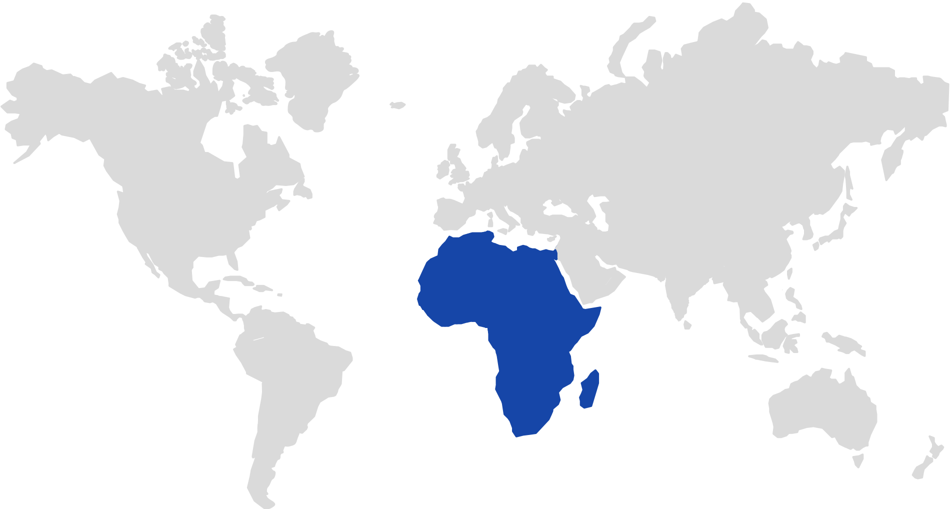
Global Expansion Updates

October 2017 | Issue 16

We are pleased to present the October 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 Nigerian Income Declaration Scheme, British Columbia budget updates 2017, key highlights of the Dubai VAT law, and reduced VAT rates in Switzerland.

In this issue



Africa

Nigeria

Voluntary Assets and Income Declaration Scheme (VAIDS)

Implementation of VAIDS has commenced from 1 July 2017 and will continue through until 31 March 2018. The sceheme is designed to encourage voluntary disclosure of previously undisclosed assets/income and paying for the outstanding tax liabilities. The interest and penalties shall be waived off for taxpayers participating in the scheme and making an honest declaration of previously undisclosed income and assets, and will be immune from prosecution and exempted from tax audits for the periods covered.

For more information, click here.

Kenya

Income Tax treaty between India and Kenya

The Income Tax Treaty (2016) between India and Kenya entered into force from 1 January 2018 for withholding tax matters and retrospectively from1 January 2017 for other tax matters in Kenya. In India, it shall be applicable from 1 April 2018. From these dates, the new treaty generally replaces the India-Kenya Income Tax Treaty (1985).

South Africa

Proposed repeal of foreign employment income tax exemption

South Africa's National Treasury has suggested certain changes to its original proposal to repeal the foreign employment income tax exemption for resident individuals. It would prevent the exemption from being repealed in its entirety and defer the change until 1 March 2020.

Zambia

Highlights of the draft Budget 2018

The Zambian Ministry of Finance presented the draft Budget for the fiscal year 2018 on 29 September 2017. A summary of the proposed measures is given below:

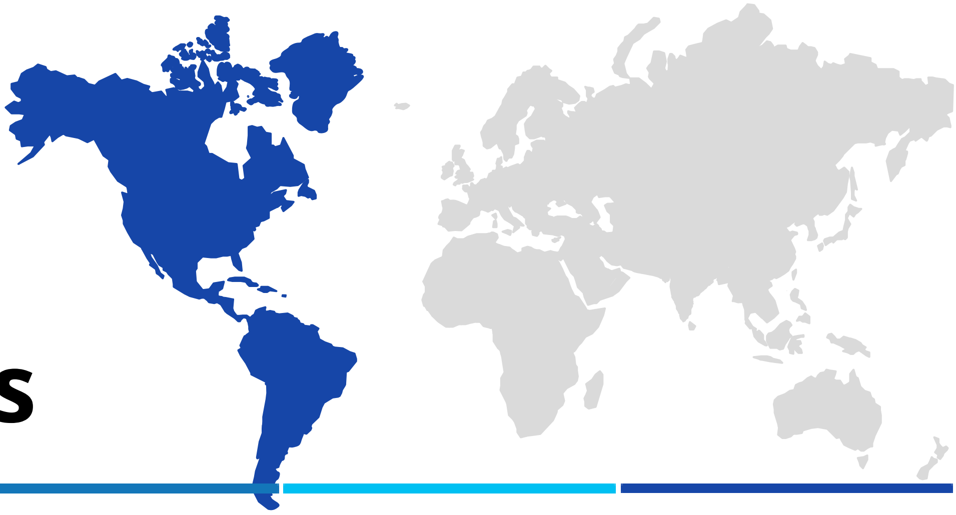
Direct taxation

- Proposal to redefine the term "management or consultancy fee".
- Proposal to redefine the term "residence" for corporate tax purposes by replacing the reference to "central management and control" by "place of effective management". In other words, a company will be deemed as a resident in Zambia if it is incorporated/formed as per the laws of Zambia or it has its place of effective management in Zambia.
- Proposal to introduce a requirement for mandatory disclosure of all related-party transactions under transfer pricing.
- Proposal to discontinue the deductible contribution to approved pension of ZMW 3,060 under personal taxation.
- Proposal to change the due date for payment of withholding taxes from the 10th to the 14th day of the month following that in which the transaction is made.

Indirect taxes

- Proposal to change the due date for submission of Value added Tax (VAT) returns from the 16th to the 18th day of the month following that in which the transaction is made.

For more information, click here.



Americas

Argentina

Change in employees' social security contribution

Recently, resolution of Social Security Administration (ANSES) has been published for computation of gross monthly minimum and maximum salary based on which employees' social security contributions are computed.

As per the resolution, minimum salary is ARS 2,520.60 and maximum salary is ARS 81,918.55.

Effective date: 1 September 2017

Canada

Highlights of British Columbia Budget updates 2017

The Budget updates were announced in September 2017, which includes increase in personal and corporate tax rate. The following are the highlights:

- From 1 January 2018, the corporate income tax rate will increase from 11% to 12%.
- A new top personal income tax bracket will be introduced effective for 2018 and subsequent tax years.
- The income threshold for the new top bracket will be set at CAD 150,000 for 2018. Taxable income exceeding CAD 150,000 will be subject to a provincial personal income tax rate of 16.8% (previously 14.7%).

For more information, click here.

Mexico

Additional regulations on penalties for non-compliance with INFONAVIT Law

Recently, a decree was published in the Official Gazette that amends numerous provisions with respect to the imposition of employer fines for non-compliance with INFONAVIT Law.

The Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT) is the federal institute for workers housing fund under which it is mandatory for employers in Mexico to withhold a certain percentage of an employee's salary to fund a housing benefit.

Following are the significant amendments as per the decree:

- Fine will be computed by using 'Updated Metric Unit' (earlier, it was done by the general minimum wage) which is measured at USD 75.49 per diem.
- Electronically filling of complaints by workers (earlier, it was only in a written format).
- If any employer objects or prevent any authority from conducting an inspection, it shall be treated as violation of Law.
- Failure to provide information as required by the law while adhering to regulations or applicable guidelines within the required timelines and through the established means, is deemed as a violation of the law.

