Global Expansion Updates

November 2018 | Issue 28

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 are - South Africa Postpones e-Services VAT Changes, New-employer tax credit for paid family and medical leave available for 2018 and 2019 in the United States, New Tax Revenue Portal in Australia and Norway National Budget 2019.

In this issue

Africa

Kenya

Kenya Publishes Finance Act 2018

Key highlights of the Finance Act 2018 include:

- The definition of dividends has been widened to include a crucial aspect that any amount paid by a company on behalf of its shareholder or a person related to the shareholder will be deemed a dividend.
- The compensating tax rate will be reduced from 42.8% to 30% to align with the corporate tax rate that will be effective from 1 January 2019;
- A new presumptive tax of 15% will be applicable with effect from 1 January 2019, on the business permit or trading license fees on issuance and renewal for small businesses (turnover below KES 5million). This will replace the turnover tax;
- Withholding tax @20% will be applicable on demurrage charges paid to the non-resident persons in relation to the Port of Mombasa;
- The introduction of a contribution of 1.5% of monthly earnings, towards the National Housing Development Fund, by both the employers and the employees with a maximum cap of KES 5000 per month;
- Amendments to the VAT rates for certain types of services;
- Introduction of VAT exemptions for certain types of goods and services;
- The tax amnesty scheme has been extended from 30 June 2018 to 30 June 2019, and will also cover the tax year 2017;
- Minimum time limit to apply for a tax return extension. The taxpayer should apply at least 15 days prior to a monthly return deadline and 30 days prior to an annual return deadline, and the tax authority must respond at least five days prior to the return deadline;
- An increase in late payment interest from 1% to 2% per month and the introduction of a 5% late payment penalty on the amount due.

Malawi

Change in the Commercial Rate for Fringe Benefit Tax

The Malawi Revenue Authority (MRA) announced to all employers that the applicable commercial rate for calculating Fringe Benefit Tax (FBT) on concessional loans provided by the employer to an employee is 30% for the quarter ending 30 September 2018.

Employers who fail to comply with the Fringe Benefits Tax Regulations attract penalties.

Nigeria

Public Notice on New Transfer Pricing Regulations

The FIRS issued a public notice post to the introduction of Transfer Pricing (TP) regulations, which states that the new TP Regulations are effective from 12 March 2018. Non-compliance will attract the penalties contained in the relevant provisions of the regulations.

Furthermore, through the notice, the FIRS has granted taxpayers up to 31 December 2018 to discharge all their outstanding obligations relating to filing the TP declarations/returns, making disclosures of controlled transactions, submitting of TP documentation, etc.

For more information, click here

South Africa

South Africa Postpones e-Services VAT Changes

The South African government has postponed the implementation date to update the definition of electronic services (e-Services) for the purposes of VAT instead of 1 October 2018 to 1 April 2019.

Furthermore, the registration threshold will be increased from Rand 50,000 to Rand 1 million, aligning it to the domestic compulsory VAT registration threshold.

The new proposal intends to remove a number of e-services currently exempted from the VAT. In addition, online platforms providing the base for e-services will also be responsible for registration, issuing invoices and collections on such supplies.

Penalties for Non-Submission of Corporate Income Tax Returns

The South African Revenue Service (SARS) has introduced administrative penalties for late filing of Corporate Income Tax (CIT) returns. These penalties will be raised in terms of section 210 of the Tax Administration Act, and the required gazette will be issued in terms of section 210 (2) of that Act. The penalty will be applicable after 7 December 2018, which means that the outstanding CIT returns that were filed on or before the above-mentioned date can prevent the imposition of a penalty.

For more information, click here

Uganda

Revocation Notice on VAT Designation of Tax Withholding Agents in Uganda

Uganda's Minister of Finance issued the Value Added Tax (VAT) (Designation of Tax Withholding Agents) (Revocation) Notice, 2018 (Revocation Notice), withdrawing the Value Added Tax (Designation of Tax Withholding Agents) Notice, 2018 issued earlier.

The Revocation Notice, published in the Uganda Gazette on 28 September 2018, effectively halts the operation of VAT withholding in Uganda, i.e., the earlier listed designated agents have no tax obligation to withhold the VAT component on the payments they make to their suppliers.

