Global Expansion Updates

April 2018 | Issue 21

We are pleased to present the April 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 SARS announce changes to Form ITR14 in South Africa, Updated Employees' social security contributions in Argentina, General Interest Charge (GIC) rates in Australia and Amendments to The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations (S.I. 2018/337) in UK.

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Africa

South Africa

SARS Announces Changes to Form ITR14

Recently, the South African Revenue Service (SARS) has announced enhancements to the Income Tax Return (ITR) for companies (Form ITR14).

A new IT10 schedule will be made available for completion by companies with Controlled Foreign Companies (CFCs) requiring companies to disclose all their CFCs, regardless of the number of CFCs.

The group of companies that prepare consolidated financial statements with subsidiaries must file the complete group structure with their ITR14.

New questions pertaining to Country-by-Country regulations have been added.

Documents are required to be submitted, including financial statements, and/or other substantiating material such as the certificates and documents relating to income and deductions, proof of tax credits claimed, and particulars of assets and liabilities at the time of e-filing of Form ITR14.

Amendments to Unemployment Insurance Fund Contribution

Changes to the Unemployment Insurance Fund (UIF) rules have been introduced in South Africa, effective from 1 March 2018.

As per the changes, 'learners' as well as the employees who intend to repatriate at the end of their working period in South Africa should contribute to the UIF.

These individuals and their employers will need to contribute 1% of the remuneration paid by the employer to the employee. The employer, therefore, must remit a total contribution of 2% (1% contributed by the employee and 1% contributed by the employer). The contribution is capped at a maximum of ZAR 148.72 per month for employees earning ZAR 148.72 per month or more.

For more details, click here.

Tax Treatment of Voluntary Retrenchment

The South African Institute of Tax Professionals (SAIT) has received clarification that voluntary severance packages qualify as severance benefits.

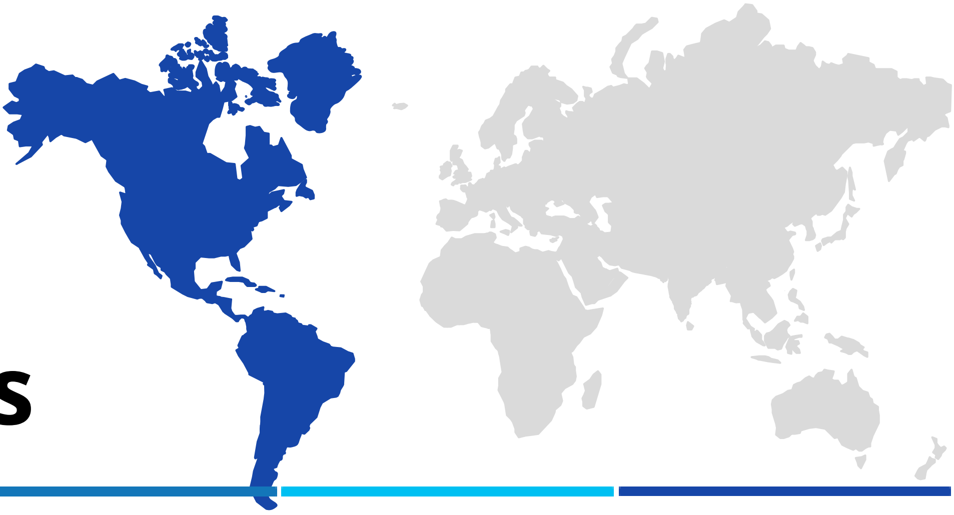
The tax directive issued by the South African Revenue Service (SARS) implicitly mentioned that the 'severance benefits - voluntary retrenchment' package as elected by the employee in the IRP3(a) form is currently treated under the normal tax tables, and not the favorable tax table for severance benefits. Now, it will be treated as severance benefits.

For more details, click here.

