Global Expansion Updates

July 2018 | Issue 24

We are pleased to present the July 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 2018 tax filing deadlines for individuals in South Africa, effective date for revised withholding tax ordinance for employment income has been set in Switzerland and HMRC announces making tax digital for business – VAT.

Africa

Ghana

Mandatory Use of Fiscal Electronic Device for VAT Purposes

The Parliament of Ghana has sanctioned the Taxation (Use of Fiscal Electronic Device) Act, 2018 and it came into force on 4 May 2018. The Act serves the purpose to provide for the mandatory use of a Fiscal Electronic Device (FED) by taxable persons of specified categories at each point of sale and to promote non-cash sales transactions.

The FED is an electronic invoicing system to be used by taxable persons, and they are required to use and keep another as a backup, an approved FED, at each sales location on their premises. They are also required to maintain records including a printout of a summary sales report generated by the FED and records of transaction details accessible in a read-only mode. The records shall be retained for at least six years. Once the device is installed, it is mandatory for taxable persons to issue FED receipts to their customers.

A taxable person who fails to use the FED, be deemed to commit an offense and is liable on summary conviction to a fine of not less than GHS 500 and not more than GHS 2,000 or a term of imprisonment of not less than two years and not more than four years, or to both. Additionally, the Commissioner-General (CG) of Ghana Revenue Authority (GRA) may impose a penalty on the person apart from the above mentioned.

Kenya

Regularisation of Immigration Status

The Government of Kenya has commenced a work permit verification and registration exercise at the Department of Immigration Services (DIS) for the foreign nationals to regularize their immigration status in the country. The practice has been commenced since 21 May 2018 and will run up to 21 July 2018.

Foreign nationals who are working in Kenya on long-term work permits should appear physically at the immigration department for biometric registration along with the following documents:

- Original work permit
- Original passport endorsed with the work permit
- Valid original foreigner’s certificate or original waiting slip
- Official payment receipt
- Personal Identification Number (PIN) certificate.

It is also the employer’s responsibility to maintain proper immigration records for all foreign nationals working for them in order to produce the same (if required) at the Immigration Department.

Mauritius

Mauritius's FATCA Filing Deadline July 31

Recently, Mauritius Revenue Authority has cautioned financial institutions who are obliged to report information on the accounts of US persons under the US Financial Account Tax Compliance Act that declarations are required by 31 July 2018.

For more details, click here.

Highlights of Mauritius Budget 2018-2019

Recently, Mauritian Prime Minister has delivered the 2018-2019 Budget Speech. Following are the significant tax-related measures from the budget.

Individual-Related Measures:

The eligibility criteria and conditions for the negative income tax will be relaxed.

- The individual income tax exemption thresholds will be increased effective 1 July 2018 as follows:
  - Individual with no dependent - MUR 305,000

- Individual with one dependent - MUR 415,000
- Individual with two dependents - MUR 480,000
- Individual with three dependents - MUR 525,000
- Individual with four or more dependents - MUR 555,000
- Retired/disabled person with no dependent - MUR 355,000
- Retired/disabled person with dependents - MUR 465,000

- A new individual income tax rate of 10% will be introduced for individuals with an annual net income of up to MUR 650,000 (earlier it was 15%, single flat rate).
- A final withholding tax of 10% will be introduced on lottery winnings and winnings in casinos and gaming houses in excess of MUR 100,000.

Business-Related Measures

Companies subject to Corporate Social Responsibility (CSR) contributions will not be allowed to offset any unused tax credit such as the foreign tax credit against CSR payable, and those that have been granted tax holidays will be required to contribute to CSR.

- The Deemed Foreign Tax Credit (DFTC) regime available to companies holding a Category 1 Global Business License will be abolished as from 31 December 2018 and replaced with a new partial exemption regime whereby 80% of specified income will be exempted from income tax for all companies in Mauritius, except banks, including for:
  - Foreign source dividends and profits attributable to a permanent foreign establishment;
  - Interest and royalties; and
  - Income from the provision of specified financial services, subject to certain conditions.

An incentive system will be introduced for banks having chargeable income exceeding MUR 1.5 billion, including that any chargeable income in excess of the chargeable income for a set base year will be taxed at a reduced tax rate of 5% if pre-defined conditions are satisfied. The current special levy on Banks and the formula applied will be maintained up to June 2019, after which the special levy will be replaced by a new special levy under the VAT Act that will be charged on the net operating income derived by banks from its domestic operations.

