

Global Expansion Updates



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We are pleased to present the November 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 Mauritius extending the deadline for filing asset statement, change in the RRSP contribution limit in Canada, Malaysian 2018 National Budget of individual income tax and important tax provisions in 2018 budget in Ireland.

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Africa

Mauritius

Deadline extended for filling asset statement

Recently, the deadline for the submission of statement of assets and liabilities for the fiscal year ended 30 June 2017 for individual taxpayers, along with their income tax returns, has been extended until 1 October 2018 by the Mauritian government.

For more information, click [here](#).



Americas

Canada

Proposal for reduction in small business tax rate to 9% by 2019

It is proposed under private company tax proposals that the small business tax rate would decrease from 10.5% to 9% by 2019. This tax rate reduction would be reduced to 10% effective 1 January 2018 and to 9% effective 1 January 2019.

New requirements in Canada's Citizenship Act

In October 2017, a few new requirements in the Canadian Citizenship Act have come up. Following are some changes one needs to know before applying for Canadian citizenship.

- As per the new rules, applicants need to be physically present in Canada for three out of five years for being eligible (earlier, it was four out of six years), and the criteria to be present for a minimum of 183 days per year in four out of six years is repealed.
- A portion of time spent in Canada before becoming a permanent resident will count toward residency requirements. The time spent in Canada for becoming a permanent resident does not count towards the physical presence requirement. Once the applicant becomes the permanent resident he/she has to be in Canada for additional two years to apply for citizenship.
- Applicants between 18 and 54 years (earlier 14 and 64 years respectively) will have to pass the language and citizenship knowledge test.

Change in RRSP contribution limit

Registered Retired Savings Plan (RRSP) is a legal trust registered with Canada Revenue Agency which is used for retirement. The maximum age of the contributor has been increased to 71 years from 69 years. The RRSP

contribution is based on the 'earned income'. If the taxpayer was not a resident and had income from employment or business income, then it may constitute as earned income. The annual contribution limit for RRSP, for the year 2018, is CAD 26,230 (increased from CAD 26,010 in 2017).

Mexico

Tax benefits in areas affected by earthquake

Recently, a decree has been published in the federal official gazette to provide benefits to taxpayers who have their fiscal domicile, branch, agency or any other establishment in the areas affected by the earthquake.

Following are the significant benefits provided by the decree :

- Exemption has been given to entities in affected areas for provisional tax payment from September to December 2017 for the income of the legal entities, and certain individual taxpayers.
- Exemption to present tax declaration of the fifth and sixth bimester of the fiscal year 2017, which could be presented on January 2018.
- Investments made from 19 September 2017 to 31 March 2018 in new goods of fixed assets will be eligible for immediate deduction.
- Furniture, office equipment, cars, co-shielding machinery and aircrafts, other than those dedicated to agricultural fumigation, are non-applicable. Goods will be considered new when they are used for the first time in Mexico.
- Taxpayers who make salary income payments and provide subordinated personal services (with the exempt of similar salary income), which consists in defer for three partialities the payment of the income tax withholding corresponding to the months of September, October, November and December of 2017.

- Value Added Tax (VAT) and Excise Tax on Production and Services (IEPS) will be payable in equal and successive partialities.

VAT Refund request which was submitted before 16th October 2017, will be processed within a period of 10 days.



Asia-Pacific

Australia

Payroll tax amendments introduced in Western Australia

The Government of Western Australian has introduced a legislation to implement a new temporary payroll tax scale for the large employers. The same will be applicable to large employers from 1 July 2018 until 30 June 2023.

Under the amendments, West Australian employers with an Australia-wide payroll between AUD 100 million and AUD 1.5 billion will have that part of their payroll taxed at a rate of 6% and the employers with an Australia-wide payroll exceeding AUD 1.5 billion will have that part of their payroll taxed at 6.5 percent. The current tax rate is 5.5 percent.

Contributing the proceeds of selling home to superannuation

The Australian government recently announced that from 1 July 2018, individuals aged 65 and over will be able to make a contribution to superannuation fund of up to AUD 300,000 from the proceeds of selling their home. These contributions will not count towards the concessional or non-concessional contribution caps and the individual making the contribution will not need to meet the existing age limit, work experience or AUD 1.6 million balance tests for contributing to the fund.