VAT Rate Increase

The SARS is ready to implement the increase in Value Added Tax (VAT) announced by the Minister of Finance in February. The Minister announced that the VAT rate would increase from 14% to 15% as from 1 April 2018.

For more details, click here.



Americas

Argentina

Updated Employees' Social Security Contributions

Recently, a new resolution has been passed by the Social Security Administration for forming revised gross monthly minimum and maximum salaries on the basis of which employees' social security contributions are computed. Amount of minimum salary is ARS 2,664.52 and maximum salary is ARS 86,596.10.

Effective date: 1 March 2018

Canada

Increase in Minimum Wage Rate in Northwest Territories

Recently, the minimum wage rate in the Northwest Territories, prescribed by regulation under the Employment Standards Act, has been increased from CAD 12.50 per hour to CAD 13.46 per hour, effective from 1 April 2018. The minimum wage in Nunavut is currently CAD 13.00 per hour and it remains the same.

Manitoba Budget for 2018

In March 2018, the Minister of Finance had presented the budget for 2018-19. There is no change in personal or corporate income tax rates. The highlights of the budget are:

- The Manitoba basic personal tax credit shall increase from CAD 9,382 for 2018, to CAD 10,392 for 2019 and CAD 11,402 for 2020.
- The small business income threshold for small business income tax rate will increase from CAD 450,000 to CAD 500,000, effective from 1 January 2019.
- The credit unions and caisses populaires profits tax of 1% which was applicable on taxable income over CAD 400,000 is abolished, effective from 1 January 2019.

Pension Benefits Act (Ontario) Amended with Respect to Penalties

Recently, amendments were made to the Pension Benefits Act (Ontario) (PBA) with respect to administrative monetary penalties in certain circumstances. As per the amendment, the Superintendent of Financial Services may impose a general or summary administrative monetary penalty if a person is contravening or not complying with a prescribed provision of the Act or regulation. The maximum amount of penalty is CAD 10,000 for an individual and CAD 25,000 for entities other than an individual. The legislation provides that the pension fund amount cannot be used to pay off the penalties.

Royal Assent for the 2018 British Columbia Budget Bill

On 15 March 2018, the British Columbia Bill 2 received the royal assent. It includes many of the measures announced in the province's 2018 budget, such as the extension of interactive digital media tax credit for five years, and book publishing tax credit for three years. However, it does not include any legislation for the new housing speculation tax, any changes to the Medical Services Plan premiums, new Employer Health Tax or corporate tax rate changes.

2018-2019 Quebec Budget Highlights

Recently, the Finance Minister delivered the 2018-19 budget. Some of the significant changes announced in the budget are:

- The Small Business Deduction (SBD) will gradually increase to 7.5% in 2021. Consequently, the additional deduction applicable to primary and manufacturing sectors for Small and Medium-sized Businesses (SMBs) will be reduced and will be eliminated in 2021. This change will apply to those corporations, whose taxation year ends after 27 March 2018.
- An increase in the additional capital cost allowance from 35% to 60% for manufacturing and processing

equipment and general-purpose electronic data processing equipment, acquired before 1 April 2020.

- A refundable tax credit for workers employed in SMBs is introduced @30% where total payroll exceeds CAD 5 million.. Employee should take eligible training during their normal weekly work schedule, to a maximum of 520 hours in a taxation year, to qualify for the tax creditThe refundable tax credit will enable a qualified corporation to receive tax assistance up to CAD 5,460 a year for each eligible employee who participates in training.
- There are no changes in personal income tax rates. The only change is made with regards to the rates of the dividend tax credit for both eligible and non-eligible dividends. The rates are:
  - Up to December 2018 - 11.86% for eligible and 6.28% for non-eligible dividends.
  - December 2019 - 11.78% for eligible and 5.55% for non-eligible dividends.
  - December 2020 - 11.70% for eligible and 4.77% for non-eligible dividends.
  - December 2021 and onwards - 11.70% for eligible and 4.01% for non-eligible dividends.

