Global Expansion Updates

September 2017 | Issue 15

We are pleased to present the September issue of SKP Global Updates – our newsletter that covers employment, payroll, Goods and Services Tax (GST)/Value Added Tax (VAT) and corporate tax related developments globally.

The key highlights of this issue include the introduction of tax incentives in Mauritius, highlights of the Tanzania Finance Act, 2017, the new ruling on business travel expenses in Australia, changes in employee entitlements in Singapore, the new tax procedure enactment in the UAE, VAT rate amendments in Belgium, the new German Federal Data Protection Act and changes in non-domicile rules by HMRC in the UK.

Africa

The Democratic Republic of Congo

Obligation to switch to biometric work cards

The Democratic Republic of the Congo (DRC) authorities have made a mandatory obligation for non-resident employees to switch to biometric cards instead of the earlier work cards.

Non-resident employees have to appear before the office of the Ministry of Labour and get their fingerprints and facial image for official records. In addition to that, a fee of USD 20 is payable to authorities.

Ghana

Increase in minimum wage announced

In July 2017, the government announced an increase in the daily minimum wage for workers by 10%. Accordingly, the minimum wage of GHS 8.80 will rise to GHS 9.68 per hour.

Effective date: 1 January 2018

Mauritius

Introduction of tax incentives to develop business centre

Recently, the Government of Mauritius has announced tax incentives to develop a business centre. Following are the significant tax incentives announced by the Finance Minister in the Budget:

- From the next financial year, a concessionary tax rate of 3% is to be applied on the profits derived by export-oriented firms or companies.
- Companies engaged in manufacturing medical devices, pharmaceutical products and high-tech products, which were incorporated after 8 June 2017, are eligible for a tax holiday of eight years.
- Negative income tax has been introduced for low paid workers whose earnings are less than MUR 9,900 (i.e. USD 216) per month.

South Africa

Draft Bill to eliminate foreign employment income exemption for residents

Currently, when a South African resident renders services outside the Republic on behalf of their employer, he may qualify for an exemption under Section 10(1) (o) (ii) of the Act. Tax residents working abroad benefit from the exemption when the foreign host country does not impose a tax on employment income, or alternatively it does so at a very low rate. South African residents who qualify under Section 10(1) (o) (ii) would pay meagre or no tax in the foreign country. Furthermore, the foreign income would be exempt from tax in South Africa.

In July, the South African Revenue Service (SARS) has published the draft Laws Amendment Bill. The draft amendments include a proposal to eliminate foreign employment income exemption applicable to South African tax residents who render services outside South Africa (stated above).

If the exemption is repealed, the SARS could impose a tax on residents who previously qualified for the exemption on their foreign employment income. However, it is subject to the provisions of the tax treaty.

It is proposed that the amendment will come into effect on 1 March 2019.

Tanzania

Highlights of Finance Act, 2017

The key relevant amendments in the Finance Act, 2017 that became effective as on 1 July 2017, including but not limited to, are:

Value Added Tax Act (VAT), 2014

- Zero rating on the supply of ancillary transport services for goods in transit through mainland Tanzania, where the service is an integral part of the international transport service;
- VAT returns must be filed on the first working day following the 20th day, if the return date falls on a Saturday, Sunday or public holiday;
- A decreasing adjustment shall be allowed to a supplier where all or part of the consideration payable on a taxable supply has been overdue for more than 18 months, and the supplier has written off the unpaid amount as a bad debt.

The Tax Administration Act, 2015

- An application for the refund of overpaid tax shall be made within three years from the date of payment of the overpaid tax amount. Previously, there was no time limit to apply for the refund of excess tax paid, except for VAT, which is six months.
- Interest imposed for late payment of tax shall not be affected or waived if there is a delay due to court proceedings or any other dispute resolution process.
- Imposition of a 5% Withholding Tax (WHT) on payments relating to specified minerals supplied by a resident person.
- Alternative minimum tax at the rate of 0.3% is to be imposed on the turnover of the third year of an entity with tax losses or utilising carried forward losses for three consecutive years.

For more information, click here.

