Global Expansion Updates

June 2018 | Issue 23

We are pleased to present the June 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, Penalties for Non-compliance of Country-by-country Reporting, Transfer Pricing Returns in South Africa, BC Introduces New Employer Health Tax in Canada, Key Highlights of Australia Budget 2018-19 and Employer Debt Regime Changes in The United Kingdom.

In this issue

Africa

Kenya

Foreign Workers to Visit in Person at the Department of Immigration

All foreign work permit holders will be required to present themselves, by appointment, to the Department of Immigration Services (DIS) for the verification of their permits and to have their fingerprints and digital photos re-taken.

Foreign workers must visit the (DIS) in person and present the following documents:

- Original Work permit
- Original Passport with official visa endorsement
- Valid Alien Card
- Proof of Payment of Government Fees
- Kenya Revenue Authority (KRA) PIN Certificate

Following the audit process, the foreign national will be issued with an e-Permit, which will then be used to prove their work authorization and residence status as opposed to the multiple documents currently being used.

Employers should ensure that all foreign employees appear at the (DIS) for the verification process by 21 July 2018.

Foreign workers should arrange to appear at the Department of Immigration (DI) and complete the verification process by 21 July 2018. Those who fail to do so will not benefit from the e-Permit and will need to prove their immigration status with two documents instead of one. It is unclear whether there are other penalties associated with not appearing at the department by 21 July 2018.

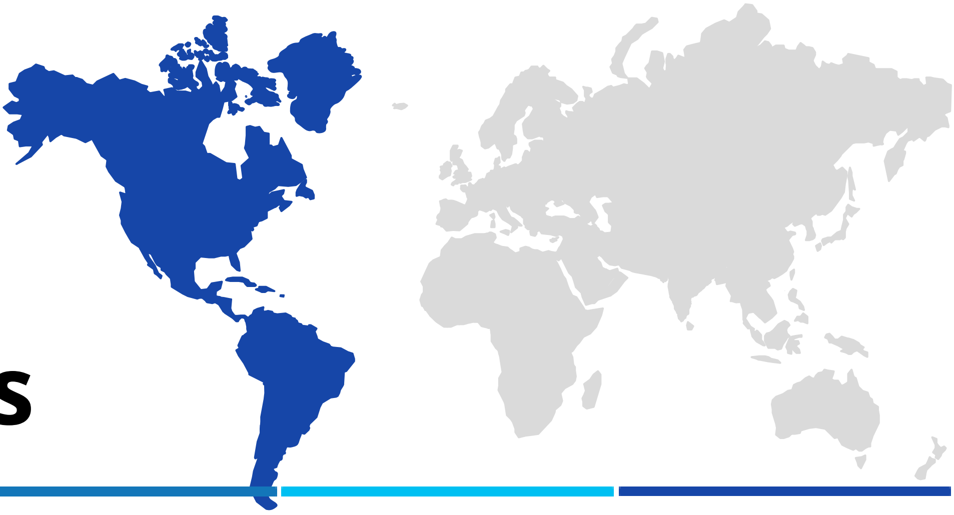
South Africa

Penalties for Non-compliance of Country-by-Country Reporting, Transfer Pricing Returns

Recently, on 11 May 2018, the South African Revenue Service (SARS) issued a notice about penalties that may be imposed on Multinational Entity (MNE) groups or their South African companies, if they fail to comply with the rules for preparing and filing Country-by-Country (CbC) reports viz; Master files and Local files.

Prior to 11 May 2018, the filing of the CbC report was compulsory, however no specific interest or penalties were assigned for non-compliance.

The South African CbC report only applies to MNEs where the group has total consolidated group revenue of more than ZAR 10 billion during the fiscal year immediately preceding the reporting fiscal year. The CbCR must be filed no later than 12 months after the last day of each reporting fiscal year of the group beginning on or after 1 January 2016. Returns are due within 12 months from the end of the relevant financial year (the first due date, as extended by SARS, was 28 February 2018).



Americas

Argentina

Additional Measures for Tax Residency

Recently, a general resolution has been published by the Administración Federal de Ingresos Públicos, (AFIP) which provides additional regulations in addition to the provisions of the Income Tax Law (LIAG) with respect to tax residency of individuals.