2018 Ontario Budget 2018 Highlights

In March 2018, the Finance Minister delivered the 2018 budget. Some of the key highlights of the budget are:

- The budget eliminates Ontario's surtax and adjusts the personal income tax brackets and rates, effective from 2018 as below:

Tax Bracket (CAD)		Rate (%)
0 - 42,960	-	5.05
42,960 - 71,500	-	9.15
71,500 - 82,000	-	11.00
82,000 - 92,000	-	13.50
92,000 - 150,000	-	17.50
150,000 - 220,000	-	19.00
Over 220,000	-	20.53

- It proposes an increase in the top rate for non-refundable Ontario Charitable Donation Tax Credit from 11.16% to 17.5% for donations over CAD 200. A rate of 5.05% would continue to apply to the first CAD 200 in donations.
- There are no changes proposed in the budget with regards to Ontario's corporate tax rates.

Summary of Newfoundland and Labrador Budget 2018-19

Recently, the Finance Minister tabled the province's fiscal 2018-19 budget. Following is a brief summary of the key tax measures:

- No changes are proposed to the corporate tax rates or to the small-business limit.
- The exemption threshold for provincial payroll tax is increased from CAD 1.2 million to CAD 1.3 million, effective from 1 January 2019.
- The budget does not include any changes to the personal income tax rates.
- A new non-refundable Search and Rescue Volunteer Tax Credit of CAD 3,000 for eligible volunteers has been introduced. This can be claimed on the provincial tax return starting 1 January 2019.

Asia-Pacific

Australia

General Interest Charge Rates, Australia

The Australian Taxation Office (ATO) has announced the General Interest Charge (GIC) rates in the case of late payment of taxes for the next quarter. The GIC is updated quarterly with rates for the next quarter, generally announced two weeks before the start of that quarter. The GIC compounding rate now extends to most taxes, including:

- Income tax
- Fringe benefits tax
- Goods and services tax
- Pay-As-You-Go (PAYG).

Following are the rates applicable:

Quarter	GIC Annual Rate	GIC Daily Rate
April – June 2018	8.77%	0.02402740%
January – March 2018	8.72%	0.02389041%
October – December 2017	8.70%	0.02383562%
July – September 2017	8.73%	0.02391781%

For more information, click here.

Final Countdown to Single Touch Payroll

Single Touch Payroll reporting starts on 1 July 2018 for employers with 20 or more employees.

On or before this date, employers will need to report payments to the authorities directly from the payroll solution at the time they pay their employees. Payments include:

- Salaries and wages
- PAYG withholding
- Superannuation information.

For more details, click here.

Unclaimed Superannuation Money

The Australia Taxation office (ATO) has brought fund reporting obligations for Unclaimed Superannuation Money (USM) into the SuperStream data standard from 2018.

Now, there would be no requirement to file an unclaimed super money statement. The same is replaced by reporting unclaimed money through the SuperStream rollover message.

The rollover user guide has been published by the ATO which provides information about how to use the rollover message to:

- Receive a notification of former temporary residents (Section 20C notice) via an Initiate Rollover Request (IRR).
- Respond and transfer unclaimed accounts via a rollover transaction request (RTR).

For more details, click here.

Australia Expands Multinational Anti-Avoidance Law

The Multinational Anti-Avoidance Law (MAAL) has been established to ensure that multinationals pay their fair share of tax on the profits earned in Australia.

MAAL applies to Significant Global Entities (SGEs), i.e. global parent entities with annual global income of AUD 1 billion or more.

The Australian government has introduced legislation to extend the reach of MAAL to cover a range of corporate structures. The new legislation extends MAAL to corporate structures that involve the following scenarios:

- A foreign entity supplies goods or services to an Australian customer.