Americas

Argentina

Exemption of tax on credits and debits on bank accounts

Recently, Executive Order No. 485/2017 published in the National Official Gazette exempts tax on credits and debits on bank accounts in case of accounts, sub-accounts and virtual accounts used only for administration and wire transfers through mobile communication devices or any other electronic means. Companies engaged in the electronic collection or payment services who have appointed official agents for such purpose are exempt from the tax on credits and debits on bank accounts.

Effective date: 7 July 2017

Exemption of MPIT to taxpayers with losses

The Federal Tax Authority (FTA) has issued General Instruction No. 2 /2017. As per the rule, instructions have been given to respective offices to discontinue all the Minimum Presumed Income Tax (MPIT) claims, which have been initiated against the entities having losses (from an accounting standpoint). Following are the features of MPIT:

- The MPIT applies to assets located in Argentina and abroad at the rate of 1%, which is generated presuming that assets generate income. In the case of taxpayer's assets, this presumption is assessed at the end of each calendar year.
- Income tax paid should be credited against the tax liability arising from MPIT for the same fiscal year. In case, income tax is not payable, the payment against MPIT can be carried forward against the income tax liability corresponding to the succeeding 10 fiscal years.
- In the case of taxpayers having losses in a given fiscal year, they are entitled to reimbursement of the MPIT already paid in such fiscal year.

Canada

Changes introduced in the legislation to create fair workplace

In June, the Ontario government has introduced a legislation to create more opportunities and enhanced security for workers through its plan for 'Fair Workplaces and Better Jobs'. It includes an increase in minimum wage, assurance to part-time workers that they will be paid the same hourly wage as full-time workers, the introduction of paid sick leave for every worker and stepping up enforcement of employment laws.

For more information, click here.

Mexico

Tax provisions – updated

A decree has been published in the official gazette, which facilitates measures with respect to incentives and taxation. Following are some of the significant provisions as per the decree:

- Repatriation of capital has been allowed.
- For international travellers, refund on Value Added Tax (VAT) can be claimed with respect to certain items sold by airlines.
- Identification is required for certain foreign accounts.
- For taxpayers who correct their reporting under federal tax obligation are entitled to relief from penalty.
- Taxpayer's mobile telephone number has been added in the information to communicate with the tax administration.

- Rules for the deduction of expense related to fixed assets which were acquired pursuant to the economic or monetary support received under certain programmes have been provided.
- Rules for investments in bank bonds or securities have been explained.
- Legal representatives with the Registro Federal de Contribuyentes (RFC) are required to obtain the registration and mention RFC code in public deeds.

United States

Employers must begin using updated I-9 Forms

Late last year, the United States Citizenship and Immigration Services (USCIS) issued a final rule revising Form I-9 and the list of documents that are acceptable to verify the identity and employment authorisation of a person. From 18 September 2017, all employers must use the revised I-9 Form dated '7/17/2017 N' for new hires or rehires.

Although, changes to form I-9 are minimal, failure to use the new form by the deadline of 18 September 2017 can result in significant fines. Consequently, it is important that all personnel responsible for completing the Form I-9 are trained on the new form requirements.

Effective date: 18 September 2017

Asia-Pacific

Australia

Introduction of diverted profits tax

Diverted Profits Tax (DPT) entered into force on 1 July 2017 in Australia. It aims to prevent the diversion of profits offshore through arrangements involving related parties.

The DPT applies to Significant Global Entities (SGEs) with an annual global income of AUD 1 billion (USD 769.3 million) or more, and Australian income of more than AUD 25 million a year. SGEs who have been found to have artificially shifted profits overseas will face a 40% tax on the diverted profits.

For more information, click here.

New ruling on business travel expenses

The Commissioner of Taxation (Commissioner) has issued a draft Taxation Ruling “TR 2017/D6: Income tax and fringe benefits tax: when are deductions allowed for employees' travel expenses?”

The approach taken by the Commissioner in the draft ruling is to discuss the income tax deductibility of various travelling costs (pursuant to Section 8-1 of the Income Tax Assessment Act, 1997) incurred by employees in various situations and examples. For this ruling purpose, travelling expense includes transport (travel by airline, bus, train and other vehicle), accommodation, meal and incidental expenses for travelling away from home.

