

# Global Expansion Updates



February 2016 | Issue 1

We are pleased to present the first issue of SKP Global Expansion Updates – our newsletter that covers employment, payroll, GST/VAT, and corporate tax related developments globally.

The key highlights of this issue include the Amendment in GST laws and Fringe Benefits Tax (FBT) reporting in Australia, the Budget of British Columbia, the new subsidy for employers in France, the revised 2016 Budget in Malaysia and the new employer data reporting requirement in USA.

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# Africa

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## South Africa

### Amendments relating to withholding tax on interest in South Africa

In the recent amendment of taxation laws, the definition of 'interest' falling under the regulation was widened and explained for a better understanding. Furthermore, an additional exemption to withholding was introduced. Interest payment includes:

- Gross amount of any interest-related finance charges;
- Discount or premium paid in relation to a financial agreement; and
- The amount payable by the borrower to the lender relating to any lending agreement.

For further details, click [here](#).



# Americas

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## Canada

### Implementation of Common Reporting Standard (CRS) from July 2017

As per the recent update, the government of Canada intends to implement CRS from July 2017, allowing the first exchange of information in 2018. The government will release the draft proposal soon to implement the CRS in Canada for public comment.

All financial institutions under CRS will require identifying accounts held by non-residents and reporting these accounts to the tax authorities. Tax authorities will exchange this information with each other in their jurisdictions held by residents of other jurisdiction.

**Effective date** – 1 July 2017

For further information, click [here](#).

### New entry requirement for visa-exempt foreign nationals travelling to Canada

Canada has introduced an Electronic Travel Authorization (eTA) regime. From 15 March 2016, visa exempt foreign nationals will need an eTA to fly to Canada.

US citizens and foreign nationals with a valid visa are exempt from the above requirement.

**Effective date** – 15 March 2016

For further information, click [here](#).

### Postponement of implementation of Ontario Retirement Pension Plan (ORPP)

The Ontario government has announced the one year delay in the enrolment of the ORPP. This means that the plan will commence on 1 January 2018 instead of 1 January 2017.

**Effective date** – January 2018

For further information, click [here](#).

### Budget of British Columbia announced for 2016-17

The fiscal budget for British Columbia has been announced on 16 February 2016. As per the budget, there is no change in general corporate or personal income tax rate.

The key Budget highlights are given below:

- Extension of mining exploration tax credit;
- Introduction of farmer's food donation tax credit; and
- Increase in the equity tax credit.

For further information, click [here](#).

### Amendment in the Canadian Citizenship Act

Changes have been introduced to provide flexibility to the applicants and to obtain citizenship faster.

The amendment Bill proposes to reduce the time period for which permanent residents must be physically present in Canada before qualifying for citizenship by a full year. However, the age limit to pass a knowledge test to qualify for citizenship is proposed to be changed from 14-64 to 18-54. For further information, click [here](#).

## Chile

### Publication of law to simplify income tax system

The Chilean government has approved the tax reform law published in 2014. This law aims at simplifying the income tax system and various amendments in Value Added Tax (VAT) law.

From 2017, to simplify the corporate tax system, a fully integrated regime and partially integrated regime will be introduced. Companies will have the option to choose any one of the systems depending on their legal structure. The Bill also specifies certain changes introduced in the VAT system in relation to real estate.

The following taxpayers can opt for fully integrated regime:

- Sole proprietorships;
- Single-person limited liability company; and
- Partnerships formed exclusively by individuals subject to Global Complementary Tax (GCT) and Additional Withholding Income Tax (AWIT). Companies by shares which must also add a clause in their bylaws related to the disposal of its shares;

## USA

### Proposed amendment to increase Oregon's minimum wage rate legislature

Recently, a law has been passed in relation to the payment of minimum wages based on the location of the business. The wage limit will increase gradually during a period of the next six years which will eventually make Oregon the highest minimum wage state. It is not clear whether employees will be required to be paid at different rates if he works in different parts of the state while performing his duties.

It is proposed to increase the minimum wages to USD 15 by 2019 gradually by increasing the minimum wage to USD 11.50 by 2017 and USD 13.50 by 2018.