- An Australian entity, that is an associate of or is commercially dependent on the foreign entity, undertakes activities directly in connection with the supply.
- Some or all of the income derived by the foreign entity is not attributable to an Australian permanent establishment.
- The principal purpose, or one of the principal purposes of the scheme, is to obtain an Australian tax benefit or to obtain both an Australian and foreign tax benefit.

For more details click here.

LCR 2018/1 - GST on Low Value Imported Goods

The ATO introduced Law Companion Ruling (LCR) 2018/1. The broad purpose of the legislation is to ensure that Australian GST is payable on offshore supplies of low value goods that are purchased by consumers and brought to Australia.

Prior to the amendment, the supply of imported goods to consumers in Australia was not connected with Australia, unless the supplier was the importer. Imported goods are generally only a taxable importation (and therefore, subject to GST at the border) if imported in a consignment with a customs value exceeding AUD 1,000.

To be liable for GST on a taxable supply, the supply must be connected with Australia. This ruling also discusses when a supply of low value goods will be connected with Australia because of the amendments. This will be relevant to merchants, operators of Electronic Distribution Platforms (EDP)) and re-deliverers.

For more details click here.

LCR 2018/2 - GST on Supplies Made Through Electronic Distribution Platforms

The Tax and Superannuation Laws Amendment (2016 Measures No. 1) Act, 2016 introduced provisions that apply from 1 July 2017 to make an EDP operator responsible for GST on supplies of digital products and digital services made through their platform.

The Treasury Laws Amendment (GST Low Value Goods) Act, 2017 extends these provisions to offshore supplies of low value goods brought to Australia, with some modifications, from 1 July 2018.

For more details click here.

LCR 2018/3 - Redeliverer's Responsibility for GST on the Supply of Low Value Imported Goods

The ATO introduced Law Companion Ruling (LCR) 2018/3. This ruling discusses the amendments that make a redeliverer responsible for GST on an offshore supply of low value goods brought to Australia. These form a part of the amendments made by Treasury Laws Amendment (GST Low Value Goods) Act, 2017.

For more details click here.

Effective Date: 1 July 2018

Dubai

Clarification on VAT Liability for Contracts Agreed Prior to VAT

The Federal Tax Authority (FTA) has issued guidance on whether a supplier or consumer is liable to pay for VAT on goods or services for contracts that were entered before Value Added Tax (VAT) was introduced. This guidance states:

- Consumers will be responsible for VAT payments where contracts issued before 1 January 2018 state that the amount due is exclusive of tax and the supplies take place on or after 1 January 2018.
- Suppliers will be liable to pay VAT where contract states that the amount received against the good or service is inclusive of the VAT or where contracts issued to the consumers did not refer to VAT.

Waiver of Penalties for Late VAT Registration

The UAE FTA had declared that the VAT registration deadline has been extended to 30 April 2018. Furthermore, it will waive late registration penalties for businesses that have not yet registered for VAT, only if they register themselves by 30 April 2018. However, any VAT due since 1 January 2018 must still be paid.

Hong Kong

2018-19 Budget Proposal

In February 2018, the Financial Secretary of the Hong Kong Special Administrative Region delivered the Budget Proposal for 2018-19. Some of the key changes are:

- Progressive rate bands will be increased from four to five bands. Tax bands are being widened from HKD 45,000 to HKD 50,000. Standard rate remains same at 15%.
  - For incomes between 0 to HKD 50,000, the rate is 2%.
  - For incomes between HKD 50,000 to HKD 100,000, the rate is 6%.

- For incomes between HKD 100,000 to HKD 150,000, the rate is 10%.
- For incomes between HKD 150,000 to HKD 200,000, the rate is 14%.
- For incomes above HKD 200,000, the rate is 17%.

- As per the budget proposal, personal assessment for married couples can be elected on an individual basis, unlike the earlier scenario of joint basis.
- A new personal disability allowance of HKD 75,000 for taxpayers eligible under the government's Disability Allowance Scheme was announced.
- A new tax deduction for premiums paid in respect of eligible health insurance products for taxpayers or their dependents covered under the Voluntary Health Insurance Scheme is introduced up to maximum of HKD 8,000 per insured person.