The draft replaces Miscellaneous Tax Ruling “MT 2030 - Fringe benefits tax: living-away-from-home allowance benefits," as well as a number of other Australian Taxation Office (ATO) materials and publications associated with this issue.

For more information, click here.

Changes to PAYG instalment payment

From July, the ATO has introduced changes to administrative rules about individuals who need to pay PAYG instalments.

The ATO will automatically remove companies, superannuation funds, and self-managed superannuation funds from the PAYG instalment system if their notional tax is less than AUD 500. This will apply even if their instalment rate is greater than zero percent, and includes those registered for GST.

The exception to this is available to individuals who:

- Have business or investment income of AUD 2 million or more included in their most recent income tax return; or
- Are the head of a consolidated group.

Effective date: 01 July 2017

For more information, click here.

Immigration changes implemented from 1 July 2017

Changes to immigration laws have now taken effect. These includes:

- Character and Police clearance requirement: All 457 visa applicants are required to have Character and Police Clearance Certificates for any country where they have lived for at least 12 months over the last 10 years;
- English language requirement: High earning applicants of 457 visas (those who earn AUD 96,400 or more) are no longer exempt from English language proficiency standards.
- Visa Application Charges (VAC) to increase: VACs have increased effective from 1 July 2017.
- Amendments to the 457 permit occupations list: The Department of Education and Training’s Trades Recognition Australia (TRA) 457 skills assessment program has been expanded to include some

additional nationalities for a small number of existing occupations. These lists are effective from 1 July 2017.

- Visa Validity: Visa validity policy now specifies that a subclass 457 visa may be granted for up to four years for occupations listed on the Short-Term Skilled Occupation List (STSOL) if requested by the sponsor and required to meet international trade obligations.

For more information, click here.

Malaysia

Public ruling issued on GST borne by employer

In July 2017, the Inland Revenue Board of Malaysia (IRBM) issued a public ruling. This ruling was issued to provide details on the income tax treatment of GST output tax borne by the employer on goods or services provided for free as a benefit to its employees.

For more information, click here.

New Zealand

UOMI on tax pooling

New Zealand's provisional tax rules have been amended to the effect that Use Of Money Interest (UOMI) will apply only from the date of third provisional tax instalment for taxpayers using the standard uplift method of calculating provisional tax for all instalments before the final instalment.

Under the new rules, the taxpayers that pay provisional tax directly to the Inland Revenue Department under the standard uplift method, and whose final tax liability ends up being less than that under the standard uplift calculation will not be eligible for UOMI until the final (third) provisional instalment.

On the other hand, amounts paid into a tax pool on each provisional tax instalment date will still be eligible to earn interest (at the rate of 1.02%).

Singapore

Changes in employee entitlements and its compliance checks

Recently, the Singaporean government has made changes in the shared parental leave and adoption leave entitlements. Following are the changes made in details:

- **Increase in shared parental leave**: Now, a working father can apply to share up to 4 weeks of his wife's 16 weeks of government-paid maternity leave, subject to his wife's agreement. This must be used within 12 months of the birth of the child, and can be used in a continuous block or flexibly as per the agreement with the employer.
- **Increase in adoption leave entitlements**: Currently, adoptive mothers are entitled to four weeks paid adoption leave. This will increase to 12 weeks from 1 July 2017. For the first four weeks of adoption leave (for the first and second child), the employer will provide paid leave, and the government will fund the last eight weeks. For subsequent children, the full 12 weeks of leave will be funded by the government.

Effective date: 1 July 2017

For more information, click here.

Changes in re-employment age ceiling

Effective 1 July 2017, current re-employment age ceiling of 65 will increase by two years. Employers will be required to offer re-employment to eligible employees from the age 62 to 67 to continue employment in their organisation. Else, employers may be required to pay an employment assistance payment to the employee.

For more information, click here.