The VAT Withholding Notice introduced a concept of VAT withholding that requires designated payers to withhold the VAT on payments that they make to their suppliers and remit it to the Uganda Revenue Authority (URA).

It is essential to note that the law on VAT withholding still stands, but is inactive because of the absence of designated payers, and can be operationalized again after the Minister again designates agents.

Americas

Argentina

VAT on "Digital Services" in Argentina

Recently, Argentina has introduced VAT on importation of digital services. As per the rule, VAT is applicable when digital services provided by a non-resident to a resident individual or entity when the effective use or exploitation of the service is carried out inside Argentina.

Following are the digital services to be considered by law:

- The supply and hosting of computer sites and web page;
- The supply of digitized products in general, including computer programs, their modifications, and updates, as well as access and/or download of digital books, designs, components, patterns and similar, reports, financial analysis or market data and guides;
- Remote maintenance, in an automated way, of programs and equipment;
- The administration of remote systems and online technical support;
- Web services, including the storage of data with remote access or online, memory services and online advertising;
- Software services, including, but not limited to the software services that are provided on the Internet (software as a service or SaaS) through cloud-based downloads;
- Accessing and/or downloading images, text, information, video, music, games including gambling;
- The provision of databases and any service generated automatically from a computer;
- The service provided by online blogs, magazines or newspapers;
- The provision of Internet services;
- Distance learning or test or exercises carried out or corrected in an automated way;
- The concession of the right to market a good or service on an Internet site that functions as an online market, including online auction service;
- The manipulation and calculation of data through the Internet or other electronic networks.

If the service provider is considered a tax resident under the Income Tax Law or has a fixed place in the country, the service provider must register as a VAT contributor, filing VAT tax returns and paying the tax as a resident. Otherwise, the service provider is considered a taxpayer and he must pay the VAT triggered by digital services.

The VAT paid by the service receiver is considered a tax credit and can be credited against VAT tax debits, if the services receiver is already a registered contributor of the VAT.

The VAT must be paid at the time of the total or partial payment of the service charge, according to the provisions of Section 27.1 of the VAT Law. The applicable tax rate is 21% of the service charge.

Canada

Increase in Minimum Wage in Saskatchewan

Effective from 1 October 2018, the government of Saskatchewan announced that minimum wage would increase from CAD 10.96 per hour to CAD 11.06 per hour. All provincially controlled employers who paid minimum wages to their employees will be required to follow the amendments from the effective date. Saskatchewan's minimum wage is reviewed yearly with the revised amount determined by the month of June yearly, centered on a combination of the previous minimum wage, the average hourly wage within the Province of Saskatchewan along with annual changes in the Consumer Price Index.

For more information, click here

Effective date: 01 October 2018

British Columbia Employer Health Tax (EHT)

Effective from 1 January 2019, the government will enact an Employer Health Tax (EHT) for a total annual payroll exceeding CAD 500,000. Employers who pay their employees' Medical Service Plans (MSP) premiums will be paying together with the MSP premiums and the EHT for one year before the MSP premiums are abolished. Non-Profits will pay EHT when total annual payroll exceeds CAD 1,500,000, and this threshold will be applied to each location of the organization with British Columbia payroll.

For more information, click here

Effective date: 01 January 2019

Nova Scotia Government Introduced a Bill for Leaves

Effective from 14 September 2018, the Nova Scotia government introduced Bill 29th to increase pregnancy and parental leave to follow the recent changes by the federal government to Employment Insurance (EI). Employment Insurance for maternity and parental leave combined 50 weeks to 76 weeks and effective from 3 December 2017. The majority of provinces have revised their employment standards to match with the federal government's changes to EI.

Bill 29th reduces pregnancy leave from 17 weeks to 16 weeks and increases parental leave from 52 weeks to 77 weeks. Likewise, it increases the maximum combined leave from 52 weeks to 77 weeks. Employers who are providing policies top-up for pregnancy and parental leave should confirm that the Bill 29th does not overstretch their policies beyond the desirable effect.

