Global Expansion Updates

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We are pleased to present the March 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 Amendments to Value Added Tax Act, 2017 in Ghana, Budget 2018-19 of Northwest Territories in Canada, Malaysian Enactment of Employment Insurance System and introduction of Profit Bonus in Belgium.

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Africa

Ghana

Amendments to Value Added Tax Act 2017

The Parliament has released the VAT Tax (Amendment) Bill, 2017. The key amendments to Act are summarized below:

- The place of supply rules have been revised for telecommunications services as follows:
  - For telecommunication services: Where the facility or instrument for the emission, transmission or reception of the service in respect of which the invoice for the supply is issued or is to be issued is ordinarily situated.
  - For electronic commerce and telecommunication services: Where the effective use and enjoyment occurs.
- The Commissioner-General shall appoint Valued Added Tax (VAT) withholding agents. These agents are required to withhold VAT at the rate of 7% on payments to VAT registered persons whose supplies are standard rated goods.

Effective Date: 1 January 2018

South Africa

2018-19 Budget highlights for South Africa

The Finance Minister presented the budget for 2018-19 on 21 February 2018. Proposed pertinent key highlights are as follows:

- Increase in Value Added Tax (VAT) from 14% to 15%, effective from 1 April 2018.
- A lower-than-inflation increase in the personal income tax rebates and brackets, with greater relief for those in the lower income tax brackets.
- No change in the corporate tax rate of 28%.

For more details, click here.

Americas

Argentina

Update on VAT Refund

Recently, a declaration has been published in Argentina's official bulletin to extend the application of Value Added Tax (VAT) refunds of certain groups from 1 January 2018 to 31 December 2018.

As per the update, retired individuals with a minimum pension amount income and persons receiving certain social plans without any other income are eligible for VAT refunds of 15% or more (up to ADS 300) of the net amount purchased and paid with debit cards or prepaid cards to VAT registered taxpayers.

Increase in retirement, pension and AAFF

Recently, various amendments have been made by ANSES (Administración Nacional de la Seguridad Social) with respect to retirement and pension.

Following are the significant changes described by ANSES:

- The minimum retirement pension has been increased from ARS 7,246.64 to ARS 7,660.42 and the Pensions Universal for the Elderly (PUAM) has been increased from ARS 5,797.31 to ARS 6,128.34.
- The ANSES reports that as of 1 March, more than 17.5 million benefits will increase by 5.71%; 7 million are retirements and pensions, 1.5 million are Non-Contributory Pensions (PNC) and Universal PUAM, and more than 9 million are allowances per child.
- Meanwhile, the amount of the Universal Child Allowance (AUH) will increase from ARS 1,412 to ARS 1,493, favoring about 4 million children in 2.2 million families. The allowance for children with disabilities will increase from ARS 4,606 to ARS 4,869.
- The value of annual school aid has also been increased to ARS 1,250 per child to assist formal workers whom the state charges PUAM, unemployment benefit and AUH.

Canada

Revision in VDP Programme

From 1 March 2018, a revised federal Voluntary Disclosures Program (VDP) shall come into effect retrospectively. Below are some important changes in the program:

- After meeting certain requirements, outstanding taxes are to be paid.
- VDP program shall no longer permit taxpayers to make no-name admission for both, income tax and GST/HST purposes. Currently, taxpayers are allowed to submit the facts of their situation to a Canada Revenue Agency (CRA) voluntary disclosures officer on a no-name basis to help them decide whether to make a voluntary disclosure.

Budget 2018-19 of Northwest Territories

In February 2018, the Finance Minister of the Northwest Territories proposed the fiscal Budget 2018–19.

There are no changes proposed in corporate tax and personal tax system. However, there are some notable amendments to other taxes, which are:

- Property and education mill rates shall be adjusted for inflation, effective 1 April 2018 in continuation with the current indexation policy.
- A detailed proposal for land transfer tax implementation shall also be developed during the financial year 2018-19.