- The Freeport regime will be amended, including the removal of the corporate tax exemption granted to Freeport operators and private Freeport developers on the export of goods will be removed, with grandfathering till 30 June 2021 for those that have been issued with a Freeport certificate before 14 June 2018.
- The 3% reduced rate of corporate tax applied to profits derived by any company from the export of goods will be extended to companies involved in global trading activities.
- The solidarity levy on telephony service providers per of book profit + 1.5% of turnover will be further extended for two years to June 2020, and will be made payable by profitable companies (the requirement for the book profit of a company to exceed 5% of its turnover will be removed);
- The DFTC regime available to banks will be abolished as from 1 July 2019, and will be replaced by a new regime specific that will make no distinction between Segment A and Segment B income, and will include the following tax rates:
  - Chargeable income up to MUR 1.5 billion will be taxed at 5 %; and
  - Chargeable income above MUR 1.5 billion will be taxed at 15%.
- Tax Deduction at Source (TDS) will be extended to 'commission payment' at the rate of 3%, and the TDS rate applied on rent paid to a non-resident will be increased from 5% to 10%.
- An investment tax credit of 5% over 3 years will be introduced in respect of expenditure in new plant and machinery (excluding motor cars) by a company importing goods in semi-knocked-down form on the condition that at least 20% local value addition is incorporated therein (applies for investments made up to 30 June 2020).
- To ease the cash flow of businesses, a VAT-registered person will no longer be required to pay VAT on import of capital goods in case the VAT payable exceeds MUR 150,000, although the VAT-registered person will still have to declare the import in the VAT return (currently VAT must be paid, but a refund may be claimed).
- A new Work@Home scheme will be introduced, which will allow for a double deduction from tax, of the wage and salary costs of employees under the scheme for the first two years, and an annual tax credit of 5% for employers on investments in the required IT system for the first three years.

South Africa

Amendments to 2018 Tax Filing Deadlines for Individuals

Announcements with respect to individual tax return filing submission deadlines.

The tax return filing season for individuals with a single source of income will be running from 1 July 2018 to 31 October 2018.

- The deadline for manual submission continue at the respective South African Revenue Service (SARS) branches continue to be on or before 21 September 2018.
- Provisional taxpayers and Non-provisional taxpayers who use eFiling have until 31 January 2019 and 31 October 2018 to submit their tax returns.
- An individual is not required to complete a tax return if the following conditions are satisfied:
  - Receives remuneration from one source only
  - Whose earnings do not exceed ZAR 350,000
  - The tax has been withheld at source.

  However, this will not apply if the person has received an allowance, advance or taxable benefit.

No extension of the due date will be granted, and administrative penalties for late submissions may be imposed.

Americas

Argentina

Updated Minimum Tax and Exemption Thresholds for Withholding Tax

Recently, a resolution has been published which updates withholding tax on specified payments made to individuals, companies, trusts and certain other persons when domiciled or resident in Argentina, and it also includes interest, royalties, rental payments, professional service fees, etc.

General minimum withholding has been increased from ARS 90 to ARS 150, and from ARS 450 to ARS 650 for urban real estate rental payments in case of a beneficiary is a non-registered person.

- Withholding exemption threshold has been increased for professional service fees from ARS 7,500 to ARS 10,700, for rental payments from ARS 5,000 to ARS 7,120, and for interest and royalties from ARS 3,500 to ARS 5,000.

Canada

New Biometrics Requirements Introduced for Foreign Inhabitants

The government has introduced the requirement of biometrics (photograph and fingerprints), as a part of the application for a visitor visa, work or study permit, permanent residence, or refugee or asylum status, depending upon the nationality of the foreign inhabitants.

Starting from 31 July 2018, applicants from Europe, the Middle East, and Africa will be required to provide biometrics.

From 31 December 2018, the requirement will be expanded to applicants from Asia, Asia Pacific, and the Americas.

Applicants will only need to give their biometrics once every 10 years. An exemption is available to following persons:

Canadian citizens, existing permanent residents

- Children under the age of 14 and applicants over the age of 79
- Visa-exempt nationals entering Canada as tourists who are ETA (Electronic Travel Authority) holders.

