ukraine.

FRINGE BENEFITS TAX (FBT)

Both residents and non-residents are taxed on fringe benefits (treated as payment in kind). The value of the benefits is taxed as the employment income by grossing up for Personal Income Tax (PIT).

SOCIAL SECURITY CONTRIBUTIONS

Employers are liable to pay Unified Social Security Contributions relating to salaries and benefits paid to their employees.

The maximum for the single contribution base is set at 17 times the average monthly cost of living and currently (as at 1 January 2015) stands at UAH 20,706. The rates applicable up this amount are as follows:

Type	Unified Social Security Contribution Rate	
	Employer's Contribution	Employee's Contribution
Enterprises and PEs using a hired labour force (labour contracts)	36.76 - 49.7%*	3.6%
Employers paying remuneration under civil law contracts	34.7%	2.6%
PEs registered as taxpayers under the simplified tax system	34.7%	
Individuals engaged in independent professional activities	34.7%	

* Depending on occupational risk.
* There is a reducing ratio for employers who meet certain criteria. The maximum reduce off the base rate is 60%. Starting from 01.01.2016 – 40%.

LOCAL TAXES
There are number of taxes at the local level, including property tax, parking duties, unified tax, and tourism duties.

In general, local taxes (except unified tax) and duties do not have a significant impact on a taxpayer's tax position.

OTHER TAXES
LAND TAX
Land tax is imposed on owners and users of land. The amount of tax payable depends on the use (e.g. farmland) and location of the land.

DUTIES FOR THE INITIAL REGISTRATION OF VEHICLES
Starting from 01.01.2015 this duty is cancelled.

New transport tax on "luxury" cars was imposed - it is payable by companies and individuals owning cars that were used up to 5 years and have engine, which is more than 3,000 cubic cm. The tax rate is 25 000 UAH per year for each car.

PROPERTY TAX
Property (Real Estate) tax was applied from 1 January 2013 and is imposed on owners of residential property - both individuals and legal entities - including non-residents. Real Estate Tax rates shall be set by local authorities but shall not exceed:

- 2% of the minimum statutory monthly salary established as of 1 January of a reporting year per m² of an apartment, house or non-residential real estate.

Tax relief for up to 60 m² per apartment and 120 m² per house is given to individual real estate taxpayers if property is used for private purpose only.

Starting from 2015, property tax was extended to cover commercial real estate owned by legal entities and individuals. There are statutory exemptions from tax (e.g., production facilities and warehouses of industrial enterprises, buildings and constructions used in agricultural production). The amounts of property tax on commercial real estate paid by the legal entity can be credited/set-off against the corporate profit tax (CPT).

SPECIAL PENSION FUND CHARGES
The following special charges are payable to the State Pension Fund:

- 3% - 5% charge depending on the transfer value of the car (charged only at initial registration);
- 1% charge on the acquisition of real estate payable by individuals and legal entities that purchase real estate;
- 7.5% charge on mobile communication services.
- 2% charge on purchases of foreign currency (only for cash operations).

There are also a number of other business activities that require contributions to be made to the Special Pension Fund.

STAMP DUTY
Stamp Duty is imposed on certain transactions, including notarisation of contracts and the filing of documents with the courts. In most cases, the amounts involved are nominal, although there are exceptions. Operations carried out at commodity exchanges and sales of real property incurs a stamp duty of 1%

EXCISE TAX
Excise Tax is payable on cars, alcoholic beverages, tobacco products, beer and petrol and diesel fuel, whether imported or produced domestically. Rates of excise duty are specific.

CHARGE ON ENVIRONMENTAL POLLUTION
Environmental pollution charges are imposed on any legal entity that discharges contaminants into the environment (air or water) or disposes of waste. The actual rate depends on the type and toxicity of each contaminant.

CHARGE FOR SUBSOIL USAGE
This charge is not used starting from 01.01.2015.

RENTAL PAYMENTS (OIL AND GAS INDUSTRY)
The rate of rent payments for oil and gas production is set for oil and condensate based

on the volume of production and the price of hydrocarbons - 45 percent of deposits up to 5 km, 21 percent - on deposits of more than 5 km, for natural gas sold not for households – 55 percent - for deposits of up to 5 km, and 28 percent - for deposits of more than 5 km.

B. DETERMINATION OF TAXABLE INCOME

According to domestic tax accounting rules, taxable items are normally recognised on the basis of the accrual method. In accordance with this method, taxable income is generally recognised in the reporting period in which it was accrued.

In general, deductible expenses are recognised when they are incurred (i.e. upon receipt of goods or services), regardless of the period of payment. The expenses must be recognized in the reporting period when the related to these expenses income is recognized.

Resident entities are taxed on the worldwide income they receive or accrue within the reporting period. The amount of taxable income is determined by subtracting the costs of sales and other allowed deductible expenses from taxable income. Depreciation charges are included in deductible expenses.

Gross taxable income is defined as any income, from domestic or foreign sources, that is received or accrued by the taxpayer in the course of conducting any activity. This income may be in monetary, tangible or intangible form.

The Tax Code provides for gross taxable income to be reduced by the tax cost of sales and other deductible expenses to calculate taxable income.

Starting from 2015, the Tax Code determines taxable profits as net profits before tax as per accounting records, either Ukrainian statutory or International Financial Reporting Standards (IFRS), and adjusted for 'tax differences'.

DEPRECIATION

Expenses associated with the acquisition, construction and/or improvement (in excess of 10% of the total book value at the beginning of the tax year) of capital assets for business purposes may not be deducted immediately. Instead, these expenses should be capitalised and depreciated or amortised over a fixed period.

Depreciation allowances are permitted for all capital assets, including both fixed and intangible property, except for land, goodwill, fixed assets under conservation and non-business-related capital assets.

According to the Tax Code, fixed assets are divided into 16 groups according to their minimum useful life for tax depreciation purposes.

Groups	Fixed assets included in this group	Minimum useful life, years
Group 1	Plots of land	-
Group 2	Capital expenditure on land improvements unrelated to construction	15
Group 3	Buildings	20
	Facilities	15
	Transmission devices	10
Group 4	Machinery and equipment	5
	Computers and other automatic data processing equipment; related information read-out and printing equipment; related computer programs (except for payments for programs that are classified as royalties and/or programs treated as intangible assets); other information systems; switch boxes, routers, modules and modems; uninterrupted power supplies and means connecting them to telecommunications networks; telephones (including satellite phones), microphones and portable radio transmitters worth over UAH 2,500	2
Group 5	Motor vehicles	5
Group 6	Instruments, devices, furniture	4

Groups	Fixed assets included in this group	Minimum useful life, years
Group 7	Animals	6
Group 8	Perennial plants	10
Group 9	Other fixed assets	12
Group 10	Library funds	-
Group 11	Low-cost non-current tangible assets	-
Group 12	Temporary facilities	5
Group 13	Natural resources	-
Group 14	Reusable containers	6
Group 15	Rented assets	5
Group 16	Long-term biological assets	7

For tax purposes, fixed assets are depreciated during their useful lives using one of the following four methods:

- Straight line method;
- Reducing balance method;
- Accelerated reducing balance method;
- Cumulative method;

Each fixed asset is accounted for separately and depreciated over its useful life, as defined in the taxpayer's tax policy, but which should be at least the minimum useful life period indicated in the Tax Code. If the useful life period defined for the purposes of accounting exceeds the minimum period indicated by Tax Code then one should use greater value. The tax depreciation method used should correspond with the taxpayer's UAS (Ukrainian Accounting Standards) policy.

According to the Tax Code, intangible assets are divided into six groups. Each intangible asset should be accounted for separately and amortised using one of the abovementioned methods over its useful life, taking into consideration the minimum useful life established by the Tax Code.

Groups	Fixed assets included in this group	Minimum useful life, years
Group 1	Rights to use natural resources	According to the entitling document
Group 2	Rights to use property	According to the entitling document
Group 3	Rights to use commercial branding (trademarks, etc.)	According to the entitling document
Group 4	Industrial property rights	According to the entitling document but no less than five years
Group 5	Copyrights and related rights	According to the entitling document but no less than two years
Group 6	Other intangible assets	According to the entitling document

Separate accounting must be maintained for transactions involving land. Expenses associated with purchasing land cannot be deducted or amortised. Profits from future sales of land should be included in taxable income. However, losses incurred upon the sale of land may not be included.

STOCK / INVENTORY

Generally, stock is valued at its purchase cost. The Tax code contains no provision concerning valuation of stock. The cost of materials transferred to production may be determined by the following valuation methods: average cost, cost of item, FIFO, price of sales or standard cost.

CAPITAL GAINS AND LOSSES

As mentioned above, capital gains and losses are subject to profit tax at regular corporate rates.

DIVIDENDS

Dividends paid by Ukrainian companies are subject to Advanced Corporation Tax (ACT), which is calculated based on the statutory tax rate. Advance payment is calculated on the excess amount of dividends to be paid over the value of the object of taxation for the reporting year on the results of which the dividends are paid and for which the liability is paid. In the case of the liability outstanding advance payment calculated on the full amount of dividends to be paid. Advanced Corporation Tax is due prior to or

upon the payment of dividends.

Ukrainian companies may use Advanced Corporation Tax they have paid to reduce their CPT liabilities for future periods. If the taxpayer does not have sufficient CPT liabilities for a period, then this Advanced Corporation Tax credit may be carried forward indefinitely.

Advanced Corporation Tax does not apply to dividends paid by the following entities:

- Ukrainian holding companies within its income received of dividends from other Ukrainian legal entities;
- Investment funds;
- Tax payer, whose income exempt from tax under the provisions of this Code in the amount of income exempted from tax in the period for which the dividends are paid;

The dividends paid to individuals are not subject to ACT Interest deductions.

INTEREST EXPENSES

Any interest expenses incurred by a taxpayer in the course of carrying out business activities are generally deductible. However, interest deductibility limitations do apply to resident taxpayers in the following circumstances:
For the taxpayer, whose amount of debt arising from transactions with related parties - non-residents exceeds the amount of equity in over 3, 5 times (for financial institutions and companies engaged exclusively in leasing activity, more than 10 times), the financial result before tax increases by the excess of accrued interest for loans, borrowings and other debt over 50 percent of the financial result before tax, finance costs and the amount of depreciation according to the financial statements of the reporting tax period in which the accrual of interest. The exceeding amount can be used for tax purposes (as deduction) in future periods, considered the written above.

LOSSES

Taxpayers' tax losses may be carried forward and should be reported in CPT returns for subsequent periods as a separate deductible expense although there are specific limitations for utilising such losses in future tax periods.

Tax losses that have accumulated up to 31 December 2011 must be spread evenly over the four period 2012 - 2015 so that only 25% of that loss may be utilised in each year.

A special method applies for accounting for losses relating to securities.

FOREIGN SOURCED INCOME

Foreign sourced income and gains are subject to profit tax at the regular rate except dividends.

INCENTIVES

- Small enterprises that meet certain criteria will be entitled to a 0% CPT rate from 1 April 2011 until 1 January 2016. This is where annual income is less than or equal to UAH 3,000,000 and the average salary paid by the company is not less than two times the minimum wage. There are some restrictions depending on type of business activity.
- Small businesses may choose to adopt the Simplified tax system which is designed to reduce the tax and administrative burden on legal entities and private individuals. Taxpayers eligible to use this system, rates of tax and permitted types of business activities are described in the table below:

Group	Maximum annual income, UAH	Maximum number of employees	Types of permitted activities*	Rate, %
1 (individuals)	300 000	None	Trading only with private individuals (retail sales and/or rendering of services)	10 Min statutory salary level
2 (individuals)	1 500 000	Max 10 persons	Trading only with private individuals or other simplified taxpayers (, production of goods and/ or rendering of services except for certain types of operations)	20 Min statutory salary level

Group	Maximum annual income, UAH	Maximum number of employees	Types of permitted activities*	Rate, %
3 (individuals and legal entities)	20 000 000	Not limited	Any*	2 % of income (VAT payer) 4 % of income (non-VAT payer)
4 (agricultural producers)	Not limited	Not limited	Share of agricultural commodity production in the previous tax (reporting) year equals or exceeds 75 percent**	Depends on the type of land

* The following business activities are prohibited for simplified tax system:

- Gambling establishments;
- Exchange of foreign currencies;
- Production, export, import and sale of excisable goods;
- Extraction, production and realisation of precious metals and precious gems;
- Extraction and realisation of mineral resources;
- Financial services except insurance;
- Management of enterprises;
- Postal and connection services;
- Sales of works of art, antiques; and,
- Touring events businesses.

Legal entities and individuals using the Simplified Tax System are exempt from the following taxes:

- Corporate Profits Tax;
- Personal Income Tax (on income of individual entrepreneurs only);
- Value-Added Tax (except for those opting to be VAT payers);
- Property tax
- Rent for special use of water (4-th group)

** Impossible to choose the simplified tax system for entities that carry out activities for the production of excisable goods other than wine grape

Individual entrepreneurs who pay the Simplified tax shall pay the Single Social Contribution accrued on their income, but not less than the minimum statutory level of payment (minimum monthly wage multiplied by the effective rate of the charge: 1,218 x 34.7% = UAH 422,65 from 1 January 2015).

C. FOREIGN TAX RELIEF

A tax credit for foreign taxes paid on foreign-sourced profits or revenues is available subject to a limit of the maximum amount of Ukrainian tax due on the same profits or revenues. Any excess foreign tax credits may not be transferred to future or previous periods.

Individuals are allowed to claim a credit for foreign taxes paid on income received abroad, provided there is a double tax treaty between Ukraine and the relevant foreign state. The amount of foreign tax credit is limited to the amount of Ukrainian tax that would arise from the same income in Ukraine (i.e. maximum 15% -17 %). To claim a tax credit, the taxpayer must obtain an official confirmation of the amounts of income subject to tax abroad and the tax paid thereon, issued/verified by the relevant foreign tax authority.

D. CORPORATE GROUPS

Starting from 01.01.2015 a taxpayer may not apply to pay consolidated CPT. The new edition of Tax Code does not contain such option. The payment should be made on general conditions.

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E. RELATED PARTY TRANSACTIONS

Transfer pricing rules require some transactions to be recognised for tax purposes at fair market values (known as the arm-length principle (ALP)). The tax authorities have power to raise assessments if transactions between the taxpayer and associated companies are not based on fair market values. The Tax code prescribes to prepare a report on transfer pricing on a yearly basis for entities who conducted controlled operations.

F. WITHHOLDING TAX

Domestic withholding tax rates are set out in the table below (although more favourable treaty rates may apply). In order to benefit from any applicable treaty relief, a non-resident should provide the Ukrainian taxpayer with a residency certificate issued annually by the tax authorities of their country of residence. The amount withheld should be remitted to the government when the income is paid to the non-resident. Non-business-related income may be paid to non-residents from Ukrainian sources, provided that it is not attributable to a non-resident's PE in Ukraine.

Income from Ukrainian sources	Withholding tax rate
Dividends	15%
Interest	15%
Royalties	15%
Income from international freight transportation	6%
Interest income from certain state securities	0%
Other Ukrainian-sourced income	15%

A special tax is levied on insurance and advertising income payable from the Ukraine to non-residents. This tax should be accrued on top of the Income from Ukrainian sources payment (i.e. the gross amount) at the following rates and is non-recoverable for the taxpayer (see table below).

Income from Ukrainian sources	Tax rate
Insurance income	0% / 4% / 12%
Income from advertising services	20%

G. EXCHANGE CONTROLS

Currency operations that take place in Ukraine fall under state currency control regulations, a key feature of which is the concept of residency.

Only local currency (UAH) may be used in business transactions between residents. Residents and non-residents involved in international trade and investment transactions generally use a foreign currency.

Foreign currency proceeds received by a company from its foreign clients must be credited to a local bank account within 90 days of the export date of the services or goods. Failure to comply with this provision will result in the Ukrainian company being liable to pay a penalty of 0.3% of the proceeds for each day of the delay.

Goods must be imported into Ukraine within 90 days of prepayments being made by a Ukrainian company to its suppliers. Failure to comply with this provision will result in the Ukrainian company being liable to pay a penalty of 0.3% of the cost for each day of the delay.

Certain other transactions involving local and foreign currencies are subject to licensing by the National Bank of Ukraine (e.g. settlements made in a foreign currency on Ukrainian territory). Ukrainian residents are also required to obtain an individual license to make investments abroad.

All entities are required to sell at least 75% of revenue they receive in specified foreign currencies (US Dollars, Euros, British Pounds, Swiss Francs and Russian roubles) and precious metals.

H. PERSONAL TAX

The Personal Income Tax (PIT) base for Ukrainian and foreign nationals depends on their tax residency status. Ukrainian tax residents are subject to PIT on their worldwide income, whereas non-residents are only subject to taxation on the Ukrainian-sourced portion of their income.

The Tax Code also provides for a self-recognition procedure, according to which an individual can voluntarily elect to be a Ukrainian tax resident.

Domestic laws provide tax residency rules and these provisions may be overruled by the respective provisions of relevant double tax treaties.

The following PIT rates are generally applied:

- 15% - on the worldwide income of tax residents and the Ukrainian-sourced

income of non-residents up to the monthly threshold of 10 x the minimum wage (UAH 12,180 for beginning of 2015) and 20% above this amount.
- 30% - on income from winnings and prizes.
- 0% - on inheritance from immediate family members, income from the first sale of qualifying residential property and plots of land not exceeding the limit for free land transfers (provided that the property has been in ownership for more than three years)
- 5% - for tax residents on: income from the sale of commercial property; income from the second and any further sale of residential property within one reporting year; income from the sale of movable property by its owner, other than the first sale of a vehicle; income from the sale of plots of land over of the maximum area for free land transfers; on dividends issued by a resident issuer (except accrued dividends on shares and / or investment certificates) ; and on inheritance paid to non-relatives. The 15% and 17% tax rates apply to these forms of income received by non-residents.
- 20 % - for passive income, including accrued dividends on shares and / or investment certificates

The Tax Code also provides a list of items that must be included in an individual's taxable income. These include, among other things, gifts, insurance contributions and premiums, rental income and fringe benefits. Contributions to unqualified pension plans made on behalf of a taxpayer by another person/an employer will also be included into an individual's taxable income.

Income received from the sale of real estate is not taxable if the property is sold only once during a calendar year, regardless of the size of property. Revenue earned from the sale of a house, apartment, part of an apartment, room or cottage (including the plot of land, on which it is located) is:
- Not subject to tax if sold only once during a calendar year, and if the property has been owned for more than three years; or,
- Subject to 5% tax, which is levied on the amount received for a second sale of the property within a reporting year.

Foreign individuals, who are considered Ukrainian tax residents, are taxed in the same manner and according to the same rules as Ukrainian citizens.

I. MILITARY DUTY.

- In 2015 all types of incomes, which are, object for PIT, are also object for military duty. The rate of this duty is 1.5% of the taxable income.

J. TREATY AND NON-TREATY WITHHOLDING TAX RATES ON DIVIDENDS

As of December 2014, Ukraine has up to 70 double tax treaties in effect. Withholding taxes on interest, dividends and royalties are typically reduced by the treaties. A summary of withholding rates under the various treaties is provided in the table below. But it should be considered that in every special case the terms and conditions of specific treaty shall be explored.

Taxpayers do not require confirmation from the tax authorities before claiming relief under a treaty. However, the withholding agent must hold a certificate of residence from the treaty country for the person to whom income is paid. The certificate should be provided to the tax authorities no less than once every two years.

In addition to the above, the Tax Code requires the recipient of all types of income from Ukraine to be the beneficial owner (actual recipient) of the respective income. Agents, nominee holders and other intermediaries in respect of the received income cannot be beneficial owners of income sourced in Ukraine, and, therefore, are not entitled to favourable treaty provisions.

	Dividends Non-portfolio[1] (%)	Dividends Portfolio (%)	Interest[2] (%)	Royalties[3] (%)
Domestic rates:				
Non-resident individuals	15	15	5/15[4]	15
Non-resident corporations	15	15	15	15
Treaty rates:				
Algeria	5	15	10	10
Armenia	5	15	10	0

	Dividends Non-portfolio[1] (%)	Dividends Portfolio (%)	Interest[2] (%)	Royalties[3] (%)
Austria	5	10	2/5[5]	0/5
Azerbaijan	10	10	10	10
Belarus	15	15	10	15
Belgium	5	15	2/10[5]	0/10
Brazil	10	15	15	15
Bulgaria	5	15	10	10
Canada	5	15	10	0/10
China (PRC)	5	10	10	10
Croatia	5	10	10	10
Cyprus[6]	0	0	0	0
Czech Republic	5	15	5	10
Denmark	5	15	0/10[7]	0/10
Egypt	12	12	12	12
Estonia	5	15	10	10
Finland	0/5[8]	15	5/10[7]	0/5/10
France	0/5[9]	15	2/10[5]	0/5/10
Georgia	5	10	10	10
Germany	5	10	2/5[5]	0/5
Greece	5	10	10	10
Hungary	5	15	10	5
Iceland	5	15	10	10
India	10	15	10	10
Indonesia	10	15	10	10
Iran	10	10	10	10
Israel	5/10	15	5/10[10]	10
Italy	5	15	10	7
Japan[6]	15	15	10	0/10
Jordan	10	15	10	10
Kazakhstan	5	15	10	10
Korea (ROK)	5	15	5	5
Kuwait	5	5	0	10
Kyrgyzstan	5	15	10	10
Latvia	5	15	10	10
Lebanon	5	15	10	10
Libya	5	15	10	10
Lithuania	5	15	10	10
Macedonia	5	15	10	10
Malaysia[6]	15	15	15	10/15
Mexico	5	15	10	10
Moldova	5	15	10	10
Mongolia	10	10	10	10
Montenegro	5	10	10	10
Morocco	10	10	10	10
Netherlands	0/5[11]	15	2/10[5]	0 / 10
Norway	5	15	10	5 / 10
Pakistan	10	15	10	10
Poland	5	15	10	10
Portugal	10/15[12]	15	10	10

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	Dividends Non-portfolio[1] (%)	Dividends Portfolio (%)	Interest[2] (%)	Royalties[3] (%)
Romania	10	15	10	10/15
Russia	5 [3]	15	10	10
Saudi Arabia	5	15	10	10
Serbia	5	10	10	10
Singapore	5	15	10	7.5
Slovak Republic	10	10	10	10
Slovenia	5	15	5	5 / 10
South Africa	5	15	10	10
Spain[6]	15	15	0	0/5
Sweden	0/5[14]	10	0/10[5]	0/10
Switzerland	5	15	0/10[5]	0/10
Syria	10	10	10	15
Tajikistan	10	10	10	10
Thailand	10	15	10/15[10]	15
Turkey	10	15	10	10
Turkmenistan	10	10	10	10
United Arab Emirates	5	15	3	0/10
United Kingdom	5	10	0	0 [15]
USA	5	15	0	10
Uzbekistan	10	10	10	10
Vietnam	10	10	10	10

NOTES:

1 The ownership threshold for the non-portfolio rate is 10%, 20%, 25% or 50%, depending on the specific provisions in the treaty.

2 Several treaties contain a rate of 0% on interest paid to or guaranteed by a government or one of its agencies.

3 If more than one rate is shown, this means that the rate will depend on the type of royalties paid.

4 The lower rate applies to interest on current or deposit bank accounts, certificates of deposit, contributions to a credit union, and participatory and fixed-yield mortgage certificates.

5 The lower rate applies to interest paid on certain credit sales, and on loans granted by a financial institution.

6 The treaties with Cyprus, Japan, Malaysia and Spain were entered into by the USSR before it dissolved. Ukraine will continue to honour these treaties, unless they are superseded.

7 The lower rate applies to interest paid in connection with the sale on credit of any industrial, commercial or scientific equipment, unless the indebtedness is between associated enterprises.

8 The 0% rate applies if the investor holds at least 50% of the capital of the company paying the dividends and the capital invested is at least USD 1,000,000; the payer of dividend should not operate in the field of gambling, show business or intermediation business, or auctions.