However, the conditions of owning the home sold by the individual for the past 10 or more years, and have been the principal residence of the property must be satisfied. Both members of a couple can contribute to the fund under this policy from the proceeds of the sale.

For more information, click [here](#).

Malaysia

Introduction of tax exemption order for payment to non-residents

In October 2017, the Income Tax Exemption Order, 2017 was published in the Federal Gazette. The exemption order exempts non-residents from paying income tax in respect of fees received, where services are performed and rendered outside Malaysia. It also states that withholding tax obligations will not be applicable to the exempted income.

However, the exemption order does not apply to the period from 17 January 2017 to 5 September 2017. Accordingly, provisions on taxation withholding will continue to apply during that period even if the services were performed outside Malaysia (subject to the double tax agreement).

2018 National Budget highlights of individual income tax

The 2018 National Budget was announced by Malaysia's Minister of Finance on 27 October 2017. The relevant reforms in taxes for an individual are summarised below:

- The budget would reduce individual income tax rates for resident individuals by 2% for three of the chargeable income bands as follows:
 - For chargeable income from MYR 20,001 – 35,000, the rate will be decreased from 5% to 3%
 - For chargeable income from MYR 35,001 – 50,000, the rate will be decreased from 10% to 8%.
 - For chargeable income from MYR 50,001 – 70,000 the rate will be decreased from 16% to 14%.
- Rental income earned from residential homes owned by resident individuals currently is subject to tax at rates ranging from 0% to 28%. The budget would provide a 50% income tax exemption on such income.

- Period of relief for net savings in the National Education Savings Scheme (SSPN) has been extended to Year of Assessment (YA) 2020, where resident individuals have been eligible for tax relief of up to MYR 6,000.
- Women who go back to work after a career break of two or more years as of 27 October 2017 would be able to apply for an individual income tax exemption on their employment income for a maximum of 12 consecutive months.

Singapore

Income Tax (Amendment) Bill, 2017 was accepted

The Income Tax (Amendment) Bill, 2017 was passed by the Singaporean government in October 2017.

Following are the few changes to income tax policy:

- Taxpayers can claim a tax deduction for full payments made under cost sharing agreements for qualifying research and development projects without the need to provide a cost breakdown.
- Personal income tax rebate of 20% of tax payable will be granted to all individual tax residents in 2017, capped at SGD 500 per taxpayer.
- Going forward, maintaining the transfer pricing documentation for businesses with gross revenues of more than SGD10 million with significant related-party transactions has been made mandatory.
- The government will also raise the maximum amount to contribute by an employer to his employee's Medisave account under the Additional Medisave Contribution Scheme from SGD 1,500 to SGD 2,730 per year and will also increase the maximum amount of tax-exempt voluntary contributions.
- The Ministry of Finance will increase the contribution made by employers to employees' Medisave accounts until employee reaches to the applicable basic healthcare sum of SGD52,000. After that, any contribution made will be refunded without any interest.
- The maximum tax deduction to the employer for these voluntary contributions will also be increased to SGD 2,730. Self-employed taxpayers will receive tax exemptions up to the same limit.

Thailand

Social security contributions increased

Recently, the Social Security Office announced that maximum social security contribution for employees and employers will be increased from THB 750 per month to THB 1,000 per month.

Effective Date: 1 January 2018



Europe

Belgium

The list for daily lump-sum allowances as from 1 October 2017 is published

In Belgium, a company can pay daily lump-sum allowances for foreign business travel to employees or company directors to reimburse certain expenses.

These lump-sum reimbursements for short business trips abroad are determined on the basis of the list of allowances paid by the Federal Public Department of Foreign Affairs and the Belgian tax authorities accept the classification as a non-taxable reimbursement of costs.

The lump-sum reimbursements for long business trips abroad should be calculated according to the allowances paid by the Federal Public Department of Foreign Affairs and is limited to 60% of the amounts applicable for civil servants on an assignment abroad.

