Global Expansion Updates

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

The key highlights of this issue include the VAT Guide to Share Block Schemes issued by the South African Revenue Service, the Budget of Alberta, the Newfoundland and Labrador Budget in Canada, the withholding tax for foreign residents disposing of Australian property, the new State Pension in the UK and the new Sponsorship Law in the UAE.

Africa

South Africa

VAT guide for share block schemes issued by SARS

Recently, the South African Revenue Service (SARS) issued 'VAT 412', a general guide concerning the application of Value Added Tax (VAT) to 'share block' schemes in South Africa. All previous editions of VAT 412 have been withdrawn with effect from 24 March 2016.

The share block scheme is applicable to a company if any share of that company confers a right to or an interest in the use of immovable property or any part thereof.

For more information, click here.

Americas

Canada

Transitional rules for New Brunswick HST rate increase by 2%

In the recent Budget, the New Brunswick Finance Minister had announced an increase in the Harmonised Sales Tax (HST) from 8% to 10% with effect from 1 July 2016. Accordingly, the new combined HST in the province will be 15%.

These rules are required to determine whether the existing HST rate of 13% or the new HST rate of 15% would apply with respect to transactions that straddle 1 July 2016.

For more information, click here.

Highlights of the Alberta Budget 2016-17

The Alberta Budget was announced on 14 April 2016.

The highlights of the Budget are given below.

- Introduction of two tax credits for individuals and corporations investing in Alberta.
- From 1 January 2017, the small business income tax rate will be reduced from 3% to 2%.
- From 1 January 2017, a new carbon levy will be introduced and will apply to purchases of all fossil fuels that produce Green House Gas (GHG) emissions when combusted.
- From 1 January 2017, a Climate Leadership Adjustment Rebate will be introduced to offset the costs of carbon levy to low- and middle-income earners.

For more information, click here.

Tax legislation 'Bill 32' in New Brunswick

As per the recent update, a new law, 'Bill 32', has been enacted to introduce certain tax changes in the province's 2016 Budget.

The key highlights of the Bill are:

- From 1 April 2016, the small business tax rate will be reduced from 4% to 3.5%.
- Adjustment in the province's dividend tax credit rate on non-eligible dividends due to the reduction of the small business tax rate.
- Introduction of refundable provincial HST credit.
- Decrease in the marginal tax rate for individuals from 21% to 20.3% for taxable income over CND 1,50,000 retroactively from 1 January 2016.
- Top marginal individual income tax rate of 25.75% will be eliminated (retrospective from 1 January 2016).

For more information, click here.

Highlights of the Newfoundland and Labrador Budget 2016-17

The Newfoundland and Labrador Budget was announced on 14 April 2016. The highlights of corporate and personal tax are given below. All these changes are subject to legislative approval.

- **Corporate tax measures**
  - The general corporate tax rate will increase from 14% to 15%.
  - There is no change in the small-business rate or to the CAD 5,00,000 small-business limit.
  - From 1 January 2016, the financial corporation capital tax rate will increase from 5% to 6%.
  - From 1 July 2016, the tax on insurance companies will increase to 5% from 4%.

- The provincial manufacturing and processing profits tax credit will be eliminated.

- **Personal tax measures**
  - An increase in the personal tax rates for all income ranges has been proposed.
  - There is a reduction of the dividend tax credit rate for non-eligible dividends from 4.1% to 3.5% for dividends received on or after 1 July 2016.
  - There is an increase in the joint federal-provincial HST rate from 13% to 15% due to the increase in the HST rate from 8% to 10% with effect from 1 July 2016.

For more information, click here.

Employer's responsibility for employing temporary foreign workers in Ontario under EPFNA

Employers who are seeking to hire temporary foreign workers in Ontario must comply with the requirements of the legislation with consideration to the amendments made in Employment Protection for Foreign Nationals Act, 2009 (EPFNA) by the Ontario government in November 2015.