Businesses to access e-government services via CorpPass

Now, CorpPass will be used for online transactions with all government agencies. It will be rolled out in phases till the end of 2017. The CorpPass portal will gradually replace the SingPass, EASY (E-Services Authorisation System) and agency-issued login IDs for local entities with a Unique Entity Number (UEN) and foreign entities who wish to access government-to-business e-services in Singapore. With CorpPass, employers will be able to appoint administrators to oversee the services without sharing their personal SingPass accounts. Access can be set by the employer on specific digital services per user.

For more information, click here.

Increase in the salary threshold for local part-time and full-time employees

Following the Budget 2017 announcement, the Ministry of Manpower (MoM) has stated that there will be an increase in the salary threshold for locals who are considered as full-time or part-time employees. The MoM will implement the change in two different phases. Following are the details:

- **Effective from 1 July 2017**: Local employees must earn at least SGD 1,100 to be considered a full-time employee, and between SGD 550 to SGD 1,100 to be considered a part-time employee.
- **From 1 July 2018**: Local employees must earn at least SGD 1,200 to be as considered full-time, and between SGD 600 to SGD 1,200 to be considered a part-time employee.

The above will be considered in the calculation of a company's quota for S Pass and work permit holders.

Income Tax (Filing of Estimates of Chargeable Income) Rules, 2017 published

Following are the salient features of the rules:

- A person is exempt from furnishing an estimate of their income and other information in relation to a partnership for a year of assessment under Section 71(3) of the Act, if:
    - o The accounting period ends in the month of October, November or December; or
    - o The revenue of the partnership in the year of assessment immediately before the first-mentioned year of assessment is less than SGD 500,000.
- A company is exempt from furnishing estimate of chargeable income under Section 63(1) of the Act in respect of a year of assessment if:
    - o The estimate of its chargeable income for that year of assessment is nil; and
    - o It's revenue for that year of assessment:
        - – Where the accounting period, to which the year of assessment relates, ends before 1 July 2017 and is not more than SGD 1 million; or
        - – Where the accounting period, to which the year of assessment relates, ends on or after 1 July 2017 and is not more than SGD 5 million.

Effective date: 29 December 2016

- The Income Tax (Electronic Filing of Estimates of Chargeable Income) Rules, 2017 were withdrawn.
- Following are the effective Assessment Year (AY) in which a class of company specified must furnish the Estimate of Chargeable Income (ECI) using the electronic service:
    1. Companies with revenue exceeding SGD 10 million in AY 2017, effective AY will be 2018.
    2. Companies with revenue exceeding SGD 1 million in AY 2018, effective AY will be 2019.
    3. For all companies, effective AY will be 2020 and subsequent AYs.

Effective date: 21 July 2017

For more information, click here.

South Korea

Statutory social insurance rates in effect

The monthly ceiling of national pension amount has increased from KRW 390,600 to KRW 404,100 effective from 1 July 2017. All other statutory social insurance rates remain unchanged in 2017.

Tax law amendments proposal for 2018

Recently, the Ministry of Strategy and Finance (MOSF) has announced its proposed tax law amendments for 2018. These amendments will be effective from 1 January 2018.

- The top marginal rate for taxable income in excess of KRW 200 billion will increase from 22% to 25%. Accordingly, the local effective tax rate will increase from 24.2% to 27.5%.
- Expansion of taxation of capital gains for non-resident on the exchange of listed shares. Now, non-resident/foreign corporations holding 5% or more (currently 25% or more) of the listed Korean company will be subject to capital gain tax.
- A foreign individual is considered a tax resident of Korea if he or she has resided in Korea for 183 days or more over one taxable year instead of two taxable years.
- The limit for Korean tax residents to report their foreign financial accounts is decreased from KRW 1 billion to KRW 500 million.

A Korean company is required to withhold 19% (currently 17%) of the service fees as income tax, paid to a foreign corporation for services provided by the foreign corporation's dispatched employees in Korea. Such withholding obligation applies if the total service fees paid to a foreign corporation exceeds KRW 2 billion (currently KRW 3 billion) in a year.