United States

No change in Interest Rates for Third Quarter of 2018

The Internal Revenue Service today announced that interest rates would remain the same for the calendar quarter beginning 1 July 2018, as they were in the quarter that began on 1 April 2018. The rates will be:

5% for overpayments, 4 % in the case of a corporation;

- 2.5% for the portion of a corporate overpayment exceeding USD 10,000;
- 5% for underpayments; and
- 7% for large corporate underpayments.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3% points.

Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3% points, and the overpayment rate is the federal short-term rate plus 2% points. The rate for large corporate underpayments is the federal short-term rate plus 5% points. The rate on the portion of a corporate overpayment of tax exceeding USD 10,000 for a taxable period is the federal short-term rate plus 0.5 of a percentage point.

The interest rates announced today are computed from the federal short-term rate determined during April 2018 to take effect 1 May 2018, based on daily compounding.

For more information, click here.

Asia-Pacific

Australia

Increase in National Minimum Wage

The Fair Work Commission has announced a 3.5% increase to minimum wages. The increase applies from the first full pay period starting on or after 1 July 2018. The new national minimum wage will be AUD 719.20 per week or AUD 18.93 per hour.

For more details, click here.

Superannuation Guarantee Amnesty announced

The Minister for Revenue and Financial Services announced Superannuation Guarantee Amnesty (the Amnesty). The legislation is intended to apply retrospectively once enacted.

The Amnesty is a one-off opportunity for employers to self-correct past Super Guarantee (SG) non-compliance without penalty. To be eligible for the Amnesty you must disclose your SG shortfall amount including nominal interest to Australian Tax Offices (ATO) within the 12-month Amnesty period.

Penalties and charges will not be applicable for the shortfalls and lodgements made correct during the Amnesty period. However, there will be huge penalties in the case of employers who choose not to self-correct any shortfalls of SG payments to their employees during the Amnesty period.

The benefit of Amnesty will not be available where there will be any on-going SG audit.

Eligible period: 24 May 2018 to 23 May 2019

For more detail, click here.

Deferred GST Scheme

There is a deferred GST scheme available for importers, which allows deferring the payment of GST on taxable imports into Australia until the first activity statement lodged after the goods are imported.

Eligibility to participate in the scheme – the importer must:

Have an ABN and be registered for GST;

- Lodge the business activity statements electronically on a monthly basis; and
- Have no tax debts.

However, in case if the taxpayer fails to meet these conditions, the taxpayer will automatically fail to be part of the deferred GST scheme, leading to:

Customs to stock all the goods until GST is paid for releasement;

- The taxpayer again registers for the scheme.

For more information, click here.

Queensland Budget 2018-19: Payroll Tax

In the Budget 2018-19 announcement, the Queensland government committed extension of the 50% payroll tax rebate for wages paid to apprentices and trainees until 30 June 2019. The rebate can be used as an offset against payroll tax payable on the wages of other employees.

For more information, click here

Tasmanian Budget 2018-19: Payroll Tax

In the Budget 2018-19 announcement, the Tasmanian government committed extension of the Payroll Tax Rebate Scheme (PTRS) for apprentices and trainees in areas of skills shortages to 30 June 2021.

The Budget states to introduce a reduced rate of the payroll tax for wages between AUD 1.25 million and AUD 2 million and provide a local business relocation payroll tax holiday to support interstate businesses relocating to Tasmania and establishing operations in a regional area.

For more information, click here

Victoria Budget 2018-19: Payroll Tax

In the Budget 2018-19 announcement, the Victoria government proposed to reduce the payroll tax rate from 3.65% to 2.425% for qualifying regional businesses. The change will come in effect from 1 July 2018.

A regional business is a business with an ABN registered in regional Victoria, which pays at least 85 of its payroll to regional employees.

For more information, click here.

Updates for Employer Nominated Visas

The Department of Home Affairs recently provided a number of important updates on issues relating to Employer Nominated Visas (Temporary Skills Shortage (TSS) visas, and Sub-class 186/187 visas):

Following will be implemented during the year:

Skilling Australians Fund (SAF) levy - From the implementation date, the SAF levy will be payable on all TSS and subclass 186 and 187 nomination applications;

- Labour Marketing Testing including using LinkedIn for recruitment purposes;
- Obtaining Permanent Residency (PR) for 457/TSS visa holders.

Personal Income Tax Amendments

The government's Personal Income Tax Plan, as announced in the 2018-19 Federal budget, has been passed by the Parliament.