As per the resolution, every taxpayer must have the following documents:

- Certificate of permanent residency in another country issued by the relevant competent authority; or
- Passport, consular certification or other relevant documents to prove the permanent residency outside Argentina.
- These documents must be filed along with the application to cancel the tax registration number. Individuals must comply with the relevant tax obligations until the tax authority cancels the status as a taxpayer for which additional documents are required as mentioned below.
- If a treaty is in force between Argentina and the relevant country, it will be resolved in accordance with the provisions of the relevant treaty; and
- In the absence of a treaty, the resolution provides definitions of terms used in Article 125 of the LIAG but not defined there, such as "permanent home", "centre of vital interest", etc., in order to render the legal provision operative.

Effective from: 8 May 2018

Increase in Pension and Retirement Allowances

Recently, the National Social Security Administration (ANSES) has made various changes with respect to family allowances and pension. These changes are summarized below:

- The minimum pension has been increased from ARS 7,660.42 to ARS 8,096.30.
- Pensions Universal for the Elderly (PUAM) has also been increased from ARS 6,128.34 to ARS 6,477.04.
- The amount of Universal Allocation per Child (AUH) has been increased from ARS 1,493 to ARS 1,578.
- The allowance for child with disability has been increased from ARS 4,869 to ARS 5,147.
- Annual School Assistance allowance has also been increased to ARS 1,322 per child to assist from the state to formal workers, to whom PUAM, the Unemployment Benefit and the AUH has been charged already.

Effective from: 1 June 2018

Canada

B.C. Introduces New Employer Health Tax

B.C. government announced that Individual Medical Service Plan (MSP) premiums will get replaced by Employer Health Tax (EHT) effective from January 2019.Employers with a payroll of more than CAD 1.5 million will pay a rate of 1.95% on their total payroll. Businesses with payroll having between CAD 500,000 to CAD 1.5 million will pay EHT at a reduced rate. An employer with a payroll of less than CAD 500,000 will be exempted. During the transition period, MSP premiums are being reduced by 50%.

Previous Public Holiday Pay Calculation in Practice Again for Temporary Period

The government has decided to abandon its current method of calculating public holiday pay. Employers will need to revert back to the previous calculation method for a temporary period. Later in this year, the government is planning to introduce yet another calculation method following a review of the public holiday system. With effect from 1 July 2018, employers will once again calculate public holiday pay by taking the employees' total wages in the four weeks prior to the work week in which the public holiday occurs and dividing that number by 20.

Nunavut Budget 2018-19

On 28 May 2018, the Finance Minister listed the territory's fiscal 2018-19 budget. There are no new taxes and no tax increases have been introduced in the budget.

- No changes are proposed to the corporate tax rates or the CAD 500,000 small-business limit.
- The budget does not include any changes to personal income tax rates.
- A program administered by the Department of Economic Development and Transportation to assist companies involved in mining exploration to engage more effectively with communities will replace the fuel tax.

United States

IRS Transition Relief Reinstates USD 6,900 Family Limit for 2018 HSAs

Recently, the Internal Revenue Service (IRS) has published the procedure to limit Health Savings Account (HSA) contributions for family coverage up to USD 6,900. It is beneficial to individuals who are about to contribute the maximum permitted HSA contributions for 2018 and also employers who offer plans which expedite these contributions.

For more info click here.

Relief to taxpayers by ITS for Health Savings Account contributions

Recently, a relief has been announced for taxpayers with family coverage under a High Deductible Health Plan (HDHP) who contribute to a Health Savings Account (HSA). Taxpayers with family coverage under a HDHP are allowed a maximum deduction of USD 6,900 for HSA contribution.

A change in the inflation adjustment calculations for 2018 under the Tax Cuts and Jobs Act, reduced the maximum deductible HSA contribution for taxpayers with family coverage under an HDHP by USD 50 to USD 6,850.

Revenue Procedure 2018-27 announces this relief for affected taxpayers and allows the USD 6,900 limitation to remain in effect for 2018. The USD 6,900 annual limitation was originally published in Revenue Procedure 2017-37.

For more information, click here.