Key rights and obligations under the EPFNA

- Prohibits recruiters from charging any fees to foreign nationals, either directly or indirectly.
- Generally prevents employers from recovering or attempting to recover any cost incurred in arranging to become the foreign national's employer from the foreign national.
- Prohibits employers and recruiters from taking a foreign national's property, including documents such as passports or work permits.
- Prohibits a recruiter, an employer or a person acting on their behalf from intimidating or penalising a foreign national for asking about or asserting their rights under the EPFNA.
- Requires recruiters and, in some situations, employers to distribute information sheets to foreign nationals setting out their rights under the EPFNA and those provisions of the Employment Standards Act, 2000 (ESA) considered to be of particular relevance.

For more information, click here.

Mexico

VAT refund guidelines

As per the recent update, measures were published in official journal providing guidelines for VAT refund. If the VAT credit balance does not exceed MXN 1 million and the declaration is submitted electronically, individuals and companies can obtain a refund of VAT within five business days from the date of the request.

USA

New law enacted for parental leave in San Francisco

The recently passed legislation provides up to six weeks of fully paid parental leave for birth/adoption to most workers who are working with employers having 50 or more employees as of 1 January 2017.

This law will be made applicable to small employers as on the dates mentioned below.

- Employers with 50 or more employees are required to comply from 1 January 2017.
- Employers with 35 or more employees are required to comply from 1 July 2017.
- Employers with 20 or more employees are required to comply from 1 January 2018.

For more information, click here.

New York introduces new minimum wages and family leave policy

New York State has amended the law to increase the minimum wage to USD 15 per hour gradually in the coming years. The amendment is made to the New York Labor and Workers Compensation Laws. The effective phasing out dates are:

- Minimum wage plan for New York City workers employed by businesses
  - With 11 or more employees:

Effective date	Minimum wages (per hour)
31 December 2016	USD 11.00
31 December 2017	USD 13.00
31 December 2018	USD 15.00

  - With 10 or fewer employees:

Effective date	Minimum wages (per hour)
31 December 2016	USD 10.50
Thereafter	USD 1.50 increase each year till it reaches USD 15.00 on 31 December 2019

- Minimum wage plan for employees in Nassau, Suffolk and Westchester counties:

Effective date	Minimum wages (per hour)
31 December 2016	USD 10.00
Thereafter	USD 1.00 increase each year till it reaches USD 15.00 on 31 December 2021

- Minimum wage plan for employees in other New York counties:

Effective date	Minimum wages (per hour)
31 December 2016	USD 9.70
Thereafter	USD 0.70 increase each year till it reaches USD 12.50 at the end of 2020
Thereafter	Gradual rise towards USD 15.00 per the indexed schedule

New York's family leave plan:
The state Budget also includes a paid family leave programme which will entitle employees up to 12 weeks of leave from 1 January 2018. Starting in 2018, employees will be eligible for 50 percent of their weekly average wage and by 2021, employees will be eligible for two-thirds of their weekly average wage.

For more information, click here.

IRS introduces new cash tax payment option

Recently, the Internal Revenue Service (IRS) announced a new cash payment option for individual US taxpayers for tax payment with the help of the closest 7-Eleven retail stores.

For more information, click here.

California enacted law to increase minimum wage

A new law has been enacted in California to increase the minimum wage gradually from USD 10 to USD 15. The law will be made applicable to employers as follows:

- Employers with 26 or more employees will increase as follows:

Date	Wage per hour
1 January 2017	USD 10.50
1 January 2018	USD 11.00
1 January 2019	USD 12.00
1 January 2020	USD 13.00
1 January 2021	USD 14.00
1 January 2022	USD 15.00

- Employers having less than 26 employees will have to comply with the law one year later i.e. starting from 1 January 2018.

Asia-Pacific

Australia

Employer failed to meet superannuation guarantee obligations

In a recent case of Payne and Commissioner of Taxation [2016] AATA 104, the Administrative Appeals Tribunal confirmed that employers have a statutory obligation to ensure the appropriate level of Superannuation Guarantee (SG) contributions are made on behalf of employees to a complying superannuation fund.

The payment of SG contributions directly to an employee rather than into a complying superannuation fund would not be treated as superannuation contributions for the purposes of meeting an employer's SG obligations, even if instructions are given to the employee to use the payment to fund their superannuation contributions

Withholding tax for foreign residents disposing of Australian property

A proposal for the introduction of a 10% non-final withholding tax on payments made to foreign residents that dispose of certain taxable Australian property was announced on 14 May 2013. On 25 February 2016, the Bill for the proposal mentioned above has been passed and received Royal Assent.