**Effective Date** – 1 July 2016

For further information, click [here](#).

### Applicability of paid sick leave in Vermont from 1 January 2017

Recently, a law has been passed which requires Vermont employers to provide one hour of paid sick leave for 52 hours worked subject to maximum of 24 hours (3 working days) sick leave to employees.

Employers will be required to provide the 24 hours of sick leave through 31 December 2018, at which time they will be required to up the amount of paid sick leave to 40 hours (5 working days) in a 12 month period.

Employers needs to adhere to the required compliance by the following due dates:

- Employers with six or more employees – Comply on or before 1 January 2017;
- Employers with less than six employees – Comply on or before 1 January 2018; and
- New employer – One year after hiring their first employee.

For further information, click [here](#).

### New employer data reporting requirement

Recently, is it proposed to revise the employer information report (EEO-1 report). Currently, the 'EEO-1 report' collects employee data which is categorised on the basis of race/ethnicity, gender, and job category is required to be submitted by federal contractors and employers having 100 or more employees.

From January 2017, employers having 100 or more employees have an additional requirement to submit information for hours worked and W-2 earnings in addition to the present reporting of EEO-1.

Employers with 50-99 employees are not required to submit additional data. All reports are to be submitted electronically.

For further information, refer to the following:

- [EEOC Announces Proposed Addition of Pay Data to Annual EEO-1 Reports](#)
- [Agency Information Collection Activities: Revision of the Employer Information Report \(EEO-1\) and Comment Request](#)

### Limited Liability Companies (LLCs) to adopt Employee Stock Ownership Plan (ESOP) under certain conditions

The IRS code restricts 'C' or 'S' types of corporations to adopt ESOPs. However, in a recent ruling, the IRS concluded that membership units of an LLC will be considered as qualified employer securities, subject to the fulfilment of certain conditions.

For further information, click [here](#).

### US President's fiscal budget proposal for 2017

On 9 February 2016, President Obama delivered their budget proposals for fiscal year 2017. The budget

provides a path for the President's goal of cutting corporate tax rates and making structural changes and closing loopholes. The key proposals of the budget include:

- **Corporate tax**
  - Reduction of top corporate tax rate from 39% to 28%
  - Effective domestic manufacturing income rate to be 25%
  - Simplifying and reducing taxes for small businesses
- **International tax**
  - Minimum tax at 19% on foreign earnings of US corporations and controlled foreign corporations
  - Election of worldwide interest allocation method for taxable years beginning after 2016
  - One time tax at 14% on the previously untaxed foreign income

- **Small businesses**
  - Increase in the expensing limit to USD 1 million after December 2016
- **Individual taxes**
  - Increase in top rate for capital gain and dividend from 20% to 28%
  - Implementation of fair share tax or 'Buffet Rule' under which 30% of the federal tax would be charged for taxpayers earnings over USD 2 million
  - Expansion of the retirement saving coverage provided by the employer

For further information, click [here](#).



# Asia-Pacific

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## Australia

### Financial Services Council (FSC) planning to reduce company tax rate

As per the recent update, Australia's Financial Services Council (FSC) has proposed for a reduction in a company tax rate from 30% to 22% to in line with the average corporate tax rate applicable in Asia. This is in the planning stage as of now.

For further information, click [here](#).

### Amendment made in Goods and Services Tax (GST) law impacting cross-border transactions

Currently, the supply of digital products and other services provided by a non-resident is often not subject to GST. As per the amendment, GST will be applied consistently to all supplies of digital products such as downloading of e-books, music, etc. and other imported services (other than goods or real property) such as consultancy and professional services to Australian consumers (other than business) supplied by foreign entities. This change is introduced to equalise the GST treatment in the case of both local and foreign suppliers. Also, it provides relaxation to non-resident suppliers from GST obligation on certain supplies by shifting the GST obligation to Australian-based business recipients that are already registered for GST.

**Effective date** – 1 July 2017

For further information, click [here](#). Explanatory memorandum given [here](#).

### Additional tax compliance requirement in case of foreign investment applications

The Australian government has announced the introduction of additional tax compliance requirements with respect to foreign investment applications to ensure multinationals investing into Australia will pay tax on their Australian earnings.

