Global Expansion Updates

December 2016 | Issue 10

We are pleased to present the December 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 changes in the VAT tax law for non-residents in Argentina, revision of accounting rules relating to VAT in China, withholding tax amendments in Malaysia, introduction of tax rate changes for foreign employees and new exit tax in South Korea and changes in VAT reporting in Finland.

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Africa

Ghana

Transfer pricing updates

The Federal Inland Revenue Service (FIRS) recently issued a revised transfer pricing (TP) declaration and disclosure forms. These forms will be effective from January 2017 and taxpayers should submit their transfer pricing returns using the revised TP forms which now include new disclosures.

Rwanda

Social security agreement with Congo Brazzaville

As per the recent update, a Memorandum of Understanding (MOU) has been signed between the Governments of Rwanda and Congo Brazzaville. The MOU will enable an employee to be covered by social security of his country of origin.

For more information, click here.

Americas

Argentina

Increase in the income tax deduction allowance

Argentina Revenue Services provided a one-off ARS 15,000 increase in the individual income tax deduction.

This increase aims to partially or totally offset the second instalment of the 13th month salary. Under the Argentina labour law, a 13th month salary is paid in two instalments. The second instalment is due at the end of the calendar year.

The increase is applicable on employees and pensioners whose monthly gross salary did not exceed ARS 55,000 between July and December 2016.

Business visa exemption for Canadian citizens

Recently, the National Immigration Office of Argentina announced that Canadian nationals with valid passports are exempt from consular Argentine visas when entering Argentina for business purposes.

The exemption is granted based on transitory matters for 90 days, which is renewable for the same period.

Effective date: 1 December 2016

Change in the VAT tax law for non-residents

Recently, the Argentina Revenue Services introduced a change in the Argentina VAT law for non-resident individuals rendering services and construction-related activities within the Argentine territory.

As per the current tax law, when a non-resident renders services and construction-related activities within the Argentine territory, they are not subject to VAT.

As per the recent change, a VAT taxpayer also includes clients or beneficiaries of such services, as well as agents or intermediaries, who are residents in Argentina, including the national government, the provinces, the city of Buenos Aires, and entities exempted by the Income Tax Law.

Brazil

Municipal service tax changes

Recently, a legislative bill (SCD 15/2015) regarding changes in the municipal service tax (ISS) has been approved by the Brazil Senate and has been submitted for the president's approval. Following are some of the points mentioned in new bill:

- Clarification on the exemption from ISS
- Minimum ISS rate would be 2%
- Clarification on the ISS collection mechanism for certain activities
- Changes in list of services covered

Canada

Income tax treaty signed with Madagascar

On 24 November 2016, Canada signed an income tax treaty with Madagascar. The treaty includes provisions that limit the rate of withholding tax to:

- 5% for dividends paid to a company that holds directly or indirectly at least 25% of the voting power of the company that pays the dividends
- 15% for dividends paid in all other cases
- 10% for payments of interest and royalties

The treaty exempts withholding tax, certain payments of interest and limits the rate of withholding tax to 5% on certain payments of royalties. It also includes provisions reflecting the standard developed by the Organisation for Economic Cooperation and Development (OECD) for the exchange of information for tax purposes.

Effective Date: The treaty will be enforced once the signatories notified each other that the procedures required by their laws to bringing the treaty into force have been completed.

For more information, click here.

2017 indexation amounts for personal income tax and benefit amounts

Recently, the Canada Revenue Agency (CRA) released the 2017 indexation adjustments for personal income tax and benefit amounts. The indexation has increased from 1.3% in 2016 to 1.4% in 2017.

The increase in the tax bracket thresholds, amounts relating to non-refundable credits and most other amounts will take effect on 1 January 2017. Increase in the GST credit will be effective from 1 July 2017.

Effective date: 1 January 2017

For more information, click here.

Automobile deduction limits and expense benefit rates for 2017

Recently, the Finance Minister announced the income tax deduction limits and expense benefit rates applicable in 2017 when using an automobile for business purposes. Most of the limits and rates that were applicable in 2016 will continue to apply in 2017. However, there is one change taking effect in 2017.

The general prescribed rate that is used to determine the taxable benefits of employees relating to the personal portion of automobile operating expenses paid by their employers will be reduced by 1 cent, to 25 cents per kilometre. For the taxpayers who are employed principally in selling or leasing automobiles, the prescribed rate used to determine the employee's taxable benefit will be reduced by 1 cent, to 22 cents per kilometre. The amount of this benefit is intended to reflect the cost of operating an automobile. The other limits will remain in place for 2017.

For more information, click here.

Mexico

Increase in the daily minimum wage

As per the recent update, the increases proposed in the minimum wage have been unanimously approved by the National Minimum Wages Commission (Comisión Nacional de los Salarios Mínimos (CONASAMI)). The daily minimum wage will increase from USD 73.04 in 2016 to USD 80.04.