Effective date: 14 September 2018

Effective from 17 April 2018, the Nova Scotia government passed legislation for domestic violence leaves amending the code to provide for domestic violence leave. The bill 148 abolished the employer's right to ask for a doctor's note and increased the number of personal emergency leave (sick leave) to 10 days per year including two paid leaves.

United States

2018 Employer Reimbursements for Employees' 2017 Moves are generally Tax-Free

The Internal Revenue Service announced that the employer payments or reimbursements in 2018 for the employees' moving expenses, which were incurred prior to 2018, are excluded from the employee's wages for income and employment tax purposes.

Under Notice 2018-75, posted on IRS.gov, the reimbursements that an employer pays to an employee in 2018 for qualified moving expenses, incurred in a previous year, are not subject to federal income or employment taxes. The same is true if the employer pays a moving company in 2018 for qualified moving services provided to an employee prior to 2018.

To qualify, reimbursements or payments must be for work-related moving expenses that would have been deductible by the employee if the employee had directly paid them prior to 1 January 2018. The employee must not have deducted them in 2017. For more information on the 2017 rules, see Form 3903 or Publication 521.

Employers that have already treated reimbursements or payments as taxable can follow the standard employment tax adjustment and refund procedures. (See Publication 15, section 13, or Form 941-X and its instructions for details.)

For more info click here

New Employer Tax Credit for Paid Family and Medical Leave available for 2018 and 2019

Today the IRS announced that the eligible employers who provide paid family and medical leave to their employees might qualify for a new business credit for tax years 2018 and 2019.

In addition, eligible employers who set up qualifying paid family leave programs or amend existing programs by 31 December 2018 will be eligible to claim the employer credit for paid family and medical leave, retroactive to the beginning of the employer's 2018-tax year, to qualify for the leave already provided.

In Notice 2018-71, posted today on IRS.gov, the IRS provided detailed guidance on the new credit in a question and answer format. The 2017 Tax Cuts and Jobs Act (TCJA) enacted the credit.

The notice released today clarifies how to calculate the credit including the application of special rules and limitations. It further elaborates that only the paid family and medical leave provided to the employees, whose prior-year compensation was at or below a certain amount, qualify for the credit. Generally, for the tax year 2018, the employee's 2017 compensation from the employer must have been USD 72,000 or less.

For more info click here

Temporary Schedule Changes Provided to NYC Employees

Employees in New York City, who have been working on a job for a minimum of 120 days, can request for temporary schedule changes or permission to take unpaid time off for personal events, like a caregiving emergency. Employers are obliged to grant up to two changes per year, for up to one business day per request.

Asia-Pacific

Australia

Taxable Payment Reporting System (TPRS) Extension to Various Services

The Australian Government announced that from 1 July 2019, businesses that supply road freight, security, investigation, surveillance or IT services would need to report payments made to contractors. These payments must be reported to the Australian Taxation Office (ATO) each year using the Taxable payments annual report.

The Taxable Payment Reporting System (TPRS) is a transparency/anti-evasion measure, which requires the entities to report to the ATO about the payments they make to the contractors. The ATO can then use data matching to determine if the contractors are declaring that income.

Initially, this was extended to entities engaging in the courier and cleaning industries.

For more information, click [here]

New Tax Revenue Portal

The portal RevenueSA Online replaces RevNet tax portal used to do business with South Australian tax authorities.

Few functions with respect to Payroll Tax and Property Certificate functions are under migration to RevenueSA Online and will be available from mid/late October 2018.

The transition to the new system will be seamless allowing active users to log in with existing usernames and passwords as used in the old system. No new registrations will be required as all the information will be migrated and the new system will reflect data from the 2011-12 financial year onwards.

For Payroll tax clients, October 2018 return and all future returns, will need to be completed and submitted via RevenueSA Online. The authorities are also in the process to develop the portal to help in completing the returns in the new system.

For more information, click [here]

https://www.revenuesa.sa.gov.au/generic-pages/news

Clarification on Penalty Applied to Significant Global Entity

The Australian Taxation Office has reconfirmed that the failure to lodge penalties, which increased from 1 July 2017, apply to all form types to all the Significant Global Entity (SGE's).