According to this new requirement, foreign investment applications will be subject to a set of eight standard conditions that must be met in order for an application to be considered as not being against 'national interest'.

For further information, click [here](#).

### Mobile-friendly tool to decide status of worker either as an employee or contractor

Recently, the Australian Tax Office (ATO) has released a mobile-friendly decision tool through which businesses can decide whether their worker is an employee or a contractor. This tool will help businesses correctly meet the tax and super obligations for their workers.

For further information, click [here](#).

### Amendment in Fringe Benefit Tax (FBT) reporting requirements

Recently, certain changes have been introduced in the FBT treatment of salary packaged 'meal entertainment' and 'entertainment facility leasing expenses' which will affect all employees.

- From 1 April 2016, 'salary packaged' meal entertainment and entertainment facility leasing expenses will be reportable on employees' payment

summaries. 'Not salary packaged' will remain not reportable.

- Employers will no longer be able to apply the 50-50 split method (or the 12 week register method) for valuing meal entertainment and entertainment facility leasing expenses to the extent these are salary packaged.

Salary packaging is an arrangement between employer and his employee whereby the employee agrees to forgo part of his future entitlement to salary in return for his employer providing him with benefits of a similar value.

**Effective date** – 1 April 2016

For further information, click [here](#).

## China

### Promoting issue of VAT common e-invoices

Recently, China's State Administration of Taxation (SAT) has announced that from 1 December 2015, VAT e-invoicing would extend to the entire nation. It will save costs of production, printing, storage and postage costs and other relevant expenses. It will also help the tax authority in the management and data application.

For further information, click [here](#).

## Hong Kong

### Budget announced for 2016

Recently, the Budget was announced for 2016. The key measures proposed are as follows:

- It has proposed a 75% decrease in the profits tax, salaries tax and tax under personal assessment for the year of assessment subject to a ceiling of HKD 20,000 per case. The proposed reduction will only apply to the final tax for Assessment Year (AY) 2015-2016. Provisional tax for the year will not be affected with the proposed change.
- A proposal has been made to increase basic allowance, married person's allowance, single parent allowance, dependant parent/grandparent allowance and additional allowance and a raise in the deduction ceiling for elderly residential care expenses. These changes will be applicable to AY 2016-2017 after the enactment of the legislation.

For further information, click [here](#).

## Malaysia

### E-filing for AY 2015

The Inland Revenue Board of Malaysia (IRBM) has announced that for the AY 2015, the submission of Income Tax Return Forms (ITRF) E, BE, B, E, P, M, L and TF can be done electronically from 1 March 2016.

For further information, click [here](#).

### Revised Budget for 2016

Recently, the Minister of Finance has tabled the revised Budget of the 2016 Budget. The proposed (new) key measures are as follows:

- Reduction in the contribution paid by employee towards Employees Provident Fund (EPF) by 3% beginning March 2016 to December 2017;
- For individual taxpayers with a monthly income up to MYR 8,000, a special tax relief provision of MYR 2,000 for AY 2015 has been given; and
- In case of voluntary disclosure of prior years' income, a provision for the relaxation in penalties has been given provided the tax arrears must be settled before 31 December 2016.

For further information, click [here](#).

## New Zealand

### Report issued by Select Committee on Employment Standards Legislation Bill

Recently, the Select Committee has issued its report on the Employment Standard Legislation Bill which was passed in August 2015. The Select Committee plans to put this into effect from 1 April 2016.

New employment agreements will have to comply with the new standards. For existing employment agreements there will be a transition period of 12 months.

The key highlights of the Bill are:

- Extending parental leave scheme to cover more categories of workers. The Bill has also increased the leave period from 16 weeks to 18 weeks;
- Employers cannot restrict secondary employment unless there is genuine reason e.g. employee is handling sensitive information;
- Shift working: A provision in the agreement must specify the reasonable period of notice and monetary compensation if there are changes in shifts;
- Zero hours contract which ensures availability of employee work hours: The agreement must contain provisions related to work hours which clarify

guaranteed hours and days on which work is to be performed, start or end time or any flexibility in provisions;

- Record-keeping: Employers must maintain records of hours worked for all employees including salaried workers.