Following are the amendments applicable for the year 2018-19:

The top threshold for the 32.5% bracket has increased from AUD 87,000 to AUD 90,000;

- A new low and middle-income tax offset is available to individuals with a taxable income less than AUD 125,334. Entitlement to the new offset is in addition to the existing Low Income Tax Offset and is available on assessment after you lodge your income tax return.

Effective date: 01 July 2018

For more information, click here.

Tasmania budget 2018: Payroll Tax amendments

Key changes with respect to payroll tax from the recent budget:

The payroll tax rate for wages between AUD 1.25 million and AUD 2 million will be reduced from 6.1% to 4%. The current rate of 6.1% continues for wages over AUD 2 million.

- A three-year payroll tax exemption introduced for wages paid to employees for interstate employer relocating to Tasmania and establishing its operations in Tasmania.
- The current Payroll Tax Rebate Scheme (PTRS) for apprentices and trainees has been extended for a period of three years for small businesses in certain sectors like building and construction, tourism and hospitality, and manufacturing.

Effective date: 01 July 2018

Tax Ruling (2018/5) on Corporate Residency

ATO released a final ruling on corporate residency on 21 June 2018. The Tax Ruling (TR 2018/5) states that any company with its Central Management and Control (CMAC) in Australia will be tax resident in Australia, regardless of where its trading operations are carried out.

The Ruling (TR 2018/5) applies retrospectively from 15 March 2017 (the date the old ruling was withdrawn). However, there is a transitional period up to 21 December 2018 for companies to analyze and rearrange their CMAC in Australia to move their CMAC out of Australia.

A company is a resident or a resident of Australia under the CMAC test of residency if it:

Carries on business in Australia; and

- Has its CMAC in Australia.

Immediate steps should be taken by the companies to clarify the residential position and to identify the key risk factors if creating any dual residence in Australia and any other country.

For more information, click here.

Hong Kong

Gazettal of Inland Revenue (Amendment) Bill, 2018 on Three Tax Concession Measures

The Inland Revenue (Amendment No. 5) Bill, 2018 (Amendment Bill) will be gazetted on June 8. It seeks to implement three tax concession measures as proposed in the 2018-19 Budget:

- To allow husband and wife the option of electing for Personal Assessment (PA) separately.
- To allow enterprises to claim the tax deduction for capital expenditure incurred for procuring environmental protection installations in full in one year instead of over five years.

- To extend the scope of tax exemption for debt instruments under the Qualifying Debt Instrument (QDI) Scheme.

For more information, click here.

Europe

Belgium

Update on Belgium VAT

Recently, The Belgian government has proposed below changes in the VAT.

VAT exemption for free and charitable gifts of foods.

- Eligibility of range of company for the flat rate scheme is to be limited from 2020.
- Reverse charge is not applicable for VAT registered businesses using the special scheme on construction services.
- Expansion of social services work which is entitled to a VAT exemption.
- Documentary supporting's changed on new builds for VAT reduction.

Corporate Tax Return Due Dates 2018

Recently, the Belgian tax authorities confirmed that the tax return filing deadline of the corporate/non-resident income tax return is 27 September 2018 for companies with a financial year ending on 31 December 2017.

Earlier, Belgium had introduced additional documentation obligations (examples - Country-by-Country (CBC) notification, the Local File and the Master File) which are to be filed if a company or the group of companies exceeds certain thresholds.

The local file mentioned above is to be filed with the tax return on 27 September 2018. The CBC notification and the Master File is to be filed within 12 months after the last day of the reporting period of the group.

France

New Data Protection Law Declared by Constitutional Council

In June 2018, The French Constitutional Council has delivered its ruling regarding the new data protection law implementing the EU General Data Protection Regulation (GDPR).

Earlier, Senators referred the newly adopted data protection law to the Constitutional Council, resulting in blocking its promulgation on time for the GDPR's entry into the application. This comes finally to an end. It has been revealed that Senators had several grievances against the new law.

The law will be promulgated in the next days. France will be one of the E-countries who has completed the adaptation of their national law to align with GDPR.

Italy

Pay Check without Quir for Private Employees

Employees in private sector who have opted for the benefit on a monthly basis from the accrued portion of the severance pay Trattamento di fine Rapporto (TFR) are no longer eligible for "Supplementary Compensation Quota" (Quir) in their payroll.