Where a foreign resident disposes of certain taxable Australian property, the purchaser will be required to withhold 10% of the purchase price. This withheld amount needs to be paid to the Australian Taxation Office (ATO).

The new withholding regime will apply to contracts entered into on or after 1 July 2016.

Effective date – 1 July 2016

For more information, click here.

Small business tax concession benefits

This is a summary of various concessions available for a small business in Australia.

Small business – One can qualify for small business if the total turnover of the business is less than USD 2 million either in the year when the concession is used or the year before that.

The various types of concessions available to small business include:

- Instant tax write-off for each asset costing less than USD 20,000 for small businesses;
- Accelerated depreciation for primary producers;
- Immediate deduction of professional expenses for small business start-ups;
- Tax offset of 5 percent up to USD 1,000 for small unincorporated businesses;
- 1.5 percent small business company tax cut;
- No fringe benefits tax for providing multiple electronic devices to small business employees; and
- No income tax liability for asset rollovers when a small business is restructured.

For more information, click here.

Key superannuation rates and thresholds published by ATO

On 1 March 2016, the ATO announced new key rates and thresholds for the year 1 July 2016 to 30 June 2017 applicable to:

- Super contributions and benefits;
- Employment termination payments; and
- Super guarantee and co-contributions.

For more information, click here.

China

Tax changes related to e-commerce transactions

Recently, a circular has been published by the Chinese government which aims at clarifying the import tax policies for goods imported under cross-border e-commerce.

According to the circular, a limit of CNY 2,000 for a single transaction and CNY 20,000 for yearly transactions have been put in place. The transactions will enjoy a temporary zero percent tariff rate within these limits subject to certain conditions.

The transaction exceeding these limits will qualify for ordinary custom duties.

Effective date – 8 April 2016

New Zealand

Compliance with online service tax by overseas suppliers made simpler

The new tax on cross-border services is applicable from 1 October 2016. The government is ensuring simpler rules to ensure hurdle-free compliances by overseas companies.

Some of the important simplification measures are:

- Options provided for currency conversion;
- Withdrawal of agreement requirement for zero-rated B2B supplies;
- Sales invoices can be in foreign currencies and conversion into NZD is not required; and
- No special approval is needed from authorities to keep records offshore.

Simplification of tax rules for SMEs

The proposed update is related to a tax reform to support Small and Medium Enterprises (SMEs) which intends to simplify taxation and reduce compliance cost.

The key measures proposed are:

- From 1 April 2018, the new pay-as-you-go option will be introduced for small businesses;
- Withholding tax rate options will be provided to the contractors. They can select one which is applicable to them;
- Interest for use of money will be reduced or eliminated for the majority of the taxpayers; and
- For new debts after 1 April 2017, the one percent ongoing monthly penalty will be abolished.

For more information, click here.

New R&D tax rules for start-up companies

As per the new Taxation Act, 2016, start-up companies will be eligible to receive 28% of their tax losses (maximum of NZD 5,00,000) from research and development expenditure. It is termed as a cash-out loss.

For more information, click here.

Singapore

Amendments to the Singapore Income Tax Act

Recently, the Income Tax Act was gazetted. The change incorporates the Budget changes and also reflects other non-Budget changes.

The key points are summarised below.

- The top marginal income tax rate slab for resident individuals has been increased from 20% to 22%.
- Electronic filing of withholding tax will be mandatory for all returns filed from 1 July 2016.
- Entities that are currently enjoying tax incentives may also qualify for a further deduction of expenses relating to approved trade fairs, exhibitions, overseas development expense and salary expenses for employees posted overseas. These further deductions are subject to approval.
- The rate used by the Comptroller to calculate the interest payable on a refund of tax withheld will now be the prime lending rate adopted by the government. Prior to this, the fixed rate of interest was 5%. This new rate will be implemented from 1 July 2016.

For more information, click here.

UAE

New Sponsorship Law

As per the recent update, a 'New Sponsorship Law' was published in the Official Gazette.