Effective date: 1 January 2017

The United States of America

The IRS releases the interest rates on tax payments for 2017

The US Internal Revenue Service (IRS) announced that there is no change in the interest rates on tax overpayments and tax underpayments for the calendar quarter beginning 1 January 2017. The interest rates, which apply to amounts bearing interest during that calendar quarter, are as follows:

- 4% for non-corporate overpayments;
- 3% for corporate overpayments up to USD 10,000;
- 1.5% for corporate overpayments to the extent in excess of USD 10,000;
- 4% for non-corporate and corporate (other than large corporate) underpayments; and
- 6% for large corporate underpayments (i.e. underpayments in excess of USD 100,000).

For more information, click here.

The due date to submit the tax returns is 18 April 2017

The IRS announced that the due date to submit 2016 tax returns has been extended from 15 April 2017 to 18 April 2017. This is because of the weekend falling on that date and Emancipation Day, which is a legal holiday in the District of Columbia. The legal holidays in the District of Columbia will affect the filing deadline across the nation as per the law.

For more information, click here.

Columbia: First reading of the Universal Paid Leave Amendment Act of 2016

Recently, the Council of the District of Columbia passed the first reading of the ground-breaking Universal Paid Leave Amendment Act of 2016.

In order to be covered by the Act, an employee must have worked for 52 weeks prior to the qualifying event, and must have spent at least 50% of their working time in the District. Both full-timers and part-timers will be eligible. The Act would apply to all private employers in Washington, D.C. regardless of their size.

The Bill will provide the private-sector employees eight weeks of paid leave after the birth or adoption of a child. The Act would also provide up to six weeks of paid leave to the workers in the District of Columbia to take care of a covered family member who is experiencing a serious health condition, and up to two weeks for a personal serious health condition.

For more information, click here.

Pennsylvania: Payment of wages via payroll debit cards

Earlier, the Pennsylvania Superior Court held that the mandatory payment of wages by payroll debit card does not satisfy the requirements of the state's Wage Payment and Collection Law (WPCL).

In November 2016, the Pennsylvania General Assembly enacted the legislation amending the WPCL to expressly include payroll debit cards as a permissible form of payment, as long as their use is voluntary. An employer may pay his employees via payroll debit card accounts as long as certain conditions are met. Employers should ensure that their current or anticipated payroll card program complies with the new requirements.

Without Employee's written or electronic request to change the method of payment (of receiving wages from payroll card account to direct deposit or negotiable check), the employer is not allowed to pay any remuneration, benefit or compensation by means of a payroll card. An employer must honour an employee's written or electronic request to change the method of receiving wages from a payroll card account to a direct deposit or negotiable check. The change takes effect as soon as possible, but no later than the first payday after 14 days from the employer's receipt of the request.

Effective date: 5 May 2017

Extension to FBAR filing

As per the recent update, the deadline for fling the Report of Foreign Bank and Financial Accounts (FBAR) has been extended by the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The new filing date for individuals who have signature authority over foreign financial accounts is 15 April 2018.

For more information, click here.

Introduction of a new Illinois leave laws

As per the recent update, four new leave laws for retailers who have employees in Illinois have been introduced. They are given below:

- Illinois Employee Sick Leave Act: The act is for absences related to illnesses, injuries or medical appointments of certain family members.

  Effective date: 1 January 2017

- Illinois Child Bereavement Leave Act: As per the act, Illinois employers are required to allow their employees to take up to ten working days off per year as unpaid bereavement leave following the death of their child.

  Effective date: 29 July 2016

- Chicago Paid Sick Leave Ordinance: As per the act, workers in Chicago are allowed to earn up to 40 hours of paid sick time per year.

  Effective date: 1 July 2017

- Cook County Earned Sick Leave Ordinance: As per the act, workers in Cook County are allowed to earn up to 40 hours of paid sick time per year.

  Effective date: 1 July 2017

New version of Form N-400

United States Citizenship and Immigration Services (USCIS) released a new version of Form N-400, Application for Naturalisation. The new version must be used in all applications filed or postmarked from the effective date. USCIS will not accept the old version of Form N-400 henceforth.

Effective Date: 22 December 2016

Introduction of the Cures Act for small employers

Recently, the US President signed the 21st Century Cures Act. As per the Cures Act, small employers can offer Health Reimbursement Arrangements (HRA) to their employees.
The Cures Act once again makes HRAs permissible for small employers as provided below:

- Employers who have 50 or less than 50 full-time employees, qualify as a small employer.
- The HRA must be provided by the employer only.
- Expenses incurred by the employee or one of the employee's family members that constitute as medical care, including the health insurance premiums, can be reimbursed by HRA.
- Maximum benefit for an employee with an employee-only HRA coverage is USD 4,950 per year and for employees with at least one dependent up to USD 10,000 per year.