The tentative period has expired for workers to request their employer to liquidate the accrued portion of the severance pay (TFR), in the form of supplementary monthly salaries. This measure has been introduced in Stability Law 2015.

Effective date: 01 July 2018

Salary Payment by Bank Transfer From 1 July

In Italy, it is mandatory to pay salary by bank transfer only. From 1 July 2018, the salaries will no longer be paid cash, but only with credit transfers or other electronic payment instruments after signing of an agreement between the government and the trade unions and employers' associations, with the Italian Banking Association and with Poste Italiane.

Following payments have been excluded from the above notification –

The employment relationships with the PA, already subject to the prohibition to make payments of salaries or cash compensation in excess of 1,000 euros;

- caregivers and domestic workers working at least four hours a day with the same employer;
- Scholarships;
- Compensation for company directors;
- Compensation for occasional self-employment.

Effective date: 1 July 2018

Sweden

Sweden Enacts Major Corporate Income Tax Changes

Recently, the Swedish Parliament announced significant below changes in the corporate taxation.

Introduction of new interest deduction to 30% of earnings before interest, tax, depreciation, and amortization (EBITDA)

- Corporate income tax rate reduced from 22% to 20.6%
- Tax rules for financial leasing are introduced
- Accelerated depreciation introduced on tenement buildings

Switzerland

Effective Date for Revised Withholding Tax Ordinance for Employment Income Has Been Set

The effective date for the revised withholding tax ordinance for individual employment income has been set as 1 January 2021. The main revision to the ordinance is that quasi-residents must be granted the same deduction options as permanent residents under ordinary assessment. Quasi-residents are those employees who are not domiciled in Switzerland, but a major part of their income is from Switzerland sourced income. The ordinance provides that quasi-residents may request an ordinary tax assessment, file a return, and claim allowed deductions if at least 90% of their gross global income has been earned in Switzerland.

United Kingdom

Disguised Remuneration Settlement Terms

Her Majesty's Revenue and Customs (HMRC) had introduced a Disguised Remuneration Settlement Scheme in November 2017. The deadline to register for this scheme was 31 May 2018. Such taxpayers who are willing to settle its liabilities in connection with disguised remuneration schemes before the new loan charge comes into effect have to register within this due date.

Taxpayers who have registered under this scheme are required to provide information to HMRC by 30 September 2018.

Making Tax Digital Pilot for Self-employed

HMRC has extended the Making Tax Digital (MTD) pilot to landlords who receive income from UK property (excluding furnished holiday lettings), in addition to self-employed sole traders.

As part of the MTD pilot, self-employed businesses can voluntarily use software to keep their business records digitally and send Income Tax updates to HMRC, instead of filing a Self Assessment tax return.

For more information, click here.

HMRC announces Making Tax Digital for Business – VAT

The Financial Secretary to the Treasury and Paymaster General announced that (MTD) for VAT will come into effect from April 2019. From that date, businesses with a turnover above the VAT threshold (currently GBP 85,000) will have to:

Keep their records digitally (for VAT purposes only); and

- Provide their VAT return information to HM Revenue and Customs (HMRC) through Making Tax Digital functional compatible software.

HMRC also confirmed that MTD would be available on a voluntary basis to other businesses, for both VAT and Income Tax.

For more information, click here.

Introduction of Welsh Income Tax

Effective 6 April 2019, income taxes of people living in Wales will be paid to the Welsh government. Earlier, all Income Tax from Wales was paid to the UK government.

From April 2019, the Welsh government will set the rate of income tax for Welsh resident taxpayers, but this will continue to be collected by HMRC.

Welsh resident taxpayers employed or in receipt of a pension will have a tax code beginning with C.

For more information, click here.

Brexit EU Settlement Scheme

Recently, the U.K. government published its Statement of Intent wherein it confirmed that EU nationals, who have been continuously resident in the U.K. for at least five years before 31 December 2020, should be eligible to apply for "settled status," which is the same as the current immigration permission called "Indefinite Leave to Remain."

For more information, click here.

Reverse charge Introduced for UK Construction Services

Effective from 1 October 2019, HMRC has introduced reverse charge VAT to supplies of construction service. After the introduction of reverse charge, the customer will be liable to account to HMRC for the VAT in respect of supplies of certain construction services instead of the supplier. The customer will pay the supplier for the services but will pay the VAT element direct to HMRC.

Effective Date: 1 October 2019

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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