For more information, click here.

Failure to Pay Annual Fees of Mandatory Provident Fund will Result in Payment of Additional Fees or Suspension of Registration

Annual fees and application fees for Mandatory Provident Fund (MPF) intermediaries were implemented on 1 January 2018. Under the MPF legislation, an MPF intermediary who was registered before 1 January 2018 must pay the annual fee to the Mandatory Provident Fund Schemes Authority (MPFA) on or before 1 February 2018. Those who have failed to settle the annual fee in full on time must pay an additional fee equal to 10% of the annual fee. Intermediaries who fail to pay the annual fee and/or additional fee to the MPFA before 1 April 2018 may have their registration suspended. If the annual fee and/or additional fee is still not paid 30 days after the suspension takes effect, their registration may be revoked.

For more information, click here.

Two-tiered Profits Tax Regime Legislated

The Inland Revenue introduced the two-tiered profits tax regime, which was passed by the Legislative Council on 21 March 2018. This regime will be applicable for both corporate and unincorporated businesses from the Assessment Year 2018-19. The applicable tax rates are:

- For profits of up to HKD 2 million, the tax rate will be 8.25% (currently 16.5%) for corporations and 7.5% (currently, 15%) for unincorporated businesses.
- For profits above HKD 2 million, the tax rate will be 16.5% for corporations and 15% for incorporated businesses.

This tax regime is introduced with certain restrictions to benefit Small and Medium-sized enterprises. In the case of connected entities, only one entity can be nominated under this tax regime to get the benefit of lower tax rates.

For more information, click here.

New Zealand

Employment Income and Investment Income Bill

The Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill has been reported back and the Bill implements new rules for the reporting of Pay-As-You-Earn (PAYE) and investment income information to Inland Revenue and for determining the taxation of employee share scheme benefits. The key updates include the following:

- Certain payments to self-employed taxpayers and employee share scheme benefits (from schemes with no fixed vesting date) can be reported twice a month, rather than on a payday basis.
- Employee payments with no tax withheld (e.g. due to a special tax code or zero rate) will need to be reported.
- Companies will no longer have to provide copies of dividend statements to Inland Revenue (as this information will be included in the new investment income reporting requirements).
- An extra 20 days will be provided for the reporting of 'shadow payrolls' by non-resident employers (as well as the option of reporting twice a month).
- The new investment income reporting requirements will not apply to foreign companies.
- The Bill contains a discretion to allow Inland Revenue to issue IRD numbers to non-residents without a NZ bank account.
- Only employers who use electronic payroll systems, or who already file their PAYE electronically, will be able to adopt the new reporting requirements from 1 April 2018.

Benefit and Payment Rates for 2018

The Ministry of Social Development, New Zealand has announced increases in benefits and other payments from 1 April 2018 due to the Annual General Adjustment. You can get access to all the increased amounts at the Ministry of Social Development website.

For more details, click here.

Changes to Families Package

From 1 July 2018, the New Zealand government introduced increased financial support for families. The changes include:

- The introduction of the Best Start tax credit.
- Higher payment rates for Working for Families tax credits customers.
- Widening of the eligible income range for Working for Families tax credits.
- Extension of paid parental leave payments.

For more details, click here.

Singapore

Changes to Employment Act of Singapore

The following recent changes to the Singapore employment landscape have been announced:

- The Employment Act will now apply to all employees regardless of their salary threshold.
- Increase of salary threshold for non-workmen from SGD 2,500 to SGD 2,600.
- Increase of salary-cap for non-workmen for overtime pay from SGD 2,250 to SGD 2,600.
- Increase in minimum qualifying monthly salary for S pass holders from SGD 2,200 to SGD 2,400. Effective from 1 January 2019, this will increase to SGD 2,300 and effective from 1 January 2020, this will increase to SGD 2,400.