9 The 0% rate will apply if a French company or companies hold directly or indirectly at least 50% of the capital of the Ukrainian company, and the aggregate investments exceeds 5 million French francs.

10 The lower rate applies to interest paid on any loan granted by a bank.

11 The 0% rate applies if the investor holds directly at least 50% of the capital of the company the dividends, and the capital invested is at least USD 300,000.

12 The 10% rate applies if the company receiving the dividend has, for an uninterrupted period of two years before the dividend is paid, owned at least 25% of the capital stock of the company paying the dividends.

13 The 5% rate applies if the capital invested is at least USD 50,000.

14 The 0% rate applies if the Swedish company holds directly at least 25% of the voting power of the company paying the dividends, and at least 50% of the Swedish company is held by Swedish residents.

15 The 0% rate applies only if the royalties are taxable in the United Kingdom.

UNITED ARAB EMIRATES

MEMBER FIRM

City	Name	Contact Information
Dubai	Graham Martins	+971 4 3888 dubai@pkfuae.com

BASIC FACTS

Full name:	United Arab Emirates
Population:	9.3 million (2013 estimate)
Capital:	Abu Dhabi
Largest city:	Dubai
Major language:	Arabic
Major religion:	Islam
Monetary unit:	1 Dirham = 100 fils
Internet domain:	.ae
International dialling code:	+971
Ministry of Finance website:	www.mof.gov.ae

KEY TAX POINTS

- There are no taxes levied by the Federal Government on income or wealth of companies and individuals, however most emirates have issued tax decrees of general application.
- The tax decrees issued by the emirates impose income tax at varying rates on taxable income of 'bodies corporate, where so ever incorporated', but the enforcement is generally limited to foreign oil exporting companies and foreign banks.
- There are no withholding taxes on outward remittances, whether of dividends, interest, royalties or fees for technical services etc. from businesses operating in the United Arab Emirates.
- UAE free zones, which permit 100% foreign ownership, grant specific tax exemptions ranging from 15 to 50 years to companies operating in the free zones.
- There are no personal taxes except municipal taxes of 5% on the annual rental of residential property.
- There is a 10% tax on hotel services and entertainment.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

DIRECT TAXES

There are no taxes levied by the Federal Government on income or wealth of companies and individuals.

However, most emirates have issued tax decrees of general application. These impose income tax of varying rates on taxable income of 'bodies corporate, where so ever incorporated'. In practice, however, enforcement of the decrees is limited to oil exporting companies and foreign banks.

Corporate income tax is imposed on foreign oil companies, i.e. companies dealing in oil or oil exploration rights. Although the tax rate applicable to oil companies is generally 55% of operating profits, the amount of tax actually paid by the oil companies is calculated on the basis of a rate agreed mutually on the basis of specific individual concessions between the company and the respective Emirate. The tax rate may range between 55% and 85%.

The tax of foreign banks is not enforced in all the emirates. Branches of foreign banks are taxed at 20% of their taxable income in the Emirates of Abu Dhabi, Dubai, Sharjah and Fujairah. The basis of taxation does not differ significantly between the various Emirates. Dubai, Sharjah and Fujairah have issued specific tax legislation for branches of foreign banks, while Abu Dhabi does not have a specific decree.

Special arrangements also exist for major government-controlled joint venture companies and some foreign banks. No tax returns are requested or required of other businesses operating in the United Arab Emirates (UAE). Further, there are no withholding taxes on outward remittance, whether of dividends, interest, royalties or fees for technical services, etc from the other businesses operating in the UAE.

In view of the above, detailed consideration is not given to the income tax decrees. Companies establishing major ventures in the UAE might, however, be well advised to seek formal tax exemptions from the respective ruler in order to avoid future assessments. Arrangements may also on occasion be made by foreign companies wishing to pay tax (for example, where profits from foreign branches are not subject to home state taxation if foreign taxes are paid) for tax to be paid at less than the tax decree rates.

UAE free zones, which permit 100% foreign ownership, grant specific tax exemptions ranging from 15 to 50 years to companies operating in the free zones.

INDIRECT TAXES

Municipal taxes are charged in some of the Emirates. In Dubai a 10% municipal tax is charged on hotel revenues and entertainment. In all the Emirates, except Abu Dhabi, income from renting commercial premises is taxed at a rate of 10%, and from renting residential premises at a rate of 5%. Abu Dhabi does not levy a municipality tax on rented premises but landlords are required to pay certain annual licence fees.

Customs (import) duties are levied generally at a rate of 5% but there are many items which are duty exempt, such as medicines, most food products, capital goods and raw material for industries etc. Imports by free zone companies are also exempted unless products move outside the zone. If the products are moved outside the zone, Customs Duty is levied at 5%.

After the introduction of the new uniform customs tariff on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% Customs Duty, while the product of GCC countries shall enter into each other's' markets free of customs duties. Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities.

In the event of re-export to GCC countries, Customs Duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union have applied since 1 January 2003.

There are no consumption taxes or VAT in the UAE, but individual Emirates may charge levies on certain products such as liquor and cigarettes and on certain services such as those provided in the hospitality industry.

B. TREATY AND NON-TREATY WITHHOLDING RATES

The UAE has entered into avoidance of double taxation treaties with several countries. Tax treaties signed by UAE may have little relevance from the UAE tax perspective as a UAE tax liability is predetermined. The taxes paid in UAE can be claimed as credit in the home country of the foreign company depending on the double taxation avoidance agreements (DTAA) and the domestic laws of that country.

DTAAs for the United Arab Emirates are as follows:

Treaty countries:

Albania	Finland	Luxembourg	Singapore
Algeria	France	Malaysia	Slovenia
Armenia	Georgia	Malta	Spain
Austria	Germany	Mauritius	Sri Lanka
Azerbaijan	Greece	Mexico	Sudan
Barbados	Hong Kong	Mongolia	Syria
Belarus	Hungary	Morocco	Tajikistan
Belgium	India	Mozambique	Thailand
Benin	Indonesia	Netherlands	Tunisia
Bosnia and Herzegovina	Ireland	New Zealand	Turkey
Brunei	Italy	Pakistan	Turkmenistan
Bulgaria	Japan	Philippines	Ukraine

Canada	Kazakhstan	Poland	Uzbekistan
China	Korea	Poland	Venezuela
Cyprus	Lebanon	Portugal	Vietnam
Czech Republic	Libya	Romania	Yemen
Egypt	Lithuania	Seychelles	

UNITED KINGDOM

MEMBER FIRM

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BASIC FACTS

Full name:	United Kingdom of Great Britain and Northern Ireland
Population:	64.1 million (2013 estimate)
Capital:	London
Major language:	English
Major religion:	Christianity
Monetary unit:	1 pound sterling = 100 pence
Internet domain:	.uk
International dialling code:	+44
HM Revenue & Customs website:	www.hmrc.gov.uk

KEY TAX POINTS

- A company resident in the UK is generally chargeable to corporation tax on all its sources of income and capital gains, wherever arising. Companies with overseas permanent establishments may however make an election to exempt profits and losses from those Permanent Establishments from UK tax if conditions are met.
- Dividends received from UK companies are exempt from Corporation Tax. Dividends received from non UK companies are also generally exempt if conditions are met – the conditions to be met for exemption are stricter for smaller companies.
- Where income or gains arising overseas is taxable on a UK resident company due to the conditions for exemption not being met, Double taxation relief is available in respect of foreign tax suffered.
- Non-resident companies are liable to corporation tax if they carry on a trade in the UK through a permanent establishment in the UK. Capital Gains arising on a non-resident company in respect of the sale of assets used in, or for the purposes of a trade carried on through a UK permanent establishment are also subject to Corporation Tax.
- Controlled foreign companies (CFC) legislation is in place to ensure that profits diverted from the UK to subsidiaries resident in low tax jurisdictions are included in a controlling UK company's taxable income.
- Transfer Pricing rules impute arm's length pricing to transactions between connected parties whether located overseas or in the UK. For Small or Medium sized entities (SME) the application of the rules are generally restricted to transactions with countries with which the UK does not have a suitable
- The 'Diverted Profits Tax' is proposed to enter into force in April 2015. This imputes a tax charge of 25% on profits 'artificially diverted' from the UK by avoidance of a UK permanent establishment or transactions which have no economic substance, where not otherwise caught by CFC or Transfer Pricing rules. As this new tax is not covered by UK Tax treaties, the charge may not be creditable for overseas tax purposes.
- VAT is charged on the supply of most goods and services in the UK, the acquisition

in the UK from other EU Member States of any goods, and the importation of goods from places outside the EU Member States.

- Income Tax at 20% must be withheld from payments of interest or royalties. Double Tax treaties reduce or remove this charge in many cases, but this must be claimed formally from HMRC prior to making any non-withholdable payment. There is no withholding tax on dividends, wherever the recipient is based.
- Resident and UK domiciled individuals are subject to income tax on their worldwide income as it arises. Non-residents are normally only subject to income tax on income arising in the UK.
- UK resident but non-UK Domiciled individuals can choose to be taxed only on their Income and Capital gains arising in the UK together with Income and Gains remitted to the UK from overseas in a given tax year (the Remittance Basis). However long term residents are required to pay an annual charge to qualify for this treatment.
- Non-domiciled individuals who come to work in the UK and who were not resident in the UK for any of the previous three tax years can claim overseas work day relief for the first three tax years following arrival in the UK.
- A UK domiciled or deemed domiciled individual is potentially subject to inheritance tax on the transfer of any property owned by him, whilst a non-UK domiciled individual may only be subject to inheritance tax on the transfer of property situated in the UK. Inheritance tax is a combination of gift and death tax.
- From 6 April 2015, non residents owning UK residential property will be subject to Capital Gains Tax in respect of gains arising on disposal of that property. In most cases, only increases in value from that date will be subject to charge.
- UK residential property owned by non-natural persons (e.g. companies) is subject to an annual tax (Annual Tax on Enveloped Dwellings) but there are reliefs for property businesses, including letting.
- UK resident trusts are liable to UK tax on worldwide income and gains. Non-resident trusts are liable to UK tax only on UK income.
- Anti-avoidance legislation exists to attribute the income and gains of offshore trusts and companies to UK residents who set up such structures and their UK resident beneficiaries.
- Trusts are subject to their own inheritance tax regime on worldwide assets. However foreign assets settled by a non-UK domiciled person (who was also not deemed domiciled) are excluded.
- Devolved taxes – In Scotland, with effect from 1 April 2015 new taxes come into effect in relation to Land and Buildings Transaction Tax and Scottish Landfill Tax. Further devolved powers are in development. For Northern Ireland, see H below.

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES

COMPANY TAX

A UK resident company is liable to corporation tax on all its sources of income and capital gains, wherever these arise. A company is deemed to be resident in the UK, for tax purposes, if it is incorporated in the UK or its central management and control is exercised in the UK.

A non UK resident company carrying on a trade in the UK through a permanent establishment (located in the UK) is liable to corporation tax on all income and gains attributable to that permanent establishment.

Corporation tax rates are fixed for each financial year commencing 1 April. If a company's accounting period does not coincide with the financial year, its profits must be time apportioned and the corporation tax rate applied accordingly.

Taxable profit (GBP £)	1 April 2014 to 31 March 2015	1 April 2015 to 31 March 2016
0 – 300,000	20%	20%
Over 1,500,000 ('main rate')*	21%	20%

Marginal relief applies to adjust a company's tax rate where taxable profits fall between £300,000 and £1.5m. The effective corporation tax rate for profits in this band is 21.25% for the financial year commencing 1 April 2014. Marginal relief is not applicable for the financial year commencing 1 April 2015.

The taxable profit thresholds are reduced where the UK Company is associated, for UK tax purposes, with any other company, or it has an accounting period of less than 12 months.

From 1 April 2015 there will be one standard rate of corporation tax regardless of the

level of taxable profits.

Large companies (broadly, those with profits taxed at the 'main rate') are required to pay their corporation tax by instalments. The first payment is generally due 6 months and 14 days from the start of the accounting period and quarterly thereafter. Companies with an annual corporation tax liability of £10,000 or less are not required to pay taxes by instalments. For companies which are not required to pay their corporation tax in instalments, the payment date is 9 months and 1 day after the end of the relevant accounting period.

* For companies with ring fence profits (income and gains from oil extraction or oil rights in the UK and UK Continental Shelf) these rates differ. The 'small' profits rate of corporation tax is 19% and the marginal relief fraction is 11/400 for financial years starting 1 April 2014 and 2015. The main rate is 30% for these financial years.

CAPITAL GAINS TAX

Capital gains made by companies are taxed at the appropriate corporation tax rate. Non-resident companies are only taxed on capital gains from the sale of assets used in, or for the purposes of, a trade which is carried on through a permanent establishment located in the UK. From April 2015 non UK residents will become chargeable on certain disposals of residential property in the UK.

There are special provisions allowing tax deferrals by UK resident and non-resident companies for reinvestment / migration. Capital losses can only be offset against capital gains arising in the same financial year, or carried forward indefinitely to set against future capital gains. It is not possible to carry back capital losses.

A capital gain or loss arising on the disposal of shares in a trading company may be exempt from UK corporation tax where at least 10% of the ordinary share capital has been held for a minimum period of 12 months. This relief if called "substantial shareholdings exemption" (SSE).

BRANCH PROFITS TAX

There is no branch profits tax in the UK. Foreign branch profits of a UK company are liable to UK corporation tax with relief (generally) for overseas taxes paid on the same profits. An irrevocable election may be made to exempt the overseas branch profits from UK tax. Where an election is made any branch losses are not available to offset against the company's profits and previous losses relieved against UK profits are clawed back. The election is irrevocable and applies to all branches of a UK company.

A UK branch of a non-resident company is taxable on its profits and gains in the same way as a UK resident company.

VALUE ADDED TAX (VAT)

VAT is charged on the supply of most goods and services made by businesses in the UK. VAT is collected at each stage of the supply chain, generally when title to the goods passes or when services are performed. The burden of the tax falls on the ultimate consumer.

Supplies of goods or services made in the UK by foreign entities can give rise to a requirement to register for VAT in the UK. VAT registration is compulsory for businesses established in the UK making annual taxable supplies exceeding GBP 81,000 (1 April 2014), although voluntary registration is sometimes available for businesses trading below this level. There is no VAT registration threshold for businesses making taxable supplies in the UK that have no UK business address. Such businesses must register for VAT immediately upon making taxable supplies in the UK unless the reverse charge simplification applies. The UK reverse charge simplification applies to most services when provided by a non-UK supplier to a UK VAT registered business customer.

The standard rate of VAT in the UK is 20%. Some supplies, such as the grant of certain interests in land, insurance, education, financial services, and health and welfare, are exempt from VAT (i.e. no VAT is charged but recovery of VAT on related purchases may be restricted). There is the 'option' for businesses to charge VAT on non-residential property transactions in order to recover VAT incurred, however, this is subject to anti-avoidance restrictions.

The export of goods from the UK, plus UK supplies of some other goods and services (e.g. books, food, children's clothing) are zero-rated. Other UK supplies may also be subject to VAT at the reduced rate of 5% (e.g. certain building works and energy saving products).

VAT-registered businesses with an annual taxable turnover not exceeding GBP 150,000 may elect to simplify their VAT accounting by using the 'flat rate' scheme.

Under the scheme, businesses account for VAT at a flat rate on turnover rather than on every single transaction. They are, however, not able to recover VAT on expenditure other than capital items over GBP 2,000.

FRINGE BENEFITS TAX (FBT)

No FBT is payable by the employer as the employees are normally taxed on benefits provided by virtue of their employment. However, National Insurance may be payable by the employer on the cash equivalent of the benefit provided.

LOCAL TAXES

Local authority rates are charged on the occupier of commercial property in the UK based on the rateable value of real estate at a level determined by central government.

OTHER TAXES

Stamp Duty, at a rate of 0.5%, is payable by the purchaser (whether or not UK resident) on the transfer of shares in a UK incorporated company.

Stamp Duty Land Tax (SDLT) is payable on UK land and building transactions and the rates are between 0 and 12% on the consideration paid for residential properties, the tax being applied at increasing rates for each portion of the price.

In Scotland, Land and Buildings Transaction Tax (LBTT) replaces SDLT with effect from 1 April 2015. The rates of LBTT for residential property range from 0 to 12%, with the 12% applying to consideration over £750,000 as opposed to over £1,500,000 for SDLT. LBTT is also applied progressively.

For non-residential property, SDLT applies at rates ranging from 0 to 4% on a block basis. Non- residential property transaction in Scotland will be subject to LBTT rather than SDLT from 1 April 2015. Rates applicable range from 0 to 4.5% with 4.5% applying where the consideration exceeds £350,000. Special rules apply to leases.

Special rates of SDLT apply where residential property is purchased by a 'non-national person' which includes companies. This is 15% for property costing over £500,000 from 20 March 2014. In addition, such properties are also subject to an annual tax, called "Annual Tax on Enveloped Developments".

For the year to 5 April 2016, social security contributions are charged on employees at a rate of 12% on earnings over GBP 155 per week up to earnings of GBP 815 per week and 2% thereafter. There is no upper limit to the employer's contribution which is broadly charged at 13.8% of an employee's earnings over GBP 156 per week.

B. DETERMINATION OF TAXABLE INCOME

TRADING PROFITS

Taxable trading profits are calculated by ascertaining assessable income and subtracting allowable deductions. Generally, to be deductible, expenditure must be wholly and exclusively incurred for the purposes of the trade and be revenue in nature rather than capital. Tax adjustments are made to the profit derived using UK accounting standards.

DEPRECIATION

Depreciation is not deductible and relief is instead given for investment through capital allowances. Capital allowances are granted for depreciation of equipment and other assets at the following rates (using the reducing balance method, unless stated otherwise):

- An annual investment allowance (AIA) provides for 100% tax relief on GBP 500,000 of spend on most types of plant and machinery costs but excludes cars. From 1 April 2014 the allowance is GBP 500,000 with one such allowance available each year to each business or corporate group. From 1 January 2016, the allowance reduces to GBP 25,000 per annum.
- Plant, machinery and equipment -18% where working life is less than 25 years. For certain assets where the working life is at least 25 years or the asset is one on a list of 'integral features', the writing down allowance is 8%.
- Private cars – Cars used in the business with $C0^2$ emissions of up to 130g/Km from April 2013 onwards form part of the general plant and machinery pool and attract allowances at 18%, whereas cars with higher emissions go into a special rate pool with annual allowances limited to 8%. 10% First Year Allowance are available for expenditure on cars within $CO2$ emissions less than 95g/km.
- Research and development (R&D) - 100% capital allowances are available to companies which incur qualifying expenditure of a capital nature on R&D. In addition, there are enhancement allowances in some cases. See 'Incentives' below.
- Investment in energy-saving equipment and environmentally-friendly equipment:

- 100% first year capital allowances are available for expenditure on designated energy efficient equipment and cars with very low CO^2 emissions (9.5g/km or less, or electric cars).

The amortisation on many intangible assets is deductible for tax and relief can also be obtained in certain circumstances where the assets are not amortised for accounting purposes.

STOCK / INVENTORY

Stock and work in progress are valued at the lower of cost and net realisable value, the only basis acceptable for tax purposes.

CAPITAL GAINS AND LOSSES

As discussed above, capital gains are included within the profits chargeable to corporation tax for an accounting period. Gains are normally computed by deducting the cost of an asset from its sale proceeds. An indexation allowance for inflation is available to companies. Capital losses can only be set against current or future capital gains, and not against income.

DIVIDENDS

Dividends received by UK companies from both UK and overseas companies are generally exempt from corporation tax subject to various conditions. For further details see section 'C' below.

INTEREST DEDUCTIONS

Interest is generally deductible on an accruals basis as long as the borrowing is for an allowable purpose but there are many anti-avoidance rules to restrict relief. The main exception is where, under certain circumstances, the interest is payable to a connected party and remains unpaid for more than 12 months after the end of the accounting period. Relief for such interest is deferred until it is paid unless the lender is liable to UK corporation tax and has brought the interest receivable into account.

A 'worldwide debt cap' regime applies to large groups and restricts tax deductions for interest payments by UK members of a multinational group by reference to the group's overall external finance costs. The rule is aimed at preventing a group obtaining a tax deduction to the extent that net financing expenses in the UK exceed the group's worldwide external gross financing expenses.

The UK's transfer pricing rules apply to debt. Interest paid to a parent or fellow subsidiary (under common control and whether UK or overseas) is not deductible to the extent that the payment would not have been made if the companies had not been connected. There are no statutory debt/equity restrictions.

LOSSES

Trading losses may be:

- Set off against income and capital gains of the same accounting period;
- Carried back for set off against income and capital gains of the previous year;
- Carried forward against future trading profits from the same trade. Where within a period of three years there is both a greater than 50% change in a company's ownership and a major change in the nature or conduct of a trade, loss carry forwards and carry backs will be denied from the date of the change in ownership.

FOREIGN SOURCED INCOME

The UK has controlled foreign company (CFC) legislation which is designed to tax holding companies on the profits of subsidiary companies in a 'low tax territory' (countries where the tax rate is less than three-quarters of the corresponding UK tax on those profits). UK resident companies that hold a 25% or greater interest in a CFC may be taxed on the profits of the CFC but there are a number of exceptions to this rule.

From 2012, the regime is targeted specifically at overseas profits that have been artificially diverted from the UK and a number of exemptions exist to take some companies or a proportion of their profits out of the charge. There is also a gateway test that companies can pass to avoid a CFC charge. A partial exemption for finance companies ensures that, in broad terms, profits caught under these rules are taxed at a quarter of the main corporation tax rate.

INCENTIVES

There are a number of grants and other forms of assistance available to businesses in the UK.

Certain qualifying research and development revenue expenditure by companies qualifies for tax relief. If incurred by small and medium sized companies the relief is an additional deduction of 130% which can be surrendered for cash if the company

is not tax paying. For large companies, the rate of relief is 130% and such companies also have the option to claim a taxable credit worth 11.1% (14.5% from 1 April 2015) of qualifying expenditure instead.

The Patent Box allows companies with qualifying patent income to be effectively taxed on that income at 10% by way of a deduction against profits. The relief is phased in from 1 April 2013 to 1 April 2017.

A 100% business rate discount is available to businesses that move into an Enterprise Zone. In addition, 100% capital allowances are available in respect of certain types of expenditure by businesses and companies based in some of the enterprise zones.

C. FOREIGN TAX RELIEF

Certain foreign taxes paid on income and gains of a UK resident company may be credited against the corporation tax on the same profits or relieved by way of deduction against profits. The foreign tax relief cannot exceed the UK corporation tax charged on the same profits.

Domestic and foreign dividends received by UK resident companies from 1 July 2009 are generally tax exempt. Various conditions need to be met and those conditions are different depending on whether the recipient is a small company.

D. CORPORATE GROUPS

Tax losses (other than capital losses but see below) may be surrendered within a 75% UK group effectively allowing consolidation of losses against profits and capital gains. Where a UK group company takes over the trade of a 75% fellow UK group member, the unused trading losses and capital allowances are transferred to the acquiring company. The trade losses are offset against future profits of the trade transferred.

Companies may also benefit from consortium relief. A company is owned by a consortium if at least 75% of the ordinary share capital is held by companies, each of whom owns at least 5%.

The transfer of assets within a 75% group of UK companies does not give rise to a capital gain. If the transferee company leaves the group within six years of such a tax free transfer, a capital gain may arise based on the market value of the asset at the time of the transfer. If the company leaves the group as a result of another company making a disposal of its shares, the gain forms part of the disposal proceeds deemed to be received by the company selling the shares.

A company with capital losses may elect to treat a gain which would have been realised by another UK group company as if it had been realised by it. The practical effect is to give a form of ‘group relief’ for capital losses.

E. RELATED PARTY TRANSACTIONS

UK companies and partnerships are required under self-assessment to document all relationships with overseas and UK associated parties and to identify and include in the tax calculation prices which are in line with what would be expected if the relevant transactions had taken place on an arm’s length basis. However, in certain circumstances, small and medium-sized groups may be exempted from the UK’s transfer pricing provisions.