Effective date: 1 January 2017

Increase in the minimum wage rate

As per the recent update, minimum wage rates of 17 states and the District of Columbia have been increased. Minimum wage rate in Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Hawaii, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, New Jersey, New York, Ohio, Oregon, South Dakota, Vermont, and Washington has been changed. There will be no change in the federal minimum wage for 2017 i.e. USD 7.25 per hour for non-tipped employees and USD 2.13 per hour for tipped employees.

The D.C. council approved the Paid Family Leave Law

As per the recent update, the Washington, D.C. Council passed the Universal Paid Leave Amendment Act of 2016.

It will establish a family and parental paid leave system for private sector employees spending more than 50% of their work time in Washington, D.C. (including residents of Maryland and Virginia who work in the District).

The Act provides the following benefits:

- Eight weeks of paid leave to new parents.
- Six weeks leave to take care of a family member who has been diagnosed with a serious health condition.
- Two weeks of personal sick time.

Effective date: 20 December 2016

New ordinance to ban salary history inquiries in Philadelphia

As per the recent update, the Philadelphia City Council passed a new ordinance banning employers from asking job applicants about their salary history. As per the ordinance, asking for a job applicant's wage history at any stage of the hiring process including during the negotiation or drafting of an employment contract is illegal. The ordinance ensures that employees do not get paid based on prior workings. Job applicants can voluntarily disclose information about fringe benefits, wage supplements, and other forms of compensation of their previous job.

Health insurance and premium tax credit

As per the recent update, the USA treasury department and the IRS released the final regulations (T.D. 9804) concerning the premium tax credit related to health insurance. The final regulation affects:

- Individuals who enrol in qualified health plans through health insurance exchanges (or marketplaces) and claim the premium tax credit.
- Exchanges that make qualified health plans available to individuals and employers.

For more information, click here.

IRS updates Publication 54

The IRS revised its Publication 54 (Tax Guide for US Citizens and Resident Aliens Abroad).

Publication 54 provides explanation on the following topics given below:

- US tax return filing requirements
- US self-employment tax
- Withholding of US income, social security and Medicare taxes
- Tax treaty benefits
- Special rules for determining the US federal income tax for US citizens and residents whose income is sourced in foreign countries
- Internal Revenue Code (IRC) section 911 foreign earned income exclusion and foreign housing exclusion or deduction
- Other applicable exemptions, deductions and credits
- How to obtain tax information and assistance from the IRS

It includes the 2016 amount for the foreign earned income exclusion (USD 101,300) and the housing expense base amount (USD 16,208) for the housing cost exclusion under section 911 of the US IRC. The limit for maximum amount that can be excluded and/or deducted under IRC section 911 are also discussed.

Effective date: 8 December 2016

For more information, click here.

IRS updates publication 80

The IRS updated their Publication 80, Circular SS (Federal Tax Guide for Employers in the US Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands (CNMI)). It is intended for preparing the 2017 tax returns.

Employers who have their principal place of business in the US Virgin Islands, Guam, American Samoa and the CNMI, or who have employees subject to income tax withholding in these US possessions or territories are subject to US social security and Medicare taxes under the US Federal Insurance Contributions Act (FICA). The Publication also summarises the responsibilities of employer to collect, pay and report these taxes. In addition to that, the Publication provides employers in the US Virgin Islands with a summary of their responsibilities under the US Federal Unemployment Tax Act (FUTA).

The revised Publication 80 provides information on the new rules, few of which are given below:

- The social security tax rate remains 6.2% for the employer and employee.
- The social security wage base limit (ceiling) for 2017 is USD 127,200.
- The Medicare tax rate remains at 1.45% for the employer and employee.

Effective date: 21 December 2016

For more information, click here.

Ohio - Increase in minimum wage rate

For the employers in Ohio whose annual gross receipts exceed USD 297,000 per year (earlier it was USD 288,000), the minimum wage rate has been increased from USD 8.10 to USD 8.15 for non-tipped employees and from USD 4.05 per hour to USD 4.08 per hour for tipped employees. This applies to Ohio Exclusions from the Ohio Minimum Wage Law.

- Ohio employers whose 2016 annual gross receipts are less than USD 297,000 are still required to pay the federal minimum wage – USD 7.25 per hour.
- Employees under the age of 16 are also excluded and should be paid the federal minimum wage of USD 7.25 per hour.

Effective date: 1 January 2017

Texas City raised the minimum wage to USD 15 Dollars

Texas City raised the minimum wage to USD 15 dollars per hour for businesses applying for tax breaks and others incentives to build or expand in the city.

In addition to the higher wages, businesses must also offer all their employees and their dependents benefits equal to those offered to full-time employees. This new law applies only to future businesses seeking economic development incentives and not on companies already doing business in San Marcos.

The IRS launches new online tool to assist taxpayers with basic account information

The IRS launched an online application to assist taxpayers with straightforward balance inquiries.