Asia-Pacific

Australia

Key Highlights of Australian Budget 2018-19

On 8 May 2018, the Treasurer handed down Budget 2018-19. Some of the main budget measures affecting companies include:

- Tax on businesses with a turnover of up to AUD 50 million will be pared from 30% to 25% over the next decade.
- An extension of one year for the AUD 20,000 instant deductibility threshold for assets acquired by small businesses with an annual turnover below AUD 10 million, i.e. up to 30 June 2019.
- An expansion of the definition of Significant Global Entity (SGE) to include members of large multinational groups headed by private companies, trusts, and partnerships, as well as members of groups headed by investment entities to ensure the related rules operated as intended. SGEs are affected by the CbC reporting, the Multinational Anti-Avoidance Law (MAAL), and the Diverted Profits Tax (DPT).
- Measures to tighten the thin capitalization rules, which include, requiring entities to align the value of their assets for thin capitalization purposes with the value included in their financial statements.
- The committed amendment continues to reduce the company tax rate, including the increase in the threshold for the reduced rate (27.5%) to AUD 50 million in annual turnover from 1 July 2018 as well as, further reductions in the reduced rate to 25% and the eventual extension of the reduced rate to all companies.
- The Research and Development tax incentive will be enhanced, with effect from 1 July 2018, to improve the integrity and availability of the incentive scheme.

Individual Tax

Tax reliefs for the middle and lower income individuals, including:

- An annual tax relief of AUD 200 is proposed for those earning up to AUD 37,000, which increases to AUD 530 for those earning between AUD 48,000 and AUD 90,000. The top threshold of the 32.5% tax bracket is set to increase from AUD 87,000 to AUD 90,000.
- The top threshold of the 19% tax bracket will increase from AUD 37,000 to AUD 41,000 and the top threshold of 32.5% bracket will rise further to AUD 120,000. As a major relief to higher-income individuals, the 37% tax bracket will be abolished in 2024-25.

For more details, click here.

2018-19 Budget Announcements for Payroll Tax in Victoria

Victoria's 2018-19 Budget was delivered in Parliament on 1 May 2018. Following are the relevant and significant proposed changes:

- From 1 July 2018, the payroll tax-free threshold will be increased from AUD 625,000 to AUD 650,000 for all businesses in Victoria.
- The payroll tax rate will be lowered from 3.65% to 2.425% for the businesses based in regional Victoria. This will be applicable only to businesses that comprise at least 85% of victorian wages associated with regional employees.

For more details, click here.

Western Australian State Budget Announcements

Recently, Western Australian (WA) State Budget 2018 has been announced. The relevant tax key highlight from the budget is that, the marginal payroll tax rate in WA will increase from 5.5% to 6% for businesses with a national annual payroll in excess of AUD 100 million and to 6.5% for businesses with a national annual payroll in excess of AUD 1.5 billion. This measure will be in place for a finite period of 5 years from 1 July 2018.

For more details, click here.

Amendments to Victorian Long Service Leave Laws

The Victorian Parliament passed the Long Service Leave Bill, 2017. This Bill will repeal the current Long Service Leave Act, 1992 and replaced by the Long Service Leave Act, 2018 (Vic.) and provide a number of changes to how Long Service Leave (LSL) is accrued and when and how it can be taken in Victoria. The 2018 Act will come into effect on or before 1 November 2018.

Following are the key changes included in the reform:

- Reduction in the number of years from 10 years of continuous service to seven years until eligible to take LSL.
- Include unpaid parental leave up to a period of 52 weeks (12 months) when calculating eligibility of continuous services for LSL entitlements, i.e. no period of parental leave will break the continuity of service.
- The continuity of service will not be considered broken for LSL entitlements if the employee is re-employed within three months of termination of employment.
- Authorized officers will be expanded to require compliance with investigative requests and to issue notices requiring the production of information or documents.

For more details click here.

Payroll Tax Exemption for Hiring Resident Employees in Northern Territory

A payroll exemption has been enforced to encourage employment in the Northern Territory (NT). The exemption applies in relation to wages paid to NT, if the total number of NT residents employed in the business increases:

- After hiring the new NT resident in the business; or
- If the existing employee residing overseas or interstate relocate to NT as their principal place of residence; or
- If the NT resident hired in the NT to replace a former employee who was employed outside NT.

Employers must increase the number of NT residents employed above their 'baseline count' in order to be eligible for the exemption. Baseline count, means the total number of full or part-time employees, including those employed under a relevant contract, that have their principal place of residence in the NT at 30 April 2018.

The exemption applies to the wages paid to those NT residents that are in excess of the baseline count and is effectual up to two years.