Thailand

Thailand introduces 5% VAT on e-commerce goods and services

Recently, the Thai Revenue Authority is proposing to levy a Value Added Tax (VAT) bill of 5% on all e-commerce goods and services transactions.

This VAT would be charged and collected by banks and credit card companies. VAT will be levied on any purchases of goods from online marketing places like Amazon or eBay, payments to car sharing services like Uber or social media advertising websites like Facebook and Instagram. The charge would be applicable to resident and non-resident service providers.

Introduction of social security fund, e-service and e-payment

Recently, the Social Security Administration has introduced an e-service and e-payment facility to its employers and insured employees.

The new services include employee registration, notification of employee's fund membership cessation, registration of changes to employee's information, as well as making online payment of the fund's monthly contribution.

An employer can use these e-services by applying for a username and password with the Social Security Administration via their website. Once the online application form is submitted, the applicant will receive an email notification with a link to the website for the applicant to complete the process. Previously, a physical copy of this form had to be submitted to a local Social Security Administration office. Later, the applicant would receive an email notifying the username and password, which the applicant can use to access various e-services.

Currently, this e-service system is being operated on a pilot basis. Hence, the Social Security Administration has extended the deadline for the monthly contribution payment date from the 15th to 22nd day of the month following the month when the contribution is deducted.

Introduction of new law for foreign employees and migrant workers

Recently, the Thai government has amended the Royal Decree on Bringing Alien to Work in the Kingdom B.E. 2559 (2016) and the Alien's Work Act B.E. 2551 (2008).

The Royal Decree addresses:

- Foreign employees working in Thailand; and
- Hiring and bringing in migrant workers to work in Thailand.

As per the amended decree, a Thai employer has to make a request with Thai authority to bring in migrant workers in Thailand. Once the permission is granted, the employer must submit requests for work permits for the migrant workers.

All the existing work permits issued before the amendment are legally valid until their term expires.

New aliens law introduced

Recently, a new law "The Aliens' Working Management Emergency Decree, B.E.2560 (2017)" replaced the "Working of Alien Act B.E. 2551 (2008)" and "Emergency Decree on Recruitment of Foreigner to work with Employers in Thailand, B.E.2559 (2016)"

The key highlights of the new law are:

- If an employer hires a foreign employee to provide services which are prohibited for foreigners, or employs a foreign employee without a valid work permit, or employs a foreign employee with a work permit of another employer, then the employer has to pay a fine from THB 400,000 to THB 800,000 for each foreign employee.
- If the employer fails to notify the termination of its foreign employee, then the employer is liable to a fine not exceeding THB 100,000.
- If an employer seizes a foreign employee's work permit or personal identifications card, then the employer may be imprisoned for a period not exceeding six months, and a fine of not more than THB 100,000 or both.
- If a foreign employee works in Thailand without a valid work permit or provides prohibited services, then the foreign employee may be subject to imprisonment of not exceeding five years, and a fine from THB 2,000 to THB 100,000 or both.
- If a foreign employee works without notifying the Labour Authority, then the foreign employee may be liable for a fine from THB 20,000 to THB 100,000.

Effective Date: 23 June 2017

United Arab Emirates (UAE)

New tax procedures law enacted

The United Arab Emirates (UAE) has issued Law No. 7 of 2017 on tax procedures. It provides the administrative and procedural framework for implementing VAT and excise duties. Furthermore, it also covers any other federal taxes that may be introduced in the future. Following are the important areas covered by the law:

- Record keeping of financial and accounting details for five years;
- Tax procedures;
- Empowering the Federal Tax Authority to conduct audits;
- Objections and appeals;
- Collections and refunds;
- Voluntary disclosures in cases of oversight and errors;
- Tax evasion and provisions governing penalties and enforcement; and
- Any tax related documents required by the tax laws.

For more information, click here.

Europe

Belgium

Change in allocation of tax-free allowances

From the Assessment Year (AY) 2017, Belgian tax authorities published a Circular Letter on 18 May 2017 (2017/C/31), wherein surcharges on the tax-free allowance will be allocated to the spouse with the higher income unless allocation to the other spouse would be more beneficial for both taxpayers.