F. WITHHOLDING TAX

Subject to the terms of the tax treaty, withholding taxes must usually be deducted from interest and royalties. No withholding tax applies to dividends paid by UK resident companies or interest and royalty payments where the conditions of the EU Interest and Royalty Directive are met.

G. EXCHANGE CONTROL

There are no exchange controls in the UK.

H. CORPORATION TAX (NORTHERN IRELAND) BILL

The Corporation Tax (Northern Ireland) Bill provides for the devolution of the rate-setting power for corporation tax to the Northern Ireland Assembly. The new rules will have effect from a date to be appointed by HM Treasury and is expected to be in 2017. The rate is expected to be similar, if not lower, than the Republic of Ireland’s Corporation tax rate of 12.5%.

I. PERSONAL TAX

Taxable persons comprise resident individuals, trustees and executors as well as non-resident individuals, trustees and executors on their UK-source income. Resident persons are generally subject to income tax on their worldwide income as it arises. Non-residents are normally only subject to income tax on income arising in the UK.

Broadly, UK resident individuals are liable to capital gains tax whilst non-residents are not. However, from 6th April 2015 non-resident individuals will be liable to UK CGT on UK sited residential property on the portion of the gain arising after 6 April 2015.

A new statutory residence test was introduced from 6 April 2013 and provides clarity to individuals on their residential status. For individuals who have been residing outside the UK for some time it is important that care is taken with the number of visits to the UK, as being in the UK for too long a period could make an individual UK resident.

HMRC treat an individual as being in the UK for a day if the individual remains in the UK at midnight. Under the new statutory residence test it is possible to be UK resident in certain circumstances for as little as 16 days.

Different rules apply to individuals leaving the UK as to those coming to the UK and on every case it is important to take professional advice and review your current residence status.

Broadly, individuals are domiciled in the country or state regarded as their permanent home. Individuals acquire a domicile of origin at birth, normally that of the individual's father, and is retained until a new domicile of choice is acquired. To acquire a domicile of choice, a person must sever ties with the domicile of origin and settle in another country with the clear intention of making a permanent home there.

There are special rules which allow non-domiciled individuals from being taxed on their non-UK source income and gains until they are remitted to the UK. The rules regarding remittance to the UK are complicated and some UK residents are subject to a GBP 30,000, GBP 50,000 or GBP 90,000 annual charge for using this facility. As of 6 April 2014, specific anti-avoidance rules prevent a non-domiciled individual from using the remittance basis in respect of income earned from an overseas employment that is deemed to be connected with the individual's UK employment.

From April 2013, non-domiciled individuals who come to work in the UK and who were not resident in the UK for any of the previous three tax years can claim overseas work day relief for the first three tax years following arrival in the UK. These rules allow a proportion of the individual's emoluments from employment to escape UK taxation until such time as those amounts are remitted to the UK, based on the number of UK and non-UK work days carried out by the individual during the true year.

Husbands and wives are taxed separately and each is entitled to a personal allowance. This has been set at GBP 10,600 for the year to 5 April 2016 (although the allowance is reduced by GBP 1 for every GBP 2 above which an individual's annual income exceeds GBP 100,000). The income of a minor unmarried child is also taxed separately, unless it originates from funds given to the child by the parent and it is in excess of GBP 100. From 20 February 2015, married couples will be able to apply for the marriage allowance. The allowance is a tax break that could save some couples up to GBP 212 per year. The allowance enables couples who are paying low or no tax to transfer up to GBP 1,060 of their 2015/16 personal tax free allowance to their spouse. This will only benefit couples paying the basic rate of tax. Any couples with a partner earning more than GBP 42,000 would not be eligible.

Donations to UK registered charities are made net of basic rate tax. For each GBP 80 donated by an individual, the charity receives a total of GBP 100. Higher or additional rate tax relief is given by extending the basic rate or higher rate band by the grossed up amount of the gift (see below).

A UK resident individual under the age of 75 may join a personal pension scheme and make contributions. Tax relief for all contributions in a tax year is given on the higher of 100% of relevant UK earnings and GBP 3,600 (gross), and is further restricted to the annual allowance. This is GBP 40,000 from 6 April 2014 onwards and was previously set at GBP 50,000 from 6 April 2011 to 5 April 2014.

Individuals are able to carry forward their unused annual allowances for up to three years. The total amount an individual may contribute into a pension over his or her lifetime (including any capital growth) is determined by the lifetime allowance (which is GBP 1,250,000 from 2014/15, having been reduced from GBP 1,500,000 for 2012/13 and 2013/14).

Interest on loans taken out wholly and exclusively for business purposes qualify for tax relief and these include interest on loans taken out to:
(a) Acquire shares in a closely controlled company;
(b) Acquire shares in an employee-controlled company;
(c) Acquire interest in a partnership or to acquire machinery or plant for use in a partnership or employment.

Since April 2013 onwards, the amount of unrestricted income tax reliefs an individual is entitled to take advantage of in any one tax year is restricted to the higher of GBP 50,000 and 25% of the individual's adjusted total income. Unrestricted reliefs include the interest relief mentioned above as well as relief for trading and property business losses off-set against general income.

Individuals are entitled to a tax credit of up to 30% of the value invested in qualifying shares in the enterprise investment scheme (EIS) on investments of up to GBP 1 million per annum; and in venture capital trusts (VCT) companies on investments up to GBP 200,000 per year. A more generous relief of 50% is available on investments of up to GBP 100,000 into small start-up companies from April 2012 onwards under the seed enterprise investment scheme (SEIS). There is also now a further CGT exemption of 50% where an individual makes a capital gain in 2014/15 and reinvests in qualifying SEIS shares before 6 April 2015.

In addition to income tax relief, dividends received from ordinary VCT shares are exempt from income tax. EIS shares also qualify for capital gains deferral relief and there is no upper limit.

From 1 July 2014 individual savings accounts (ISAs) have been reformed into new individual savings accounts (NISAs). Any income or gains from investments in an ISA is tax-free. The ISA annual allowance is GBP 15,000 from 1 July 2014 and you can now place all your investment into a cash ISA or stocks and shares ISA or a mixture of the two. The 2015/16 ISA allowance is GBP 15,240.

Capital gains chargeable on taxpayers other than companies are subject to capital gains tax at a rate of 18% or 28%, depending on the total of income and gains arising in the tax year. A rate of 10% is also available (known as entrepreneurs' relief) in certain circumstances, such as on the disposal of shares held in a trading company, all or part of a business or an interest in a partnership, provided certain conditions are met.

There is an annual exemption from tax on capital gains available per individual which for the year ended 5 April 2016 is GBP 11,100.

Capital gains derived from assets outside the UK will not be subject to UK tax in the hands of a foreign domiciled individual unless remitted to the UK provided the remittance basis has been claimed for that tax year. Individuals who leave the UK and become not resident for a period of less than five complete tax years may still be liable to tax on their return on any capital gains realised on assets owned prior to departure from the UK. This rule applies to those individuals who were resident for at least four out of seven tax years immediately preceding the year of departure.

Income tax rates in 2015/16

	Taxable Income (GBP)	Rate on Income Other than Dividends (%)	Rate on Dividends* (%)
Basic rate	0 - 31,785	20	0
Higher rate	31,786 - 150,000	40	25
Additional rate	Excess	45	30.56

* This is the effective rate, after taking account of the tax credit attached to the dividend.

There is a 10% starting rate for savings income only, with a limit of GBP 5,000. This does not apply if taxable non-savings income is above this limit.

INHERITANCE TAX (IHT)

A UK domiciled or deemed domiciled individual is potentially subject to IHT on the transfer of any property owned by him or her whilst a non-UK domiciled individual may only be subject to IHT on the transfer of property situated in the UK.

IHT is a combination of gift and death tax. The first £325,000 is free of IHT (the 'nil rate band'). It normally only arises on death but, in certain circumstances, lifetime

gifts can also be chargeable to IHT. The rate on lifetime chargeable transfers is 20% and property passing on death is charged at 40%. The rate (applicable on death) was reduced to 36% from 6 April 2012 where the deceased leaves at least 10% of his or her net estate to charity. On death, IHT may also be levied on gifts made within the previous 7 years. Special rules apply to IHT on trusts.

There are some lifetime exemptions, which are completely free of IHT and are not subject to the 7 year rule. These include; an annual exemption of £3,000; small gifts exemption of £250 per donee; wedding gifts to a child £5,000, grandchild/great-grandchild £2,500 or to anyone else £1,000.

Transfers between spouses and civil partners are exempt from IHT except when the transfer is made to a foreign domiciled spouse/civil partner by a UK-domiciled spouse/civil partner. From 6 April 2013 this exemption is in line with the nil rate band (currently £325,000). Prior to 6 April 2013 the exemption was limited to £55,000.

A foreign domiciled individual automatically acquires a 'deemed' domiciled in the UK for IHT purposes if he or she has been resident in the UK for 17 out of the previous 20 tax years, unless he or she is excluded from this rule under the terms of a double taxation treaty.

In addition, the non-domiciled individual may elect to be treated as UK domiciled for IHT purposes only. The effect of this would be that assets could be transferred from one member of a married couple/civil partnership to another, or left to them on death with no IHT arising. However, there may be IHT consequences in respect of any gifts or bequests made by the person treated as UK domiciled irrespective of the location of the assets concerned.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The table is for general guidance only. The rates in the table below reflect the lower of the treaty rate and the rate under domestic tax law. Where a treaty rate is higher than the domestic rate, the domestic rate applies. There is no withholding tax on dividends. If the conditions for the EU interest and royalties directive are satisfied, no tax is withheld.

	Interest[1] (%)	Royalties (%)
Non-treaty countries e.g. UAE, Brazil:	20	20
Treaty countries:		
Antigua and Barbuda	20[2]	0
Argentina	12	3/5/10/15[3]
Armenia	5	5
Australia	0/10[4]	5
Austria	0	0/10[5]
Azerbaijan	10	5/10[6]
Bahrain	0[22]	0
Bangladesh	7.5/10[4]	10
Barbados	0	0
Belarus[7]	0	0
Belgium	15	0
Belize	20[2]	0
Bolivia	15	15
Bosnia-Herzegovina[8]	10	10
Botswana	10	10
Brunei	20[2]	0
Bulgaria	0	0
Canada	10	0/10[9]
Chile	5/15	10/5
China	10	6/10[10]
Croatia[8]	10	10
Cyprus	10	0/5[18]
Czech Republic	0	0/10

	Interest[1] (%)	Royalties (%)
Denmark	0	0
Egypt	15	15
Estonia	0/10	0/5/10[11]
Falkland Islands	0	0
Faroe Islands	0	0
Fiji	10	0/15[21]
Finland	0	0
France	0	0
Gambia, The	15	12.5
Georgia	0	0
Germany	0	0
Ghana	12.5	12.5
Greece	0	0
Grenada	20[2]	0
Guernsey	20[2]	20[2]
Guyana	15	10/20
Hong Kong	0	3
Hungary	0	0
Iceland[25]	0	0
India	10/15[4]	10/15
Indonesia	10	10/15[11]
Ireland	0	0
Isle of Man	20[2]	20[2]
Israel	15	0/15[18]
Italy	10	8
Ivory Coast	15	10
Jamaica	12.5	10
Japan	0/10[4]	0
Jersey	20[2]	20[2]
Jordan	10	10
Kazakhstan	10	10
Kenya	15	15
Kiribati	20[2]	0
Korea, Republic of	10	2/10[11]
Kuwait	0	10
Latvia	0/10	0/5/10[11]
Lesotho	10	10
Libya	0	0
Liechtenstein	0	0
Lithuania	0/10[12]	0/5/10[11]
Luxembourg	0	5
Macedonia	10	0
Malawi	0/20[13]	0/20[13]
Malaysia	10	8
Malta	10	10
Mauritius	0/-[14]	15
Mexico	0/5/10/15[15]	10
Moldova	5	5
Mongolia	7/10[4]	5

	Interest[1] (%)	Royalties (%)
Montenegro[8]	10	10
Montserrat	20[2]	0
Morocco	10	10
Myanmar (formerly Burma)	20[2]	0
Namibia (South Africa treaty applies)	10	0
Netherlands	0	0
New Zealand	10	10
Nigeria	12.5	12.5
Norway	0	0
Oman	0	8
Pakistan	15	12.5
Papua New Guinea	10	10
Philippines	10/15[16]	15/20[18]
Poland	0/5[19]	0/5
Portugal	0/10	0/5
Qatar	0	5
Romania	10	10/15[6]
Russian Federation	0	0
St Kitts and Nevis	10/20[2]	0
Saudi Arabia	0	5/8[20]
Serbia[8]	10	10
Sierra Leone	20[2]	0
Singapore	0/5	8
Slovak Republic	0	0
Slovenia	0/5	0/5
Solomon Islands	20[2]	0
South Africa	0	0
Spain	0/12	0/10
Sri Lanka	0/10[4]	0/10[6]
Sudan	15	10
Swaziland	20[2]	0
Sweden	0	0
Switzerland	0	0
Taiwan	10/20	10
Tajikistan[7]	0	0
Thailand	0/25[4]	5/15[6]
Trinidad and Tobago	10	0/10[9]
Tunisia	10/12[4]	15
Turkey	15	10
Turkmenistan[7]	0	0
Tuvalu	20[2]	0
Uganda	15	15
Ukraine	0	0
United States	0	0
Uzbekistan	5	5
Venezuela	0/5[4]	5/7[17]
Vietnam	10	10
Zambia	10	10
Zimbabwe	10	10

NOTES:

1 Many treaties provide for an exemption for certain types of interest, e.g. interest paid to the State, local authorities, the central bank, export credit institutions, or in relation to sales on credit. Such exemptions are not considered in this column.
2 The domestic rate applies - there is no reduction under the treaty.
3 The 3% rate applies to royalties paid for news; the 5% rate applies to copyright royalties (other than films, etc); the 10% rate applies to industrial royalties; the 15% rate applies to any other royalties.
4 The lower rate applies to interest paid to banks and other financial institutions.
5 The higher rate applies if the Austrian company controls more than 50% of the voting stock in the UK company.
6 The lower rate applies to copyright royalties.
7 The treaty concluded between the UK and the former USSR.
8 The treaty concluded between the UK and the former Yugoslavia.
9 The lower rate applies to copyright royalties (excluding films, etc).
10 The lower rate applies to copyright royalties (excluding films), computer software, patents and know-how.
11 The lower rate applies to equipment rentals.
12 The lower rate applies (apart from interest mentioned in note 1 above) to interest paid by a public body.
13 The domestic rate applies if the Malawi company controls more than 50% of the voting power in the UK company.
14 The zero rate applies to interest derived and beneficially owned by the Mauritian Government or local authority, or a bank carrying on a bona fide banking business which is a resident of Mauritius; the domestic rate applies in other cases (no reduction under the treaty).
15 The zero rate applies (apart from interest mentioned in note 1 above) to interest paid by a public body; the 5% rate applies to interest paid to banks and insurance companies and to interest on bonds and securities regularly and substantially traded on a recognized securities market; the 10% rate applies to interest paid by a bank or by a purchaser of machinery and equipment in connection with a sale on credit.
16 The lower rate applies to interest paid by a company in respect of the public issue of bonds, etc.
17 The lower rate applies to royalties for patents and know-how.
18 The lower rate applies to films etc.
19 The lower rate applies to interest paid to financial institutions (as defined).
20 5% for use of, or right to use, industrial commercial, or scientific equipment. 8% in all other cases.
21 One of various conditions must be met or else the domestic rate applies.
22 Double Tax treaty is effective in both Bahrain and UK from 1 January 2013 for taxes withheld at source.

UNITED STATES

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BASIC FACTS

Full name:	United States of America
Population:	319.43 million (2014 estimate)
Capital:	Washington DC
Largest city:	New York City
Area:	9.8 million sq km (3.8 million sq miles)
Major language:	English
Major religion:	Christianity
Monetary unit:	1 US dollar + 100 cents
Internet domain:	.us
International dialling code:	+1
Internal Revenue Service:	www.irs.ustreas.gov/
Customs website:	www.cbp.gov

KEY TAX POINTS

- Taxes are chargeable at both the federal and state level.
- Corporations incorporated in the United States (US) are subject to tax on their worldwide income. Foreign corporations are generally subject to tax only on their income effectively connected to a US trade or business.
- For corporations, capital gains are taxed at the same rates applicable to ordinary income.
- The tax on a foreign corporation's US branch's profits and earnings is the same as regular corporate tax, but an additional 30% branch level tax (BLT) is imposed if the after-tax earnings of the branch are not reinvested in the business by the close of the tax year, or are repatriated in a later tax year.
- The US does not impose any VAT, although most states impose single stage sales taxes.
- A US corporation is entitled to a special deduction for dividends received from other domestic corporations. With some exceptions, dividends from foreign corporations are 100% taxable.
- US corporations are taxed on worldwide income, including any foreign branch income. To avoid any double taxation, foreign tax deductions or credits are available on the US return.
- Related party transactions negotiated at arm's length are treated the same as non-related party transactions.
- Taxes are required to be withheld from portfolio dividends, interest, rents, and royalties, and certain other types of income paid to non-US payees. The Foreign Account Tax Compliance Act of 2010 (FATCA) imposes broad reporting and

withholding obligations (directly and indirectly) on most non-US entities receiving US-source income.
- US citizens and residents are subject to taxation on their worldwide income. Non-resident individuals are generally subject to tax on their income from US sources.
- Special tax rates apply to capital gains and dividend income of individuals, depending on how long the asset has been held, and the type of capital asset.
- Other taxes which may be levied in addition to state tax include alternative minimum tax (AMT), self-employment tax, social security and Medicare tax and qualified retirement plan tax. Taxes paid to the states and municipalities are deductible on the federal income tax return in the year paid or accrued.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Company tax is payable by all corporate entities, except for certain exempt organisations and pass-through corporations subject to special rules. Corporations incorporated in the US are subject to tax on their worldwide income and foreign corporations are generally only subject to tax on their income effectively connected to a US trade or business.

The US levies corporate tax on a graduated scale as follows:

Taxable Income Exceeding (USD)	Taxable Income Not Exceeding (USD)	Tax
0	50,000	15%
50,000	75,000	7,500 + 25% of excess over USD 50,000
75,000	100,000	13,750 + 34% of excess over USD 75,000
100,000	335,000	22,250 + 39% of excess over USD 100,000
335,000	10,000,000	113,900 + 34% of excess over USD 335,000
10,000,000	15,000,000	3,400,000 + 35% of excess over USD 10,000,000
15,000,000	18,333,333	5,150,000 + 38% of excess over USD 15,000,000
18,333,333	-	Flat 35%

It should be noted that personal service corporations pay a flat 35% tax on all income. Corporations in a controlled group share in the benefits of the lower brackets.

Generally, large US corporations, defined as having at least USD 1 million gross taxable income in any of its 3 previous tax years, are required to prepay its estimated tax liability in up to four installments. Corporations not meeting the large corporation income test can opt to pay 100% of the prior year tax under the “safe harbor” method. Penalties and interest may be assessed if estimated instalments are less than 100% of the actual liability.

The US imposes income taxation at both the business and personal levels. Corporate earnings, taxed first to the corporation and again later when distributed as dividends to shareholders, may be taxed at a combined effective federal rate exceeding 50%. Therefore, business is increasingly being conducted through flow-through entities such as traditional partnerships, limited liability companies (LLC), and certain tax-election corporations (‘S corporations’). S corporations may not have non-resident individuals or corporations as shareholders. Foreign-owned businesses in the US may not derive as much benefit from these structures as domestic businesses due to the interaction of US withholding and branch profits taxes.

US flow-through entities are often used by non-US persons as holding companies for US and non-US businesses and assets. Significant planning opportunities are available for both US domestic and foreign taxpayers through the use of ‘hybrid’ entities. These companies are treated as flow-through entities by one jurisdiction and as taxable entities by another. US rules are often flexible in allowing US taxpayers to select the desired tax status of the entity under the “check-the-box” regime.

Corporate tax returns and payments are due by the 15th day of the third month following the end of the corporation’s fiscal year. The original due date for calendar year taxpayers is March 15. An automatic extension of six months to file the return may be granted if requested by the original due date of the return. Extensions to file a return, however, do not extend the time for payment of tax due. Failure to pay could

result in an invalid extension.

CAPITAL GAINS TAX

For corporations, the excess of the net gains from the sale of capital assets over net losses from the sale of assets or net capital gains is taxed at the same rates applicable to ordinary income. However, capital losses may only be used to offset capital gains and the excess of losses over gains may be carried back three years or forward five years. Losses must be applied to the earliest carry back year before any carry forwards maybe used.

ALTERNATIVE MINIMUM TAX (AMT)

The US imposes an alternative minimum tax on certain corporations at a rate of 20%. The AMT income is derived from regular taxable income adjusted by specified items that received preferential treatment under the regular tax system. Such 'tax preference' items may include accelerated depreciation, depletion and intangible drilling costs. In addition, an AMT net operating loss deduction can only offset up to 90% of the current year alternative minimum taxable income. The AMT is imposed if the tax on the alternative minimum taxable income is greater than the regular tax. It does not apply to small corporations, defined as corporations with less than USD 7.5 million of average annual gross receipts over a three-year period.

BRANCH PROFITS TAX

A foreign corporation's US branch's profits and earnings is subject to the same tax as U.S. resident corporation In addition a 30% branch level tax (BLT) is imposed on the after-tax earnings of the US branch that are not reinvested in the business by the close of the tax year or that are repatriated in a subsequent tax year. The branch level taxable base is adjusted for any changes in the net equity of the US branch. The BLT may be reduced or eliminated by any relevant tax treaties or replaced by the secondary withholding tax.

In addition to the branch profits tax, a branch level interest tax of 30% is imposed on any interest paid by the US branch to a foreign entity not engaged in the same business activity.

The tax also is assessed on any excess interest deducted on the US tax return over the amount actually paid.

SALES TAX

Sales taxes are imposed at the state and municipality levels and vary in rates and in bases. In general, sales tax is imposed on tangible goods sold to the final consumer. A 'use' tax is imposed on goods purchased for use in a business but only when no sales tax has been collected. Generally, vendors must register and collect sales tax in states where they are considered to be 'doing business'.

The question of whether sellers are required to collect and pay sales taxes on sales of goods and services ordered via the internet or other electronic means is currently unsettled in the US. Foreign sellers who merely ship products ordered over the internet to the US will typically not be subject to state and local taxation although many states are becoming increasingly aggressive in this area. Some states impose an "economic nexus" standard whereby a business connection is established and sales tax collection obligation created if a certain threshold of sales are destined for such state.

VALUE ADDED TAX (VAT)

The US does not impose any VAT.

FRINGE BENEFITS TAX (FBT)

The US does not impose any corporate level taxes on fringe benefits provided to its employees. However, certain fringe benefits are taxable to employees receiving the benefits and are required to be reported on their personal income tax returns. The US does require employers and employees to each pay certain payroll related taxes including:

(1) A portion of an employee's Social Security (FICA), taxable at 6.2% of the wage base (currently in 2015 USD 118,500, annually adjusted).
(2) Federal unemployment tax (FUTA) at 6.2% of the first USD 7,000 of wages (less credits of up to 5.4% for state unemployment tax).
(3) State unemployment tax (SUT) which varies from state to state.
(4) Medicare at 1.45% of total wages paid (with no wage limitation cap).
(5) Additional Medicare 0.9% (0.009) on employees only for wages in excess of USD 200,000 (USD 250,000 for couples filing joint returns).

LOCAL TAXES

Most states and some municipalities of the US impose income or franchise taxes on corporations. Tax rates vary as do the measurement of tax bases. Most states allow

income to be apportioned to a state if business is conducted in more than one state. Historically, a three-factor allocation formula consisting of tangible assets, sales and receipts, and payroll has generally been used. However, many states are moving to formulas that are more heavily weighted to sales. Increasingly, US states utilize the single sales factor to apportion income and tax bases. Most states begin with federal taxable income in the computation of their taxable base, but many states require adjustments to calculate state taxable income.