For more details click here.

Effective Date: 1 May 2018

Dubai

Director Services are Now Taxable for VAT

The earnings of company directors are liable for VAT if the value of services rendered exceeds AED 375,000, except where the director is an employee of the company. In case directors are liable for VAT, they need to get themselves registered for VAT. These services will be chargeable at the standard rate of 5%. However, VAT may apply at 0% if the conditions for zero rating are met as per the Executive Regulations on VAT. If such director is a non-resident and the place of supply is in the UAE, VAT will be accounted under reverse charge mechanism by the organization receiving the services, provided the organization is registered for VAT in the UAE. Where the organization is not registered for VAT, an obligation will arise for the Non-Resident Director (NED) to register for VAT in the UAE, regardless of the value of services.

Tax Invoice Formats and Exchange Rates to be used for Tax Invoice

All UAE companies and individuals who raise tax invoices in a currency other than the AED are required to use the exchange rates approved by the Central Bank as on the date of supply. Additionally, the tax invoice should also mention the gross amount and VAT amount in AED along with the exchange rate applied.

The currency exchange rates, are updated Monday to Friday and where the market is closed due to a local holiday, then the relevant rate will be the prevailing rate of the previous day at 6 p.m.

Hong Kong

Passage of Amendment Bill to Implement Concessionary Tax Measures

The new ordinance gives effect to the concessionary tax measures proposed in the 2018-19 Budget. These include one-off measures to reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2017-18 by 75%, subject to a ceiling of HKD 30,000 per case. The new ordinance also gives effect to the concessionary tax measures relating to salaries tax and tax under personal assessment, starting from the year of assessment 2018-19. Details of the Amendment Bill are as follows:

- Tax Band - Increased from HKD 45,000 to HKD 50,000.
- Marginal Rates - No. of tax bands increased from four to five such as 2%/6%/10%/14%/17%.
- Child Allowance - Increased from HKD 100,000 to HKD 120,000.
- Dependent Parent/Grandparent Allowance:
  - Aged 60 or above - Increased from HKD 45,000 to HKD 50,000.
  - Aged between 55 and 59 - Increased from HKD 23,000 to HKD 25,000.
- Personal disability allowance - HKD 75,000.

The one-off tax reduction will be reflected in taxpayers' final tax payable for the year of assessment 2017-18. An application is not required for the one-off tax reduction. Moreover, the department will apply the concessionary tax measures when calculating the provisional tax for the year of assessment 2018-19.

For more information, click here.

Health Insurance Tax Relief Has Been Gazetted

The government has gazetted a bill to provide a tax incentive for private health insurance. The deduction applies to the purchase of certified plans under the Voluntary Health Insurance Scheme (VHIS). The VHIS is a private health insurance announced on 1 March 2018, to relieve pressure on the public healthcare system. The bill allows a tax deduction for premiums paid by a person for himself/herself and the taxpayer's spouse and children, grandparents, parents, and siblings. The deduction ceiling is HKD 8,000 per insured person per year.

Malaysia

GST Rate Reduced to Zero

In May 2018, The Ministry of Finance (MoF) issued a statement with respect to reduction of GST rate.

The MoF reduced the rate for goods and services supplied and imported in Malaysia from 6% to 0%. It also clarified that persons who are registered will continue to be subject to all regulations currently in force. Furthermore, businesses should ensure that the prices of goods and services are in compliance with the Price Control and Anti-Profiteering Act, 2011.

Accordingly, all supplies of goods and services, which are currently listed under zero-rated, will be treated as standard-rated supplies which are subject to GST.

These changes will not have any impact on exempt supplies

Effective date: 1 June 2018

Reintroduction of 10% Sales and Services Taxes

The Ministry of Finance is planning to reintroduce the Sales and Services Taxes (SST) from 1 September 2018 with a standard rate of 10%. It will replace the Goods and Services Tax (GST), which was being set at zero on 1 June 2018.

The main differences between the SST and GST are:

- SST has a much narrower number of goods and services that are taxed, meaning lower revenues;
- It is only levied at the point of final consumption.

New Zealand

New Law for Low Value Imported Goods

A new law has been proposed to implement GST system for suppliers of low value goods to consumers in New Zealand. The new rules would apply to offshore suppliers who make supplies (or expect to make supplies) of goods to New Zealand end consumers of NZD 60,000 or more in a 12 month period. Electronic marketplaces and re-deliverers will also have a requirement to register and comply with the new rules.