Tax Budget 2018 announced

Recently, the Belgian Prime Minister presented the Budget for the year 2018. The summary of the significant changes proposed have been given below:

- Reduction in the standard corporate income tax rate from 33% to 29% in 2018 and a further reduction to 25% in 2020.
- Reduction in surcharge from 3% to 2% in 2018 and abolishment from 2020.
- Temporary increase in investment deduction for Small and Medium Enterprises (SMEs) and sole entrepreneurs from 8% to 20%.
- From 2018, employees to receive a profit participation premium of up to 30% of the total amount of wages paid.
- Reduction in exemption for savings accounts to EUR 940 and
- Dividend withholding tax - The first EUR 627 received as a dividend will be exempt.

Subscription tax of 0.15% on investment accounts with a value of more than EUR 500,000 will be introduced. This tax will be due on shares, debentures and funds.

VAT rate amendments

Recently, the Belgian tax authority announced that there is a change in the right to deduct VAT on samples, commercial gifts of low value, advertising articles, occasional gifts to staff free of charge, donations of goods to victims of a disaster and donations of surplus food.

Earlier, Value Added Tax (VAT) was deductible, and there was no requirement to pay VAT by way of a self-supply for gifts with a cost of less than EUR 50. However, as per the recent circular, a threshold of EUR 50 can now be applied to only one gift per commercial relationship per the calendar year.

Denmark

New salary rules for pay limit scheme

In June, a bill amending the salary requirements for the Pay Limit Scheme was passed. According to that bill, salaries under the scheme must be paid to a Danish bank account. It means that salary up to and including the minimum amount cannot be paid in cash and cannot be paid into an account abroad. Minimum amount means that the requirement of an annual pay of no less than DKK 408,800 must be met for each income year, even if you take an unpaid holiday. Holiday allowance, which was earned in the course of one income year but would be paid out the following year, cannot be included in the calculation of the annual pay of the first income year.

Effective date: 01 July 2017

For more information, click here.

Tax exemption for a part of salary received in the form of shares

In June, the tax and customs administration had published a ruling, which specifies the conditions under which a part of salary received by employees in the form of shares can be claimed as tax exemption. The ruling specifies that the exemption applies if the following cumulative conditions are met:

- The shares are received following an agreement with the employer and are not based on an agreement with the employer's parent company; and
- Part of the salary received in the form of shares may not exceed 10% of the annual salary agreed at the time when the employment contract was signed.

Finland

Significant changes in Finland labour law

Recently, various amendments have been made in Finland's Labour Law. Most of them are related to the reporting obligations of employers.

- The obligation to notify the Employment and Economic Development Office of any terminations due to financial and production-related grounds have been terminated. Previously, it was mandatory for an employer having at least 10 employees.
- As per the changes in Employment Contracts Act, Employers' responsibility to inform the employees of their right to an employment plan has also been removed. However, in the case of any termination, layoff or reduction of a contract from full-time to part-time contract, it is compulsory to notify the aforesaid authority.
- Significant changes have been made with respect to Health Insurance Act if following conditions are fulfilled; employers are entitled to receive a lump sum of EUR 2,500 to offset costs arising from family leave.

Effective date: 1 April 2017

France

Reduction in the wage guarantee fund contribution rate

From 1 July 2017, the board of directors of the association for the management of employee claims has reduced the wage guarantee fund contribution from 0.20% to 0.15%.

Wage guarantees are offered for the payment of wages and related employee claims in case the company has been placed in protection proceedings, receivership or judicial liquidation.

Abolition of CICE tax credit

The French government has planned to abolish the Competitiveness and Employment (CICE) tax credit and has decided to reduce the social security contributions. From 1 January 2019, the CICE tax credit would be converted to a reduction in payroll charges.

Also, there are talks of a reduction in the corporate tax from 33% to 25%, and the introduction of a single tax rate of 30% on savings income.