Several states have imposed a tax on gross margin or gross sales in lieu of a tax on net income. It is also important to note that state income taxes are not subject to the provisions of the various US income tax treaties and, therefore, some states consider foreign companies to be subject to their state income tax even if the company is not subject to US federal income tax by virtue of a double tax treaty.

While particular rules vary from state to state, state tax authorities generally assert income or franchise tax jurisdiction over a business whose presence within the state is sufficient to form a “nexus” with that state. Unbound by treaty terms, states often seek to define “nexus” broadly, setting a lower evidentiary hurdle than what may be needed to find a permanent establishment under US income tax treaties. Accordingly, a non-US company operating in the US should remain aware of potential state income tax liabilities, even where treaty benefits may be claimed at the US federal income tax level. It is also important to note that foreign sellers may be required to collect state sales tax even if not subject to state or local income taxes.

Other taxes that may be levied at the state level include real and personal property tax, franchise tax, intangibles tax, transfer tax, and tax on capital. Taxes paid to the states and municipalities are deductible on the federal income tax return in the year paid or accrued.

OTHER TAXES

In addition to corporation income taxes, the US also imposes the following taxes.

ACCUMULATED EARNINGS TAX

Corporations accumulating over USD 250,000 of prior and current period earnings and profits may be subject to this tax. The tax is imposed at rate of 20% on ‘accumulated taxable income’. The amount of accumulated taxable income subject to tax is reduced by earnings retained for the reasonable needs of the business.

PERSONAL HOLDING COMPANY (PHC) TAX

Closely-held corporations that receive substantial income from passive activities and do not distribute this income to shareholders are subject to the PHC tax. The tax is imposed at a rate of 20% on the undistributed income. This tax is in addition to the regular corporate tax.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is determined by ascertaining assessable gross income and reducing it by allowable deductions. Allowable deductions must be segregated into ordinary and special deductions. Corporations are taxed at the entity level. For flow through entities such as partnerships, limited liability companies and ‘S’ corporations, taxable income is determined in a similar fashion. However, these entities flow through the income or loss and special deductions to its shareholders / members / partners who are taxed on their own returns.

DEPRECIATION AND DEPLETION

Property, plant and equipment may be written off over its effective useful life as established under a statutory cost recovery system. For property acquired or placed in service after 31 December 1986, the capitalized costs must be depreciated using the Modified Accelerated Cost Recovery System (MACRS) over a life of three to 39 years. Most tangible personal property is in the three, five and seven year category while real property is categorised as 27.5 or 39 years for residential and non-residential property, respectively. However, depreciation on certain components of buildings and real property improvements can be accelerated to shorter lives through the use of cost segregation studies designed to identify the proper categorization of costs for tax asset classification purposes.

For some smaller corporations, an election may be made to treat the cost of assets as an expense rather than as a depreciable capital expenditure. The maximum deduction for the year 2014 is USD 500,000 and is limited to taxable income determined without regard to the above election. This expense benefit is phased out on a dollar for dollar basis if qualified purchases exceed a certain threshold amount (USD 2,000,000). This expensing election is significantly reduced in 2015.

Taxpayers may qualify for 50% bonus depreciation for qualified property, long production property or non-commercial aircraft placed in service before 1 January 2015. The property must be new or "original use" to be eligible for bonus depreciation. A deduction for depletion is allowable for expenditures on natural resources. Generally, depletion may be calculated using either a cost or percentage method. Cost depletion is based on the adjusted basis of the property and an estimate of the number of units that make up the deposit and the number of units extracted during the year.

Under the percentage depletion method, a flat percentage of gross income is taken as the depletion deduction. It may not exceed 50% (100% for oil and gas properties) of the taxable income from the property before the depletion deduction.

For independent oil and gas producers and royalty owners, the depletion deduction may not exceed 65% of the taxpayer's taxable income.

STOCK / INVENTORY

Inventories are generally stated at the lower of cost or market value on the first in, first out (FIFO) method, or cost only on the last in, first out (LIFO) method. Uniform capitalization rules may require the inclusion in inventory or capital accounts of certain otherwise deductible indirect and administrative costs incurred for real or personal property produced or acquired for resale.

CAPITAL GAIN AND LOSSES

See discussion above.

DIVIDENDS

A US corporation is entitled to a special deduction for dividends received from other domestic corporations. A deduction is allowed for 70% of the dividends received from corporations owned less than 20% by the recipient corporation. The deduction increases to 80% if the corporation is owned more than 20% but less than 80% by the recipient corporation and increases to 100% if the ownership is 80% or more. With some exceptions, dividends from foreign corporations are 100% taxable.

INTEREST DEDUCTIONS

A taxpayer generally may deduct business interest paid or accrued within the tax year on indebtedness. However, such debt must pertain to the debt of the taxpayer and must result from a genuine debtor-creditor relationship. Numerous exceptions and limitations exist regarding the deductibility of interest. For example, if a corporation's debt to equity ratio exceeds 1.5 to 1, then interest expense deductions on certain related party debt may be disallowed or deferred. In general interest accrued and payable to a foreign related party is not deductible until paid.

LOSSES

Generally, net operating losses from a trade or business may be carried back two years or forward 20 years to be applied against taxable income. By default, a corporation must first carry back its net operating losses unless it makes an election to forgo such carry-back. A successor corporation may use carryovers of a predecessor to a limited extent in a change of ownership, a subsidiary liquidation or a specified reorganisation.

FOREIGN SOURCE INCOME

US corporations are taxed on worldwide income, including any foreign branch income. To mitigate or minimize any double taxation, foreign tax deductions or credits are available to offset the US tax on the foreign source income. Where US shareholders have more than a 50% interest in a foreign subsidiary, certain income of the foreign subsidiary may be taxed as if received directly by the US shareholder. Other special rules apply to certain types of foreign corporations with US shareholders.

INVESTMENT TAX CREDIT

The Investment Credit comprises four components:

(1) The rehabilitation credit;
(2) The energy credit;
(3) The qualifying advanced coal project credit; and,
(4) The qualifying gasification project credit.

For flow-through entities, the credits must be allocated to the individual partners/shareholders on a pro rata basis. Generally, the credit is 10% of qualifying expenses (20% in the case of certified historic structures). It should be noted that no investment credit is allowed for investment credit property to the extent it is financed with nonqualified non-recourse debt.

INCENTIVES

In addition to investment tax credits, other preferential tax incentives are available for activities such as those related to export, activities engaged in US possessions,

qualified private activity bonds, research and development expenditures, and for hiring certain specified individuals. Also, a deduction of up to 9% of taxable income is available for certain US manufacturing/production activities.

OTHER

Other issues that need to be mentioned include the following:

(1) Deductions are generally allowable for charitable contributions, but for corporations may not exceed 10% of taxable income computed without regard to the contributions. Excess contributions may be carried forward for five years.

(2) Organisational and business start-up expenditures are deductible up to USD 10,000, subject to certain limitations and the remainder must be written off over 180 months.

(3) Meals and entertainment expenses are limited to 50% of expenses incurred in most circumstances. Certain entertainment expenses are entirely non-deductible if considered lavish or where no business purpose was connected with the entertainment activity.

(4) Bad debts, except for certain financial institutions, are deductible only under the specific write-off method for receivables that become uncollectible in whole or in part during the tax year. Other debts can only be deducted for tax purposes if worthlessness can be proved as a result of an identifiable event.

(5) Life insurance premiums paid on key employees are deductible only to the extent that they are:
   - (a) Included in the employees' compensation;
   - (b) Not unreasonable in amount (statutory limited amount);
   - (c) The employer is not directly or indirectly a beneficiary.

C. FOREIGN TAX RELIEF

A US corporation or a foreign corporation engaged in business in US may elect to claim either a credit or a deduction for income taxes paid to another country if the taxes are connected with or related to its business and if the income is also taxed by the US. Generally, the tax credit is available only if such foreign tax is based on foreign source income. The tax credit may not reduce the US tax liability on income from US sources. Any unused foreign tax credit in one year may be carried back to the prior year and forward ten years.

D. CORPORATE GROUPS

Affiliated groups of US corporations (parent has 80% ownership) are permitted to offset the losses of one affiliate against the profits of another via the filing of consolidated federal income tax returns. A parent's usage of prior subsidiary losses before its acquisition may be limited. State and local rules vary from federal rules in this regard and may not permit loss offsetting. Some may also require, alternatively, that returns are filed to include results of all related companies, including companies that are not includable in a federal consolidated income tax return.

E. RELATED PARTY TRANSACTIONS

Related party transactions negotiated at arm's length are treated the same as non-related party transactions. However, in general, a deduction may not be taken by one party until the transaction has been included in gross income by the other party. The Internal Revenue Service may make any adjustments necessary to reflect the income of the related parties.

For multi-national groups, additional emphasis is placed on the 'transfer price' among members of the group. Several methods are provided to determine a proper arm's length price including the use of unrelated third party comparables, the comparable profits and the profit split methods. Significant compliance burdens now apply in these situations. Failure to maintain contemporaneous documentation of pricing determinations could result in substantial penalties (up to 40% of the tax adjustment due). US regulations require taxpayers to conduct transfer pricing studies to determine the 'best method' under the applicable circumstances.

Transfer pricing determinations must often meet standards in multiple jurisdictions. US rules for determining transfer pricing may vary from the rules of other countries that have introduced transfer pricing standards and from OECD guidelines. US states are increasingly interested in both multi-national and multi-state transfer pricing and may at times take positions differing from those of the Internal Revenue Service (IRS).

F. WITHHOLDING TAXES - NON-US PAYEES

Taxes are required to be withheld from portfolio dividends, interest, rents, and royalties, and certain other types of income paid to non-US payees. The statutory rate is 30%

but reduced rates may apply if the recipient is qualified to obtain the benefits of a US tax treaty. Foreign persons or entities may also be exempted from withholding if the US source income is connected with conduct of a trade or business in the US. This exemption is not available unless the foreign recipient provides notice to the US payor prior to payment. Portfolio interest is exempt from withholding. Portfolio interest includes interest earned on US bank deposits and portfolio debt obligations.

Special withholding tax rules apply to non-US partners in US partnerships and non-US members of an LLC that conducts a trade or business in the US. A 35% withholding tax rate is applied to a foreign partner's annual allocable share of the partnership's US source income (whether an individual or corporation). Special withholding tax rules also apply to direct or indirect sales or other dispositions of US real property by foreigners. A 10% withholding rate applies to the gross amount realised or sales price on the disposition unless specific permission is granted for a reduction in the withholding.

A further, more recent, addition to the framework of US withholding obligations is found in the Foreign Account Tax Compliance Act of 2010 (FATCA). Intended as a countermeasure against perceived tax abuse through the use of foreign accounts, FATCA imposes broad reporting and withholding obligations (directly and indirectly) on most non-US entities receiving US-source income, including the proceeds from sale or disposition of US property that can produce interest or dividends. While many FATCA rules focus on what the law refers to as ''FFIs", or foreign financial intuitions, FATCA's impact extends to financial and non-financial operating companies. Further, FATCA compliance may be required as a condition to eligibility for benefits under any applicable US tax treaty.

G. EXCHANGE CONTROL

No direct exchange controls exist. Transactions in currency of USD 10,000 or more must be reported to the US Department of Treasury. Multiple related transactions must be treated as a single transaction for disclosure purposes. The direct or indirect transportation of currency or other monetary instruments exceeding USD 10,000 to a foreign jurisdiction must also be reported. Transfers through normal banking procedures that do not involve the physical transportation of currency are not required to be disclosed. However, US financial institutions are required to report cash transactions exceeding USD 10,000.

H. PERSONAL TAX

US citizens and other resident individuals are subject to the same tax rules. Taxes are assessed on worldwide income reduced by certain adjustments, deductions, and exemptions. Non-resident individuals are generally subject to tax on their income from US sources. Certain credits are available to reduce the tax computed.

Generally, income consists of compensation from employment services, interest and dividends, income or loss from self-employment, capital gains and losses, rents and royalties and income or loss from pass-through entities. Allowable deductions include medical expenses, home mortgage and investment interest, state, local and real estate taxes, casualty losses, charitable contributions and other business and investment related miscellaneous deductions.

Limitations exist for the amount of losses and deductions that may be claimed by a taxpayer. Most deduction limitations are based upon the income levels of the individual. Income tax rates vary depending upon the filing status of the taxpayer. The five categories of filing status are:
(1) Single;
(2) Married filing a joint return;
(3) Married filing separate returns;
(4) Head of household; and,
(5) Qualifying widow(er) with dependent child.

The current maximum personal income tax rate is 39.6%.

Effective 1 January 2013, a new 3.8% tax applies on certain net investment income for taxpayers with modified adjusted gross incomes in excess of USD 200,000 (USD 250,000 for married filing joint returns). Examples of income that would be subject to the 3.8% investment tax are dividends, interest, royalties, capital gains, passive income from businesses, and net rental income.

The US requires employers to withhold federal and state income taxes, social security and Medicare from an employee's salary. These taxes must be remitted to the government on a periodic basis. Self-employed individuals are required to make quarterly estimated payments equal to at least 90% of their actual tax liability in most

cases. Higher income individuals may need to pay in 100% of the current year's tax or 110% of the prior year's tax. Penalties and interest may be assessed for underpayment of these taxes.

Special tax rates apply to capital gains and dividend income of individuals. The tax rate is based on the length of time that the asset is held, the type of capital asset, and the overall tax bracket of the individual. Many dividends also receive a preferential tax rate.

Non-resident individuals are typically subject to tax on income from US sources and are generally not taxed on US source capital gains unless the gains are directly or indirectly related to sales of US real property. Many non-resident individuals do not receive preferential tax rates on dividend income. The current preferential rate for qualified dividends and long term capital gains is 20% (23.8% total inclusive of the net investment income tax).

In addition to the regular income tax, individuals may also be liable for other taxes on their tax returns. These taxes include the alternative minimum tax (AMT), self-employment tax, social security and Medicare tax and qualified retirement plan tax. Most states and some municipalities also impose income taxes that vary in rates and bases. The US imposes other taxes on individuals such as gift tax and estate tax.

I. TREATY AND NON· TREATY WITHHOLDING TAX RATES

	Dividends (%)	Dividends Substantial Holdings[1] (%)	Interest[2] (%)	Royalties[3] (%)
Non-treaty countries	30	30	30	30
Treaty countries: Resident corporations and individuals	Nil	Nil	Nil	Nil
Treaty countries: Non-resident corporations and individuals:				
Australia	15	5/0	10	5
Austria	15	5	0	0/10
Bangladesh	15	10	10	10
Barbados	15	5	5	5
Belgium	15	5/0	0	0
Bulgaria	10	5	5	5
Canada	15	5	0	0
China	10	10	10	10
Cyprus	15	5	10	0
Czech Republic	15	5	0	10
Denmark	15	5/0	0	0
Egypt	15	5	15	15
Estonia	15	5	10	5/10
Finland	15	5/0	0	0
France	15	5	0	0
Germany	15	5	0	0
Greece	30	30	0	0/30
Hungary	15	5	0	0
Iceland	15	5	0	0/5
India	25	15	15	15/10
Indonesia	15	10	10	10
Ireland, Republic of	15	5	0	0
Israel	25	12.5	17.5	15/10
Italy	15	5/0	10	0/5/8
Jamaica	15	10	12.5	10
Japan	10	5/0	10	0

	Dividends (%)	Dividends Substantial Holdings[1] (%)	Interest[2] (%)	Royalties[3] (%)
Kazakhstan	15	5	10	10
Korea, Republic of	15	10	12	15/10
Latvia	15	5	10	5/10
Lithuania	15	5	10	5/10
Luxembourg	15	5	0	0
Malta	15	5	10	10
Mexico	10	5/0	15	10
Morocco	15	10	15	10
Netherlands	15	5/0	0	0
New Zealand	15	5/0	10	5
Norway	15	15	10	0
Pakistan	30	15	30	0/30
Philippines	25	20	15	15
Poland	15	5	0	10
Portugal	15	5	10	10
Romania	10	10	10	10/15
Russia	10	5	0	0
Slovak Republic	15	5	0	0/10
Slovenia	15	5/0	5	5
South Africa	15	5	0	0
Spain	15	10	10	5/8/10
Sri Lanka	15	15	10	10
Sweden	15	5/0	0	0
Switzerland	15	5/0	0	0/30
Thailand	15	10	15	5/8/15
Trinidad and Tobago	30	30	30	0/15
Tunisia	20	14	15	15
Turkey	20	15	15	10
Ukraine	15	5	0	10
United Kingdom	15	5/0	0	0
Venezuela	15	5/0	10	10

NOTES:
1 Refer to the relevant treaty for details of the necessary interest that the recipient needs to hold in the payor in order for this rate to apply.
2 Certain interest paid by banks and insurance companies to non-residents are exempt.
3 For copyright royalties the individual treaties should be consulted due to rate variations. Royalties may include personal property rentals.

URUGUAY

MEMBER FIRM

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BASIC FACTS

Full name:	Eastern Republic of Uruguay
Population:	3.32 million (2013 estimate)
Capital:	Montevideo
Main languages:	Spanish
Major religion:	Christianity
Monetary unit:	Uruguayan Peso (UYU)
Internet domain:	.uy
International dialling code:	+598
Ministry of Economics and Finance website:	www.mef.gub.uy

KEY TAX POINTS

- Only income earned or sourced in Uruguay is subject to personal and corporate income tax. The only exception is foreign source financial income of resident individual or companies owned by Uruguayan resident (except export balances to be received).
- Profits and capital gains arising from industrial and commercial activities are taxed at a flat rate of 25%.
- Withholding taxes apply to dividends, interest, royalties and technical assistance fees paid to non-residents at various tax rates. This also applies to the repatriation of Uruguyan branch profits of non-resident companies.
- Resident and non-resident individuals are subject to income tax (IRPF) on Uruguyan source income at varying tax rates depending on the type of income concerned.

A. TAXES PAYABLE

CORPORATE TAX

Corporations and individuals are subject to corporate income tax (IRAE) on their net income of Uruguayan source originating from industrial, commercial and agricultural activities at a rate of 25%.

IRAE is levied on resident legal entities and permanent establishments of non-resident entities. Non-residents with no permanent establishment in Uruguay are subject to a specific tax on income of non-residents (impuesto a la renta de los no residentes).

Companies or individuals deriving income from agricultural activities may opt to be subject to IRAE or, alternatively, to the tax on disposal of agricultural goods (IMEBA). However, certain types of companies or companies with income superior to certain amount cannot choose and are always subject to IRAE.

The tax year is the same as the commercial year of the company, provided that adequate accounting records are kept. Fiscal ending date for agricultural companies is June 30th. Otherwise, the fiscal year is the calendar year. In either case, companies must file their tax returns by the end of the fourth month following the end of their tax year end.

Advance tax payments are made on account of the final liability for the relevant tax year. If the total advance payments exceed the final liability, a refund is made by means of credit certificates, which may be used to pay the taxpayer's future taxes but may not be repaid.

Dividends, profit distributions or remittances paid or credited abroad by taxpayers subject to IRAE are also subject to a withholding tax at the rate of 7%.

CAPITAL GAINS TAX

Capital gains are subject to the same fiscal treatment as normal taxable income, and must be included in the same tax return.

BRANCH PROFITS TAX

Branches of foreign corporations are subject to IRAE and IMEBA at the same rate

as resident companies. Dividends, profit distributions or remittances paid or credited abroad by taxpayers subject to IRAE are also subject to a withholding tax called IRNR at the rate of 7%. Repatriations of branch profits to a head office outside Uruguay are subject to this tax.

SALES TAXES/VALUE ADDED TAX (VAT)
Imports and the supply of goods and services in Uruguay are subject to VAT at the basic rate of 22%. Land, cattle and non-industrial agricultural products are exempted. Certain essential goods and medicines, as well as new building are excepted or are subject to the minimum rate of 10%. A monthly payment is due on sales of the previous month. Tax included in the purchases of merchandise, services and fixed assets is deductible from the tax billed to customers.

FRINGE BENEFITS TAX
Corporations and individuals are subject to social security taxation on all salaries and fringe benefits paid to employees, at the rate of 7.5% plus 5% of medical care. Additionally, employees are subject to a withholding tax of 21% on the amounts received. Both percentages are due monthly on amounts paid for the previous month.

LOCAL TAXES
Two principal municipal taxes are in force. The main one – 'real property contribution' – is due to municipal authorities on land and buildings located in their area. It represents a percentage (generally 1.5%) of the cadastral value and is due yearly over three to six payments. The second tax is payable by owners of buildings on a monthly basis for the services rendered by the local authority. This amount is adjusted periodically according to current inflation.

OTHER TAXES
A very important federal tax is the net worth tax, due annually by corporations and individuals. Corporations that pay IRAE are subject to the tax at a standard rate of 1.5% on their net worth, calculated on the difference between taxable property and deductible liabilities.

The net worth personal tax return must be payable each year in May, on the basis of net worth as of 31 December of the previous year. In this case, tax rates are progressional.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
Depreciation of assets used in business activities must be computed at a maximum annual percentage. In principle, depreciation is calculated under the straight-line method. Key depreciation rates include the following:

Asset	Rate
Machinery and equipment	10%
Automobiles	10%
Buildings in urban areas	2%

TERRITORIALITY
Uruguay taxes income on a territoriality basis rather than a worldwide basis. Hence, overseas income is not taxable.
Foreign source income is not taxable in Uruguay, except for foreign source financial income of resident individual taxpayers or companies owned by Uruguayan taxpayers. (except export balances to be received).

STOCKS/INVENTORY
On the basis of original costs in local currency, companies are free to choose between FIFO or average cost. The method chosen cannot be changed without the agreement of the Tax Authority.

CAPITAL GAINS AND LOSSES
No special tax rules apply to capital gains or losses. They must be included in the tax return together with the current income.

INTEREST DEDUCTIONS
Interest paid to banks, financial institutions and companies that pay IRAE is deductible without limitations. Interest paid to individuals or to financial institutions located abroad is deductible up to a limited percentage that is established by the Tax Authority.

LOSSES
Losses resulting from the tax return are deductible from gains of the next five years, and, up to that date, are revaluated according to inflation coefficients.

FOREIGN SOURCED INCOME
Foreign source income is not taxable in Uruguay, except for foreign source financial income of resident individual taxpayers or companies(except export balances to be received).

FREE TRADE ZONES
Strategically located within Mercosur, Uruguay offers a very liberal treatment for free trade zones. Those areas of the national territory with a distinctive economic regime enjoy customs and tax exemptions and are excluded from the jurisdiction of the state monopolies. All types of export focused activities such as commercial, industrial or service oriented activities may be developed in free trade zones.
Uruguay also has a very liberal treatment in the ports areas similar to free trade zone areas.

OTHER
An inflation adjustment must be calculated applying the inflation coefficient for the period on the difference between assets (except fixed assets) and liabilities at the beginning of the exercise. If the difference is positive, the adjustment originates a deductible loss, and if it is negative, a taxable income.

C. FOREIGN TAX RELIEF

Foreign tax relief is not available under Uruguayan fiscal law because overseas income is not taxable (except for signed international treaties).

D. CORPORATE GROUPS

There are no special tax rules relating to corporate groups.

E. RELATED PARTY TRANSACTIONS

Taxation of related party transactions must be calculated on the basis of the current local prices, independently of the agreement between the parties. Uruguay applies transfer prices regulations according to OCED model.

F. WITHHOLDING TAX

Dividends, profit distributions or other remittances paid or credited by taxpayers subject to IRAE are subject to withholding tax at the rate of 7%.
Interest paid is subject to withholding tax at the following rates:

- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term;
- 3% on interest on bonds with a term of more than three years issued through a public offer and quoted on the stock exchange;
- 5% on interest from one-year term deposits or deposits of less than a year;
- 12% on other interest.

Royalties paid by taxpayers to non-residents are subject to a withholding tax of 12%.
Technical assistance fees paid to individuals or corporations abroad are also subject to a 12% withholding tax.

G. EXCHANGE CONTROL

No exchange controls are in force in Uruguay. All remittances to foreign countries can be carried without limitations through banks, financial institutions and authorised currency exchange houses. All transfers must verify money laundry regulations.