British Columbia’s 2018 Budget

In February 2018, the Finance Minister presented Budget for the financial year 2018-19. Some of the highlights of the Budget are:

- Introduction of employer health tax at the rate of 1.95%, if total company payroll is CAD 1.5 million or more.
- Provisional property transfer tax has been increased from 3% to 5% if the value of the property is more than CAD 3 million. This is effective from 21 February 2018.
- A new speculation tax has been introduced on residential property in British Columbia at the rate of CAD 5 per CAD 1,000 of assessed value. This will increase to CAD 20 per CAD 1,000 of assessed value in 2019.
- Medical service plan and education tax credit scheme will be abolished from 1 January 2020.

For more information, click here.

Amendments to Canada’s Pension Plan

The Canadian federal and provincial governments agreed to amend the Canada Pension Plan (CPP) which will be effective from 2019.

As per the changes, income replacement under CPP will be increased from 1/4th to 1/3rd of pensionable earnings. CPP benefits will be increased from CAD 12,000 to CAD 16,000 per year for those who earn CAD 50,000 or more per year. Contributions and benefits under CPP will be increased over seven years in two phases. Employees are liable for tax deduction instead of a tax credit for the additional contributions toward CPP.

Effective Date: 1 January 2019

For more information, click here.

Federal Budget of 2018-19

On 27 February 2018, Canada's Minister of Finance presented the federal Budget for 2018-19. Key highlights of the Budget are:

- The federal government has reduced the tax rate for small businesses from 10.5% to 10% for 2018, and to 9% for 2019 and future years.
- A corporation’s Refundable Dividend Tax on Hand (RDTOH) will be classified in two types as non-eligible RDTOH and eligible RDTOH. The organization is not liable to collect non-eligible RDTOH by paying eligible dividends.
- International tax measures:
  - For the tax year commencing in 2020, taxpayers are required to file Form T1134, i.e., information return relating to controlled and non-controlled Foreign Affiliates (FA) until the date on which tax return for the year is due.
  - The Budget proposes to extend reassessment period of taxation years by three years for the taxpayers whose tax year begins on or after 27 February 2017, with respect to income arising in connection with FA.
  - The Budget proposes to extend the reassessment period by three additional years with respect to the tax year to which the loss is carried back. This step has been proposed in order to permit consequential reassessments where a taxpayer incurs a loss in a tax year that begins on or after 27 February 2018.
- New annual reporting requirements for trusts proposed to be implemented from 2021, along with additional penalties for failing to file a T3 return or failing to report the requisite information.
- The working income tax benefit will be renamed as the Canada workers benefit and will be effective starting from 2019. The maximum benefit provided is CAD 1,355 for a single individual without dependents and CAD 2,335 for a family.
- The Budget provides for deduction of employee contributions and the employee portion of self-employed contributions to the enhanced portion of the Quebec Pension Plan (QPP). This will be applicable from 2019.

For more information, click here.

Mexico

New rules on subcontracting services

Recently, new rules have been published by Mexico's Tax Service Administration with respect to deductions and input Value Added Tax (VAT) credit on subcontracting of services.

Asia-Pacific

Australia

Taxation determination on the treatment of dividend equivalent payments

The Australian Taxation Office (ATO) released the Taxation Determination TD 2017/26 which discusses the income tax treatment of dividend equivalent payments to employees as a participant or as a beneficiary of a trust.

A dividend equivalent payment is a cash payment paid by a trustee of a trust which has been funded by dividends (or income from other sources) on which the trustee has been assessed in previous income years because no beneficiary of the trust was entitled to the income.

A dividend equivalent payment is assessable as remuneration (and therefore ordinary income) under Section 6-5 when the employee receives such a payment for, or in respect of services provided as an employee, or similarly, where the payment has a sufficient connection with the employment.

For more information, click here.

Notifiable Data Breaches scheme

The Notifiable Data Breaches (NDB) scheme, as enacted by the Privacy Amendment (Notifiable Data Breaches) Act, 2017 (Cth) (Act), comes into effect on 22 February 2018.