Daily lump-sum allowances paid to reimburse these expenses can be exempt from tax for business trips of up to 24 months.

Recently, a new list of daily lump-sum allowances applicable from 1 October 2017 has been published.

Belgian tax reform: Reduction of tax benefits for individuals

Recently, the Belgian tax authority announced that if a tax resident leaves Belgium during the calendar year and breaks tax residency during the year, then tax reductions like lump sum professional expenses, marital quotient, etc., and deductions of tax free amount, pension savings, etc. will be granted on a pro rata basis.

Similar tax legislation will come to force for non-residents of Belgium.

Effective Date: 1 January 2018

Increase in salary thresholds from 2018

Effective from 1 January 2018, salary thresholds for highly skilled foreign employees, executive-level personnel and European Union (EU) Blue Card holders will increase.

The 2018 new salary thresholds will be 2.1% higher than the 2017 rates (EUR 40,124 for highly skilled employees, EUR 66,942 for executive-level managers, EUR 51,882 for EU Blue Card holders).

Corporate income tax reform – PR and note released

Recently, the Belgium tax authority published a few changes in the Corporate Income Tax (CIT). These changes are part of the 'Revival Act'. Some of these changes are:

- Reduction in the CIT rate from 33% to 29% in 2018 which will be further reduced to 25% in 2020.
- The surcharge will be reduced from 3% to 2% in 2018 and will be abolished from 2020.
- Current deduction of 95% has been increased to 100% of the dividends received for corporate shareholders.
- Increase in investment deduction for Small and Medium Enterprises (SMEs) and sole entrepreneurs from 8% to 20% for investments made between 1 January 2018 and 31 December 2019.
- Employees holding bachelor degrees in biotechnical, industrial sciences and nautical sciences, product development and business administration will be exempted from the salary withholding tax.
- Capital gains tax rate on the termination of a sole proprietorship will be set at 10%.

Denmark

Increase in tax rate of Special Tax Scheme for expatriates

In August 2017, the Danish government announced initiatives to strengthen Danish business environment and entrepreneurship in the global economy that includes change in the tax rate of special tax scheme from 26% to 27%. Accordingly, the effective rate will be increase from 31.92% to 32.84%.

France

Developments in the flat-rate plates for calculation of employees contributions

Currently, contributions are calculated on a flat-rate basis instead of actual gross remuneration for some categories of employees. From 1 September 2017, following categories are deleted from the flat-rate plates:

- Persons engaged in work of local interest, on payment of an allowance paid under an agreement between the state and the department.
- Auxiliary guardians of historic monuments employed by the state.
- Managers of telephone booths.
- Operators of the national theatres of the French comedy and the National Theatre of Chaillot.
- Junior golfers.
- High seas pilots and naval assistants going back to Rouen, Paris and beyond.

Employers must calculate contributions on the basis of the actual gross remuneration.

Due dates for the payment of social security contributions

The payment of social security contributions shall be made by the following deadlines:

- For employers whose workforce is at least 50 employees and salary is paid during the same working month - 5th of following month for which remuneration is due.
- 15th in other cases.

Employers whose workforce is more than 11 employees will have to pay their dues and contributions on a monthly basis. It is possible to opt for quarterly payment by requesting for the same by the end of November.

Changes to the severance pay as per labour law reform

Major reforms in labour law have been announced by the French President recently. Accordingly, employees

under permanent employment contracts will be entitled to severance pay if they have served for at least eight months (one year before) in a company. Henceforth, the minimum legal severance pay will be 25% (20% before) of a month's salary per year of seniority up to 10 years of service, and after 10 years of service, 33.33% of a month's salary per year of seniority.