South Korea

Postponement of Reduced Exemption Threshold for Withholding of Capital Gains Tax

The government has postponed the applicability of reduced ownership threshold for withholding of capital gains tax for foreign investors till 1 July 2018. Currently, if a foreign investor, together with its related parties, owns less than 25% stake in a locally listed company, capital gains derived from the sale of such share by the foreign investor are exempt from tax. In August 2017 Budget proposal, it was projected to lower this threshold from 25% to 5% for the exemption of withholding of capital gain tax.

For more information, click here.

Major Changes in Tax Rules

Recently, the Ministry of Strategy and Finance announced amendments to the Individual Income Tax Law (IITL), the Law for Coordination of International Tax Affairs (LCITA) and associated enforcement decrees. Following are some of the key amendments:

- The withholding tax rate on payments made to foreign entity employers that dispatch employees to user Korean entities has increased from 17% to 19%. This will also include businesses under the ship/floating structure building industry and the financial industry. The threshold on the annual compensation payment has been decreased to KRW 2 billion from KRW 3 billion.
- The foreign financial accounts reporting threshold requirement has been reduced from KRW 1 billion to KRW 500 million.
- The definition of resident under the requirement to submit documents about investments in overseas corporations/subsidiaries and real estates has been refined to exclude foreigners who are non-permanent residents, who are tax residents, and resided in Korea for five years or less in the preceding 10 years. The maximum fine for non-compliance has been increased to KRW 50 million.

These amendments are effective for reporting due on or after 1 January 2018.

Penalty has been Increased for Non-Compliance of Transfer Pricing Documentation

Recently, penalties had been increased for non-compliance with transfer pricing documentation requirement. Taxpayers who fail to file a Combined Report of International Transactions (CRIT) or file false information are subject to penalties which have been increased from KRW 10 million to KRW 30 million per documentation, post the 2018 tax reform.

Changes to Labour Standards Act with Respect to Working Hours

Recently, the National Assembly passed a parliamentary amendment to reform the Labour Standards Act. The significant changes are:

- The work week is defined as seven days instead of five days, including weekends, and the weekly overtime hours remain limited at 12 hours. Hence, the total weekly time will be limited to 52 working hours. The effective dates of the amendment depend on the size of employment:
  - 1 July 2018 for businesses with 300 or more employees;
  - 1 January 2020 for businesses with 50 to 299 employees;
  - 1 July 2021 for businesses with 49 or fewer employees.
- An employee is entitled to 150% or 200% of his/her ordinary wage as holiday allowance if he/she works for less than eight hours or more than eight hours on a day off or holiday, respectively.

Thailand

Foreign Worker Registration Deadline

The Labour Minister of Thailand announced that the last date for foreign worker registration will not be postponed from its original date of 30 June 2018.

There are 78 centers to complete this registration. Once the foreign employees have completed the registration, they will receive an ID-like pink colored card with all of their details, including photograph, employment information and QR Code, and will be entitled to enjoy all the welfare and protection that is allowed under the Thai law.

Personal Income Tax Returns Filing Time Extended Beyond Official Working Hours and During Official Holidays

Recently, the Thai tax authority has extended personal income tax filing services for Bangkok taxpayers by extending the operating hours of all Area Revenue Branch offices in Bangkok beyond the official working hours and during official holidays, from 15 to 31 March 2018.

For more information, click here.

Europe

Belgium

Increase in Surcharge Rate

Recently, the Belgian tax authority has announced that for financial years starting from 1 January 2018, the surcharge rate has been increased from 2.25% to 6.75%.

Earlier, a surcharge rate of 2.25% was applicable on corporate tax returns and no surcharge was levied if the amount was lower than 0.5% of the payable tax or did not exceed EUR 80.