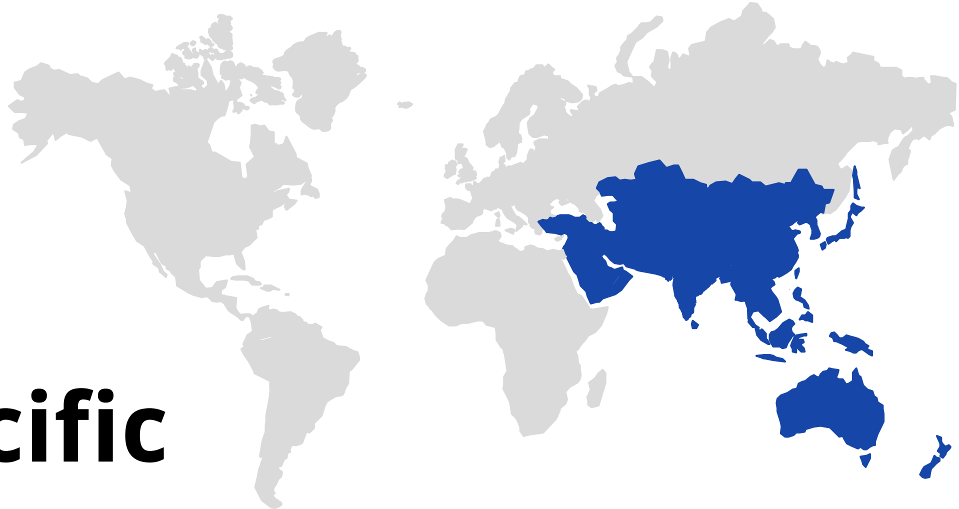
Effective date: 28 August 2017

United States

Filing extension for taxpayers affected by Hurricane Harvey and other federally declared disasters

The Internal Revenue Services (IRS) has extended the deadlines by one year for taxpayers affected by a 'federally declared disaster'. The IRS has postponed certain filing and payment deadlines until 31 January 2018 for taxpayers affected by Hurricane Harvey in Texas.

Asia-Pacific



Dubai

Key highlights of the VAT law

In August 2017, the United Arab Emirates (UAE) published the Federal Decree Law on Value Added Tax (VAT). Following are the important aspects in relation to the implementation of VAT:

- Zero-rated goods
- Exemptions on certain supplies
- Place of supply
- VAT groups
- Reverse charge mechanism
- The Federal Tax Authority has launched a new website (www.tax.gov.ae), which sets out the key updates in relation to the introduction of VAT.

The Tax Procedures Law has also been published and it requires any person conducting business in the UAE to keep accounting records and commercial books, as well as any tax-related information.

For more information, click here.

Time limits for VAT registration

In October 2017, the UAE Federal Tax Authority has announced the following time limits for VAT registration:

- Businesses with turnover less than AED 10 million should apply before 4 December 2017.
- Businesses with turnover between AED 10 million and AED 150 million should apply before 30 November 2017.
- Businesses with turnover more than AED 150 million should apply before 31 October 2017.

The Philippines

BIR relaxes rules on preferential tax treaty rates

The Philippine Bureau of Internal Revenue (BIR) has issued a Revenue Memorandum Order 8-2017 to simplify the procedure for claiming tax treaty benefits for dividend, interest and royalty income of non-resident. The new procedure is a simpler process that involves less documents. Following are the key highlights of the procedure:

- A new Certificate of Residence for Tax Treaty Relief (CORTT) form must be submitted by non-residents instead of the old mandatory Tax Treaty Relief Applications (TTRA).
- The upgrading of BIR Forms 1601-F and 1604-CF, used to disclose the income derived from non-residents.

If non-residents fail to submit a CORTT form, the preferential tax treaty rates or tax exemption under all effective tax treaties of the Philippines will not be available.

For more information, click here.

Singapore

New tax incentives proposed for companies relocating to Singapore

The Companies Act introduced an inward re-domiciliation regime in March 2017 for companies who are relocating to Singapore. The provisions are broadly as follows:

- Capital allowances can be claimed on qualifying plant and machinery based on the lower net book value or the market value at the time of re-domiciliation.
- Writing down allowances would be claimable on qualifying intellectual property rights based on the lower acquisition cost net off amortisation and

impairment or the open market value at the time of re-domiciliation.

- Bad debts incurred before re-domiciliation will be disallowed and those that are recovered would not be taxable.
- Trading stock would be valued at the lower cost or net realisable value on the date of re-domiciliation for the purpose of tax deductions.
- Expenses incurred prior to re-domiciliation would be disallowed for which tax relief was given in another jurisdiction.