Changes in rules for unemployment benefits

The unemployment insurance agreement was accepted by trade unions and employers' organisations and was signed for a period of three years in April 2017, effective from 1 October 2017. However, modifications that apply to employees are applicable from 1 November 2017. Following are the key changes:

- The employers' contribution towards unemployment insurance will increase from 4% to 4.05%.
- The surtax on fixed-term contracts of three months or less will be abolished.
- Minimum working days criteria to be eligible for unemployment benefits is reduced from 122 calendar days to 88 actual worked days. However, the amount of working hours (610) remained the same. Accordingly, the method of calculation of unemployment benefits will change to the number of days actually worked in the period of reference.

The time-period to receive deferred compensation will reduce from 180 days to 150 days.

Germany

New German Federal Data Protection Act

In July, the German Federal Data Protection Act (Bundesdatenschutzgesetz (BDSG)) was propagated. This will replace the current BDSG when it enters into force together with the General Data Protection Regulation (GDPR) on 25 May 2018. The new BDSG will not change the current German employee data protection regime significantly.

For more information, click here.

Ireland

PAYE and gross income thresholds updated

Recently, the Irish revenue authority has updated self-assessment section of the income tax, capital gain and corporation manual.

As per Section 959B(1)(a) of the Taxes Consolidation Act, the threshold for Pay-As-You-Earn (PAYE) has been raised from EUR 3,174 to EUR 5,000, and the threshold for gross income has been reduced from EUR 5,000 to EUR 3,000.

For more information, click here.

Italy

Measures on VAT

Recently, amendments have been made in Value Added Tax (VAT) measures with Law Decree No. 50. Following are the significant changes introduced:

- As per the decree, certain regional institutes and bodies have been qualified for an exemption on transactions under Article 10(1) (20) of the VAT Act.
- The law decree also clarifies that supplies of transport services used for passenger vehicles have been covered under ancillary supplies under Article 12 of the VAT Act.
- Deduction and refund of input VAT.
- For invoices and customs bills issued after 1 January 2017, input VAT on the acquisition and import of goods and services can be recovered when it is due or with the annual return in which the VAT is due. There is an obligation to record invoices and customs bills in the VAT ledger by the submission of the annual VAT return.
- There may be an increase in current VAT rate from 22% to 25% in 2018.

Clarification on penalties for incorrect application of RCM

Recently, a circular has been published by the Italian Tax Authority (ITA) to provide clarifications on applicable administrative penalties with respect to violations pertaining to the application of Reverse Charge Mechanism (RCM). Following are the important points:

- The new penalties rule also apply to purchases from the Vatican City and the Republic of San Marino.
- In case the supplier does not charge VAT according to RCM when it is applicable, the supplier must provide references after considering the applicable penalties on a taxable basis accrued in the relevant calendar month or quarter, as per the periodicity of the VAT calculations.
- In case of out-of-scope, zero-rated and exempt supplies or of non-existent transactions, more clarification has been provided with respect to additional penalties deriving from the incorrect application of RCM.

Incentives for employees in southern Italy

Incentives have been introduced for permanent workers of the private sector in southern Italy. This is done to encourage employment in in Basilicata, Calabria, Campania, Puglia, Sicily, Abruzzo, Molise and Sardinia.

Employees fulfilling certain specified conditions will be eligible for such incentives.

Clarification on the circular regarding impatriate/expatriate tax regimes

Recently, a circular has been published to provide more clarity on impatriate/expatriate tax reliefs. Following are the significant changes published in the circular:

- Individual must qualify as tax resident in Italy to qualify for the tax relief.
- Individuals who have not cancelled or have never been removed from the population register are not eligible for the benefits under this rule.
- For individuals who have returned to Italy after a period where they have been seconded abroad are not eligible for the tax relief since they have kept their Italian employment relationship.
- Incentives are only applicable from the year in which the individual is a tax resident in Italy.
- Tax relief is also applicable to inbound seconded employees, provided they qualify as tax residents in Italy after satisfying certain conditions.

Along with above information, details on the non-domicile regime for ultra high net worth individuals has also been provided.

Measures taken on corporate income tax and patent box rules

Recently, a law decree has been converted into a law. It provides information on corporate tax measures and amendments to patent Box rules.