Low value goods will be defined as imports with a customs value of NZD 400 or less (excluding GST). The proposed measure would help reduce tax evasion and level the playing field for local retailers.

Currently, goods bought from foreign online marketplaces or e-retailers are not subject to 15% import GST if below the thresholds of NZD 400. The withdrawal of the relief would oblige foreign e-retailers to register and charge 15% GST.

A public consultation has now been launched to consider the effects of the measure.

Effective date: 1 October 2019

For more details, click here.

Singapore

Changes in Tax Reliefs for Firms in Pioneer Industries

On 5 May 2018, the Economic Expansion Incentives (Amendment) Act, 2018 and the Related Commencement Notification and Regulations has been published in the Official Gazette. The Act and regulations excluded the income from Intellectual Property (IP) rights from the scope of tax relief provided to pioneer service companies and development and expansion companies. This change has been made in relation to the introduction of the Intellectual Property Development Incentive (IDI).

The exclusion applies to the income from IP rights acquired from 1 July 2018 and onwards and to the IP rights acquired between 17 October 2017 and 30 June 2018 in cases where the purpose was to avoid income tax in Singapore or elsewhere. Furthermore, if a pioneer service company or a development and expansion company, has been given an extension of tax relief for period on or after 1 July 2018, such income from all IP rights owned by the company will be excluded from relief from the first day of the extension, irrespective of date of acquisition of right.

South Korea

New Bill to Revise Minimum Wage Act

On 28 May 2018, the National Assembly has passed a bill for an amendment to the minimum wage. As per the bill, bonuses and welfare benefits of a certain size are to be treated as wages in determining violations of the minimum wage. The expected enforcement date of the amended law is 1 January 2019.

Under the current Minimum Wage Act (MWA), bonuses paid at more than one-month intervals and welfare benefits, were not being considered as wages for determining violations of the minimum wage. As per the new law, bonuses of more than 25% and welfare benefits exceeding 7% will be regarded as wages for that purpose. These percentages will be gradually lowered every year until 2024.

If an employer intends to amend its rules of employment with respect to changes in payment cycle of wages, only consultation rather than consent with the employee representative would be required.

Thailand

Thailand Introduces Virtual Currency Trading Tax Rules

Recently, the Thai Revenue Authority has exempted virtual currency trading on regulated exchanges.

The gains will be subject to 15% capital gains tax and withholding tax is applicable. Value Added Tax will be levied at 7% if the trades take place off an approved exchange.

- Extraterritorial applicability of Amended Personal Data Protection Bill.
- Exemption from obtaining consent.
- Cross-border transfer of personal data.
- More flexible grace period/transitory provisions.
- New concept of administrative fine and reintroduction of imprisonment.
- Slight amendment to the definition of "data processor".

Europe

Finland

Guidelines on the Allocation of Profits to Permanent Establishment

Recently, tax administration published a guideline on profit distribution for Permanent Establishments (PEs). The guidelines clarify that upon request, a foreign company has to specify how it has allocated profits to a Finnish PE.

If the tax administration considers that income distribution to the PE is not on arm's length, the allocation may be adjusted on the basis of a functional and factual analysis, a comparability analysis or both. The amendments came into effect on 1 May 2018, and will be applied to assessments for the tax year 2018.

Effective date: 1 May 2018

Germany

Additional Information Requirement for Intracompany Transferee

Recently, the Federal Employment Agency (FEA) has requested for below-mentioned information from Intracompany Transferee Application (ICT) card applications:

- Number of business days which are considered as holiday per year for an intracompany transferee;
- The gross monthly wage of a comparable local employee working in a local entity; and
- Social security payment compliance, irrespective of the fact that an insolvency proceeding have been initiated in the past five years and if such insolvency proceedings has been denied for lack of assets within the last five years.

Ireland

Payment Made Without Deduction of Income Tax

Recently, new Tax and Duty Manual (TDM) has been published which, facilitates the process of the 're-grossing' provisions of the Taxes Consolidation Act (TCA), 1997.

In case, an employer made payment to an employee or director without deducting and remitting tax under Pay As You Earn (PAYE) after tax year 2018, re-grossing applicability and rate have been mentioned in the manual.