The main provisions of the new law are summarised below.

- Under the prior provisions, an employee was required to obtain prior permission of the sponsor to exit from the country. Under the new provisions, a process is established wherein the employee can notify the authorities at least three days prior to departure. In such a case, the authorities will provide the sponsor three days to object to the departure. If no objection is raised, the sponsor can exit with no additional steps to be taken.

- In relation to the change of employers, the requirement of obtaining a 'No Objection Certificate' (NOC) applies only when the employee wishes to change the sponsor before the expiration of the fixed term mentioned in the contract. In all other circumstances, no NOC is required.
- The new law also lays down the guidelines for the employer's obligations to notify the authorities in case of resigning or similar circumstances.
- The employee debt rules, where the sponsor acted as a guarantor and was liable to pay, have been ruled out by the new law.

The new law is expected to be implemented in December 2016. However, the Gulf Cooperation Council (GCC) nationals are exempt from the application of the new law.

Change in exit rules relating to the conversion of visit visa to a residency permit

As per the recent update, the visa conversion requirements have been changed. Prior to the change, all visit visa holders in UAE who found a job had to exit the UAE to amend the residency status. The visa holders now are no longer required to exit the country to obtain the work permit. This rule is also applicable to spouses of residents that wish to amend their stay permits.

New Federal Law on commercial companies

The new commercial company's law of UAE was published in March 2015.

The key provisions introduced/amended by the new law are summarised below.

- Companies that are wholly owned by the government and those entities operating in the oil/energy sectors (if the government holds at least 25% stake) will be exempted from the new law. Furthermore, companies that were exempt from the old law may also be exempted from the new law subject to a resolution issued by the UAE Cabinet of Ministers.
- Out of the seven forms of business structures for companies that can be registered in the UAE, joint venture companies and share commandite companies have been eliminated. The remaining five forms are still permitted.
- The key changes affecting Limited Liability Companies (LLCs) would include changes in Emirati shareholder requirements for incorporation, the pledge of LLCs shares in the UAE, the pre-emption rights for shareholders, changes in the statutory quorum and the required notice period for general meetings.
- The key provisions affecting joint stock companies include changes in decisions issuable by resolution of the general assembly, the minimum number of founding partners and changes in the minimum and maximum subscription limit. Furthermore, changes in the minimum share capital requirement, the sale of shareholder's pre-emption rights and the introduction of the 'strategic shareholder' provision will also substantially affect joint stock companies.
- The new law imposes new penalties for non-compliance with the new provisions.

Effective date – Companies must comply with the new law by the end of June 2016.

For more information, click here.

Europe

Belgium

Legal entities acting as directors are liable for VAT

As per the recent update, the registration for VAT is applicable for legal entities acting as directors, administrators or liquidators. However, certain exemptions are available.

A VAT number needs to be applied for by legal entities acting as directors before 1 June 2016. Hence, directors' fees will now be subject to VAT and directors will be entitled to deduct VAT borne on their costs and expenses.

Effective date – 1 June 2016

Family Allowance exempted from social security contributions

As per the recent Belgium case law, Family Allowances are not to be considered as 'salary' for social security purposes as this allowance is only granted to a certain group of employees.

The maximum family allowance that can be exempted from social security contributions amounts to EUR 50 per month, per child.

Corporate tax reform announced for SMEs

As per the recent update, the Belgium government intends to improve the corporate income tax regime applicable to SMEs by introducing the following relevant tax measures:

- Reduction of the corporate income tax rate;
- Introduction of a carat tax;
- Introduction of a special tax regime related to the sharing economy; and
- Increase of the fight against fraud.

For applicability, translation of these measures into legislative texts is required.

Germany

Tax evasion plan by the government after publication of Panama papers

Recently, the German Finance Minister has announced the introduction of an action plan against tax avoidance after the publication of Panama papers. The Panama papers are confidential documents held by a Panama-based law firm which discloses methods of tax evasion and money laundering. This may affect most of the countries in the world. For more information, click here.

France

Termination of exemption for basic state pension contributions in France

As per the recent update, basic state pension contribution exemptions applicable to foreign employees has been abolished in France. Under this exemption, foreign workers (coming from a country that has not signed a social security agreement with France) were eligible to apply for an exemption from basic pension contributions.