H. PERSONAL TAX

Residents of Uruguay are subject to income tax ‘impuesto a la renta de las personas físicas ‘(IRPF) on their Uruguayan-source income. The only exception is that, from 1 January 2011, income deriving from financial assets located abroad will also be subject to this tax. Income subject to IRPF includes income from dependent or independent personal services, pensions, income from capital, and capital gains. Income tax is assessed under a schedular system, based on the nature of the income, which is classified in the following categories:

- Category I: income from capital and capital gains
- Category II: income from dependent or independent personal services and pensions.

Salaries and other remuneration derived by individuals from dependent personal services are subject to individual income tax as applicable in respect of Category II.
Income from Category II (income from work) is subject to individual income tax at progressive rates:

Taxable income (BPC)	Tax rate (%)
Up to 60	0%
61 to 120	10%
121 to 180	15%
181 to 600	20%
601 to 1,200	22%
Over 1,200	25%

Individuals are subject to individual income tax on dividends, interest and royalties under the rules applicable to Category I. As mentioned above, income deriving from assets located abroad are subject, to IRPF at the rate of 12% from 1 January 2011.

Dividends and profit distributions are subject to tax at the rate of 7%, provided that they are paid out of profits subject to IRAE (otherwise they are exempt from tax).

Interest is subject to tax at the rates of:
- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term
- 3% on interest from bonds with a term of more than three years issued through public offer or on the stock exchange
- 5% on interest from one-year-term deposits or deposits of less than a year
- 12% on other interest.

Royalties are subject to tax at the standard rate of 12%.

Income from immovable property is subject to tax at the standard rate of 12%. For leases of immovable property, housing agency commission, the real estate tax and the primary education tax are deductible for purposes of determining taxable income.

Individuals are subject to individual income tax on capital gains under the rules applicable to Category I at the standard rate of 12%.

I. TREATY WITHHOLDING TAX RATES

To date, Uruguay has signed general treaties to avoid double taxation or exchange fiscal information with Germany, Hungary, Spain, Mexico, Portugal, Ecuador Switzerland, Belgium, Lichtenstein; Malta, South Korea, Argentina, Denmark, Finland, France, India, Iceland, Portugal, Romania, Greenland and Norway.

Uruguay has signed treaties with Brasil, Sweden and Faroe Islands. These treaties are subject to the approval of Parliament.
Uruguay has treaties with Paraguay and Chile to avoid taxation on airline companies.

UZBEKISTAN

MEMBER FIRM

City	Name	Contact Information
Tashkent	Sardor Isakov	+99871 2947386 sardor@pkf.uz

BASIC FACTS

Full name:	Republic of Uzbekistan
Capital:	Tashkent
Main languages:	Uzbek, Karakalpak
Population:	30,185,000 (2013 estimate)
Major religion:	Islam
Monetary units:	Uzbekistan Som (UZS)
Internet domain:	.uz
Int. dialling code:	+998

KEY TAX POINTS

- The tax system of Uzbekistan consists of two modes: the single tax and general tax regime. Single tax payers are micro and small enterprises, and enterprises of trade and catering, legal entities in the implementation of the lottery, sweepstakes and other games based on risk. Other companies fall under the general tax regime.

- The basic rate of tax on company profits is 7.5% (commercial banks: 15%).
- Value added Tax (VAT) applies to all taxable sales of goods, works and services at a rate of 20%. There is a zero rate on qualifying exports and certain internal supplies.
- There is no special capital gains tax in Uzbekistan.
- Transfer pricing: In accordance with the Tax Code, the tax authorities may adjust prices used by related parties where these prices differ from the prices which would have been set for independent customers/suppliers.
- Individuals who are physically present in Uzbekistan for 183 days or more in any calendar year (or during any other period of up to 12 months), are considered to be residents of Uzbekistan for tax purposes. Resident taxpayers are subject to income tax on income gained from sources of their activity both in Uzbekistan and abroad. Non-residents, however, are taxed only on their income from sources in Uzbekistan.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

In accordance with Article 23 of the Tax Code system of taxation in the Republic of Uzbekistan is composed of taxes and other mandatory payments. All taxes and mandatory payments are divided into two groups – the republican taxes and mandatory payments and local republican taxes and mandatory payments. In the latest review of changes in the legislative framework of the Republic of Uzbekistan would like to note about the effective tax rate applicable on the territory of the Republic of Uzbekistan.

COMPANY TAX

The tax system of Uzbekistan consists of two modes: the single tax and general tax regime. Single tax payers are micro and small enterprises, and enterprises of trade and catering, legal entities in the implementation of the lottery, sweepstakes and other games based on risk.

According Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity" Subjects of small enterprises are as follows:

individual entrepreneurs;

micro-firms which annual average number of workers employed (i) in production sector - is not more than twenty persons, (ii) in the sphere of services and other non-production sectors - not more than ten persons, (iii) involved in wholesale, retail trade and catering - not more than five persons;

small enterprises which annual average number of workers involved in: light and food industry, metal-processing and instrument-making industry, woodworking industry, furniture industry and industry of building materials not more than one hundred persons; machine- building, metallurgy, fuel-energy and chemical industry, production and processing of agricultural products, construction and other production domain not more than fifty persons; science, science servicing, transport, communication, sphere of services (with the exception on insurance companies), commerce, catering and other non-production domain - not more than twenty persons.

Other companies fall under the general tax regime. Also, there are taxes that are paid actors both tax regimes.

1. The rate of tax on profits of legal persons approved according to Appendix No. 8 to the decree of the President of the Republic of Uzbekistan dated December 4, 2014 # PP-2270.

The basic rate of tax on profit of legal entities decreased by 0.5 percentage points and set for 2015 in the amount of 7.5 percent against 8 percent in 2014.
For commercial banks rate is maintained at the level of 2014 in the amount of 15 percent.
For service businesses (for which the rate of profit tax in the amount of 7.5% by volume of rendered services, paid for using plastic cards, saved by the reduction of 5 percent of the established rate.

2. For exporters tax retained profit operating in 2014 regressive tax scale depending on the share of exports of goods, works, services (regardless of place of performance of works, rendering of services) of own production for hard currency in total sales, with the exception of commodities, the list of which is approved by the decree of the President of the Republic of Uzbekistan dated October 10, 1997 up-1871. With the share of exports: from 15 to 30 percent in total sales established rate is reduced by 30 percent;

- from 30 percent in total sales established rate is reduced by 50 percent.

3. For legal persons receiving income from auctions, the organization of mass entertainment events by involving legal entities and individuals (including non-residents) licensed to engage in touring activities, the tax rate on retained profit at the level of 2014 in the amount of 35 percent of the taxable basis.

CAPITAL GAINS TAX

There is no special Capital Gains tax in Uzbekistan.

BRANCH PROFITS TAX

According to the Civil Code of the Republic of Uzbekistan, subsidiaries are viewed as separate legal entities. A subsidiary is established by a parent economic society, provided that the latter, by force of its participation in the charter fund or appropriate agreement may influence decision-making process of the subsidiary. A subsidiary does not hold responsibility for any liability of its parent.
A branch and its head office are treated as independent entities, so any remittance from a branch to the head office is subject to a 7.5% net profit tax.

SALES TAX / VALUE ADDED TAX

VAT, as all other taxes, is regulated by the Tax Code and is closely tied to the direct tax legislation The standard rate of VAT is 20%, which applies to all taxable sales of goods, works and services. There is a zero rate on qualifying exports and certain internal supplies, which is discussed later in this chapter. VAT taxable persons include all legal entities and their branches engaged in entrepreneurial activity in Uzbekistan, importers of VAT-liable goods/works/services and legal entities that are subject to reverse charge VAT (taxable turnover of foreign suppliers). For legal entities under the simplified tax regime payment of VAT is optional. VAT is not paid by the legal entities undertaking certain non VAT-able activities.
Individuals are not required to charge and account for VAT.

LOCAL TAXES

Property tax
Under the current legislation, property tax is imposed on both individuals and enterprises. The property tax rate in 2014 is 4% for legal entities.
Land tax
Individuals and enterprises, including foreign legal entities operating in Uzbekistan via a permanent establishment, owning land plots or rights to their use are subject to land tax. It is applied to taxpayers on the basis of fixed fees established and based on the quality, location and level of water supply to each piece of land. Exemption is provided in respect of land plots allocated for construction under the projects included in the Strategic Investment Programme of the Republic of Uzbekistan; this exemption is granted for a period of the construction.
As of 1 January 2014, new amended rates of land tax were introduced. Most of the new rates represent an increase compared to the 2013 rates. For instance, land tax rates imposed on companies in Tashkent range from UZS 15 mln per hectare of land to UZS 75 mln per hectare of land depending on the zone where the company is located. As of 1 January 2014 land in Tashkent is divided into five zones (instead of fourteen zones previously used) for land tax purposes.
Tax for improvement and development of social infrastructure. Rate differentiates depending on the type of goods; Object of Taxation– an income remaining with legal entity after deduction of income tax.
Fee for the right of retail trade with certain types of goods and rendering certain services rate is 8%; Object of Taxation object of the fee for the right of retail trade with certain types of goods and rendering certain services are the goods and services predetermined by the applicable legislation.
The system of local taxes and mandatory payments also permits application of simplified taxation by certain types of qualified legal entities. This system of simplified taxation is applied by agricultural enterprises and permits payment of a single tax (with certain exclusions) instead of paying certain generally applied taxes and mandatory payments. The determining factor for application of the single tax by agricultural enterprises is value of the land parcel.

OTHER TAXES

Excise tax
Excise tax is to be paid by all individuals and enterprises that produce, import or export certain products. The Cabinet of Ministers of Uzbekistan established the list of products subject to excise taxes and the applicable rates.
The following are examples of excise-liable goods produced in Uzbekistan and applicable rates in 2014: cognac, vodka and other strong alcohol drinks – up to UZS 3,270 per 1 litre, beer – UZS 357 per 1 litre, cigarettes with filters – UZS 17,451 per 1,000 cigarettes, cigarettes without filters – UZS 8,423 per 1,000 cigarettes, petrol –UZS 321,430 – 408,890 per 1 tonne (depending on the petrol type), diesels –UZS

273,400 per 1 tonne, natural gas - 25%, jewellery – 25%, General Motors Uzbekistan cars – 29%.
As of 1 January 2012 retail trade of golden jewellery is subject to excise tax of USD 10 for 1 gram of gold.
Products sold for export are exempt from excise tax, except for goods specifically listed by the Cabinet of Ministers of Uzbekistan as subject to excise. Examples of such goods with respective excise tax rates, as set by Resolution of the Cabinet of Ministers #554 of 31 December 1999, are: cigarettes 50%, alcohol 50%, paper 50%, construction materials 50% home electronic appliances 50%, General Motors Uzbekistan cars EUR 3 per 1 cubic centimetre etc. These goods if exported by the manufacturers and their official distributors for hard currency are not subject to export excise tax.
Certain goods imported in the Republic of Uzbekistan are also subject to import excise tax. For examples of import excise rates please refer to the relevant section of this Guide.

School Tax

A Resolution of the Cabinet of Ministers of 28 December 2004 requires all legal entities to pay a tax equal to 1% (reduced by VAT and applicable excise tax amounts) of their annual turnover to the Non-budgetary Fund for School Education Development.

Road Tax

Every legal entity in Uzbekistan must generally pay 1% (with certain variations for different businesses) of their annual turnover to the Road Fund. This tax is intended for development of roads and highways in Uzbekistan.

Water Use Tax

The Cabinet of Ministers fixes the rates of a water use tax. This tax applies to legal entities that use water in their activities for production and technical needs.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits include trading profit, capital gains, profits from financial activities and other profit items.
The taxable profit of an Uzbek enterprise is based on statutory accounting profits, adjusted for specific items. All Uzbek enterprises are required to maintain their accounts in accordance with accounting regulations that primarily facilitate tax accounting. The list of expenses that may be deductible for tax purposes is also set by the legislation. According to the Law on Accounting, as from 1 January 1998 enterprises must account for both revenue and expenditure on an accrual basis. This norm also extends to the tax accounting. The accounting period for both tax and statutory accounting purposes is a calendar year. Tax treatment of entities with foreign investment is broadly similar to other Uzbek legal entities.
A FLE that is considered to have a taxable PE in Uzbekistan is subject to taxation in respect of the portion of profits relating to the business activity in Uzbekistan. In order to determine the portion related to the activity in Uzbekistan, the PE is obliged to maintain limited book-keeping records.
If a foreign enterprise derives income from sources in Uzbekistan, but does not carry on activities that lead to creation of an Uzbek taxable PE, it becomes subject to CIT through withholding at source (please refer to the relevant section of this Guide). Income from services provided outside Uzbekistan is not considered as Uzbek-sourced income, and thus, is not subject to income tax withholding.
Effective 1 January 2010, when determining taxable income of a FLE carrying on activities in Uzbekistan via PE, taxable base should not be less than 10% of total expenses directly related to income generating activities in the Republic of Uzbekistan through the PE, whether incurred in or outside Uzbekistan.

DEPRECIATION

Depreciation

For tax purposes, depreciation/amortisation is calculated with application of rates defined by the Tax Code. If accelerated depreciation method is used in accounting, the difference between the accounting depreciation and tax depreciation is deferred to future periods as a temporary difference.
Depreciation is calculated from the month following the month when the asset was put into use until it is fully depreciated, disposed or written off. The maximum annual depreciation rates applicable to different types of fixed assets and intangibles are outlined in the table below.

Depreciable item	Rate
Buildings and other structures:	5%
Cars, tractors, special equipment, computers and related hardware:	20%
Lorries, buses, special cars and trucks, industrial machinery and equipment, agricultural machinery and equipment, oil extraction and mining equipment, office furniture:	15%

Railway, river and air transport vehicles, thermo-technical equipment, turbines, electric and diesel drives, power supply and communication lines, pipelines:	8%
Depreciable assets not mentioned above:	15%

Intangible assets, including leases and other property rights, are amortised over the asset's useful life or the period of activity of the enterprise, whichever is the shorter. Where an asset's useful life cannot be determined, the asset would be amortised over five years.

STOCK/INVENTORY
Under the National Standards of Accounting, stock is valued at its purchase cost. The profits tax law contains no provision concerning valuation of stock. The cost of materials transferred to production may be determined by the following valuation methods: average cost, cost of item, FIFO or LIFO.

CAPITAL GAINS AND LOSSES
Capital gains arising from the disposal of tangible and intangible assets are calculated as the difference between the selling price and the net book value (depreciated value) of an asset. The capital gain is included in taxable profits, and capital losses are deductible only if the disposed asset had been used for business purposes for three or more years.

DIVIDENDS
Microfirms and small enterprises, who pay income in the form of dividends to individual shareholders, do not withhold tax at the source of payment.

INTEREST DEDUCTIONS
Interest expense is deductible except for interest on overdue and deferred loans or when such interest is subject to capitalisation, e.g. interest on loans attracted for the purchase/lease of fixed assets that is to be included in the value of such fixed assets.

LOSSES
Losses arising from sale of goods (works/services) below cost are non-deductible. Production wastes and defects, losses resulting in force-majeure circumstances are generally deductible. Losses from fixed assets disposal can also be deducted, if the fixed asset has been used for three and more years.

FOREIGN SOURCED INCOME
Foreign sourced income and gains are subject to profit tax at the regular rate

INCENTIVES
Current tax law provides many benefits for manufacturing enterprises, including implementing projects in accordance with the localization Program, development services, and others. The range of benefits is very wide: from a full exemption from all taxes and fees before taxes at reduced rates; exemption for the whole period of activity of the enterprise or several years.

C. FOREIGN TAX RELIEF

The income tax at a rate of 16% (whereas generally established rate is 20%) shall be applied to the production enterprises with foreign investments where the foreign investments' share in the charter capital constitutes 50% or over and the amount of that charter capital is equivalent to USD 1 million or higher.
The cost of technological equipment imported by the foreign investors to the territory of the Republic of Uzbekistan as their contribution into charter capital of the enterprise with foreign investments shall be exempted from VAT.
Production enterprises with foreign investments shall be exempted from payment of land tax for the period of 2 years from the moment of their state registration.
Enterprises attracting direct private foreign investments shall be exempted since July 1, 2005 from payment on principal activity of income (profit) tax, property tax, tax on development of social infrastructure and improvement of territories, unified tax for micro-firms and small enterprises, as well as obligatory deductions to the Republican Highways' Fund.
Foreign companies, which conduct prospecting and exploration works on oil and gas, as well as foreign contractor and subcontractor organizations attracted by foreign companies to these works, are exempt from all types of taxes, deductions and payments existed on the territory of the Republic of Uzbekistan , for the period of conducting exploration works.

D. CORPORATE GROUPS

The following entities are generally subject to CIT in Uzbekistan:

- Uzbek legal entities, including entities with foreign investments, and
- Foreign legal entities carrying on activity in Uzbekistan via permanent establishment or receiving income from sources in Uzbekistan.

Uzbek legal entities, including entities with foreign investment and their branches outside the Republic are taxable on worldwide profits. FLEs carrying out their activity in Uzbekistan are only taxable on their profits from activities performed in the Republic of Uzbekistan. Permanent Establishments / Branches

The concept of PE in Uzbekistan is used solely for tax purposes. PEs of FLEs are not considered as separate legal entities. Requirements for registration of PEs of foreign legal entities extend to tax registration only, as such may allow the tax authorities to tax profits of FLEs attributable to their PEs in Uzbekistan. As of 1 January 2010, PEs are allowed to operate bank accounts and have official stamps.

In general, for tax purposes a PE of FLE in Uzbekistan is deemed to be any place of entrepreneurial activity in the territory of Uzbekistan, including activity through an authorised person. The Uzbek PE would also be deemed as existing as a result of entrepreneurial activities carried on in Uzbekistan for 183 days and longer during any consecutive 12-month period.

PEs are subject to CIT (8%) as normal Uzbek enterprises with certain peculiarities as discussed further. CIT basis of PEs also income net profits (i.e.

profits retained after payment of CIT) and this part is taxed at 10%.

Branches of Uzbek legal entities are generally taxed at the head office level, except for local taxes, such as property tax or land tax. As noted earlier in this Guide, the branch concept is not applied for FLEs.

E. RELATED PARTY TRANSACTIONS

As of 1 January 2010 a transfer pricing concept was reintroduced in the Tax Code. Thus, the tax authorities may adjust prices used by interrelated parties in cases when these prices differ from the prices which would have been set for independent customers/suppliers. Interrelated parties are defined as foreign parent companies and their Uzbekistan subsidiaries, Uzbek parent companies and their subsidiaries abroad, as well as Uzbek companies and foreign companies that have the same shareholders.

F. EXCHANGE CONTROL

All currency restrictions with respect to the export-import of products and services, the buying and selling of hard currency valuables (precious metals, jewellery checks, etc.), interest transfers, dividend payments from investments abroad, dividends and revenue payments abroad for investments in Uzbekistan, as well as certain other currency conversion restrictions, have been abolished. However, certain administrative difficulties in converting Soum to foreign currency for remittance abroad diminish the effect of currency liberalization in practice. Uzbek legal entities may not hold bank accounts outside Uzbekistan without permission from the Central Bank. All settlements within Uzbekistan must be made in Soum, except for payments made by nonresidents for certain services in hard currency and some other limited instances established by the Cabinet of Ministers and Uzbek currency law.

G. PERSONAL INCOME TAX

Individuals who are physically present in Uzbekistan for 183 days or more in any calendar year (or during any other period of up to 12 months), are considered to be residents of Uzbekistan for tax purposes. Resident taxpayers are subject to income tax on income gained from sources of their activity both in Uzbekistan and abroad. Nonresidents, however, are taxed only on their income from sources in Uzbekistan. Certain types of income are exempt from taxation. Such income includes, inter alia, alimony, severance pay, and pension income.

Taxable income

Taxable income includes employment income, income from property, income in the form of material benefit and other income.

Certain expenses incurred by legal entities are not viewed as income of individuals, such as, without limitation:

- costs related to transportation of employees to/from the work place
- relocation costs (when an employee is transferred to another work place) including transportation and accommodation
- compensation payments (within statutory norms), e.g. for use of private cars for business purposes
- compassionate payments
- per diem allowances within statutory norms; actual transportation/accommodation in full (if supporting documents are available), and
- meal and transportation costs or respective allowances provided by employers.

Employment income

Employment income consists of the following:

- all payments accrued and paid to individuals under employment or civil contracts

- motivation payments, e.g. annual bonuses, professionalism and tutorship allowances, long-service premiums
- compensation payments, e.g. hardship and overtime allowances, per diems exceeding statutory norms, and
- payments for time-off, e.g. various vacation pays, time for qualification courses attendance, material assistance.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

A foreign legal entity receiving income from Uzbek sources without creation of a permanent
establishment in Uzbekistan is subject to income (profits) tax withholding at source at the rates provided in Appendix C with no deductions of expenses. According to the Tax Code, the following types of income, without limitation, are viewed as subject to Uzbek income tax withholding:
- dividends, interest
- income of foreign legal entities from joint activity in Uzbekistan (simple partnership)
- capital gains
- royalty income
- rental/sub-rental fees
- insurance premium
- telecommunication fees
- income from transportation, freight-forwarding services
- fines and late payment interest for breach of contractual obligations
- property received free of charge, and
- other income from provision of services in the Republic of Uzbekistan

VENEZUELA

MEMBER FIRM

City	Name	Contact Information
Caracas	Beniamino Carpentieri M.	58 212 952 4050 bcarpentieri@pkfve.com

BASIC FACTS

Full name:	Bolivarian Republic of Venezuela
Population:	30.21 million (2014 estimate)
Capital:	Caracas
Main languages:	Spanish
Main religion:	Christianity
Monetary unit:	Bolivar (VEB)
Internet domain:	.ve
International dialling code:	+58

KEY TAX POINTS

- Venezuelan resident or domiciled companies are subject to profit tax only on their worldwide income whereas non-residents are subject to tax on their Venezuelan source income even when they do not have a permanent establishment or fixed base in Venezuela.
- There is a progressive system of corporation tax rates which applies to income and capital gains.
- VAT is payable on imports and the supply of goods and services. The standard rate is 12%.
- Withholding taxes apply to the payment to residents and non-residents of interest and royalties. Dividends are also subject to withholding tax when they represent profits not already charged to corporation tax. A similar principle applies to branch profits repatriated from Venezuela to an overseas territory.
- Credit is available for overseas tax paid on foreign income against Venezuelan tax payable on the same income.
- Resident individuals are subject to income tax on their worldwide income. Non-residents are taxable on their Venezuelan source income.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Venezuelan resident or domiciled companies are subject to profit tax on their worldwide income. Non-resident or non-domiciled companies are subject to corporation tax only

on Venezuelan-sourced income even when they do not have permanent establishment or a fixed base in Venezuela.

Foreign resident or domiciled companies who have a permanent establishment or fixed base in the country will exclusively pay taxes by the income of national or foreign source attributable to this permanent establishment or fixed base.

Tax is imposed on a current year basis. The tax year adopted is generally that specified in a company's statutory documents with the standard year being a calendar year. However, it should be noted that other periods are also allowed, including periods of 12 months or less. Final tax is payable when lodging the final corporation tax return, usually required within three months of the end of the accounting period.

The corporate income tax rates are as follows:

Taxable income (Tributary unit (TU))	Rate (%)
0 TU to 2,000 TU	15
2,001 TU to 3,000 TU	22
Over 3,001 TU	34

CAPITAL GAINS TAX

There is no separate or distinct tax on capital gains. However, capital gains and/or losses from the sale of assets belonging to companies that are situated or located in Venezuela are included in the calculation of the income for the purposes of determining the tax liability of companies (income tax).

Under the law, a flat tax of 34% is established for dividends arising from the excess of the dividend payer's net income (on which dividends were declared) over its taxable net income (taxed fiscal net income). Dividends received from companies incorporated and domiciled abroad or incorporated abroad and domiciled in Venezuela are excluded from net income as contemplated in the law but tax paid on such dividends may be applied outside Venezuelan territory.