No change in minimum 4% interest rate for Special, Medisave and Retirement Account until 31 December 2018

There will be no change to the minimum 4% interest earned on your Central Provident Fund (CPF) Special, Medisave and Retirement Account (SMRA) monies until the end of 2018. It will remain:

- Up to 3.5% per annum on Ordinary Accounts.
- Up to 5% per annum on the Special and Medisave Accounts.
- CPF members aged 55 and above will earn an additional 1% extra interest on the first SGD 30,000 of their combined balances.
- Housing and Development Board (HDB) mortgage rate at 2.6% per annum.

For more information, click here.

Thailand

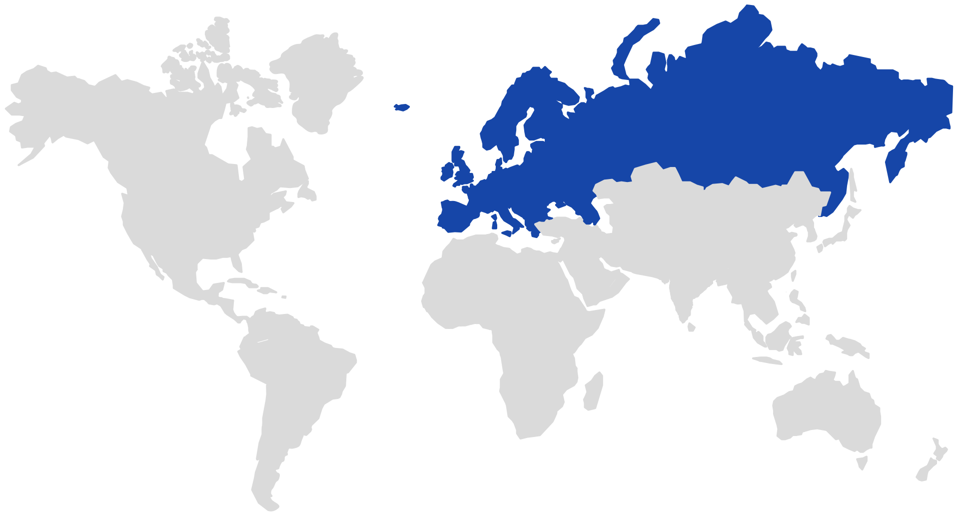
Tax, legal requirements for representative offices of foreign companies

Recently, the Thai Revenue Authority announced that a foreign company's representative office in Thailand is no longer required to obtain a foreign business license from the Department of Business Development.

A representative office must have a minimum capital of THB 2 million even though a foreign business license is not required.

Permitted activities of a representative office of a foreign company are:

- Finding customers in Thailand for the head office or affiliated companies.
- To check and control the quality and quantity of goods purchased or manufactured in Thailand for the head office or affiliated companies.
- Providing advisory services.
- Circulating information concerning new goods or services of the head office or affiliated companies in the market.
- Reporting movement of business in Thailand to the head office or affiliated companies.



Europe

Belgium

Filing of local file - transfer pricing documentation

Recently, the Belgian Ministry of Finance announced that the transfer pricing local file is a part of the corporate income tax return and is to be filed by resident and non-resident companies.

There is no change in the time limits for filing the local file.

Limosa declaration to include additional information of posted workers

Effective from 1 October 2017, all the foreign companies including non- European Union/European Economic Area companies, sending employees to work in Belgium have to submit in their Limosa declarations with the mentioned additional information:

- The name and date of birth of the person who will act as a liaison.
- The capacity of the person to liaise.
- The person’s physical address, email address and telephone number. The liaison can be the employer or a third person and does not need to be domiciled in Belgium.

Finland

Budget 2018 released

Recently, the Finnish Ministry of Finance has published an overview of the tax changes in 2018. Following are significant amendments given in the budget:

- New personal income tax rates have been proposed for 2018, which are:

Taxable income (EUR)	Tax rate (%)
up to 17,200	0.00
17,200 – 25,700	6.00
25,700 – 42,400	17.25
42,400 – 74,200	21.25
74,200 and over	31.25

- The municipal tax deduction will increase from EUR 3,060 to EUR 3,100.
- Broadcasting tax will be increased from EUR 143 to EUR 163.
- The maximum credit for low and medium income earners will be increased from EUR 1,420 to EUR 1,540. In case the income is more than EUR 33,000, then credit will be reduced by 1.65% (1.51% in 2017).
- Period for tax-free travel expenses will extend to three years from two years.
- Exemption will be given for any education or training provided by an employer to their employees if it is needed for the future work of the employer.
- The transfer of immovable property and securities in the context of a change in the legal form by self-employed entrepreneurs and agricultural/forestry activities will become exempt from property transfer tax.