Foreign employees that have applied for the exemption before this will still continue to enjoy the exemption.

In addition to this, France has also established a system for employees to recover the basic state pension contribution. All foreign and French employees who paid pension contributions for a period of 2 years or less can apply for a refund of contributions paid subject to certain specified conditions.

Effective date – 1 January 2016

Italy

Changes in disclosure requirements

A new law decree has been published recently. The disclosure requirements that apply to Italian regulated market trading companies and other EU market trading companies have been explained by this decree and includes the following:

- Extension of time limits from 60 days to 3 months for the publication of biannual financial statements;
- Obligation to disclose quarterly financial information by listed companies is being eliminated for the first and third quarter subject to certain condition;
- 2% to 3% increase has been made in the shareholding disclosure threshold limit; and
- Higher fines are applicable for breach of transparency obligations on corporate governance.

New procedure to communicate resignation

The new procedure to communicate resignations has been announced by the Minister of Employment by publishing a decree. As per the new procedure, the employee must fill out a resignation form that is available on the website of the Italian Ministry of Employment and Social Policies.

Electronic transmission of this form is required to be submitted to the relevant local employment office and the employer's certified mailbox by the employee. Employees may be assisted by the authorised bodies to submit the form on their behalf.

Effective date – 12 March 2016

New guidelines for international tax rulings and APAs

The Italian tax authorities issued new guidance on APAs. The procedures concerning international tax rulings have been revised in this new guidance. By means of an international tax ruling, taxpayers can enter into Advance Pricing Agreements (APAs) with the Italian tax authorities.

The guidance contains the application process and describes steps during the consideration and approval process. Approved APAs apply for the year in which it is signed and the following four tax years.

Luxembourg

Tax amnesty scheme introduced for two years

A tax amnesty has been introduced by the Luxembourg government recently. A two year opportunity (to declare certain previously undeclared income) has been provided to taxpayers by this amnesty.

Both corporate and individual taxpayers are covered by the tax amnesty. The tax amnesty covers corporate and individual taxpayers who hold/have held undeclared assets and/or received undeclared income in Luxembourg.

A 'corrective tax return' can be filed by such taxpayers and can pay the tax due on the income. For corrective returns filed in 2016, the tax due will be increased by 10% and by 20% for returns filed in 2017.

Poland

Penalty interest rate in Poland under Polish Ordinance Act

The Polish Tax Ordinance Act introduced the following discriminatory interest rates on late payment of taxes on 1 January 2016:

- Ordinary interest;
- Reduced interest; and
- Increased interest

The general rate of interest is 8% and the reduced interest is 50% of ordinary interest (i.e. 4%). It applies only if certain conditions of effective filing of returns and suo moto settlement of tax arrears within the stipulated timeline are fulfilled.

The application of an increased rate of 150% of the ordinary interest rate (i.e. 12%) comes to VAT and excise duty liabilities understated by taxpayers.

Portugal

Change in the retirement age to access old age pension

As per the recent update, the normal age for access to the old-age pension scheme will change from 66 years to 66 years and three months in 2017.

Effective date – From 2017.

For more information, click here.

New Remuneration Statement delivery established for employers

As per the recent update, the Remuneration Statement delivery process has been established. This process will allow employers one permanent interaction platform. This direct social security platform will be available in phases between May and September.

According to the Ministry of Labour, the government aims at reducing 15% of the time spent by employers in social security compliances. This will be done by the implementation of the new process of Remuneration Statement delivery.

For more information, click here.

Reporting due date extended to 30 June 2016

As per the recent update, the Portuguese authorities released an order extending the due date to report and communicate the relevant information to the Portuguese tax authorities under the Foreign Account Tax Compliance Act (FATCA) regime for Portuguese financial institutions.

The new due date is 30 June 2016 which was earlier 31 March 2016.

Romania

Introduction of new Tax Code

For the purpose of providing clarity on domestic corporate taxation, simplifying the tax collection process and reducing compliance cost for taxpayers, a new Tax Code has been introduced.