For further information, refer to the following:

- [Employment Standards Legislation Bill, New Zealand Legislation](#)
- [Employment Standards Legislation Bill, Federal Register](#)

## Changes made in payment rate from 1 April 2016

As per the recent update, the following payment rates have been changed:

- Increase in NZ Superannuation and Veteran's Pension rates by 2.73%; and
- Increase in Disability Allowance income thresholds, Community Service Card income thresholds for superannuitants and other rates.

**Effective Date** – 1 April 2016

For further information, click [here](#).

## Singapore

### Income Tax Bill, 2016 updates

The Singapore Income Tax Bill has proposed to make the following changes regarding the exchange of information and powers of the comptroller:

- Section 105BA (Exchange of information arrangement) has been amended to allow the Finance Minister to announce arrangements that allow for an alternative exchange of information other than on request. Thus, automatic and instant exchange of information will be included in the 'exchange of information arrangements'.
- Section 105L (Provision of information to Comptroller) has been amended. The Comptroller has the power to determine and extend the time to provide information required and to decide the manner in which the information required is to be provided. The duty to provide information will prevail over any duty to not provide/collect/use information according to any law. The Comptroller has the right to confer immunities against any such breach.

For further information, refer to the following:

- [Income Tax \(Amendment\) Bill](#)
- [Income Tax \(Exchange of Information Arrangement\) Order 2016, Singapore Statutes Online](#)

## Change in the Income tax structure for Individual taxpayers

According to the 2016 Budget, there are several changes relevant to the individual taxpayers of Singapore. Firstly, the marginal tax rate structure has been revised. The tax rate of higher income slabs have increased for income of SGD 160,000 and above for the assessment year 2017.

For further information, refer to the following:

- [Tax Rates for Resident and Non-Residents, Inland Revenue Authority of Singapore](#)
- [Supplementary Retirement Scheme \(SRS\), Inland Revenue Authority of Singapore](#)

## Key changes to the auditor's report on financial statements

There is an update relating to the revised auditor reporting standards. The revision will result in the change of the auditor's report for all companies audited under the Singapore Standards on Auditing (SSA) or International Standards on Auditing (ISA). However, some changes are only applicable to listed companies.

The key enhancements include the following:

- A new section to communicate Key Audit Matters (KAM). This requirement is mandatory for audits of financial statements of listed entities;
- A separate section under the heading "Material Uncertainty Related to Going Concern" is provided. There is a new requirement for the auditor to evaluate the adequacy of disclosures that may question the entity's ability to continue as a going concern but no material uncertainty had been concluded;
- Enhanced description of the responsibilities of the auditor;
- A statement about auditor's independence and ethical responsibilities also needs to be included; and
- Disclosure of the name of the engagement partner for audits is mandatory for listed companies.

**Effective Date:** The audit of financial statements for period ending on or after 15 December 2016.

For further information, click [here](#).

## Reduction in the maximum amount of corporate tax rebate

Singapore offers a 30% corporate income tax rebate to resident companies subject to a maximum amount that can be claimed. The maximum amount for this rebate has been reduced from SGD 30,000 to SGD 20,000 for assessment years 2016 and 2017. This rebate will be

calculated automatically at the time of assessment by the Inland Revenue Authority of Singapore (IRAS).

For further information, click [here](#).

## South Africa

### Updates relating to the postponing of annuitisation for provident funds in South Africa

The National Treasury of South Africa has postponed the requirement for provident fund members to purchase annuity.

Currently, members of provident funds can take their whole benefit as a cash lump sum on retirement. However, the proposed law requires provident fund members of less than 55 years of age to annuitise two-thirds of their pension at retirement. The law which had to come into effect in 2016 has been postponed to 1 March 2018.

For further information, click [here](#).

## UAE

### Changes in the retirement age for UAE nationals

The General Pension and Social Security Authority said that the retirement age in the case of resignation will be 49 years as of 28 February 2016. However, to be eligible, the insured person must have completed 20 years of service.

For further details, click [here](#).