Under the NDB Scheme, organizations covered by the Privacy Act 1988 (Cth) (Privacy Act) will be required to investigate suspected data breaches and notify 'eligible data breaches.' The NDB scheme only applies to data breaches involving personal information that is likely to result in serious harm to any individual involved. These are referred to as 'eligible data breaches.'

The NDB Scheme:

- Requires businesses to proactively respond to suspected or actual data breaches and be transparent;
- Give individuals the opportunity to change or otherwise 're-secure' the information which has been subjected to unauthorized access, disclosure or loss; and
- Encourages businesses to improve their information security practices.

Effective date: 22 February 2018

For more information, click here.

Hong Kong

Payment rates revised under the Comprehensive Social Security Assistance (CSSA) and the Social Security Allowance (SSA) Schemes

The Finance Committee of the Legislative Council has approved an increase by 1.4% in the standard payment rates under the CSSA Scheme, and the rates of the old age allowance (including Guangdong (GD) scheme), the Old Age Living Allowance (OALA) and disability allowance under the SSA scheme. This change was according to the inflation rate and the established adjustment mechanism. Also, the asset limit and maximum rent allowance under the CSSA Scheme, and the asset limit and monthly income limit for OALA and GD Scheme under the SSA Scheme are also adjusted.

Effective Date: 1 February 2018

For more information, click here.

2018-2019 Tax Budget

The Financial Secretary has announced the 2018-19 Budget, outlining the government's plans for the economy and proposals for changes to taxation which are summarized below:

- Extend the scope of the profits tax exemption for qualifying debt securities with maturity of any duration, including Hong Kong listed debt securities.
- Marginal tax band has been increased from HKD 45,000 to HKD 50,000, increasing the rate bands from 4% to 5%, and tax rates set as 2%, 6%, 10%, 14% and 17% respectively.
- Child allowance has been increased from HKD 100,000 to HKD 120,000.
- Provisions proposed to expand trade, investment and tax treaty networks to open up new markets.
- Waiver of 75% of profit tax, salary tax and tax under personal assessment for 2017-18 up to maximum of HKD 30,000.

Malaysia

Enactment of Employment Insurance System

The government passed the Employment Insurance System Bill, which is effective from January 2018. The system is administered by the country's Social Security Organisation (Socso). Companies or enterprises with one or more employees register themselves and pay the Employment Insurance System (EIS) contribution accordingly. Exemptions apply to public servants, domestic helpers, foreign workers and self-employed individuals. The contribution rate is 0.2% for employers and 0.2% of the employees' monthly salary. All employees must contribute a maximum amount of MYR 4,000.

Philippines

Tax advisory in relation to Tax Reform for Acceleration and Inclusion Act

The Bureau of Internal Revenue (BIR) issued a tax advisory in connection with amendments to the tax law. It states that employees of regional headquarters and regional operating headquarters of multinational companies who were enjoying preferential tax treatment before 2018 are now subject to regular income tax rates. Thus, withholding taxes on compensation are to be applied as per the withholding tax table provided by BIR.

The Philippine government presents second tax reform package

In January 2018, the Philippine Department of Finance (DoF) submitted the second package of the tax reform which supplements the new Tax Reform for Acceleration and Inclusion Act (TRAIN) and it includes the following:

- Lowering the corporate income tax rate from 30% to 28% in 2019, and 25% in 2021.
- A provision has been introduced which rationalizes the fiscal incentives. Only those taxpayers who were performance-based, targeted, time-bound and transparent would be given the incentives.
- For existing tax incentives, a sunset provision of a maximum of five years shall be put in place.

Singapore

Highlights of Budget for 2018

On 19 February 2018, the Budget for 2018 was presented to Parliament by the Finance Minister. The Budget proposals relating to tax matters are:

- Corporate income tax rebate will be enhanced to 40% with a maximum of SGD 15,000 for Year of Assessment (YA) 2018, and to 20% with a maximum of SGD 10,000 for AY 2019.
- GST on imported services shall be introduced. The following regimes will be implemented from 1 January 2020 to tax imported services:
  - Reverse charge regime for Business-to-Business (B2B) supplies of imported services; and
  - Overseas Vendor Registration (OVR) regime for Business-to-Consumer (B2C) supplies of imported digital services.
- GST will be increased from 7% to 9% between 2021 to 2025.
- Start-up Tax Exemption Scheme (SUTE) will be adjusted from 100% to 75% on the first SGD 100,000 of normal chargeable income, and 50% exemption will be applicable on the next SGD 100,000. This will take effect on or after 2020.
- Stamp Duty (SD): The top marginal buyers' SD rate for residential properties will increase from 3% to 4% on the portion in excess of SGD 1 million. This rate will be applicable for all residential properties acquired from 20 February 2018.
- The 250% tax deduction for qualifying donations is extended for another three years until 31 December 2021.
- Tax deduction has been increased for staff cost, and cost incurred on Research and Development (R&D) projects performed in Singapore from 150% to 250%.

For more details, click here.

Simplified statement of claims Form on the website for qualifying funds

The Inland Revenue Authority of Singapore (IRAS) has updated its website for claiming Goods and Services Tax (GST) on expenses for qualifying funds. This will include a simplified statement of the claims Form which is required to be submitted via myTax Mail in order to process the claims, with effect from 1 July 2018. Qualifying funds will only be required to complete a three-line statement of the GST claims rather than a detailed categorization. Supporting documents are not required to be filed unless requested by the IRAS.

For more information, click here.

Late Submission Penalty with regards to GST returns

The IRAS will be taking a stricter stand against Goods and Services Tax (GST) registered businesses with respect to late submission of returns. A late submission penalty of SGD 200 will be imposed immediately if GST returns are not filed by the due date. The penalty will be levied per completed month until the default continues, subject to a maximum penalty of SGD 10,000.

Thailand

Change in Work Authorization Rules for foreign employees

Recently, Thailand's Employment Department has announced a few changes that will come into effect immediately. Some of these changes are:

- Any foreign nationals coming to work in Thailand must submit work permit applications within 15 calendar days of its entry on non-immigrant 'B' visas. Earlier, this time limit was 90 days.
- Foreign nationals who have failed to submit this application within 15 days may apply for work authorization, but work permit will be issued only for a limited duration.
- The non-immigrant 'B' visa has a maximum validity of 90 days and is needed to be renewed continuously without any break or interruption.

New Smart Visa Announced

Effective from February 2018, Thailand's Immigration Bureau has introduced a new Smart Visa program. This new visa program will provide more benefits to foreign nationals compared to long-term visas. This visa program will attract qualified foreign nationals in four categories:

- Talent (experts);
- Senior executives;
- Investors; and
- Start-up entrepreneurs

The Smart Visa is an alternative to the current visas available in Thailand. Employers and foreign nationals should check with immigration experts to determine their eligibility for the new visa.

Europe

Belgium

Introduction of securities accounts of individual taxpayers

Recently, the Belgian Parliament has introduced a 0.15% tax on the value of Belgian and foreign securities for Belgian tax residents and non-residents.

The law would be enacted after its publication in the Belgian Official Gazette and would be effective by 30 September 2018. In case of Belgian residents, tax on securities accounts would apply to Belgian and foreign securities accounts. In case of non-residents, securities accounts held with a Belgian financial intermediary would be subject to tax.

Effective Date: 30 September 2018

Introduction of a Profit Bonus in Belgium

Recently, a new bonus 'Profit Bonus' has been introduced by the government to motivate employees. This bonus offer allows companies to share a part of their profits with their staff. The bonus is given in the form of a collective cash bonus.

Total bonus distributed by company cannot exceed 30% of the total gross payroll for the accounting year and the bonus cannot be granted in lieu of existing benefits.

Profit bonus is taxed at a rate of 7% and no social security contributions are to be paid on this bonus. A solidarity contribution of 13.07% is paid by the worker and withheld by the employer. No contribution is required to be paid by the employers.