The significant changes in the new Tax Code are as follows:

- Advantage of double tax treaties cannot be taken on artificial cross-border transactions as per Romanian anti-abuse rules mentioned in the new Tax Code;
- 16% to 5% decrease in the tax rate of dividend income derived by non-residents; and
- Tax on special constructions for certain asset intensive industries (e.g. utilities and telecommunications) will be eliminated on 1 January 2017. For agricultural constructions, heavy taxation will be eliminated from 1 January 2016.

Switzerland

Swiss Corporate Tax Reform changes

Recently, the Swiss National Council voted to approve the Corporate Tax Reform III (CTR III). The main objective of the CTR III is to align Swiss tax laws with international standards in particular to the developments towards the OECD Base Erosion and Profit Shifting (BEPS) initiative.

The key highlights of CTR III are given below:

- Introduction of a Notional Interest Deduction (NID) at the federal level.
- Allowance of the tax-privileged release of hidden reserves for cantonal/communal tax purposes for companies transitioning out of tax-privileged regimes.
- A step-up for direct federal and cantonal/communal tax purposes upon the migration of companies or activities to Switzerland.
- Introduction of R&D incentives at the cantonal level in the form of excess R&D deductions (super deductions) for qualifying R&D expenditure.
- Introduction of a patent box at the cantonal level with an option for the cantons to offer full tax relief for qualifying incomes.
- Introduction of a tonnage tax for maritime shipping companies.

The UK

New State Pension effective from 6 April 2016

As per the recent update, a new State Pension is effective from 6 April 2016. The old basic State Pension plus an optional and variable plan is now replaced with the full new State Pension of GBP 155.65 per week.

The new State Pension can be claimed if a man is born on or after 6 April 1951 and if a woman is born on or after 6 April 1953. The new Basic State Pension is applicable only to those who reach the retirement age after 6 April 2016.

For more information, click here.

Tax relief for temporary workers for travel and subsistence

As per a new legislation, no tax relief will be available for travel between one's home and work. The GBP 5 per day subsistence allowance is also no longer available.

Effective date – 6 April 2016

For more information, click here.

Expenses exemption to replace dispensations

As per the recent update, dispensation provisions will be ceased from 6 April 2016. Her Majesty's Revenue and Customs (HMRC) has provided flat rates, which employers can use to pay the employees for particular expenses instead of reimbursing the employees at the actual cost.

If the employer pays a higher rate, the excess over the scale rate will be subject to the tax and National Insurance Contributions (NIC). If the employer pays lesser than the scale rate, then an employee can claim a deduction from the HMRC for the difference between actual expenses incurred and the amount reimbursed.

Effective date – 6 April 2016

For more information, click here.

Country-by-country reporting regulations issued

As per the recent update, multinational enterprises are required to make an annual Country-by-Country Report with details of the revenue, profit, taxes and other economic activities to the HMRC. These details are automatically shared with relevant tax jurisdictions.

Filing of these reports is required for accounting periods beginning on or after 1 January 2016.

For more information, click here.

Mandatory requirement for businesses to publish tax strategy

As per the recent update, there is a requirement that certain qualifying large business must annually publish its tax strategy on the internet before the end of each current financial year.

There is no requirement that the strategy should be published as a part of the group's financial statements.

The HMRC may impose penalties for failure to publish the tax strategy within the prescribed period. The penalty is GBP 7,500 for failure that continues for up to six months with GBP 7,500 chargeable for every month that the failure continues after six months.

For more information, read:

- The Finance Bill 2016 Draft Legislation; and
- Draft clause 65.

About SKP

SKP is a long established and rapidly growing professional services group located in seven major cities across India. We specialise in providing sound business and tax guidance and accounting services to international companies that are currently conducting or initiating business in India as well as those expanding overseas. We serve over 1,200 clients including multinational companies, companies listed on exchanges, privately held firms and family-owned businesses from more than 45 countries.

From consulting on entry strategies to implementing business set-up and M&A transactional support, the SKP team assists clients with assurance, domestic and international tax, transfer pricing, corporate services, and finance and accounting outsourcing matters, all under one roof. Our team is dedicated to ensuring clients receive continuity of support, right across the business lifecycle.

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