Ireland

Important tax provisions in Budget 2018

Recently, the 2018 Budget has been announced in Ireland. Following are the significant measures announced in the budget with respect to tax:

- Stamp duty rate for commercial property has been increased from 2% to 6%.
- To facilitate the use of share based remuneration by Small and Medium Enterprises (SMEs), share based remuneration incentive has been introduced.
- For intangible assets acquired, limit of capital allowances and interest up to 80% is to be re-introduced.
- There was no mention of any expansion of the entrepreneur relief for capital gains tax; thus, the existing limit of EUR 1 million that is subject to the 10% tax rate would continue for 2018.
- Universal Social Charge (USC) rate is to be reduced from 2.5% to 2%, and the ceiling for this rate will be increased from EUR 18,722 to EUR 19,372, The 5% rate of USC will be reduced to 4.75%.
- The earned income credit for the self-employed is to be increased from EUR 200 to EUR 1,150 per year from 2018.

The Netherlands

Significant changes in VAT rate

Recently, the Value Added Tax (VAT) rate has been increased from 6% to 9% in the Netherlands. The revised VAT rate will be levied on basic foodstuffs, books, hairdresser services, swimming pool, medicines, art, antiques, entry to museums, zoos, theatres and sports and a variety of other services.

Effective date: 1 January 2019

Norway

Summary of Budget 2018

Recently, the State Budget for 2018 has been proposed by the government. Following are some of the important features with respect to tax of the Budget.

- Proposal for reduction in corporate tax from 24% to 23%.
- Capital tax - unchanged rate, increased discount on shares and fixed assets.

- Removal of tax class 2.
- Regardless of income size, spouses will be taxed separately for their income and each spouse will receive tax deductions in tax class 1.
- Changes in the financial tax are postponed.
- Changes in the interest rate limitation rule are postponed.
- Changed taxation date of options in employment for small, newly established companies.
- Reduction in tax exemption for income from rental of own housing.
- Transitional rule is to be changed for share saving account.
- For the energy and transport sector social security contributions are to be distinguished.
- VAT rate is to be increased on broadcasting fees, hotel accommodation, passenger transport, museums, cinema tickets, etc.

For more information, click [here](#).

Changes in the rules for withholding tax on dividends

Recently, new rules have been introduced with respect to documentation requirements and approval processes for obtaining partial relief or a full exemption 'at source' for the withholding tax on dividends.

There is no change in law, but the procedures and requirements have been modified.

Tax free day travel reimbursement explained

Recently, clarification on tax-free day travel reimbursement has been provided by the tax administration. The clarification specifies that tax-free reimbursement is allowed for travel costs incurred on an assignment that is not ordinary work. Any allowance paid for remote place of work cannot be regarded as a travel assignment and same will be liable to tax.

Proposal from EU for signing VAT Cooperation Deal

Recently, a proposal has been released by the European Commission for an European Union (EU) Council decision on the signing of an agreement between the EU and Norway, to support Value Added Tax (VAT) enforcement activities.

Norway is not a member of the EU. Any sale from a Norwegian business to a customer in the EU is considered an export from Norway. Norwegian exports are exempt from VAT, but local VAT is added when goods are cleared through customs in the EU. Similarly,

a seller in an EU member state should not charge local VAT on goods exported to a Norwegian customer, as Norwegian VAT is added when the goods are cleared through customs in Norway.

United Kingdom

Introduction of new tax incentives for Low-Income Savers

Recently, Her Majesty's Revenue and Customs (HMRC) has introduced tax incentive schemes to encourage people with low incomes to save under a new scheme which is set to launch in 2018.

Under the new scheme, savers can deposit up to GBP 50 (USD66) per month over a four-year period and could receive up to GBP 1,200 in tax-free bonuses.

After two years, savers will get a 50% bonus on their maximum balance and customers can continue with their saving for another two years and enjoy 50 percent bonus on additional savings.

The scheme will be open to working people who receive Working Tax Credits, and those who receive Universal Credit with a household income equivalent to at least 16 hours a week at the national living wage (currently GBP 120 a week).

Parental bereavement leave bill published by the government

Recently, HMRC published Parental Bereavement (Pay and Leave) Bill which offers two weeks paid leave to any employed parent who loses a child under the age of 18. This leave will be made available to every employee who is eligible for this irrespective of their length of service.

Statutory parental leave will be available to employed parents with a continuous service of 26 weeks.

HMRC will review this again in October 2018 before passing it as a law in 2020.

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