### Introduction of 5% VAT from January 2018

The Minister of State for Financial Affairs has announced the introduction of VAT at the rate of 5% from 1 January 2018 in the Gulf Cooperation Council (GCC). Certain basic amenities like basic food items, healthcare and education will be exempt from VAT.

GCC includes Saudi Arabia, Kuwait, UAE, Qatar, Bahrain and Oman.

**Effective date** – 1 January 2018



# Europe

## Belgium

### Social security cap for non-recurring performance related benefits has been increased

From 1 January 2016, the social security cap has been increased from EUR 3,100 to EUR 3,169. This has resulted in an increase in the indexed social security cap from EUR 3,130 to EUR 3,219.

Recently, the non-indexed cap for 2016 has been increased from EUR 2,695 to EUR 2,755 resulting in the indexed tax cap for 2016 amounts to EUR 2,799. This is subject to confirmation from the administration.

### Changes made in minimum pensionable age

For new occupational pension plans, the pensionable age cannot be lower than the current state pension age of 65 from 1 January 2016.

For existing pension plans, the pensionable age cannot be lower than the state pension age for individuals employed from 1 January 2019.

## Finland

### Finland government agreed to lower taxes on labour

As per the recent amendment, the government of Finland, in response to OECD reports, has agreed to lower the taxes on labour to provide the following benefits:

- improve work incentives;
- increase recurrent taxes on personal immovable property and indirect taxes;
- remove incentive traps; and

- strengthen skills and increase labour market flexibility.

For further information, click [here](#).

### Finland Budget announced for 2016-2017

The recent Finland Budget contains the following updates:

- Social security contribution for private sector employers has been reduced from 2.08% to 0.36%;
- The law proposed to provide a statutory right to holiday bonus. In its current practice, holiday bonus is paid based on collective agreements; and
- Personal income tax rates have also been revised. The highest income tax bracket has been reduced from EUR 90,000 to EUR 72,300. The higher tax rate for capital gains have also been increased from 33% to 34%.

For further information, click [here](#).

## France

### Introduction of new subsidy for employers hiring workers at low wages

Companies employing low-wage workers in France will be eligible for a subsidy of EUR 4,000 for each new eligible worker subject to certain conditions. This subsidy is applicable to all companies employing less than 250 persons.

The subsidy applies if the employee is hired between 18 January 2016 and 31 December 2016 and his salary is up to 1.3 times the minimum wage (SMIC).

## Transfer pricing disclosure form filing requirement

From 1 January 2016, the form for transfer pricing policy (2257-SD forms) must be filed electronically. Also, the parent company is required to file the disclosure form 2257-SD for itself as well as for each of its subsidiaries. The content and the terms of the form have been specified.

## Changes in reporting process for employee equity plans

The French authorities have changed payroll reporting requirements into one single monthly statement, DSN (the Déclaration Sociale Nominative). Thus, the current annual Declaration Annuelle des Données Sociales (DADS-U) annual wage reporting return is being replaced. This will result in a change in reporting of equity plans which were to be reported in the DADS-U annually. The equity reporting will be done in the monthly electronic return but the structure of the information remains the same as in DADS-U.

**Effective Date** – 1 February 2016

## Germany

### No recovery of VAT on exports or intra-community supplies by foreign business

A decree has been issued by the Finance Ministry stating that foreign businesses without German taxable turnover cannot reclaim the VAT invoiced to them on exports or intra-community supplies from Germany. It is clear that any VAT paid on goods bought from a German supplier is non-refundable unless the recipient can show that the delivery was within Germany.

As per current provisions, export or intra-community supplies are VAT-free provided the supplier has proper delivery documents. Otherwise, VAT is chargeable. However, if other evidence clearly indicates export or intra-community supply, then VAT should not be charged. If VAT is charged in such cases by error, the supplier is required to pay the same and the recipient cannot claim input tax.

## Hungary

### Introduction of reverse charge on domestic supplies of staff

A reverse charge mechanism has been introduced on domestic transactions involving the supply of staff (e.g. supplies made by temporary employment agencies).

This means that the recipient of supplies of staff would be liable for payment of VAT due in relation to such supplies.