Denmark

Amendments to Corporate Taxation Rules

In February 2018, the Minister of Taxation had published a draft legislation amending corporate taxation. The key changes are summarized as follows:

- Exemption from Permanent Establishment (PE) taxation for private equity investments – As per the proposal, non-resident investors who are engaged in long-term investments through private equity, venture, or infrastructure funds will not have a permanent establishment in Denmark and accordingly, it is exempt from PE taxation.

The proposal will be effective from the income year 2017.

- Under the proposal, resident taxpayers may offset the dividend tax withheld by non-resident PEs against their final tax liability. This will avoid double taxation of dividends.

The proposal will be effective from 1 July 2018.

- Currently, if the interest deduction of a resident company is restricted under the Thin Capitalization Rule, then the corresponding interest income is exempt from taxation in the hands of a resident creditor or a non-resident creditor with a PE in Denmark. The proposal covers situations where the interest deduction of a non-resident subsidiary has been restricted under this rule in another EU or European Economic Area (EEA) Member State. However, the exemption cannot exceed the interest deduction restriction that would have been applicable if both companies had been tax resident in Denmark.

The proposal will be effective from income years that commence from 1 July 2018.

- Deduction of R&D expenses would gradually increase the deduction from 100% to 110% as follows:
  - For income years 2018 and 2019, the deduction will be 101.5%;
  - For income year 2020, the deduction will be 103%;
  - For income years 2021 and 2022, the deduction will be 105%;
  - For income years 2023 to 2025, the deduction will be 108%;
  - For income years 2026 and onwards, the deduction will 110%.

A New Holiday Act to be Enforced from 2020

A new holiday-leave regime will become effective in Denmark from 1 September 2020. However, the transition period will commence from 1 January 2019. The new act will result in substantial changes that are:

- Employees will accrue leave for the 12-month period starting from 1 September to 31 August (currently 1 January to 31 December) and can avail the leave in a 16-month period starting from 1 September of the leave period until 31 December in the subsequent year (currently, 1 May to 30 April of the subsequent year).

- If the employee is prevented from taking a holiday leave, then up to four weeks' holiday leave must be transferred to the next leave period. This differs from the current rules, according to which untaken leave is paid out.

Transition from Old to New Rules

- To prevent employees from accruing double holidays, 25 days of holidays, which are accrued in the interim period before the new arrangement enters into force, are to be frozen under the new rules. The frozen assets will only become due when the employee leaves the employment.

France

Individual Income Tax Withholding Applicable From 2019

Recently, the Finance Minister stated that the new withholding tax system on individual income will be implemented from 01 January 2019, without any further delay. The Pay-As-You-Earn (PAYE) type system was approved as a part of the Finance (Budget) Law for 2017 and it requires the withholding of income tax on income paid to employees by the employers.

Changes in Social Security Contributions Due on Compensation Paid Holiday

The social security contribution made by the paid leave funds has been changed from 1 April 2018. The paid leave funds ensure the payment of paid vacation pay to employees of member companies and also the payment of social security contributions. The changes in rates are:

- For the construction and public works sector, the rate increases from 5.65% to 5.88% for the caisses located in metropolitan France and from 3.88% to 4.06% for the caisses located in the French departments.
- For other sectors, it goes from 4.06% to 4.23%.

Sweden

Draft Bill Regarding Corporate Income Tax Changes in Sweden

Recently, the Swedish government submitted a draft bill announcing the corporate taxation changes. The key announcements are:

- Reduction in the corporate income tax rate from 22% to 21.4% in 2019 and 20.6% in 2021.
- Net interest expense deduction would be limited to 30% of the Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA).
- Introduction of accelerated depreciation on tenement buildings.
- Increased standardized income on tax allocation reserves.
- Introduction of standardized income on contingency reserves for non-life insurance companies.