France

Mandate to use systems and software to record payments for VAT registered businesses

From 1 January 2018, certain Value Added Tax (VAT) measures concerning new requirements for cash systems and software will be enforced.

All VAT taxpayers transacting with private customers have to use a cash system or software for recording the sales of goods or services. The requirements impose an obligation on taxpayers that provide for conformity on four main aspects:

- Inability to alter systems;
- Security of the system;
- Storage of records; and
- Archiving records.

This new requirement has been introduced mainly to address business to customer (B2C) transactions and business to business (B2B) transactions that are not within the scope of the new requirements.

A failure to produce adequate attestation or certification for each cash system or solution may attract a penalty assessment of EUR 7,000 per system or register of the entity.

Effective date: 1 January 2018

French government releases Finance Bill, 2018

The French government released the draft Finance Bill for 2018. The key measures in the Bill are:

- Payroll tax applies to financial services companies and corporations that are not subject to VAT, or where at least 90% of an entity's annual turnover was exempt from VAT in the previous year.
- Current tax brackets are:
  - 4.25% on income up to EUR 7,721.
  - 8.5% on the income between EUR 7,721 and EUR 15,417.
  - 13.6% on the income between EUR 15,417 and EUR 152,279.
  - 20% on gross income exceeding EUR 152,279.
- Effective from 1 January 2018, the top payroll tax bracket (20%) would be abolished. The marginal rate then would be 13.60% on income exceeding EUR 15,417.
- The rates of income tax remain unchanged, but each band has been increased by 1%, in line with inflation.
- The maximum turnover limits for micro-entrepreneurs will increase from EUR 33,200 to EUR 70,000 and from EUR 82,800 to EUR 170,000 for businesses in each category.
- The main rate of corporate taxation will be reduced from 33.33% to 28% on profits no higher than EUR 500,000, and for income more than EUR 500,000 the rate will be reduced to 25% from 33.33% in 2022.
- From 2019, those businesses with an annual turnover less than EUR 5,000 will be exempt from business rates.

Germany

The Federal Cabinet approved the social security contribution threshold for 2018

On 27 September 2017, regulations related to the social security contributions threshold for 2018 has been approved by the German Federal Cabinet.

The new social security threshold for pension and unemployment insurance will be increased to EUR 78,000 (EUR 6,500 per month) from EUR 76,200 for the old federal states and EUR 69,600 (EUR 5,800 per month) from EUR 68,400 for the new federal states.

The new social security threshold for health insurance and nursing insurance for disability and old age will be increased to EUR 53,100 (EUR 4,425 per month) from EUR 52,200.

For more information, click here.

Ireland

Budget 2018 released

On 10 October 2017, the Minister for Finance presented the Budget for 2018. Main proposals of the Budget are:

- Increase in employers Pay Related Social Insurance (PRSI) by 0.1%, from 10.75% to 10.85% with effect from 1 January 2018.
- The standard rate band has increased by EUR 750 for all taxpayers.
- Introduction of a share-based remuneration incentive called the Key Employee Engagement Programme (KEEP) to facilitate the use of share-based remuneration by unquoted small and medium size companies to attract key employees.
- Increase in the VAT rate on sunbed services from 13.5% to 23%.
- The stamp duty rate on non-residential property has increased from 2% to 6%.
- Increase in the Home Carer's Credit from EUR 1,100 to EUR 1,200.
- Increase in the earned income tax credit from EUR 950 to EUR 1,150.

- The new Universal Social Charges (USCs) rates and bands for employment income will be as follows:

Aggregate income (in EUR)	Rate (%)
Up to 12,012	0.5
12,012 to 19,372	2
19,372 to 70,044	4.75
70,044 and above	8
PAYE* income over 100,000	8
Self-employed income over 100,000	11

*Pay as you earn

For more information, click here.