It is available on their website – www.irs.gov. It allows taxpayers to:

- View their IRS account balance;
- View their penalties and interest;
- Make various online payments by Direct Pay, Pay by Card and Online Payment Agreement.

For more information, click here.

Asia-Pacific

Australia

Interest rates for the late/non-payment of taxes

The interest rates applicable for 1 January 2017 to 30 June 2017 for late payment of duties and taxes are available on the Australian Capital Territory (ACT) revenue website. The interest rate is the sum of the market rate component and the premium component.

The premium component is 8% per annum. The market rate component is the rate in force for the day under the relevant determination. If no market rate is determined, the applicable rate is the monthly 90-day bank bill rate.

For more information, click here.

China

Tax payment incentives to companies with short-term difficulties

The State Administration of Taxation (SAT) issued a notice for companies going through bankruptcy, mergers and acquisitions, and/or liquidation to defer corporate tax payments or pay tax in instalments over a period of five years. No VAT will be imposed on transfer of fixed assets and land-use rights.

SAT will provide these incentives only to companies with short-term difficulties and not to loss-making companies.

Revision of accounting rules relating to VAT

Recently, the Ministry of Finance (MOF) issued the accounting rules on Value Added Tax (VAT) to align the accounting rules with VAT regulations post the transformation of business tax on services into VAT.

The Rules provide for various ledgers to be prepared for the purpose of recording VAT:

- VAT payable
- VAT to be paid
- VAT advance payment
- Input VAT
- Input VAT upon approval (of tax or customs authority)
- VAT on accrued sales
- Non-deductible VAT
- VAT based on simplified calculation method
- VAT on transfer of financial products
- VAT by way of withholding.

The Rules also explain the entries of sale of goods and services, acquisition of tangibles, taxation on the basis of the difference between sale proceeds and acquisition price, and the VAT refund for export.

Imposition of VAT on the disposal of immovable property

Recently, SAT announced that VAT is charged on the disposal of immoveable property i.e. on sale proceeds minus the acquisition price when an immovable property is disposed.

If a taxpayer does not have the acquisition price of the property, then the acquisition cost can be taken from the payment certificate of deed tax which states the taxable amount of the transaction.

Effective Date: 24 November 2016

Introduction of 'name and shame' regime

As per the recent update, a name and shame regime is introduced in mainland China for employers who have breached the PRC labour law.

The Chinese Ministry of Human Resources and Social Security recently published a list of severe violations against labour protection (i.e. the Publishing Measures).

The name and shame provisions apply if the employer's violation has serious consequences.

Effective Date: 1 January 2017

Malaysia

Withholding tax amendments included in the Finance Bill, 2016

Recently, the Government of Malaysia passed the finance bill 2016. It includes amendments in the withholding tax implications on royalties and payments for services rendered by non-residents. The key changes are summarised below:

- A detailed elaboration on the definition of royalty was made, mainly including the payments made for the use of or the right to use know-how among other additions.
- Services rendered by non-residents will be subject to withholding tax even if the services are rendered outside Malaysia.

For more details, please click here.

New Zealand

Clarification of PAYE rules for non-resident seasonal workers

Recently, the New Zealand Inland Revenue Department (IRD) issued a clarificatory statement stating that no income tax should be withheld at a rate more than 10.5% on any lump sum payment to non-resident seasonal workers (NSWs) at the end of their employment for unused paid holiday.

The NSW tax rate (10.5%) applies to a Pay As You Earn (PAYE) income payment which is an extra income paid to a non-resident seasonal worker who has notified his employer that their tax code is NSW, regardless of the value of their income.

This will be applicable to PAYE income payments made between 1 April 2016 to 31 March 2018.

Change in the procedure to obtain GST refund

The Inland Revenue Department changed the procedure of obtaining Goods and Services Tax (GST) refunds in New Zealand. The refunds must be paid by direct credit to a taxpayer's identified bank account. A cheque to the taxpayer will be available only if the Inland Revenue Department does not have the taxpayer's bank account details or if there are extenuating circumstances, such as hardship.

For more information, please click here.

South Korea

Change in the tax rate for foreign employees and new exit tax introduced

Recently, the Korean National Assembly approved the following proposed changes affecting foreign employees:

Flat tax rate for foreign employees

As per the tax incentives limitation law, foreign employees are allowed a flat income tax rate as an alternative to the progressive income tax rates. The Ministry of Strategy and Finance (MOSF) has changed the rate from 18.7% to 20.9%. The election of the flat rate is for a maximum period of five years from the date of employment in South Korea.

Increase in the rate of Income tax

From 1 January 2017, there will be an increase in the progressive rates of income tax. The top marginal income tax rate will increase to 40% (44% including surcharge) on the taxable income exceeding KRW 500 million.

Introduction of a new exit tax

From 1 January 2018, there will be an introduction of an exit tax. This tax will be implied on tax residents who leave Korea permanently and satisfy the following conditions:

1. The tax resident has maintained a permanent residence in Korea for at least a total of five years over a 10 year period.
2. The tax payer was a significant shareholder of a domestic company, owning more than 1% of shares with a value of KRW 2.5 billion or more at the end of the preceding financial year.