Effective Date: 1 January 2019

Switzerland

Tax Proposal 2017 – Substitute to Corporate Tax Reform

Switzerland launches a new effort to reform the Corporate Tax System under the title Tax Proposal 17 (TP17). The main elements of the tax reform proposal are:

- Repeal the status companies at the cantonal level as well as certain tax practices at federal level, including transitional measures.
- Introduce an optional R&D 'super deduction' of maximum 50% at the cantonal level.
- Impose higher taxation on dividends for qualifying shareholdings of individuals.
- Increase the child and education allowance by CHF 30 per month.
- Introduce an overall tax relief limitation to 70% of all tax measures at the cantonal level.
- Provide an option to reduce the calculation of capital taxes on equity relating to participations as well as patents and similar rights.
- In order to prevent international double taxation, Swiss permanent establishments of foreign companies would be entitled to benefit from a lump-sum tax credit.

The United Kingdom

Welsh Rates of Income Tax

Effective from 6 April 2019, Welsh rates of income tax will be introduced and each of the tax rates will be reduced by 10 pence for Welsh taxpayers. Her Majesty's Revenue and Customs (HMRC) will continue to collect tax.

The revenue collected from the Welsh rates of income tax will go to the Welsh government.

For more information, click here.

Amendments to the Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations (S.I. 2018/337)

The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations (S.I. 2018/337) were made on 8 March 2018 and will come into force by 6 April 2018. The amendments are:

- Increase in the class 2 National Insurance Contributions (NICs) rate payable by self-employed from GBP 2.85 to GBP 2.95 per week.
- Small profit threshold for self-employed earners increased from GBP 6,025 to GBP 6,205 per year.
- Increase in voluntary Class 3 NICs from GBP 14.25 to GBP 14.65.
- The lower and upper profits limits for Class 4 NICs payable by the self-employed have been increased. The lower limit increases from GBP 8,164 to GBP 8,424 and the upper limit from GBP 45,000 to GBP 46,350.
- A number of weekly earnings limits and thresholds for determining liability to Class 1 NICs and entitlement to associated state benefits have increased as follows:
  - Lower earnings limit increases from GBP 113 to GBP 116
  - Upper earnings limit increases from GBP 866 to GBP 892
  - Primary threshold increases from GBP 157 to GBP 162
  - Secondary threshold increases from GBP 157 to GBP 162
  - Upper secondary threshold for the Under 21 age group increases from GBP 866 to GBP 892
  - Upper secondary threshold for relevant apprentices increases from GBP 866 to GBP 892.

For more information, click here.

Brexit Transition Period Extended to December 2020

Earlier, the Brexit was scheduled on 29 March 2019. This has been extended up to December 2020. This means that the UK would leave the EU VAT regime on 31 December 2020. The key aspects of the agreement are:

- EU citizens will continue to enjoy the same rights on arriving in the UK as those who arrive before the Brexit.
- The UK will be able to negotiate, sign, and ratify its own trade deals during the transition period.
- The UK will still be party to existing EU trade deals with other countries.

Update on UK Pensions Automatic Enrolment

Effective from 6 April 2018, the Automatic Enrolment Order, SI 2018/367 continues to maintain the automatic enrolment earnings trigger at GBP 10,000 for the tax year 2018/19 and increases the qualifying earnings band for the contributions to maintain an alignment with the NIC's lower and upper earnings limits for 2018/19.

Government Announces Changes to Immigration Fees from 6 April

Effective from 6 April 2018, the UK government announced an increase in the fees for visa, immigration, and nationality applications.

The Home Office laid legislation before the Parliament sets out the following changes which will come into effect on 6 April 2018:

- A 4% increase will apply on work, study, and visit visas, as well as nationality, settlement, and family visas.
- A 15% increase will apply to optional overseas priority visa services.
- Fees for entry clearance to the Channel Islands and Isle of Man will rise in line with fee changes for the rest of the UK.
- No increases are made to sponsor license fees.

About **SKP**

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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

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