There is no tax on earnings of branch offices in Venezuela. Venezuelan branches of foreign companies are taxed in Venezuela for income obtained in the country pursuant to the corporate tax. According to the income tax law, companies or community estates established abroad and domiciled in Venezuela or established and domiciled abroad, which have a permanent establishment in Venezuela, are responsible for paying a tax of 34% on any excess of the net income of the permanent establishment that is neither exempt nor exonerated over its taxed fiscal net income for the fiscal year on behalf of their partners, shareholders or joint owners. This presumed dividend does not apply in cases where the branch can prove to the Tax Administration's satisfaction that it reinvested the full amount of the difference between its net income and its taxed fiscal net income in the country. The reinvestment must remain in the country for at least five years.

VALUE ADDED TAX (VAT)

The VAT is applicable to the transfer of chattels, the rendering of services and the importation of goods, as specified in the law, and is applicable throughout the entire Venezuelan territory (the Free Port of the State of Nueva Esparta, Paraguaná Peninsula in the State of Falcón and in the Cultural Scientific and Technological Tax-Free zone in the State of Mérida, will be exempt from VAT).

It will be paid by individuals and corporations, unincorporated or de facto companies, joint ventures and other public or private legal or economic entities, in their capacity as importers of goods, habitual or not. It will also be paid by manufacturers, producers, assembly plants, independent merchants and service providers, who engage in activities that are defined by the law as taxable acts.

Certain imports of goods and services are exempt from tax. Exporters who are regular taxpayers are entitled to recover the tax paid upon the purchase of tangible chattels or receipt of services related to their export activities. This also applies in the case of chattels imported for export.

The VAT amount accruing is determined by taxation periods of one calendar month, subtracting the aggregate tax credit amounts from the respective aggregate tax debit amount. The result is the VAT to be paid. The standard rate, currently 12%, is charged on the net price of the transaction.

FRINGE BENEFITS TAX (FBT)

There is no tax payable by the company on fringe benefits. Instead, any benefits

provided to employee are included in their personal income and are subject to tax.

LOCAL TAXES

There is only a municipal tax that is assessed on gross income from commercial-industrial activities at different percentages, depending on the business activities conducted and the geographic jurisdiction in which the company is located.

OTHER TAXES

CUSTOMS DUTIES

This involves paying tax on goods that are imported in accordance with the customs tariff which is calculated based on the cost, insurance and freight (CIF) value.

STAMP DUTY

This is applied on certain transactions including transfer of ownership, formation of companies and a wide range of legal transactions and operations.

PUBLIC REGISTRY

These are duties that are incurred for the registration and certification of authenticity of various documents in the Main and Subsidiary Registry Offices of each geographic jurisdiction in which the operation is conducted.

MANDATORY SOCIAL SECURITY (MSS)

These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the national worker social security system.

LAW FOR PROVIDING HOUSING AND HABITAT

Companies must contribute to the obligatory savings fund with 2% monthly of workers payroll. Workers' contribution shall be 1% of his salary. The savings fund must finance housing programs for the workers.

NATIONAL INSTITUTE OF EDUCATIONAL CO-OPERATION (NIEC)

Employers must contribute to this Institute on a quarterly basis at the rate of 2% of the total wages and compensation paid to their workers. Workers must contribute 0.5% of the profits paid to them by the employer at the end of the corporate business year. These contributions are for the purpose of professional training of workers and young apprentices, and tackling national illiteracy.

INHERITANCE AND GIFT TAXES

This is assessed on gratuitous transfers of rights causa mortis or inter vivos.

ORGANIC LAW OF SCIENCE, TECHNOLOGY AND INNOVATION (LOCTI)

This Law establishes a number of contributions the companies must make according to the activities they indulge in, as follows:

(a) hydrocarbon companies, 2% of annual gross revenues
(b) companies in mining and electrical power activities, 1% of annual gross revenues
(c) large companies indulging in other production sectors of goods and services, 0.5% of annual gross revenues, (it is understood by large companies with annual gross revenues over 100,000 UT (Tax Units).

The Law establishes that such contributions may be made in research developed in the same companies or into Government dependent Funds.

ORGANIC LAW OF DRUGS

This Law establishes a contribution of 1% of annual net income of companies employing 50 or more workers. This contribution must be invested in programs for the prevention of drug traffic and consumption within the same company for its workers and their family environment. Likewise, the Law establishes that 2% of their annual net income must be contributed by companies manufacturing or importing alcoholic beverages, tobacco and its mixtures, like chewing tobacco, to maintain and operate prevention and rehabilitation centres for consumers of these substances.

ORGANIC LAW OF TELECOMMUNICATIONS

In the Organic Law of Telecommunications, various taxes and duties are set forth on the companies indulging in the business of telecommunications and making use of radio-electric spectrum, sound broadcasting and open television, among others. The various taxes and duties they must pay go between 0.05% and 2.3% of their annual gross revenues.

ORGANIC LAW OF TOURISM

The Organic Law of Tourism sets forth a contribution of 1% monthly on gross revenues obtained, that must be paid by those rendering tourist services.

ORGANIC LAW OF SPORT, PHYSICAL ACTVITY AND PHYSICAL EDUCATION

The law establishing the National Fund for the Development of Sport, Physical Activity and Physical Education will be constituted by the contributions made by companies or other public and private organizations engaged in economic activities in the country for profit. The fund will be used to finance plans, projects and programs for development and promotion of sport and physical activity, and social security and athletes. The contribution by companies or other organisations, will be 1% of the net profit or annual accounting profit when the profit exceeds 20,000 UT.

B. DETERMINATION OF TAXABLE INCOME

The net revenue is determined by subtracting the costs and deductions permitted by the Income Tax Law from the net income. To arrive at the taxable income, some expenses must be considered as non-deductible and some income as non-taxable.

INVESTMENT ALLOWANCE

The Venezuelan income tax law provides for the benefit of tax abatements. In an amount equivalent to 10% of the amount of new investments made in the country, other than land that has not been used previously by other companies, and made in the following activities: industrial and agribusiness activities, construction, electric power, telecommunications, science and technology (other than hydrocarbons and related activities) and, in general, all activities of an industrial nature that represent investments to meet the requirements of advanced or state-of-the-art technology.

Taxpayers engaging in the extraction of hydrocarbons and related activities such as refining and transportation shall be entitled to a tax credit equal to 8% of the amount of any investments. The law also provides for an additional tax credit of 4% of the total cost of investment in: exploration, drilling and related facilities for production, transportation and storage; secondary recovery of hydrocarbons; use, conservation and storage of gas, including liquefied gas; and upgrading of hydrocarbons and expenditure for research.

Parties receiving income from tourism services who are duly registered in the National Tourism Registry shall be entitled to a tax credit of 75% of the amount of new investments for construction of hotels, inns, and lodgings; expansion, improvements or re-equipping building or services; for providing any type of tourism service or for educational and training of their workers.

DEPRECIATION

The amount admissible as deduction for depreciation during the tax year is the percentage necessary to recover the cost of such assets during the time that they are available to be used in production. Depreciation may be increased by adjusting depreciable fixed assets for inflation. Only the straight-line or the production unit method is admitted. The Tax Administration may admit other methods. Accelerated depreciation of assets is not admitted.

STOCK/INVENTORY

Taxpayers shall draw up an inventory of all goods intended for sale at the start of their activities and at the close of each tax year. The inventoried goods shall be appraised at the cost price. They can also be appraised at the wholesale market price when that is less than the cost price.

DIVIDENDS

From 1 January 2001, net income from dividends is considered to be a portion of income from dividends paid or credited to account, in cash or in kind, and arising from net income that is neither exempt nor exonerated, that exceeds the taxed fiscal net income, and accordingly, has not been taxed with income tax.

Dividend income is taxed at the rate of 34% of the amount paid. The full amount of the tax must be withheld at the time of payment or credit to account. Tax on dividends from companies in the oil and mining industry are taxed at the rate of 67.7% and 60% respectively and tax is to be withheld in full at source.

Dividends received from companies incorporated and domiciled abroad or incorporated abroad and domiciled in Venezuela are excluded from net income as contemplated in the law but tax paid on such dividends may be applied outside Venezuelan territory.

INTEREST DEDUCTIONS

Interest on capital borrowed and invested in income-producing activity is deductible. In the case of interest received by companies abroad, there must be withholding in accordance with the following percentages:

Beneficiary	Rate (%)
Financial Institutions (Domiciled)	5
Financial Institutions (Non-domiciled)	4.95
Parent Company	5
Legal Entity other than the above	32.3

LOSSES
25% Operating losses can be shifted for three consecutive periods following the fiscal year in which they occur. The losses from the adjustment for inflation may be carried over one year.

FOREIGN SOURCED INCOME
The current Income Tax Law established the obligation of residents of Venezuela and of companies domiciled in the country to pay income tax on all the revenue they obtain, whether in Venezuela or abroad.

INCENTIVES
The customs duty paid on imports of goods and products used in the production of goods for export would be reimbursed by Banco Central de Venezuela (BCV).

REGULAR ADJUSTMENT FOR INFLATION
The income tax law considers the regular adjustment for inflation, which represents the greater or lesser value of the net worth obtained by recognising the effects of the inflation in non-monetary assets and liabilities through the application of Consumer General Price Index, based on procedures established in the Venezuelan tax legislation. The fiscal adjustment for inflation, thus calculated, is considered as a taxable gain or a deductible loss in determining the income tax expense.

C. FOREIGN TAX RELIEF

Venezuela has signed wide agreements in order to avoid double-taxation and in relation to shipping and air transportation.

D. CORPORATE GROUPS

There is no provision for consolidated tax returns.

E. RELATED PARTY TRANSACTIONS

In cases involving commercial transactions between companies that could be considered related, they must follow the methodology stipulated in this chapter in transfer prices to determine their income. The rules on transfer prices stipulate that application thereof is mandatory in the case of operations between related parties. The law also determines when a relationship shall be deemed to exist, therefore, when the transaction is between related parties.

F. WITHHOLDING TAX

In the case of tax withholding to domiciliated, the Tax Administration considers it to be a tax advance, which may be deducted from the tax determined in the fiscal year in which it is declared.

G. EXCHANGE CONTROL

Exchange controls are currently in effect. Foreign currency transactions are controlled by the “National Centre for Foreign Trade” Centro Nacional de Comercio Exterior (CENCOEX). Also all foreign currencies entering the territory were to be mandatory sold to the Central Bank of Venezuela. Financial institutions cannot engage in a foreign exchange business without prior approval of (CENCOEX) and/or Central Bank of Venezuela.

H. PERSONAL TAX

The tax of individuals is determined on revenue received annually, provided that such revenue is greater than 1,500 TU and they are allowed personal abatements and abatements for family charges, as well as personal expenses incurred during the fiscal year, e.g. medical expenses, school payment, insurance policies, etc.
Tax Rate Table

Taxable income (Tributary Unit)	Rate %
0 TU to 1,000 TU	6
1,001 TU to 1,500 TU	9
1,501 TU to 2,000 TU	12
2,001 TU to 2,500 TU	16
2,501 TU to 3,000 TU	20
3,001 TU to 4,000 TU	24
4,001 TU to 6,000 TU	29
Over 6,001 TU	34

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non treaty countries	34	4.95	15/34[1]
Treaty countries:			
Andean Community	0	0	0
Austria	5/15	4.95/10	5
Barbados	5/10	5/15	10
Belarus	5/15	5	10
Belgium	5/15	10	5
Brazil (Not effective)	10/15	15	15
Canada	5/15	10	10
China	5/10	5/10	10
Cuba	10/15	10	5
Czech Republic	5/10	10	12
Denmark	5/15	5	10
United Arab Emirates	5/10	10	10
France	5/15	5	5
Germany	5/15	5	5
Indonesia	10/15	10	20
Iran	5/10	5	5
Italy	10	10	7/10
Korea	5/10	5/10	5/10
Kuwait	5/10	5	20
Malasia	5/10	5	20
Netherlands	0/10	5	5/7
Norway	5/10	5/15	12
Portugal	10/15	10	12
Qatar (Not effective)	5/10	5	5
Russia	10/15	5/10	10/15
Spain	10	4.95/10	5
Sweden	5/10	10	7/10
Switzerland	10	5	5
Trinidad and Tobago	5/10	15	10
United Kingdom	10	5	5/7
United States	5/15	4.95/10	5/1
Vietnam	5/10	10	10

1 On 90% of the gross payment.

VIETNAM

MEMBER FIRM

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BASIC FACTS

Full name:	Socialist Republic of Vietnam
Capital:	Hanoi
Main languages:	Vietnamese
Population:	90,6 million (2014 estimate)
Major religion:	Buddhism, Christianity and indigenous religions
Monetary units:	Vietnam Dong (VND)
Internet domain:	.vn
Int. dialling code:	+84

KEY TAX POINTS

- Corporate Income Tax is charged on any Enterprise carrying on a trade, business in Vietnam. All Incomes (including incomes from overseas) of the Enterprises registered in accordance with the Law of Enterprises are subject to Corporate Income Tax (CIT).
- For resident individuals Personal, Income Tax is levied on their Incomes earned within and outside Vietnam's territory, while non-residents are taxed only on their Incomes earned in Vietnam.
- Value Added Tax (VAT) is a tax levied on import goods and goods and service used in manufacturing, trading or consumption in Vietnam (except for exempted cases stipulated in law). There are two (2) methods to calculate VAT, which are credit-invoice method and direct method.
- Excise Tax is applied to specific luxury goods and services.

A. TAXES PAYABLE

TAXES AND LEVIES
COMPANY TAX
CORPORATE INCOME TAX (CIT)

CIT rate generally applied is 22% and the rate from 32% to 50 % is applied to the business establishments involved in the prospecting, exploration and exploitation of petroleum and gas and other precious natural resources.
From 01 January 2016, enterprises which apply the rate of 22% shall apply the rate of 20%.

The total income generated by Vietnamese enterprise shall be subjected to CIT regardless of whether the income is gathered in Vietnam or from overseas. Taxable income comprise income earned from manufacturing, trading and services, except for:

- income from cultivation, husbandry, aquaculture and salt production of cooperatives, from cultivation, husbandry and aquaculture production of enterprises in geographical areas with particularly difficult socio-economic conditions; from fishing activities.
- performance of technical service contracts directly serving agricultural production,
- performance of contracts for scientific research and development,
- Income from goods manufacturing and trading or service provision activities of enterprises employing disabled, drug-detoxified and HIV-infected labourers, who account for at least 30% of the average number of labourers of these enterprises in a year,
- Income from job training exclusively provided for ethnic minority people, the disabled, extremely disadvantaged children and people involved in social evils, people undergoing detoxification, detoxified people and HIV/AIDS-infected people- Aid received for educa --tional, scientific research, cultural, artistic, charitable, humanitarian and other social activities in Vietnam,
- income from the first-time transfer of certified emission reductions (CERs) of enterprises granted with emission reduction certificates. Subsequent transfers shall be liable to enterprise income tax under regulations.

Other Exemptions or reductions in CIT are stipulated in the relevant legal documents.

V

Enterprises shall make a self-declaration of CIT payable. The enterprise shall pay the amount of CIT provisionally payable determined each quarter during the year and shall finalize the whole CIT payable for the fiscal year within 90 days after the year end.

Tax year : Generally, tax year for the purpose of tax finalization shall be the calendar year, except for the enterprise who is permitted to apply a fiscal year other than the calendar year, tax year of this enterprise shall conform to its fiscal year.

CAPITAL GAINS TAX

There is no specific capital gains tax in Vietnam. Capital gains are treated as an ordinary income for the purpose of calculating income tax
For enterprises, this tax is mentioned in the Corporate Income Tax.
For individuals, this tax is mentioned in the Personal Income Tax

BRANCH PROFITS TAX

There is no specific branch profits tax in Vietnam.
Foreign Enterprises and Foreign Individuals are subject of Withholding Tax on Income that they earn in carrying business.

VALUE ADDED TAX (VAT)

VAT is a tax levied on imported goods and goods and services used for manufacturing, trading or consumption in Vietnam (except for the exempted cases stipulated in law).

There two (2) methods to calculate VAT which are follows :

- Credit-invoice method and
- Direct method

Credit-invoice method is applied by the enterprises that adhere to the accounting and invoicing practice according to accounting and invoicing laws and their annual turnover meet at least VND one (1) billion.

Output VAT = Selling price (excluding VAT) x VAT rate

- There are three levels of VAT rate. In general, goods or services are mostly subject to a rate of 10%, while some goods or services are subject to a rate of 5% or 0% depending on the type of goods or services.
  VAT payable = Output VAT – deductible VAT
- Output VAT are the total VAT on sold goods and services written on the VAT invoices.
- Deductible VAT comprise Input VAT which are total VAT on VAT invoice for purchase of goods and services (including fixed assets) serving the manufacture or sale of taxable goods and services, VAT on imported goods at Customs and VAT pay on behalf of foreign enterprises mentioned in the Withholding Tax.
- VAT shall be declare and pay monthly. For enterprises which have turnover of precedent year below VND fifty billion (VND 50,000,000,000) or newly establish, VAT can be declare and pay quarterly.
- If input VAT is not completely deducted in the period (month or quarter), the enterprise which uses credit-invoice method may deduct it from the tax incurred in the next period. If input VAT is not completely deducted after 12 months or 4 quarters from the first month or quarter input VAT is incurred, the taxpayer shall receive a refund.

Direct method is applied by the enterprise which adhere to the accounting and invoicing practice according to accounting and invoicing laws but their annual turnover meet at least VND one (1) billion, the ones which are not adhered to the accounting and invoicing practice according to accounting and invoicing laws, the enterprise trading gold and gemstone and enterprises which are newly established.
The business households and individuals which pay tax use the direct method too.
For the enterprises trading, fashioning of gold, silver and gemstone, VAT is calculate as follows :

VAT payables = (selling price – cost price) x rate of 10%

For other enterprises using direct mothed to calculate VAT, VAT payable is calculate as follows :

VAT payables = selling price x rate of VAT (in direct method)

- VAT payables is including in the selling price.
- VAT rate in direct method are:
- 1% for distribution or supply goods,
- 5% for services or construction (excluding building materials),
- 3% for manufacturing, transport, services (associated with goods), construction (including building materials),
- 2% for other lines of business.

EXCISE TAX

Excise Tax is applied to specific luxury goods, either imported or manufactured in Vietnam, and service. Excise Tax is calculated based on the quantity of taxable goods

(service) sold, their taxable value, and their corresponding tax rate. Taxable value is sale price (excluding VAT) for manufactured goods and service or customs value for imported goods.

Specific goods (service) and the tax rate are as follows :

Description		rate
A.	Goods	
1.	Cigarettes, cigars and other tobacco products	
	- before 01 January 2016	65%
	- from 01 January 2016 through 31 December 2018	70%
	- from 01 January 2019	75%
2.	Liquor	
	a. from 20 degrees proof	
	- before 01 January 2016	50%
	- from 01 January 2016 through 31 December 2016	55%
	- from 01 January 2017 through 31 December 2017	60%
	- from 01 January 2018	65%
	b. under 20 degrees proof	
	- before 01 January 2016	25%
	- from 01 January 2016 through 31 December 2017	30%
	- from 01 January 2018	35%
3.	Beer	
	- before 01 January 2016	50%
	- from 01 January 2016 through 31 December 2016	55%
	- from 01 January 2017 through 31 December 2017	60%
	- from 01 January 2018	65%
4.	Automobiles under 24 seats	
	a. up to 9 seats	45 - 60%
	b. from 10 to 16 seats	30%
	c. from 15 to under 24 seats	15%
5.	Two- and three-wheeled motorcycles of a cylinder capacity of over 125 cm^3	20%
6.	Aircraft	30%
7.	Yachts	30%
8.	Gasoline of various kinds, naphtha, reformed components and other compounds for mixing gasoline	7 - 10%
9.	Air-conditioners with capacity of 90,000 BTU or less	10%
10.	Playing cards	40%
11.	Votive paper and votive objects	70%
II	Services	
1.	Discotheque, massage parlors and karaoke bars	30%
2.	Casino and reward games, including jackpot, slot and other similar machines	25%
3.	Betting business	25%
4.	Golf business, including sale of membership cards and golf game tickets	10%
5.	Lottery business	15%

OTHER TAXES

BUSIESS LICENCE TAX
Business License Tax is a tax on the business capital of business establishments. Annually, Business Licence Tax shall be paid within 31 January. For the new business establishment the deadline comes to the end of the first month of operation. Depend on the registration capital, Business Licence Tax is as follows:

Description		Amount
1.	Over VND 10 billion	VND 3,000,000
2.	From VND 5 billion to VND 10 billion	VND 2,000,000
3.	Less than VND 5 billion	VND 1,000,000

EXPORT – IMPORT TAX
Export – Import Tax is levied on the goods exported or imported through Vietnamese border, on goods brought from the domestic market into non-tariff zones and vice versa and on other traded or exchanged goods that are considered imports or exports. Export – Import Tax rate for each exported or imported item is determined on the Export Tax and Import Tax tariff.

NATURAL RESOURCES TAX
Natural Resources Tax is levied on organizations and individuals conducting the exploitation of natural resources in Vietnam. Natural Resources Tax is determined by the actual natural resources exploited, the unit price and the tax rate stipulated for the specific resources.

B. DETERMINATION OF TAXABLE INCOME

CIT payables = (Taxed income – Allocation to R&D fund) x CIT rate.
R&D fund is Science and Technology Development Fund,

Taxed income = Taxable Income – Exempt Income – Loss carried from previous year
Taxable income = Turnover – Deductible Expenses + Other Income.

Generally, deductible expenses which are deductible for the purpose of calculation of taxable income include expenses actually used for the production or trading in goods and services and expenses incurred with receipts or source documents issued in accordance with the law.

LOSSES.
Enterprises which suffer losses shall be entitled to carry forward those losses to taxable income of the following years. Losses may be carried forward within five (5) years from the year following the year the loss arose.

DIVIDENDS
Incomes divided from capital contribution, share purchase, joint venture or economic association with domestic enterprises, after contributed capital recipients, share issuers or joint venture or association parties have paid Corporate Income Tax (CIT) under the Law on CIT shall be exempted from CIT.

When the enterprises receive these income (dividends) before the tax calculation, the incomes shall not be exempted from CIT. In this case, the enterprise must pay CIT on this income at the common rate applied in this enterprise.

For individuals, dividends are levied at a rate of 5%.

FOREIGN SOURCED INCOME
Vietnamese enterprises which make an offshore investment and derive income from production and business activities overseas shall declare and pay CIT in accordance with the current Law on CIT of Vietnam.

INCENTIVE
Specific Incentive are provided for high technology fields, for new investment projects, for expansion investment.
Incentive in CIT comprise :
- Preferential tax rates such as 10%, 15% or 20%
- and Durations of Tax exemption at 4 or 2 years from the first profit-making year and Tax reduction of 50% for the following 9, 5 or 4 years .

C. FOREIGN TAX RELIEF

Vietnamese enterprises which make an offshore investment and derive income from production and business activities overseas shall declare and pay CIT in accordance with the current Law on CIT of Vietnam; In case these enterprises have paid income

tax on incomes arising overseas, the paid tax amount (in Vietnam) may be subtracted but must not exceed the CIT amount payable under the Law on Corporate Income Tax.

D. WITHHOLDING TAXES

Foreign enterprises, foreign individuals which are subject to Withholding Taxes are as follows :

- Foreign enterprises and individuals doing business in Vietnam or earning incomes in Vietnam on the basis of contracts, agreements with Vietnamese organizations, individuals, or between foreign contractors and foreign sub-contractors to perform a part of the Contractor agreement,
- Foreign enterprises and individuals supplying goods in Vietnam in the form of on the spot export/import and earning incomes in Vietnam on the basis of contracts, agreements with Vietnamese organizations, individuals, or between foreign contractors and foreign sub-contractors to perform a part of the Contractor agreement.