Note that when a taxpayer satisfying these conditions is no longer a resident, the taxpayer will be deemed to have disposed of the shares on the last day of residence and the gain will be taxed at 22%.

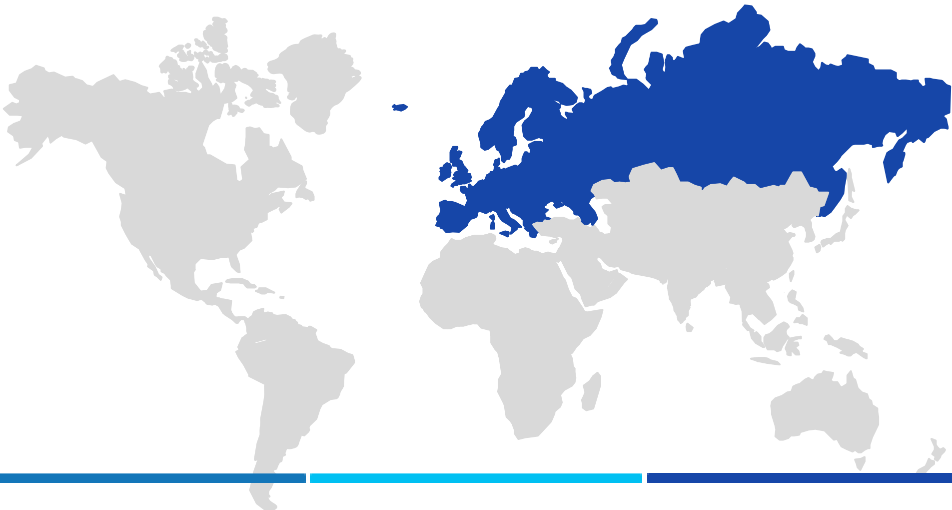
The exit tax will have to be paid within three months from the last day of the month in which the taxpayer ceases to be a resident. A 20% penalty will be applied in case of non-compliance. Tax credit will be available for foreign taxes paid on the gain from the disposal of shares.

If the taxpayer returns to Korea to become a tax resident within five years from the date of his departure, the exit tax paid will be refunded.

2017 Tax Reform Bill passed

Recently, Korea's national assembly issued the tax reform bill. The main amendments and tax reforms are summarised below:

- The deadline for master file and local file submission has been extended. Currently, the master and local file have to be submitted along with the corporate tax return, three months after the end of the financial year. As per the new tax reform, the local file and master file submission deadline has been extended to 12 months after the end of the financial year. This extended deadline will be applicable to submissions made on or after 1 January 2017.
- The new reform amends the computation of corporate Accumulated Earnings Tax (AET). Payroll increase and dividend amount are used to compute the tax. Under the new reform, the method to determine the payroll increase and the dividend amount used to calculate the tax have been amended.
- Prior to the reform, the mergers of brother-sister domestic companies were tax free only if certain conditions were satisfied. Pursuant to the reform, the merger would be tax free if the common parent company wholly owns both the domestic companies and no other conditions would need to be satisfied. This will apply to mergers on or after 1 January 2017.
- The limit on utilisation of net operating losses has been extended to the domestic branches of foreign companies. Prior to the reform, domestic companies other than Small and Medium Enterprises (SME) were subject to a limit of 80% of the taxable income with respect to the utilisation of net operating losses. As per the new reform, this limit will be applicable on the domestic branches of foreign companies.



Europe

Belgium

Belgium publishes transfer pricing documentation forms

Recently, the Belgian government implemented OECD's Base Erosion and Profit Shifting (BEPS). There are certain reporting forms to be filed under transfer pricing documentation.

These transfer pricing documentation forms were recently published in the official gazette. These forms also explain how to interpret and complete these forms.

Introduction of Belgian Innovation Income Deduction

As per the recent update, the Belgian Innovation Income Deduction (IID) has been introduced. This income deduction is BEPS-compliant and will replace the abolished Patent Income Deduction. With the introduction of this deduction, the taxable result of a Belgian company or branch will be reduced.

Compulsory re-integration procedure for employees with long-term disability

Recently, a royal decree was introduced in Belgium which requires employers to follow a specific procedure to re-integrate employees on long-term disability leave.

Prior to this decree, employees had to prove their disability with a medical certificate, while the employer was obliged to pay the employee a guaranteed salary for a limited period of time.

As per the new decree, a compulsory reintegration procedure for employees on long-term disability leave who cannot perform their employment is to be implemented.

An employer should adjust an employee's work to suit his medical capability, without any change in employment terms. Any temporary adjustments should be based on the occupational doctor's observations and should be recorded in the employee's employment contract.