For more info click here.

PAYE Real-time Reporting

Due to PAYE modernization, real-time reporting will be online form 1 January 2019.

Employers will receive a letter from the Revenue Commissioners (Revenue) with respect to the new reporting system. Revenue will commence an extensive media campaign and will undertake a number of customer service visits to organizations across the country to ensure every organization is aware that PAYE modernization is fast approaching.

Steps mentioned below have replaced the current P30 reporting, which was required only on a cumulative basis for the company instead of per employee. Payroll will need to go through the following steps prior to paying employees (i.e., prior to each pay date):

- Inform Revenue of the total cash payments and taxable benefits to be made to each employee on an individual basis in that pay period.
- Obtain a Revenue Payment Notification (RPN) from Revenue for that pay period, which will contain

relevant details on how to tax each employee for the pay period in question.

- Process payments to employees and pay the associated taxes to Revenue.
- Report payments made to each employee and the taxes paid to Revenue for such payments.
- The P35 filing also will no longer be required.
- It is not possible to correct errors and omissions occurring throughout the year in advance of filing the P35.

Effective Date: 1 January 2019

Sweden

Seasonal Employment Law in Sweden

Recently, a new law on seasonal employment is introduced known as Seasonal Employment Directive (SED), which applies to people from countries outside the EU, European Economic Area(EEA) and Switzerland working in Sweden as seasonal workers.

This new act lists down the conditions of entry and residence for citizens outside the EU, EEA and Switzerland wanting to work in Sweden. A work permit for seasonal work is granted if his/her stay is for 90 days or less. For longer stays, the person will receive a combined residence and work permit for seasonal work. The permit may be granted for a total of six months over a twelve-month period.

United Kingdom

Employer Debt Regime Changes from 6 April 2018

As per employer debt legislation, if an employer leaves a multi-employer defined benefit scheme with a deficit in the scheme, then, the employer may have to contribute to the scheme.

Effective from 6 April 2018, the UK government has amended employer debt legislation, which allows an employer to defer the requirement to pay its employer debt (Section 75 debt) to the scheme by way of a Deferred Debt Arrangement (DDA).

Employers are required to pay a Section 75 debt when a scheme winds up or an employment-cessation event arises.

Employers to provide an Itemized Payslips from April 2019

From 6 April 2019, the Employment Rights Act (ERA), 1996 (Itemised Pay Statement) (Amendment) Order 2018 will be introduced. From this date, all employers must itemize payslips for employees' wages showing the number of hours they are paying the employee. The employer must either:

- Show the combined number of hours worked for which payment is being made; or
- Itemize the figures for different types of work worked and/or different rates of pay.

Effective Date: 6 April 2019

For more information, click here.

About **SKP**

SKP is a global professional services group with its principal areas of operations in business advisory, end-to-end finance and accounting solutions including attest function and taxation, business process management, and IT risk advisory. SKP's focus is to provide solutions which result in tangible business benefits and performance improvements.

Our multi-disciplinary teams serve clients from various geographies and industries ensuring global standards. With over 80% of our client-base being international, we truly understand the needs of global companies and their expectations and our customized global solutions are designed to factor in local nuances. Our commitment is rooted in a passion for solutions, empowering our people and clients to achieve more.

Contact **Us**

India - Mumbai
Urmi Axis, 7th Floor
Famous Studio Lane, Dr. E. Moses Road
Mahalaxmi, Mumbai 400 011
India
T: +91 22 6730 9000
E: IndiaSales@skpgroup.com

UAE - Dubai
Emirates Financial Towers
503-C South Tower, DIFC
PO Box 507260, Dubai
UAE
T: +971 4 2866677
E: UAESales@skpgroup.com

USA - Chicago
2917 Oak Brook Hills Road
Oak Brook, IL 60523
USA
T: +1 630 818 1830
E: NorthAmericaSales@skpgroup.com

Canada - Toronto
269 The East Mall
Toronto, ON M9B 3Z1
Canada
T: +1 647 707 5066
E: NorthAmericaSales@skpgroup.com

www.skpgroup.com

linkedin.com/company/skp-group

twitter.com/SKPGroup

facebook.com/SKPGroupIndia

plus.google.com/+SKPGroup

youtube.com/c/SKPGroup

Subscribe to our insights