The branches of foreign companies which carry out business or supply services in Vietnam shall be subject to Value Added Tax (VAT) and Corporate Income Tax (CIT) if they fully satisfy the following conditions:

- having a permanent establishment in Vietnam ;
- the business duration in Vietnam is 183 days or more ;
- applying the Vietnamese accounting regime; carrying out tax registration and obtaining the tax code from tax agencies

These branches are subject to the same rule and same rate of tax as resident enterprises. Corporate Income Tax shall only be levied on the net profits arising from the business carried on in Vietnam.

The branches of foreign companies which does not satisfy these conditions shall be subject to the Withholding Tax which comprises VAT and CIT mentioned below :.

a. VAT rate (%) calculated upon taxable turnover applicable to business lines :

No.	Business line	Rate
1	Services, machinery and equipment lease, insurance; construction or installation without supply of raw materials, machinery and equipment	5 %
2	Production, transportation, services provided together with goods; construction and installation involving the supply of raw materials, machinery and equipment	3 %
3	Other business activities	2 %

b. CIT rate (%) calculated upon taxable turnover (excluding VAT, if any) applicable to business lines:

No.	Business lines	CIT
1	Trade: Distributing, providing goods, raw materials, supplies, machinery and equipment; distributing, providing goods, raw materials, supplies, machinery and equipment attached to services in Vietnam {including the provision of goods in the form of on-spot export and import (except for processing goods for foreign organizations, individuals); providing goods under delivery conditions of the Incoterms}	1 %
2	Services, insurance, leasing machinery and equipment, leasing drilling rigs	5 %
	Particularly:	
	- Restaurant, hotel, casino management services;	10 %
	- Derivative financial services	2 %
3	Leasing airplanes, airplane engines, spare parts of airplane, ships	2 %
4	Construction, installation including or excluding materials, machinery, equipment	2 %
5	Other production and business, transport (including the transport by seaway, by airway)	2 %
6	Transfer of securities, deposit certificates, ; reinsurrance abroad, commission of the reinsurrance transfer	0,1 %
7	Interest on loans	5 %
8	Royalties	10 %

Generally, Vietnamese party is responsible for declaring, deducting and paying Withholding Tax on behalf of foreign party and is responsible for paying this Tax within fifteen (15) days from the day of payment to foreign party.

E. EXCHANGE CONTROL

- Within the territory of Vietnam, except for cases that are allowed by State Bank, any transaction, payment, listing, advertising, quotation, valuating, pricing in any contract, agreement and other similar forms (including the conversion or price adjustment of goods, services, value of contract, agreement) of residents, non-residents, shall not be performed in foreign exchange.
- Foreign currency revenues of residents earned from the import and export of goods and services or other current sources overseas must be deposited into the foreign currency accounts opened at authorized credit institutions in Vietnam, which corresponds to the payment term specified in the relevant contracts or payment records, except for some cases that the State Bank of Vietnam considers allowing to retain a partly or entire amount of foreign currency revenue overseas.
- Foreign currency payment and transfer regarding imported and exported goods and services must be performed by wire transfer through authorized credit institutions.
- Upon entry into or exit from Vietnam, individuals can carry foreign currency, Vietnamese Dong in cash, . . . as follows :(without declaration to the border Customs) :
  . USD 5,000 or other foreign currency of the same value ;
  . VND 15,000,000 ;
  . Precious metals, gemstone (excluding gold) value at VND 300,000,000 ;
  . Negotiable instrument value at VND 300,000,000.

  Vietnamese individuals and foreigners are not allowed to bring gold bar, gold materials to entry into or exit from Vietnam, but can carry gold jewelleries and gold arts with total weight of under 300 grams.

  In excess these norms, Vietnamese and foreigners shall be require to declare to the border Customs.

F. PERSONAL INCOME TAX

All residents and non-residents are subject to Personal Income Tax.

A resident is a person that meets one of the conditions below:
+ has been present in Vietnam for 183 days or longer in a calendar year, or for 12 consecutive months from the day on which that person arrives at Vietnam;
+ has a regular residence in Vietnam in one of two cases below:
- has a regular residence according to legislation on residence:
- rents a house in Vietnam according to legislation on housing under a contract that lasts 183 days or longer in the tax year, in particular:

Non-residents are the persons that fail to meet the conditions listed above.

A resident is liable to pay tax on income earning in Vietnam and overseas, except for non-taxable income, such as income from real estate transferred between spouses and between blood-relations.

Personal income tax derived from wages for a resident equal assessable income multiply by tax rate. Assessable income is taxable Personal Income less deductions.

For Personal income from wages, deductions are as follows :
. Personal deduction per month comprises deduction for taxpayer and deduction for each dependants which are children under 18, unemployment spouse, elderly and parents,
. Insurance premium.

Personal income tax rate

Level	Assessable income/year (million VND)	Assessable income/ month (million VND)	Tax rate (%)
1	Up to 60	Up to 5	5
2	Over 60 to 120	Over 5 to 10	10
3	Over 120 to 216	Over 10 to 18	15
4	Over 216 to 384	Over 18 to 32	20
5	Over 384 to 624	Over 32 to 52	25
6	Over 624 to 960	Over 52 to 80	30
7	Over 960	Over 80	35

A non-resident is liable to pay Personal Income Tax only on income earning in Vietnam. For Income from wage, Personal Income Tax equal taxable from wages multiply by a rate of 20% (with no deduction).

Other calculation of Personal Incomes Tax are stipulated in the relevant legal documents.

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Withholding Tax rates for dividend, interest and royalties are as follows :

	Dividend (%)	Interest (%)	Royalties (%)
Algeria	15	15	15
Australia	10	10	10
Austria	5, 10 or 15	10	7.5 or 10
Bangladesh	15	15	15
Belarus	15	10	15
Belgium	5, 7, 10 or 15	10	5, 10 or 15
Bulgaria	15	10	15
Canada	5, 10 or 15	10	7.5 or 10
Cuba	5, 10 or 15	10	10
Czech Republic	10	10	10
China	10	10	10
Denmark	5, 10 or 15	10	5 or 15
Finland	5, 10 or 15	10	10
France	7, 10 or 15	Nil	10
Germany	5, 10 or 15	10	7.5 or 10
Hong Kong	10	10	7 or 10
Hungary	10	10	10
	Dividend (%)	Interest (%)	Royalties (%)
Iceland	10 or 15	10	10
India	10	10	10
Indonesia	15	15	15
Italy	5, 10 or 15	10	7.5 or 10
Japan	10	10	10
Kazakhstan	5 or 15	10	10
Korea	5	10	5 or 15
Kuwait	10 or 15	15	20
Laos	10	10	10
Luxembourg	5, 10 or 15	10	10
Malaysia	10	10	10
Mongolia	10	10	10
Morocco	10	10	10
Mozambique	10	10	10
Myanmar	10	10	10
Netherlands	5, 7, 10 or 15	7 or 10	5, 10 or 15
New Zealand	5 or 15	10	10
North Korea	10	10	10
Norway	5, 10 or 15	10	10
Pakistan	15	15	15
Palestine	10	10	10
Poland	10 or 15	10	1, 10 or 15
Philippines	10 or 15	15	15
Qatar	5 or 12.5	10	5 or 10

	Dividend (%)	Interest (%)	Royalties (%)
Romania	15	10	15
Russia	10 or 15	10	15
Saudi Arabia	5 or 12.5	10	7.5 or 10
Serbia	10 or 15	10	10
Seychelles	10	10	10
Singapore	5, 7 or 12.5	10	5 or 15
Sri Lanka	10	10	15
Sweden	5, 10 or 15	10	5 or 15
Switzerland	7, 10 or 15	10	10
Taiwan	15	10	15
Spain	7, 10 or 15	10	10
Tunisia	10	10	10
Thailand	15	10 or 15	15
Ukraine	10	10	10
Uzbekistan	15	10	15
United Arab Emirates	5 or 15	10	10
United Kingdom	7, 10 or 15	10	10

ZAMBIA

MEMBER FIRM

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BASIC FACTS

Full name:	Republic of Zambia
Capital:	Lusaka
Main languages:	English
Population:	14,309,466 (2012 estimate)
Major religion:	Christianity
Monetary units:	Zambian kwacha (ZMW)
Internet domain:	.zm
Int. dialling code:	+260

KEY TAX POINTS

- Companies whether resident or non-resident and are in receipt of income, which has a source or deemed source in Zambia, are liable to tax.
- Normal tax is payable by Zambian companies on their taxable income at the following rate:
  - a. Farming and agro-processing 10%
  - b. Charities – on income from business activities 15%
  - c. Rural manufacturing business- first 5 years 30%
  - d. Export of non-traditional products 15%
  - e. Trading, manufacturing and any other 35%
  - f. Manufacture of organic and chemical fertiliser 15%
- There is no capital gains tax in Zambia. Instead there is what is known as Property Transfer Tax (PTT) which is levied on the sale or deemed sale of all immovable property and shares at 10% of the realisable value.

A. TAXES PAYABLE

COMPANY TAX

A Company is resident in Zambia for any charge year if it is incorporated or formed under the Laws of Zambia or if the central management and control of the company's

business or affairs are exercised in Zambia for that year.

In Zambia all companies whether they are resident or non-resident and are in receipt of income, which has a source or deemed source in Zambia are liable to tax. For the purposes of the Zambian Income Tax Act, income for any charge year includes:

- Gains or profits from any business for whatever period of time carried on;
- Emoluments;
- Annuities;
- Dividends;
- Interest, charges and discounts;
- Royalties, premiums or any like consideration for the use or occupation of any property;
- Income from letting of any property;
- Lump sum payments, capital recoveries etc.

Normal tax is payable by Zambian companies on their taxable income at the rate of 35%. The tax is payable by both public and private companies as well as small businesses. However, there are concessional rates of tax applicable on certain sectors as follows:

- Agriculture	10%
- Rural manufacturing business (first 5 years)	30%
- Export of non-traditional products	15%
- Charities (on income from business activity)	15%

The tax rates applicable on the Mobile Telecommunications sector is as follows:

- On income up to ZMW 250,000	35%
- On income in excess	40%

Small businesses with gross incomes of up to ZMW 800,000 in a charge year, subject to certain exemptions, can register to pay tax at 3% on gross income, under the turnover tax system. However, small business providing consultancy is not covered by this exemption.

Mining companies involved in the mining of base metals and earn income from tolling or processing of purchased mineral ores, concentrates and any other semi-processed minerals pay tax at 30%. This is in addition to the 6% mineral royalties payable.

Mining companies involved in underground mining operations pay 8% mineral royalties as final tax while those in open cast mining operations pay 20% mineral royalties as final tax. It must be said that negotiations are still ongoing between mining companies and Government over the royalty rates.

TRUSTS

Zambian Trusts like deceased estates and bankruptcy estates pay tax at a flat rate of 35%. Notwithstanding the aforementioned, the Trust need not be taxed on all of its net income where a beneficiary is entitled to the whole or part of the income of the trust, as it is taxed in his hands instead of being taxed as income of the Trust. Where tax has already been paid on such income before it reaches the hands of the beneficiary it will be set off against any tax raised on him (beneficiary). In practice under Zambian Law, the beneficiary and not the Trust is to be taxed on:

- Income in which the beneficiary has a vested interest where this is paid or accumulated to him;
- Sums applied for the benefit of the beneficiary under the terms of the Trust; and
- Sum paid to or applied for the benefit of the beneficiary in exercise of discretion.

Under the tax avoidance rules, the Commissioner-General may avoid a trust where he determines that the main aim or purpose of a trust was to minimise or avoid tax.

CAPITAL GAINS TAX

There is no capital gains tax in Zambia. However, there is a Property Transfer Tax (PTT) which is charged on the realisable value of the property being transferred.

PTT is payable by the transferor of the property. It is charged on the sale or transfer of all immovable property and any shares issued by a company incorporated in Zambia. PTT is also chargeable on the sale or transfer of Mining Right/Interest in Mining Right. PTT in relation to immovable property excludes letting or sub-letting of property and leasing, under-leasing or sub-leasing for a period of less than 5 years.

In relation to shares, transfer of property excludes the allocation of the same by the company to the member in whose name the share was first registered. The rate of Property Transfer Tax in charge year 2015 is 10%.

BRANCH PROFITS TAX

Where a branch of a foreign company operates in Zambia, the branch taxable income is subject to tax at the rate of 35% or any other rate applicable according to the sector the branch is operating in. Effective 1 January 2015, externalisation or repatriation of branch profits will attract a withholding tax of 15%.

DIVIDEND TAX

Dividends paid or that become payable by a Zambian company to its resident or non-resident shareholders are subject to withholding tax at 15%.

Notable exclusions from dividend tax are dividends paid for the first 5 years by a company operating in the agricultural sector and a company with tax incentives granted under the Zambia Development Agency (ZDA) Act No 11 of 2006 issued prior to 11 October 2013. Any withholding tax on dividends paid to foreign shareholders can be reduced or tax credits claimed in terms of any applicable Double Taxation Agreement.

PARTNERSHIPS

In Zambia a Partnership is not recognised as a distinct taxable entity. For this reason it is not chargeable to tax instead, each partner is assessed separately.

Taxable income for the Partnership is computed jointly and then shared between the partners according to the agreed ratios and each partner is subject to tax on his share of profits as trade income.

VALUE ADDED TAX (VAT)

VAT is imposed on most goods and services supplied by a vendor at 16% except zero-rated and exempt supplies. All exports are zero-rated and the growing of a selected few agricultural products are also zero-rated.

Exempt supplies in most cases constitute mostly agricultural products, food stuffs as well as educational services. Compulsory VAT registration is triggered when the value of taxable supplies in a 12 month period exceeds or is expected to exceed ZMW 800,000. However, other companies may register voluntarily without meeting the threshold. This type of registration is renewable every year.

FRINGE BENEFITS TAX

The Income Tax Act provides that any advantage or benefit which is not capable of being turned into money or money's worth that is provided to employees is not allowed as a deduction for tax purpose. Such benefits or advantage are not subject to tax in the hands of the employees. These include the following:

- Free housing where 30% of employees' annual taxable income is disallowed; and,
- Personal to holder motor vehicles where the amounts disallowed are as follows:-

1.	Up to 1800 cc engine capacity	ZMW 9,000
2.	Between 1800 cc and 2800 cc engine capacity	ZMW 15,000
3.	Above 2800 cc engine capacity	ZMW 20,000

In all other cases, where the employer, on behalf of the employee, makes payment of electricity bills, telephone bills, water bills, school fees and association and club membership fees, the employer will be required to gross up and add such payments to the salary of the employee and deduct tax under PAYE. The above expenses are allowable deductions in arriving at the taxable income of the employer.

All cash benefits, given in form of allowances, are taxable in the hands of the employees.

WITHHOLDING TAX

Rent, royalties, dividends, management and consultancy fees, commission and interest are subject to withholding taxes at source. The withholding tax rate applicable for residents is 15% in all instances except for rent which is at 10%. The withholding tax rate on royalties, commission, management and consultancy fees, public entertainment and foreign contractors applicable to non-residents is 20% except for dividends and interest which is at 15%.

Category	Charge year 2015	2014	2013
Withholding tax and other rates			
Non-mining dividend pay-outs	15%	15%	15%
Profits distribution by branches of foreign companies	15%	15%	0%
Management fees to non-residents	20%	20%	20%
Royalties to non-residents	20%	20%	20%
Winnings from gaming, lotteries and betting (Final tax)	20%	20%	0%
Debentures interest paid to Zambian investors in a property loan stock company listed on the Lusaka Stock Exchange	0%	0%	15%
Interest for individuals on savings and deposit accounts (Final tax)	0%	0%	0%
Interest on treasury bills for individuals (Final tax)	15%	15%	15%
Interest on treasury bills (Final tax for Public Benefit Organisations)	15%	15%	15%
Commissions to non-residents	20%	20%	15%
Public entertainment fees to non-residents (Final tax)	20%	20%	15%
Non-resident contractors	20%	20%	15%
Rentals (Final tax)	10%	10%	15%
Medical levy	0%	0%	0%
NAPSA tax allowable threshold/month	K255	K255	K255

OTHER TAXES

Turnover tax			
Threshold	Up to K800,000	Up to K800,000	Up to K800,000
Standard rate	3%	3%	3%

Turnover tax under declaration penalties			
Penalty for negligence	1.5%	1.5%	1.5%
Penalty for wilful default	3%	3%	3%
Penalty for fraud	4.5%	4.5%	4.5%

CARBON EMMISSIONS SURTAX

This is levied on all vehicles being imported as well as those visiting and transiting. For registered vehicles in the country, it is an annual charge based on the engine capacity of the vehicle as follows:

Engine capacity in cubic centimetres	Surtax rate
1500 cc and below	50
Between 1500 cc and 2000 cc	100
Between 2001 cc and 3000 cc	150
3001 cc and above	200

STAMP DUTY

In Zambia Stamp Duty is levied on the increase of share capital and registration of debentures. The Stamp Duty on the increase of share capital is presently at 2.5% on

the amount of increase. The Stamp Duty on the registration of debentures is 1% of the debenture value up for registration to the minimum of ZMW 300 and the maximum of ZMW 3,000.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by deducting expenditure so allowed to be deducted in terms of the Income Tax Act. In all instances, unless specifically excluded by the provisions of the Income Tax act, expenditure incurred wholly and exclusively for the purposes of generating income from that source is allowable.

The Act provides for three types of deductions which are specific deductions, general deductions and prohibited deductions. Specific deductions are deductions allowable for a specific source. If a source of income does not exist in a charge year no specific deductions relating to that source should be allowed. General deductions are those deductions which are allowable from total income liable to tax from all sources. And prohibited deductions are those deductions which are not deductible in computing income.

Capital allowances and tax losses from the same source are also allowable in determining taxable income.

CAPITAL ALLOWANCES

Asset	Initial Allowance	Investment Allowance	Improvement Allowance	Wear & Tear Allowance	Notes
Industrial buildings	10	10	100	5	1,2
Commercial buildings	-	-	100	2	3
Farm, agro, plant and machinery	-	-	-	50	4
Farm improvements	-	-	-	100	7
Farm works	-	-	-	100	8
Farm dwelling	-	-	-	100	5
Manufacturing plant and machinery	-	-	-	50	4
Leased machinery and equipment	-	-	-	50	4
Tourism implements and machinery	-	-	-	50	4
Commercial motor vehicles	-	-	-	25	-
Non-commercial vehicles	-	-	-	20	-
Plant, machinery and equipment	-	-	-	25	-
Low cost housing	10		-	25	1,5

NOTES:
1. Initial allowance is granted on a newly constructed industrial building. No initial allowance is granted on an industrial building which has been in existence for some time and is subsequently purchased. But initial allowance can be granted on a new addition to an existing industrial building. Housing units (Low cost housing) constructed or acquired to house employees will qualify for industrial building allowance but the cost of each housing unit should not exceed ZMW 20,000. All housing units constructed or acquired on or after 1 April 1997 will qualify for industrial building allowance provided the cost does not exceed ZMW 20,000 per unit.
2. The investment allowance is also granted on capital expenditure incurred on the construction of, addition to or alteration of any industrial building to be used for purposes of business as a manufacturer.
3. The improvement allowance on constructed industrial and commercial buildings is only granted to those operating in industrial parks and multi facility economic zones.
4. Accelerated wear and tear allowances at 50% are only available on farming, manufacturing, and tourism and leased assets under operating lease.
5. The cost for farm dwelling and low cost housing for wear and tear purposes is restricted to ZMW 20,000 per unit per year.
6. Premium allowance is also granted for the right to use any patent, design, trade mark or copy right or for the use of other property which the Commissioner-General determines is of a like nature, where such right is used for purposes of business. The amount of allowance allowed for any charge year shall not exceed the amount of the premium or like consideration divided by the number of years for which the right of use is granted.
7. Farm improvements means any permanent work, which includes farm dwelling, fencing and any building constructed for and used for the welfare of employees, and in relation to farming land owned or occupied by the farmer claiming the allowance.
8. Farm works includes expenditure on stumping, clearing, boreholes, wells, aerial and geophysical surveys, prevention of soil erosion and water conservation.

STOCK / INVENTORY

All trading stock on hand at the end of the tax year must be added to income while all trading stocks on hand the beginning of the year ranks as a deduction. Trading stock is valued at the lesser of cost or net realisable value. Consumable stores and work-in-progress on hand constitute trading stock. The LIFO stock valuation method is not acceptable for tax purposes in Zambia.

RESEARCH AND DEVELOPMENT EXPENDITURE

Qualifying expenditure and other expenditure of a capital nature, incurred in the charge year in carrying out scientific experiment or research relating to the business is allowed in full. Also allowed are contributions to a scientific and educational society or institution or like body approved by the Commissioner-General subject to stipulated conditions.

INTELLECTUAL PROPERTY

A deduction is allowed for the right of use of any patent, design, trade mark or copyright or for the use of other property which the Commissioner- General determines is of a like nature, where such right is used by that person for purposes of his business. The deduction allowed for any charge year shall not exceed the amount of the premium or like consideration divided by the number of years for which the right of use is granted.

SUBSIDIES

The income Tax Act provides for capital allowances only for capital expenditure actually incurred. If the taxpayer is able to recover part of this expenditure from subsidy or grant from public funds the capital allowances will be calculated on the net amount.

INTEREST AND FINANCE CHARGES

Interest incurred in the production of income is a deductible expense. Interest of a revenue nature incurred within 18 months prior to the commencement of trade is deductible in the year in which business commences. Interest of a capital nature is not deductible but ranks for capital allowances as part of the cost of capital expenditure.

TAX LOSSES

Subject to certain anti-avoidance provisions, tax losses are carried forward to the following year provided such losses may not be carried forward for a period of more than 5 years in any other case and 10 years for mining activities and hydro and thermal power generation. Losses carried forward can only be deducted from income of the same source.

Effective 1 January 2015 carry forward of mining tax losses not applicable.

INTEREST RECEIVED

Interest received (or accrued) is included in the gross income .Normally interest is regarded as having accrued at the date in which it becomes due as income of the charge year in which that date occurs. If the interest, for some reason, remains unpaid in the year in which it was due and payable, it should nevertheless, still be assessed in that year. The taxpayer can claim, if he can prove to the satisfaction of the Commissioner-General, unpaid interest.

FOREIGN SOURCED INCOME

Foreign interest and dividends received by resident individuals and companies are subject to tax in Zambia. However, this general principle may be overridden by the provisions of a Double Taxation Treaty or certain unilateral relief provisions contained in the Zambian tax legislation.

INCENTIVES

Only businesses granted licences under the Zambia Development Agency Act No 11 of 2006 after 11th October 2013 in a priority sector and operating in Multi-Facility Economic Zones (MFEZ) or Industrial Parks qualify for incentives. The incentives available are:

	Income Tax	WHT on Dividends
Rural manufacturing enterprises – first five years from commencement	0%	0%
Enterprises in priority sector (MFEZ/ Industrial Park)- first five years from commencement	0%	0%

MINING TAX RATES

Category	Charge year		
	2015	2014	2013
Mining - Base Metals/Gemstones/Precious Metals	Nil	30%	30%
Other Mining operations	30%	30%	30%
Mineral royalty rates			
Mineral royalty on base metals, precious metal and gemstones - underground mining	8%	6%	6%
Mineral royalty on base metals, precious metal and gemstones - open cast mining	20%	6%	6%
Capital allowances deductions			
Mining equipment and related capital expenditure (*claim when asset is brought into use)	N/A	25%*	100%
Commercial motor vehicles and other plant and machinery	N/A	25%	25%
Non-commercial motor vehicles	N/A	20%	20%
Carry forward of tax losses			
Mining operations	N/A	10 years	10 years
Prospecting and exploration	N/A	5 years	5 years
Other special incentives			
Import duty on certain mining equipment	Rebate	Rebate	Rebate
Vat deferment scheme	No	No	No
Other rates			

Withholding tax on dividends	0%	0%	0%
Withholding tax on management fees to non-residents	20%	20%	15%
Export duty on Copper and Cobalt concentrates	10%	10%	10%
Export duty on all other unprocessed or semi processed mineral ores	10%	10%	10%
Thin capitalisation threshold	3;1	3;1	3;1
Taxation of hedging income	35%	35%	35%
Property transfer tax on sale or transfer of mining right	10%	10%	10%
Transfer pricing rules on interest payments made by mining companies to apply	Yes	Yes	No

C. FOREIGN TAX RELIEF

Tax credits are granted in respect of foreign taxes paid on foreign income in accordance with unilateral provisions contained in the Income Tax Act and numerous Double Tax Agreements. Where income is sourced in Zambia, no foreign tax credit will be allowed.