Effective Date: 1 December 2016

Czech Republic

VAT rate changed for magazines and newspapers

Recently, the parliament has changed the VAT rate from 15% to 10% for newspapers and magazines in which advertising exceeds more than 50% of their content.

Effective Date: 1 January 2017.

Finland

Changes in VAT reporting

The Finnish tax authorities have announced certain changes in the VAT which are effective from 2017. They are given below:

- It is mandatory to file returns in an electronic form except in special circumstances.
- The previous return will get replaced if a correction is made on a new return.
- VAT registration threshold for businesses with annual return obligation will increase from EUR 25,000 to EUR 30,000.
- VAT registration threshold for businesses with quarterly return obligation will increase from EUR 50,000 to EUR 100,000.
- Corrections in the returns can be made till 45 days post the due date without incurring any late payment charges.

National income tax rate table for individuals

Recently, the national income tax rate table for earned income received by individuals in 2017 has been published by the Finnish tax authorities. The rates are given below:

Earned income (EUR)	Tax at the lower limit (EUR)	Tax rate for the amount exceeding the lower limit (%)
16,900 - 25,300	8.00	6.25%
25,300 – 41,200	533.00	17.50%
41,200 – 73,100	3315.50	21.50%
73,100 and above	10,174.00	31.55%

Social security contributions for 2017

As per the recent update, applicable rates of social security contributions payable by employees and employers for 2017 have been published by the tax authorities.

Particulars	Employee's Share	Employer's Share
Health insurance contribution	- 0% if taxable earned income for municipal income tax purpose is below EUR 14,000. - Otherwise 1.58%	- 1.08%
Daily allowance component	- 0%	
Pension contribution/Employment pension insurance contribution	- 6.15% generally - 7.65% if employee is 53 years or older	- 17.95% on average
Unemployment insurance contribution	- 1.60%	- 0.8% on the first EUR 20,59,500 - 3.3% on excess

France

Change in the rates of old age contributions

Recently, the urssaf published the 2017 rates for old age contributions for employees under the general scheme. These rates are given below:

- Employers share: From 1.85% to 1.90%
- Wage share: From 0.35% to 0.40%

The rates of the old-age contribution ceiling are not changed, which are given below:

- Employer's share; 8.55%
- Wage share: 6.90%

For more information, click here.

Maximum social security ceilings for 2017 published

Recently, the maximum social security ceiling for 2017 was published in the official gazette, Decree of 5 December 2016.The maximum ceilings are as follows:

Year	EUR 39,228
Quarter	EUR 9,807
Monthly value	EUR 3,269
Thousands	EUR 1,635
Week	EUR 754
Daily value	EUR 180

For more information, click here.

Germany

Draft law to limit the deductibility of royalty payments

Recently, the German Ministry of Finance (MOF) published the first draft of a law that would limit the deductibility of related party royalty payments. If approved, the proposed rule will apply to royalty payments that are due after 31 December 2017. The restriction on the deductibility would apply only to royalty payments between related parties; payments made to unrelated parties would not be affected.

In cases where the Intellectual Property (IP) regime is based on the non-nexus approach i.e. payments made to related parties, this rule will result in lower taxation of the royalty income at recipient level as a result of the application of an IP regime (IP box, patent box, license box, etc.).

Comments are invited by the MOF on the draft till 11 January 2017.

Ireland

Changes in processing timeline of SEPA

As per the recent update, the processing time of Single Euro Payments Area (SEPA) has been changed. This change is in respect of the bank accounts that are used to pay taxes via the Revenue Online System (ROS) and via myAccount for non-ROS customers.

Earlier, for the bank accounts which have not been used to pay taxes previously, it was taking seven working days to debit the account and in other cases four working days was the processing timeline.

After the change, the processing timeline is reduced to three working days to debit bank account used via ROS and myAccount to pay taxes.

Effective date: 28 November 2016

For more information, click here.

Mandatory e-filing at Companies Registration Office

As per the recent update, it is mandatory to e-file certain submissions to the Companies Registration Office (CRO). Following are the forms which are mandatory to file electronically:

- B1 Form: Annual Return (including financial statements and electronic payment)
- B2 Form: Change of registered office
- B10 Form: Change of director and/or secretary, or in their particulars
- B73 Form: Nomination of a new annual return date

Effective date: 1 June 2017

For more information, click here.

Updation in treaty between Ireland and United Kingdom

Recently, eBrief no. 96/16 has been published by the Revenue – Irish Tax and Customs department. The contents of the tax and duty manual relating to Ireland – United Kingdom (UK) Income Tax Treaty have been updated by the eBrief. As per the update, gross UK income gets taxed by the Revenue without granting credit for the UK tax already deducted on such income. It also clarifies the income sources and relief/repayment claim procedures at source from the UK Revenue & Customs.