## Ireland

### Introduction of online enquiry service for employment permit applicants

Ireland has launched an online facility through which employment permit applicants can check the status of their applications. The online facility requires the application ID and date of birth of the applicant.

For further information, please refer to the following:

- [Department of Jobs, Enterprise and Innovation – Employment Permits](#); and
- [Launch of Online Employment Permits Application Status Enquiry Tool](#).

## Italy

### The reduction of VAT rate for e-publications in Italy

The Italian government has cut VAT on electronic publications, reducing the VAT rate from the standard 22% to 4%.

**Effective Date** – 1 January 2016

## Luxembourg

### Tax reform features to be enforced from January 2017

The government has presented the main features of the tax reform which is to come into effect on 1 January 2017. These features are:

- Reduction of corporate income tax rate (IRC) from the 21% to 19% in 2017 and a further reduction to 18% in 2018;
- For companies with an annual taxable income of less than EUR 25,000, the IRC is to be reduced to 15%;
- Increase in the minimum wealth tax applied to holding companies to EUR 4,815;
- Tax losses carried forward can be used for limited purposes from 2017 onwards;
- New tax bracket of 41% from an annual income of EUR 150,000 and 42% (maximum rate) from EUR 200,000 (class 1); and
- Regardless of the age of the policyholder, the deductible ceiling premiums paid on an old age pension contract is fixed at EUR 3,200.

For further information, click [here](#).

## The Netherlands

### Introduction of new Deregulation Assessment Labour Relations (DBA) Act from 1 May 2016

As per the recent update, the Dutch government will terminate the Declaration of Independent Contractor ('Verklaring Arbeidsrelatie' or VAR) replace it by a new 'Deregulation Assessment Labour Relations (DBA) Act. These updates relate to the payments made to the contracting parties. Previously, such contractors were 'deemed' to be employed and payroll taxes were collected and paid by the employer (principals).

The new Act states that the principals are no longer required to withhold and remit payroll tax and social security contributions on the remuneration paid to supervisory board members who currently provide services as independent contractors. 'Deemed employment' is therefore abolished.

For the applicability of this waiver, contractors must draw up agreements according to the model agreements available on the tax authority's website.

**Effective date** – 1 May 2016

## Portugal

### Updates relating to the change in benefit value for family expenses

There is an update relating to changes in the family allowance for children and youth.

Prenatal allowance, Family and Child Benefits have been increased. The deficiency bonus allowance has also increased.

For further information, click [here](#).

### Proposed changes in Portugal VAT

Some of the proposed changes to the Portugal VAT are given below:

- Reduced requirements for VAT registrations; and
- Simplifications to the low-value invoice disclosure requirements. The limit for the simplifications of invoices is set below the EUR 1000.

### Portugal introduces country-by-country reporting

For the fiscal year starting in 2016, there is a mandatory obligation for multinational groups to submit a declaration with financial and tax related information - country by country (CbC) reporting.

In case of non-compliance, a penalty ranging from EUR 1000 to EUR 20,000 will be imposed.

## Romania

### Exemption from taxability of stock options upon exercise

#### **Current Provision**

Recipients of shares are subject to taxation on exercise date of stock options on an amount equal to the difference between the fair market value of the acquired shares and the exercise price paid for such shares.

#### **Revised provision**

As per the new exemption, recipients of shares will not be subject to taxation on their stock options as long as the stock options are not exercised for at least one year from the date of grant. However, detailed analyses would be required.

**Effective Date** – 1 January 2016

For further details, click [here](#).

### Guidance regarding transfer pricing documentation rules

As per the guidance issued by the government, 'large taxpayers' engaging in transactions with related parties, having total annual value more than or equal to the following thresholds are required to prepare transfer pricing documentation on an annual basis by the due date of their annual corporate tax return for each tax year.

The threshold amounts are as follows:

- EUR 200,000 (excluding VAT) for interest registered for financial services;
- EUR 250,000 (excluding VAT) for provision of services; and
- EUR 350,000 (excluding VAT) for acquisition or sale transactions of tangible or intangible good.