Switzerland

Increased reporting obligation

In the light of the 'Stop Mass Immigration' initiative, some changes have been introduced to the existing immigration laws. As from July 2018, Swiss employers will have increased obligations as follows:

- To notify and register job vacancies with the competent Reginal Employment Centre (RAV) if the national unemployment rate in the field of the vacant position exceeds 8%. From 1 January 2020, the unemployment rate threshold shall be lowered to 5%. This two-phase implementation intends to ensure a smooth transition for both employers and cantonal administrations.
- For certain job categories in particular, employers will be required to advertise the job vacancies in Swiss cantonal public unemployment offices and provide an explanation where a local applicant is not invited to interview.
- For a limited period of five working days, this category of job vacancies will only be accessible by individuals registered with a cantonal public unemployment office. Employers are then allowed to publish these job vacancies by other means after the five working day period.
- Employers have to inform the cantonal unemployment office if any referred candidate has been selected for the interviewing processes. If employers do not find a candidate suitable for interviewing, they will have to provide their reasoning to the cantonal unemployment office. However, the candidates who have not been hired after being through the interview processes do not require to provide an explanation.

For non-compliance with these obligations, provisions of the Foreign Nationals Act (FNA) indicates that a fine up to CHF 40,000, depending upon the intent of the employer, may be applicable.

The United Kingdom

Introduction of 'Nationality Document Return Service'

The Home Office has announced that 'Nationality Document Return Service' will be made available in the process of applying as a British citizen to the applicants.

An applicant who submits an application via the Nationality Document Return Service can keep their documents while the Home Office processes their application for British citizenship.

Applicants have to make an application online and book an appointment with the local authority where a photocopy of all original supporting documents would be stored. The local authority will then send the copies to the Home Office on the applicant's behalf.

For more information, click here.

Immigration Health Surcharge doubles for UK visa applications

The UK Department of Health and Social Care (DHSC) announced to double the Immigration Health Surcharge (IHS) paid by temporary migrants to the United Kingdom (UK).

Currently, this Immigration health surcharge is set at GBP 200 per year, which will increase to GBP 400 per year.

These payments are made during the application and hence, these will apply to those who intend to enter the UK for more than six months and those who are applying for leave extensions in the UK.

For more information, click here.

Increase in employment compensation limits from April 2018

The Employment Rights (increase of limits) order, 2018 has increased the compensation limit to be awarded by an employment tribunal for unfair dismissal from April 2018.

Where the employment termination date falls on or after 6 April 2017, the statutory cap on the compensatory award for unfair dismissal will rise from GBP 78,962 to GBP 80,541. The maximum amount of a week's pay rises from GBP 479 to GBP 489

Introduction of Tax-Free Childcare Allowance

The Association of Independent Professionals and the Self-Employed announced the introduction of a Tax-Free Childcare allowance for all working parents.

The tax-free allowance of GBP 2,000 is available only to those working parents with children below 12 years and earning a minimum living wage. For self-employed parents, earnings limit will not apply to those who started their business in the last 12 months.

P9 Notice of Coding

Her Majesty's Revenue and Customs (HMRC) announced that e-mail notifications regarding the 2018-19 tax year for P9 coding notices have been sent in March 2018. The coding notices can be accessed online. Duplicates of the notice can be requested from the Employer Helpline 0300 200 3200. Improvements to the new real time Dynamic Coding is currently being carried out.

For more information, click here.

Changes announced to the Scottish Income Tax

Recently, the Scottish government announced the income tax rates and thresholds for Scottish taxpayers for tax year 2017-18 onwards.

- Starting income tax rate of 19% on the first GBP 2,000 of income above the personal allowance.
- Scottish basic rate threshold applies to income from GBP 13,851 to GBP 24,000 only (20%).
- New intermediate tax band of GBP 24,001 to GBP 43,430 is introduced which is taxed at 21%.
- Increase in the Scottish higher and top rates to 41% and 46% respectively.

For more information, click here

Mandatory reporting of car data by employers from April 2018

Effective from April 2018, employers who have registered to payroll cars and car fuel Benefits-in-Kind (BiK) are required to report car data information on their Full Payment Submission (FPS).

The option to report the car data was on a voluntary basis from April 2017. Pay-As-you Earn (PAYE) Regulations have now been amended to make reporting this information mandatory.

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.

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