Following are the significant provisions as per the decree:

- A ruling procedure has been defined which facilitates multinational entities to apply for a ruling with the Italian tax agency as to whether their business activity constitutes a permanent establishment.
- The concept of fair market value has been replaced with an arm’s length concept for transfer pricing.
- Reduced rates for the allowance for corporate equity which can be deducted from a company's net taxable income.

Trademarks have been removed from the list of qualifying intangible under the patent box rules for taxpayers applying for patent box regime after 2016.

Netherlands

Telecom services – reverse charge on VAT

Recently, a decree has been published by Dutch State Secretary of Finance, which enables taxable persons to apply for Value Added Tax (VAT) Reverse Charge Mechanism (RCM) for business-to-business (B2B) supplies of telecommunications services in the Netherlands.

Addition of work permit exemption for non-EU residents working for cross-border projects

Recently, work permit exemptions have been added by the Netherlands for non-European Union (EU) nationals who are contributing to projects involving a partnership between Dutch and foreign companies.

Non-EU workers contributing to qualifying projects are now eligible for a work authorisation exemption for three years, and in case the project requires their continued participation, it can be renewed. Please note that the exemption does not cover the employee's right to live in the Netherlands.

Effective date: 1 July 2017

Norway

Increase in minimum salary threshold for foreign residents

Recently, the minimum salary threshold has been increased by 1% in Norway for foreign residents looking for residence permits for work purposes.

Minimum salary threshold has been increased to NOK 386,700 (USD 49,000) per year (excluding any taxes) for vacancies requiring bachelor's degree and NOK 416,600 (USD 52,000) per year for vacancies requiring master's degree.

This revised threshold is applicable from July 2017 to June 2018.

Sweden

Taxable income of non-residents under special rules – guidance published

Recently, an updated guidance has been published by the tax agency on the taxable income of non-residents under the special SINK and A-SINK regimes.

As per the rules in "Special Income Tax for Non-Residents" (Lag om särskild inkomstskatt för utomlands bosatta, SINK), foreign key staff members who are temporarily employed in Sweden are eligible for exemption of 25% of their employment income under the special tax relief regime.

Furthermore, following are the important points on which clarification has been provided:

- Tax must be paid at a fixed percentage at each payment date.
- Tax claim is deemed to arise at the time payment is made.

The tax is final and the non-residents are not required to file an income tax declaration.

Switzerland

VAT Amendments

The Federal Council of Switzerland has decided that the partial amendment to the Value Added Tax Act will come into force on 1 January 2018. The revised Value Added Tax Act will make a significant contribution to the removal of Value Added Tax (VAT) related competitive disadvantages for domestic companies.

Swiss resident businesses have a competitive disadvantage over the foreign businesses carrying out activities in Switzerland. The authorities have moved to remove a competitive disadvantage that allows foreign companies to avoid invoicing VAT for their supply of goods in Switzerland if their annual turnover in Switzerland stays under the threshold of CHF 100,000, but this is not possible for Swiss companies who have a worldwide turnover of more than CHF 100,000. With the revised VAT Act, the foreign company's worldwide turnover will be decisive for deciding whether there is a mandatory tax registration and not merely its turnover in Switzerland. The turnover limit of CHF 100,000 remains.

A further forthcoming revision to the Swiss VAT code will affect mail-order companies selling goods on a business-to-consumer basis and is due to come into force on 1 January 2019.

For more information, click here.

United Kingdom

HMRC confirms changes in non-domicile rules

Her Majesty's Revenue and Customs (HMRC) announced that the changes to the taxation of non-domiciled, which were earlier withdrawn from the pre-election in the Finance Bill, have been reinstated and will be effective from 6 April 2017.

For more information, click here.

Residence nil rate band

HMRC has introduced a Nil rate band (NRB) known as the Inheritance Tax (IHT) threshold. This threshold is the amount up to which an estate has no IHT to pay.

From 6 April 2017, a residence NRB maybe available in addition to the NRB. Any unused NRB and residence nil rate bands may be transferred to a surviving spouse or civil partner.

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