## Switzerland

### VAT registration requirement for non-established businesses

As per the recent update, the Swiss government has made an amendment in the provisions due to which non-established business carrying out work on goods or installing them in Switzerland with an annual turnover of CHF 100,000 or above is required to be registered for VAT in Switzerland.

## The UK

### Client notification about Common Reporting System (CRS)

Her Majesty's Revenue and Customs (HMRC) has imposed a client notification obligation which requires tax advisers and other providers of financial services and financial institutions to inform their clients about the introduction of the Common Reporting System (CRS) under which around 90 countries intend to exchange information about taxpayers.

For further information, click [here](#).

### Exemption from tax for small benefits in kind

With effect from 6 April 2016, there is a statutory exemption for trivial benefits if all the following conditions are satisfied:

- The cost of providing the benefit is GBP 50 or less;
- The benefit is not cash or a cash voucher;
- The employee is not entitled to the benefit as part of any contractual obligation; and
- The benefit is not provided in recognition of particular services performed by the employee as part of their employment duties or in anticipation of such services.

A total annual cap of GBP 300 will apply to the amount of exempt trivial benefits to directors and other office-holders of close companies or to members of their families or households.

For further information, click [here](#).

### Change in status from non-domiciled to domiciled for income tax and capital gain purpose

Recently, the HMRC have published draft clauses in relation to income tax and capital gains tax (CGT) along with a Tax Information and Impact Note (TIIN). This will affect all the individuals who are currently non-UK domiciled. They will be deemed as UK domiciled for income tax and capital gains tax purposes.

#### **Current law**

Currently, foreign income and gains of UK residents who are non-domiciled are not taxable in the UK if the income and gains remain outside the UK. Tax on such income is payable only when these are remitted to UK using the 'remittance basis' of taxation.

#### **Proposed revision**

Certain non-UK domiciled will be deemed as UK domiciled for income tax and capital gains tax purposes.

The deeming provisions are given by conditions A and B. Condition A is applicable to anyone who is born in the UK with a UK domicile of origin. Condition B applies to anyone who has been a resident in the UK for at least 15 out of the last 20 tax years. The measure restricts access to the remittance basis so that anyone deemed UK domiciled by virtue of condition A or B cannot access the remittance basis.

For further information, click [here](#).

### Payrolling benefits in kind

From tax year 2016-17, employers can account for tax on the benefits provided by them to their employees through Pay As You Earn (PAYE) each payday. For this, they must register before 6 April 2016.

Currently, the taxable benefits in kind (such as medical benefit and company cars) have not been included directly within payroll reporting. This leads to under or overpayment of tax when the individual prepares their tax return or further adjustments are required to the tax code to collect any shortfall.

#### **Revised provision**

From April 2016, employers can opt for payrolling of various benefits in kind provided by them with the only exceptions being vouchers, accommodation and beneficial loan benefits being provided in the current tax year. The payroll software used by employer must allow them to collect the right amount of tax on benefits and expenses.

HM Revenue and Customs (HMRC) will then amend the employees' tax codes before the start of the tax year to remove benefits which will be payrolled.

Also, these benefits are not required to be reported in P11Ds. However, a P11D (b) is still required to calculate the Class 1A National Insurance due.

For further information, click [here](#).

### Proposed changes in Restricted Share Units taxability and its impact on National Insurance

Recently, a draft legislation has been issued which will change the tax position for certain Restricted Share Units (RSUs) and conditional share awards.

#### **Current provision**

As per the current UK tax rules, RSUs and other conditional share awards are subject to income tax under the general earnings rules or, if the RSU confers on an employee a 'right to acquire securities', the 'securities options' rules.

**Proposed legislation**

RSUs and similar awards would be subject to the securities option legislation only instead of the charge to general earnings. This change will significantly impact internationally mobile employees and their employers in respect of the National Insurance (NIC) position

**Impact on NIC position**

If RSUs and conditional share awards do not confer a right to acquire shares, the 'general earnings' provisions

will apply and NIC will be determined in the same way a cash basis. NIC will be due on an apportioned basis if the RSUs confer a right to acquire shares, based on the amount of time during the earnings period for which the employee is insured for social security. The employee's social security position at award or vesting of the award is not considered in this method.

## 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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