D. CORPORATE GROUPS

Group taxation is not applicable. However, corporate rules exist which provide relief in respect of transactions between group companies and between founding shareholders and their company. The relief provisions deal with the following transactions:
- Asset-for-share transactions;
- Intra-group transactions;
- Unbundling transactions;
- Transactions relating to liquidation, winding-up or deregistration; and,
- Amalgamation transactions.

Briefly, the corporate rules provide for the following tax relief in respect of the above mentioned transactions, provided certain requirements are met:
- Property Transfer Tax(PTT); and,
- Value Added Tax (VAT).

E. RELATED PARTY TRANSACTIONS

The Commissioner-General of the Zambia Revenue Authority is empowered to make adjustments to cross-border transactions between related parties that are not conducted on arm's length terms. While no specific thin capitalisation rules apply, the normal arm's length transfer pricing principle applies in respect of loans as well. However, for mining companies the Debt to Equity Ratio of 3:1 thin capitalisation principle applies.

There are also limitations on certain deductions on transactions between related parties.

F. EXCHANGE CONTROL

There are no exchange control regulations under the liberalised Zambian economy. No restrictions on the repatriation of profits or investment capital. However, evidence of tax payments should be produced before repatriation as well as meeting anti money laundering regulations.

G. PERSONAL INCOME TAX

Zambia operates a resident-basis system of taxation; therefore Zambian resident individuals are subject to tax on their worldwide income irrespective of the source of the income, except for certain exclusions.

Non-resident individuals, subject to certain exclusions, are subject to tax on their Zambian-sourced income.

A natural person will be regarded as a resident for tax purposes if he is ordinarily resident in Zambia or where the person is not ordinarily resident in Zambia but spends

more than 183 days in Zambia in a tax year (the physical test).

The tax rates applicable to natural persons for the year ending 31 December 2015 are:

INCOME TAX BANDS PER ANNUM	RATE
0 - ZMW 36,000	0%
ZMW 36,001 - ZMW 45,600	25%
ZMW 45,601 - ZMW 70,800	30%
Over ZMW 70,800	35%

The only deduction available to salaried employees and full time whole service directors is a deduction in respect of contributions to a pension fund or retirement annuity at 5% of gross pay to the maximum of ZMW 3,060 per annum.
(ROE $1 = ZMW 6.3)

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The withholding tax rates applicable on payments to non-residents on dividends, interest, royalties and management and consultancy fees under the various Double Taxation Agreements as follows:

	Dividends (%)	Interest (%)	Royalties (%)	Management Fees (%)
Canada	15%	15%	15%	0%
Denmark	15%	10%	15%	0%
Finland	5%/15% **	15%	5%/15%	0%
France	New DTA yet to be signed. Old one still in force			
Germany	5%/15% **	10%	10%	0%
India	5%/15% **	10%	10%	10%
Ireland	0%	0%	0%	0%
Italy	5%/15% **	10%	10%	0%
Japan	0%	10%	10%	0%
Kenya	0%	15%	20%	20%
Mauritius	5%/15% **	10%	5%	0%
Netherlands	5%/15% **	10%	10%	0%
Norway	15%	10%	15%	0%
Romania	10%	10%	15%	0%
South Africa	15%	15%	20%	20%
Sweden	5%/15% **	10%	10%	0%
Switzerland	5%/15% **	0%	0%	0%
Tanzania	0% *	15%	20%	20%
Uganda	0% *	15%	20%	20%
United Kingdom	5%/15% **	10%	10%	0%

NOTES:
* Rate applies if dividend subject to tax in country of recipient.
** The 5% rate applies if the recipient is a company which controls directly or indirectly at least 25% of the voting power in the company paying the dividend.

ZIMBABWE

MEMBER FIRM

City	Name	Contact Information
Harare	Sydney Bvurere	+263 (4) 2918463 +263 777 373 214 Sydney.bvurere@pkf.co.zw

BASIC FACTS

Full name:	Republic of Zimbabwe
Population:	13.0 million (2013 PRB)
Capital:	Harare
Major languages:	Shona, Ndebele, English
Major religion:	Christianity
Monetary unit:	United States Dollar (USD) and others
Internet domain:	.zw
International dialling code:	263

KEY TAX POINTS

- Resident companies and private business corporations are taxed on non-exempt income from a source within or deemed to be within Zimbabwe. Income from a foreign source attracts tax only if it falls within the specific provisions relating to deemed source. However, a residence based income tax system is under consideration.
- Normal tax is payable by Zimbabwean companies on their taxable income at the rate of 25%. A 3% AIDS levy is imposed on the tax chargeable giving an effective tax rate of 25.75%.
- Capital Gains Tax is levied on taxable gains from a source within Zimbabwe from the sale or deemed sale of immovable property and any marketable security (specified asset).
- VAT is imposed on all goods and services supplied by a registered operator at a standard rate of 15%.
- Zimbabwean resident individuals and corporates are subject to tax in Zimbabwe on foreign interest and dividends. Foreign dividends are subject to tax at a flat rate of 20%.
- Tax credits are granted in respect of foreign taxes paid on foreign sources income in accordance with the Income Tax Act and numerous Double Tax Agreements.
- Group taxation is not applicable. However, corporate rules exist which provide relief in respect of transactions between group companies and between founding shareholders and their company.
- The Revenue Authority Commissioner is empowered to make adjustments to non-arm's length cross-border transactions and thin capitalisations between connected parties.
- Income from royalties, dividends, interest, and similar income are subject to withholding taxes at source. Non-residents are subject to withholding tax on dividends, royalties, fees and remittances.
- Zimbabwean resident individuals are, save for certain exclusions, subject to tax on their income from a source within Zimbabwe. Non-resident individuals, subject to certain exclusions, are subject to tax on their Zimbabwe-sourced income only.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in Zimbabwe if it is incorporated, formed or established in Zimbabwe or has its place of effective management (day to day management) in Zimbabwe.

Zimbabwe resident companies and private business corporations (companies) are taxed on non-exempt income from a source within or deemed to be within Zimbabwe. Income from a foreign source attracts tax only if it falls within the specific provisions relating to deemed source. However, a residence based income tax system is being considered.

The proposed new income tax law also seeks to divide income into five categories:

1) Employment income;
2) Business income;
3) Property income;

4) Gains on disposal of investment property; and,
5) Other income with.

Normal tax is payable by Zimbabwean companies on their taxable income at the rate of 25%. A 3% AIDS levy is imposed on the tax chargeable giving an effective tax rate of 25.75%. Income tax rates on exporting companies reduced according to levels of exports : 20% for those exporting 30% to 40%of their products; 17.5% for those exporting 41% to 50% ; and 15% for those exporting 51% and above. The reduction is effective from 1 January 2015.

The tax is payable by both public and private companies as well as private business corporations.

The tax year usually runs from 1 January to 31 December, although different balance dates are available in certain circumstances. Tax is payable in four quarterly instalments (QPD's) on the 25th of March, 25th of June, 25th of September and 20th of December by which dates 10%, 25%, 30% and 35% of the tax liability for the year must be paid respectively.

Small to medium size enterprises without organised records and with annual turnover below USD 60,000 may pay presumptive taxes instead of normal tax. Presumptive taxes are periodic taxes, absolute figures or percentage-based, which are levied on certain specified business operations, usually undertaken by small and medium size enterprises.

Mining companies are, in addition to their specific corporate rates of tax, subject to a royalty calculated on the gross sales relating to the transfer of mineral resources. The royalty is calculated using different percentages applicable to each type of mineral. The percentages range from 1% on base metals to 15% on precious stones.

TRUSTS

Zimbabwe trusts pay tax at the same rate as companies (25% on each dollar of taxable income plus a 3% AIDS levy on the tax chargeable). This rate is apparently, the same as the one applicable to an individual's trade and investment income. There are no personal credits to a trust created in terms of the will of a deceased taxpayer.

In cases where the income of a trust that is ordinarily resident in Zimbabwe includes foreign interest or dividends, such income is taxable (dividends at 20% flat rate). Relief is granted for foreign tax suffered.

PARTNERSHIPS

Partnerships are not separate legal entities. This means they have no existence separate from the individual partners that comprise them. Taxable income for the partnership is computed jointly and then shared between the partners according to the agreed ratios and each partner is then subject to tax on his share of profits as trade income.

CAPITAL GAINS TAX (CGT)

CGT is levied on taxable gains from a source within Zimbabwe from the sale or deemed sale of immovable property and any marketable security (specified asset) according to the Capital Gains Tax Act. Non-residents are only subject to CGT on any direct or indirect interest or right in or to immovable property situated in Zimbabwe.

CGT is triggered on the disposal or deemed disposal of an asset which includes but is not limited to any event, act, forbearance or operation of law that results in the creation, variation, or transfer of a specified asset, subject to any exclusions and exemptions. Liability of the tax arises regardless of the date of acquisition of the specified asset. In certain circumstances, elections to defer liability are available.

In regard to assets acquired after 1 February 2009, a taxable gain is calculated by taking the difference between the proceeds received on disposal of the asset and the cost of the asset plus any additions, inflation allowance, direct selling expenses, bad debts and certain legal costs incurred in CGT appeals to courts.

The all items consumer price index (CPI) is used as the base for the inflation allowance. A capital loss results where the costs exceed the proceeds on disposal. CGT is a separate tax and any amounts included as income or deductions in the calculation for income tax are excluded from CGT. A flat rate of 20% is applicable on the gain (this could change as the proposed new income tax law seeks to include capital gains with business income and subject both to tax at the same rate).

As for assets acquired before 1 February 2009, the selling price is deemed to be the capital gains and a flat rate of 5% is applicable on this gain. Capital gains from

marketable securities listed on the Zimbabwe Stock Exchange are subject to a final withholding tax of 1%. A withholding tax of 5% applies on private securities while a rate of 15% applies on gains from immovable property. This withholding tax is credited on assessment.

BRANCH PROFITS TAX

There is no branch profits tax in Zimbabwe.

VALUE ADDED TAX

VAT is imposed on all goods and services supplied by a registered operator at a standard rate of 15%. Exports and some specified goods and services are zero-rated while a few goods and services are exempt. Un-beneficiated chrome is subject to VAT at the rate of 20% upon export. With effect from 1 January 2014 un-beneficiated hides are subject to VAT at the rate of 15%. Un-beneficiated platinum and rough diamonds will be subject to VAT at the rate of 15% upon export with effect from 1 January 2017. Compulsory VAT registration is triggered when the value of taxable supplies in a 12 month period exceeds or is expected to exceed USD 60,000.

FRINGE BENEFITS TAX

Employees are taxed on the value of fringe benefits as determined in the Income Tax Act. The fringe benefits are added to the taxable income of the individual and tax is levied at the tax rates applicable to natural persons

STAMP DUTY

Stamp Duty is levied on specified instruments and transfer of immovable property. The specified instruments include bonds, brokers' notes, off-market share transfers, cheques and policies of insurance.

Transfer Duty is imposed on the transfer of immovable property at the following rates:

	Duty (USD)
For transfers of up to USD 5,000 - for every USD 100 or part thereof	1
For transfers between USD 5000 and USD 20,000 - for every USD 100 or part thereof	2
For transfers between USD 20,000 and USD 100,000 - for every USD 100 or part thereof	3
For transfers in excess of USD100 000 – for every USD 100 or part thereof	4

OTHER TAXES

These include, amongst others, Customs and Excise duties, carbon tax, and skills and standards development levies.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by deducting expenditure incurred for the purposes of trade or in the production of income and other allowable expenses and allowances from the company's income. Capital receipts are subject to CGT (but may be included with business taxable income according to the proposed new income tax law). Expenditure is allowed to the extent that it is of a revenue nature.

Capital Allowances- buildings, plant, machinery and equipment

Asset	Special Initial Allowance (%)	Wear & Tear Allowance (%)	Notes
Industrial Buildings	25	5	1,6
Farm improvements	25	5	1, 4
Commercial buildings		2,5	
Railway lines	25	5	1
Staff housing	25	5	1, 2
Motor vehicles	25	20 up to 33,33	1, 3, 5
Articles, implements, machinery		10	5

Notes:

(1) The SIA is granted in the year of purchase in relation to movables and in the year of construction in respect of immovable or year in which the asset is first used. In subsequent years accelerated W&T is allowed on original cost.
(2) As from 1 January 2009 the amount qualifying for the allowances in respect of each unit of staff housing was set at USD 10,000 (only available to units the cost of which does not exceed USD 25,000).
(3) Allowances on motor vehicles restricted to a cost of USD 10,000 for vehicles purchased on or after 1 January 2009.
(4) Includes permanent schools, nursing homes, hospitals and clinics (w.e.f 1 January 2009 any part of the cost in excess of USD 10,000 of such permanent schools, nursing homes, hospitals and clinics will be disregarded.
(5) W&T on all movables is generally on a reducing balance basis while that on immovable is on straight line basis (on cost).
(6) Includes hotels with liquor and casino licenses.

STOCK / INVENTORY

All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year ranks as a deduction. Trading stock is valued at the lesser of cost or net realisable value. Consumable stores and work-in-progress on hand constitute trading stock. The LIFO method of valuing trading stock is not permitted.

RESEARCH AND DEVELOPMENT EXPENDITURE (R&D)

Qualifying expenditure incurred by the taxpayer during the year of assessment in carrying out experiments and research relating to his trade, other than capital expenditure on plant, machinery, land or premises or on the acquisition by the taxpayer of rights, whether for the purpose of his trade or otherwise is allowed in full. However, contributions to such expenditure by another taxpayer are allowed to that other taxpayer with some restrictions.

EXPORT-MARKET DEVELOPMENT EXPENDITURE

Exporters can claim as a deduction the amount of any export-market development expenditure incurred during the year of assessment, together with an amount equal to 100% of such expenditure. The term “export market development expenditure” means expenditure, not being expenditure of a capital nature, that is proved to the satisfaction of the Commissioner to have been incurred wholly or exclusively for the purpose of seeking opportunities for the export of goods from Zimbabwe or of creating or increasing the demand for such exports and includes expenditure for any one or more of the following purposes-
It includes expenditure for any one or more of the following purposes:

(1) Research into, or the obtaining of information relating to, markets outside Zimbabwe;
(2) Research into the packaging or presentation of goods for sale outside Zimbabwe;
(3) Advertising goods outside Zimbabwe or otherwise securing publicity outside Zimbabwe for goods;
(4) Soliciting business outside Zimbabwe or participating in trade fair;
(5) Investigating or preparing information, designs, estimates or other material for the purpose of submitting tenders for the sale or supply of goods outside Zimbabwe;
(6) Bringing prospective buyers to Zimbabwe from outside the country; and,
(7) Providing samples of goods to persons outside Zimbabwe.

INTELLECTUAL PROPERTY

The deduction of expenditure, in any single year, incurred for the right of use of an invention, patent, copyright, knowledge or other property of a similar nature or design or other property of a similar nature is not permitted to exceed an amount determined by dividing the total premium by the number of years representing the duration of the agreement. If the agreement is for a duration of more than ten years, or the duration is indefinite, then the duration is deemed to be ten years.

INTEREST AND FINANCE CHARGES

Interest incurred in the production of income is a deductible expense. Interest incurred prior to the commencement of trade is deductible in the year in which trade commences. However, interest incurred during building operations on a loan used for building purposes is capitalised and ranks for capital allowances as part of the cost of the building. Pre-incorporation expenditure is not deductible.

TAX LOSSES

Subject to certain anti-avoidance provisions, tax losses are carried forward to the following year provided such losses may not be carried forward for a period of more than six years, except for losses from mining operations. Losses from trading

operations cannot be offset with employment income. The proposed new tax law seeks to separate tax losses from lease of immovable property from losses from other business operations.

INTEREST RECEIVED

Interest received (or accrued) is included in gross income to the extent that such interest has not been subjected to withholding tax at source (mainly bank interest).

FOREIGN SOURCED INCOME

Zimbabwean resident individuals and corporates are subject to tax in Zimbabwe on foreign interest and dividends. Foreign dividends are subject to tax at a flat rate of 20%. However, this general principle may be overridden by the provisions of a double taxation agreement or certain unilateral relief provisions contained in the Zimbabwe tax legislation.

INCENTIVES

The following table indicates applicable normal tax rates of 25% and indicates the existing tax holiday schemes in the form of reduced tax rates.

INCOME TAX RATES

Years ending 31 December 2015 and 2014

	Notes	2015	2014
Companies and Trusts	1	25%	25%
Mining companies and mining trusts		25%	25%
Approved BOOT and BOT projects	2	0%	0%
Industrial Park Developer	3	0%	0%
Licensed investor	3	0%	0%
Special Mining Lease		15%	15%
Pension Funds		15%	15%
Operator of a tourist facility	3	0%	0%
Manufacturing company exporting 30% or more	1	20%,17.5%, 15%	20%

Notes:

(1) Subject to 3% Aids levy giving effective rates of 25.75%; 20.60%;15.45% and 18.03%. The rates for exporting companies are determined by the following levels of exports:

a. Export 30% to 40% of products - 20%
b. Export 41% to 50% of products- 17.5%
c. Export 51% and above of products- 15%

(2) The 0% rate applies for the first five years and then a 15% applies in the next five years and 25% thereafter.
(3) The 0% rate applies for the first five years and 25% applies thereafter

C. FOREIGN TAX RELIEF

Tax credits are granted in respect of foreign taxes paid on foreign sources income in accordance with unilateral provisions contained in the Income Tax Act and numerous Double Tax Agreements. Where income is sourced in Zimbabwe, no foreign tax credit will be allowed.

D. CORPORATE GROUPS

Group taxation is not applicable. However, corporate rules exist which provide relief in respect of transactions between group companies and between founding shareholders and their company. The relief provisions deal with the following transactions:

- Asset-for-share transactions;
- Intra-group transactions;
- Unbundling transactions;
- Transactions relating to liquidation, winding-up or deregistration; and,
- Amalgamation transactions.

Briefly, the corporate rules provide for the following tax relief in respect of the above mentioned transactions, provided certain requirements are met:

- CGT;
- Stamp Duty;
- Income tax, specifically with respect to capital allowances claimed, recoupment of capital allowances and the transfer of trading stock;
- Transfer Duty; and,
- VAT.

E. RELATED PARTY TRANSACTIONS

The Commissioner for the Zimbabwean Revenue Authority is empowered to make adjustments to non-arm's length cross-border transactions and thin capitalisations between connected parties. There are also limitations on certain deductions and allowances on transactions between connected parties.

F. WITHHOLDING TAXES

Income from royalties, dividends, interest, and similar income are subject to withholding taxes at source. Non-residents are subject to withholding tax on dividends, royalties, fees and remittances. Zimbabwean resident individuals are subject to withholding tax at source on dividends and bank interest.

Zimbabwean resident companies are not subject to dividend withholding tax on dividends paid by local companies but their bank interest is subject to withholding tax. The rate of withholding tax is 15% in all cases except for dividends from securities listed on the Zimbabwe Stock Exchange for which the rate is 10%.

G. EXCHANGE CONTROL AND INDIGENISATION

Subject to certain limited exclusions, Zimbabwean residents are subject to exchange controls. However, currently (since the beginning of the dollarization period) the exchange controls are relaxed to the extent that one can export dividends and profits without a hiccup. Non-residents are excluded from the ambit of exchange controls except when it comes to investing in securities listed on the Zimbabwe Stock Exchange.

The Zimbabwean Authorities are in the process of introducing controls over ownership of companies in almost every sector. The target is that each local company should be owned 51% by indigenous persons and foreigners can own up to 49% only. The major thrust has been in the mining sector where large resources of precious minerals like diamonds and gold has been discovered. Investors can negotiate their way through the Zimbabwe Investment Authority and the Ministry of Youth Empowerment and Indigenisation.

H. PERSONAL INCOME TAX

Zimbabwean resident individuals are, save for certain exclusions, subject to tax on their income from a source within Zimbabwe. However, the probability of moving to a residence based system is there, but not in the immediate future.

Non-resident individuals, subject to certain exclusions, are subject to tax on their Zimbabwe-sourced income only.

Employers with acceptable accounting records are allowed to use the Final Deduction System for their payroll tax. This system requires that the employers deduct the payroll tax accurately such that the individual employees do not have to submit income tax returns for their employment income to the tax authorities at the end of the year unless they have other income.

The income tax rates applicable to natural persons for the tax year ending 31 December 2015 are:

Annual Taxable Income USD	Rate	Cumulative Tax Chargeable USD
Up to 3,600	0%	0
From 3,601 to 18,000	20%	2,880
From 18,001 to 36,000	25%	7,380
From 36,001 to 60,000	30%	14,580
From 60,001 to 120,000	35%	35,580

From 120,001 to 180,000	40%	59,580
From 180,001 to 240,000	45%	86,580
Above 240,000	50%	86,580 + 50%

Note:Husbands and wives are taxed separately. Taxable income from employment is arrived at after deducting pension and social security contributions and trade union subscriptions. An AIDS levy of 3% on tax chargeable is imposed after deduction of credits. The maximum effective rate is therefore 51.50%. The above rates apply only to remuneration from employment and pensions. Credits for medical expenses and medical aid contributions, physically disabled persons and elderly persons are granted with stipulated maxima.

Any taxable income for an individual which is received by or accrues to him from any trade investment or other activity (excluding employment or pension) is taxed at a flat rate of 25%. The 3% AIDS levy is also applicable to the tax on this income, giving an effective rate of 25.75%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Income Tax Act subjects a number of payments to withholding tax at source. These are as follows:

	Normal Rate of tax %	Double Taxation Agreements				Notes
		UK %	Germany %	Netherlands %	Sweden %	1
Non-Resident Tax on Dividends (NRST) Companies listed on the Zimbabwe Stock Exchange	10	5	10	10	15	2,5
Other companies	15	5	10	10	15	2,5
Non-Resident's Tax on Interest (NRTI)	(Repealed w.e.f. 30 September 2009)					
Non-Resident's Tax on Fees (NRTF) Includes director's fees accruing to non-residents	15	10	7,5	10	10	5
Non-Resident's Tax on Remittances (NRTR) This applies to branch operations only and applies to expenses allocable to the Zimbabwe operation	15	20	20	20	20	6
Non-Resident's Tax on Royalties (NRTRoy)	15	10	7,5	10	10	5

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	Normal Rate of tax %	Double Taxation Agreements				Notes
		UK %	Germany %	Netherlands %	Sweden %	1
Resident Tax on Dividends (RST) (Companies resident in Zimbabwe receiving dividends are exempt)						
Companies listed on the Zimbabwe Stock Exchange	10					5
Other companies	15					5
Resident's Tax on Interest (RTI) - Banks and Building Societies	15					3, 4,7
RBZ Treasury Bills and BAs	15					3,4,5
Automated Financial transactions tax	USD 0.05					7
Intermediary money transfer tax	USD 0.05					7
Capital Gains Tax						
Listed Securities	1					
Private securities	5					
Immovable property	15					
Other						
Rent paid by informal traders	10					
Commission on property or insurance	20					6
Non- executive director's fees	20					5
Contracts without tax clearance certificates (ITF 263)	10					5

Notes:

(1) Other existing Double Taxation Agreements include Norway, South Africa, Bulgaria, Mauritius, Canada, Poland, France and Malaysia.

(2) Payable by all non-resident persons, including companies. For the lower rate to apply, the non-resident shareholder must hold a minimum of 25% of the Zimbabwe Company's shares.

(3) This tax is final.

(4) Taxpayers who are over the age of 55 years are exempt on the first USD 250 per month.

(5) Due date is within 10 days after the date of payment or accrual, whichever is earlier.

(6) Due date is within 10 days of the remittance of the allocable expenditure.

(7) Due date is within 10 days of the end of the month following the month of payment.

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