A new PAYE service card

As per the recent update, a new PAYE services card in myAccount has been established for PAYE services including PAYE anytime, Form 12 and the Jobs and Pensions service. The link of 'Manage your tax 2017' on the new PAYE service card will be useful to claim credits, declare income or divide tax credits and rate bands for 2017.

For more information, click here.

Italy

Resolution on VAT refund to non-resident taxable individuals

As per the update, a resolution to clarify VAT refund procedure for non-resident taxable individuals has been issued by the Italian Tax Authorities (ITA).

- Applicants from other European Union member states must follow the procedure provided by Article 38-bis(2).
- Applications must be submitted electronically through the tax portal of the country where the taxable person is established.
- Decisions on refunds will be communicated by the ITA within four months from the receipt of application.
- The applicant is allowed to appoint a representative to receive the payment on his behalf.

Extension in exemption from VAT registration

As per the update, exemption from VAT registration for individuals whose turnover does not exceed EUR 65,000 will be extended till 31 December 2019.

The Netherlands

No VAT exemption for pension fund management

As per the update, the pension fund with the defined benefit plan will not be considered as a special investment fund for Value Added Tax (VAT) exemption. Therefore, management of pension fund with the defined benefit plan will not be exempt from VAT.

Proposed amendment in dividend withholding rules

Currently, there is no withholding tax implication on the profit distributed by cooperatives. The dividend withholding tax is imposed on the profits distributed by private limited liability companies (BVs) or public limited companies (NVs). As per the recent update, it is proposed that profit distribution by the cooperatives will be subject to dividend withholding tax.

Effective date: 1 January 2018

Change in the minimum monthly gross salary for highly skilled migrants

The salary adjustment measures have been released for highly skilled migrants for 2017. The Foreign Nationals Employment Act Implementation Decree (Besluit uitvoering Wet arbeid vreemdelingen) consists of the salary adjustment rules. The minimum gross monthly salaries that will apply are given below:

Highly skilled migrants (30 years and older)	EUR 4,324 (excluding vacation allowance)
Highly skilled migrants (younger than 30 years)	EUR 3,170 (excluding vacation allowance)
Dutch graduates qualifying for orientation year	EUR 2,272 (excluding vacation allowance)

The salary measure includes only the cash salary payments. It excludes the vacation allowance, non-cash salary payments or any other non-cash salary components.

Effective date: 1 January 2017

Social security rates for 2017

As per the update, state social security rates and employer social security rates for 2017 have been published by the Ministry of Social Affairs and Employment. They are given below:

a) State Social Security

Type of Social security	Rate (%)
Old age social security (AOW)	17.90
Surviving spouse social security (ANW)	00.10
Long-term care (WLZ)	09.65

b) Employer Social Security

Type of social security(*)	Rate employer (%)
Unemployment social security (AWF)	2.64
Redundancy contribution average (wachtgeld)	1.63 (Average)
Unemployed government employees (UFO)	0.78
Basic disability insurance (WIA)	6.16
Childcare contribution	0.50
Work resumption premium (WHK)	Fixed rate of 0.76 Sickness contribution rate of 0.40
Variable risk-related contribution for companies paying an average salary below EUR 32,200	0.08 - 1.4
Health insurance (ZVW)	6.65

(*)The premiums in this table are all levied over a maximum annual income of EUR 53,701.

Poland

Introduction of diminishing personal allowance

Recently, the amendments with respect to calculating the personal allowance which is deductible from the taxable income have been introduced in the Official Journal (Dziennik Ustaw No. 1926/2016). As such, the annual income derived by individual taxpayers will be decreased by the personal allowance calculated in the following way:

Income (PLN)	Personal Allowance (PLN)
Up to 6,600	1,188
6,600 to 11,000	631.98 × (taxable base - 6,600) ÷ 4,400
11,000 to 85,528	556.02
85,528 to 127,000	556.02 × (taxable base - 85,528) ÷ 41,472
Over 127,000	0

This method of calculating personal allowance will apply to income derived as from the beginning of 2017.

Effective Date: 1 January 2017

Romania

Amendments to the tax code

Official Gazette no. 977/06.12.2016 has been published recently amending the tax code as follows:

Corporate Income Tax

- The definition of stock option plan has been updated.
- Changes have been made relating to the determination of the modified fiscal year.
- Clarification has been made on the method of allocating the non-deductible expenses relating to non-taxable income.
- For expenses incurred on the training of students from the field of professional and technical education, a provision for the deduction of expenses has been introduced.

Microenterprise income tax

- Reduction in the limit of share capital of micro enterprise from EUR 25,000 to RON 45,000.

Value Added Tax (VAT)

- Taxpayers will be able to deduct VAT after re-registration for VAT purpose for the acquisitions made from the cancellation of VAT number to the re-registration for VAT.
- VAT adjustment regime for capital goods has been changed.
- The obligation to submit information declaration 392A, 392B, 393 has been suspended till 31 December 2019.