The Netherlands

Amendments to dividend withholding tax

Recently, the draft legislative proposal has been published for consultation by the Dutch government for changes to the Dutch dividend withholding tax regime as mentioned below:

- Distributions provided by holding cooperatives, whose activities mainly consists of holding/financing activities with respect to qualifying participations, will become subject up to 15% Dutch dividend withholding tax with subject to certain conditions.
- Dutch domestic exemption from dividend withholding tax for European Union/European Economic Area shareholders has been extended to qualifying shareholders/members who are resident in a country with which the Netherlands has concluded a double tax treaty after completing certain conditions.

Effective date: 1 January 2018

Proposed Budget

Recently, the Budget has been proposed in the Netherlands concerning several bills for law proposals.

Following are some of the significant proposals:

- Dutch dividend withholding tax rules for holding cooperatives and private companies or public companies.
- Amendment of rebuttal scheme included in anti-base erosion rules.
- Prevention of double loss recognition.
- Amendment of rules for the calculation of relief for double taxation in case of fees charged between companies included in a fiscal unity.
- Abolishment of deemed employment relationship for non-executive directors of Dutch listed companies.

Norway

Proposed Budget 2018 highlights

On 12 October 2017, the Norwegian government presented its Budget Proposal for 2018. Some of the key highlights of the proposed Budget are:

- The low Value Added Tax (VAT) rate will increase from 10% to 12%. However, there will be no change in the standard or reduced VAT rate.
- Proposal to reduce corporate tax rate from 24% to 23%.
- There will be an increase in the reduction of the valuation of shares, operating assets and associated debts from 10% to 20%.
- There will be a reintroduction of differentiated employee social security contribution rates for transport and energy as of 2018.

For more information, click here.

Sweden

Budget 2018: additional measures proposed

Recently, a few measures have been proposed to be included in the budget of 2018 by the Swedish Ministry of Finance.

Following are some of the significant measures to be included:

- In case of voluntary correction of a tax return, penalties will be imposed from 1 July 2018.
- Excise duty will be introduced on e-cigarettes from 1 July 2018.
- Rate of tax for savings and capital insurance accounts are to be increased from 0.75% to 1% from 1 January 2018.

Proposed tax changes in Budget 2018

Recently, the Budget Bill for 2018 has been presented which proposes various changes in taxation and adds of new rules for corporates.

Following are the significant tax measures as per the proposed budget.

- Increasing the rate of the special income tax that applies to foreign residents, to be increased from 20% to 25% of the taxable income.
- Transport surcharge is to increase for excise duty purposes.
- Revocation of the tax on advertising.

- Amendments introduced in reporting obligations and other tax measures relating to excise duty.
- Obligation on employers for the submission of employee withholding tax on a monthly basis along with a declaration to be filed with the Swedish Tax Agency.
- Increase in the tax rate on investment savings accounts and on capital insurance (by one percentage point instead of by 0.75 percentage point).
- Simplification of taxation of employee stock options for certain employees in start-up companies.
- Introduction of new measures for encouraging the reduction of emissions from cars, including measures with respect to biofuel mixtures.
- Change in the Value Added Tax (VAT) declaration date.

Effective date: 1 July 2018

Switzerland

Reduced VAT rates as of 1 January 2018

A referendum has been passed on 24 September 2017, increasing the Value Added Tax (VAT) rates. Following are the changes in the VAT rates, which will be applicable from 1 January 2018:

- The standard VAT rate will be reduced from 8% to 7.7%.
- The special VAT rate for accommodation services will be reduced from 3.8% to 3.7%.
- The reduced VAT rate of 2.5% will remain unchanged.

The United Kingdom

Introduction of the Criminal Finances Act

Recently, the Criminal Finances Act, which received the royal assent, introduced a new corporate criminal offences of failing to prevent the facilitation of UK and foreign tax evasion.

The offences apply to companies, corporate bodies and to partnerships, including limited liability partnerships.

The Criminal Finances Act, 2017 will make companies and partnerships criminally liable if they fail to prevent tax evasion done by either a member of their staff, or an external agent, even in cases where the business was not involved in the act or was unaware of it.

For more information, click here.

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