Effective Date: 1 January 2017

Change in the rule to determine medium- and large-sized taxpayer status

Recently, a draft order determining the criteria for medium- and large-sized taxpayer status has been issued by the National Agency for Fiscal Administration. Under the proposed rules, companies will qualify as large taxpayers if they are aiming to realize investments of at least EUR 10 million within three consecutive years. The determination will also be based on the turnover, level of undeclared tax liabilities and expenses relating to staff members.

Change in the standard rate of VAT

As per the recent update, the standard rate of VAT will be reduced from 20% to 19%.

Effective date: 01 January 2017

Emergency ordinance no. 84/2016

Government Emergency Ordinance no. 84/2016 has been published. The amendments in the update are given below:

1) The definition of stock option plan has been amended.
2) New guidelines have been issued defining a tax year, which is different from the calendar year.
3) Expenses relating to organising and developing professional and technical studies as per specific education legislation are deductible from the taxable profit.
4) New provisions were added to consider the following as depreciable asset:
    - Fixed assets that are booked and used for organising and developing professional and technical studies as per specific education legislation.
    - Investments made for organising and developing professional and technical studies as per the specific education legislation.

Effective date: 1 January 2017

Sweden

New VAT rules from January 2017

Following are the new rules that are applicable from January 2017.

- Expanded deduction of VAT on the cost of meals up to the amount, not exceeding SEK 300, excluding VAT per person and the occasion. Accordingly, the maximum deduction of SEK 36 per person on the cost alone comes to food.
- Exemption from VAT if the sale amount excluding VAT is up to SEK 30000 for the tax year.
- VAT on certain repairing services has been reduced to 12%.
- VAT on tickets for theatre performances has been increased from 6% to 25%.
- Meaning of property under the VAT Act has been changed.

Effective date: 1 January 2017

For more information, click here.

The United Kingdom

The Van Benefit and Car and Van Fuel Benefit Order 2016

The Van Benefit and Car and Van Fuel Benefit Order 2016 comes into force on 31 December 2016 and takes effect from 2017-18.

The Order contains provisions for the following:

- Cash equivalent of the van benefit will rise from GBP 3,170 to GBP 3,230 for 2017-18;
- Van fuel benefit will increase from GBP 598 to GBP 610;
- Car fuel benefit is calculated by applying the appropriate percentage using the CO_2 emissions of the car to the car fuel benefit charge multiplier. This multiplier has increased from GBP 22,200 to GBP 22,600.

For more information, click here.

Publication of Securitisation Companies (Amendment) Regulations 2016

Recently, Her Majesty's Revenue & Customs (HMRC) published 'The Securitisation Companies (Amendment) Regulations 2016' with the intention to extend the interim regime till 1 January 2037.

Under this regime, securitisation companies can continue to use the UK generally accepted accounting practice as it stood at 31 December 2004 as the basis for their tax computations instead of the International Accounting Standards.

For more information, click here.

Abolition of Class 2 National Insurance Contributions

HMRC confirmed that from 6 April 2018, it will abolish Class 2 National Insurance Contributions (NIC) and will reform the Class 4 NIC.

Effective Date: 6 April 2018

For more information, click here.

Flat Rate Scheme for limited cost trader

Recently, HMRC introduced a new 16.5% rate under the VAT Flat Rate Scheme to a limited cost trader. Businesses that meet the definition of a 'limited cost trader' must use the new 16.5% rate under the Flat Rate Scheme.

A limited cost trader will be defined as one whose VAT inclusive expenditure on goods is either:

- Less than 2% of their VAT inclusive turnover in a prescribed accounting period; or
- Greater than 2% of their VAT inclusive turnover but less than GBP 1,000 per annum if the prescribed accounting period is one year.

Effective Date: 1 April 2017

For more information, click here.

Corporation Tax rate announced by (Northern Ireland) Act 2015

As per the recent update, the Parliament passed the Corporation Tax (Northern Ireland) Act 2015. The parliament has announced corporation tax rate of 12.5% in April 2018.

New requirement for criminal record certificates under SOC codes

Recently, the UK Visa and Immigration announced those applying for employment in the UK under certain Standard Occupational Classification (SOC) codes will be required to produce a criminal record certificate from the country in which they have been a resident for 12 months or more, consecutively or cumulative, in the previous 10 years, aged 18 and above.

Effective Date: 1 January 2017

About SKP

SKP is a long established and rapidly growing professional services group located in seven major cities across India. We specialise in providing sound business and tax guidance and accounting services to international companies that are currently conducting or initiating business in India as well as those expanding overseas. We serve over 1,200 clients including multinational companies, companies listed on exchanges, privately held firms and family-owned businesses from more than 45 countries.

From consulting on entry strategies to implementing business set-up and M&A transactional support, the SKP team assists clients with assurance, domestic and international tax, transfer pricing, corporate services, and finance and accounting outsourcing matters, all under one roof. Our team is dedicated to ensuring clients receive continuity of support, right across the business lifecycle.

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