The increased penalties are applicable to all the approved forms, including but not limited to Income tax returns, Fringe benefits tax returns, Activity statements, Pay As You Go (PAYG) withholding annual reports, country by country reporting, general-purpose financial statements, etc.

A significant global entity is either a global parent entity with an annual global income of AUD 1 billion (USD 755.3 million) or more; or a member of a group of consolidated entities for accounting purposes where one of the other group members is a global parent entity with an annual global income of AUD 1 billion or more.

For more information, click [here]

Ruling on Deemed Source Rule

The Full Federal Court announced an important decision on a long-awaited aspect of treaty interpretation issue. The decision was Satyam Computer Services (now an amalgamated company named Tech Mahindra Limited) vs Commissioner of Taxation. It involved the deemed source rule applicability as per the Australia-India double tax treaty.

The issue was in respect of the payment for the part of the services performed in India. For Australian domestic law purposes, the payment was not treated as a royalty and prima facie would be expected to have a source outside of Australia, given that the services were performed in India.

The jury concluded that part of the payment constituted a royalty under the expanded definition of royalty in the Australia-India treaty and thus is subject to Australian tax laws. The conclusion via the treaty as to the source perfected Australia's taxing rights, thus permitting Australia to tax the Indian company (a non-resident of Australia) on that income.

For more information, click here

Changing PAYG Withholding Cycle

The Business Portal has been advanced to help the taxpayers change their PAYG withholding cycle to:

- Upgrade PAYG withholding cycle to pay more frequently;
- Downgrade PAYG withholding cycle to pay less frequently; and
- Remain on your current cycle if you have received a letter from the ATO advising a change in the cycle.

Previously, a request to change the cycle had to be either made by making a call or a written application to the ATO.

For more information, click here

https://www.ato.gov.au/Business/Large-business/In-detail/Business-bulletins/Articles/Changing-your-PAYG-withholding-cycle/

Dubai

Ministry of Human Resources and Emiratization Announced a New Scheme

Effective from 15 October 2018, the new workers' insurance scheme provides employers with an alternative to the existing bank guarantee system; the scheme only applies to onshore business in the UAE.

Earlier, as part of the recruiting and hiring process in the UAE, for each work permit application made, an employer was required to arrange a bank guarantee for AED 3,000. The purpose behind that bank guarantee was to ensure that the coverage of entitlements the employer might owe to the employee, including any unpaid wages, leave balance and end of service gratuity. AED 3,000 might not cover all the employee's entitlements but it could be applied to the cost of the employee's repatriation ticket to his/her home country.

In this new scheme, employers in the private sector have the option to pay an annual premium of AED 60 to the workers' insurance scheme for each work permit application as an alternative to depositing the AED 3,000 bank guarantee. In addition, employers who are opting for the new scheme may be able to obtain liquidity released by way of the cancellation and release of existing deposits under the bank guarantee system.

Hong Kong

Changes in Tax Laws under New BEPS Law

Trading stock treatment: When there is a reallocation from trading to capital, the trading stock is deemed to be sold at open market value, and therefore, any appreciation is subject to tax at the time of reallocation. By the same indication, when there is a reallocation from the capital to trading, the capital asset is deemed to be sold at the open market value. This open market value will be the cost of the trading stock for calculating trading profits when realized in the future.

Permanent Establishment: Under schedule 17G, the Amendment Ordinance introduces rules for determining whether a person has a permanent establishment (PE) in Hong Kong, and without applying the territorial source principles, profit apportioned to a PE will be assessed to profit tax (Income Tax). The government has confirmed that there is no change in Hong Kong's long-established territorial source principle of taxation. The Inland Revenue Department (IRD) will provide more assistance through Departmental Interpretation and Practice Notes (DIPN).

The anti-tax arbitrage rule has been extended to the preferential tax regimes, under which no overall tax benefit can be obtained in a transaction between group entities where one entity is entitled to the preferential tax rate.

Malaysia

The Royal Malaysian Customs Department (RMCD) Guidance for Sales Tax Return

The RMCD has published guidelines on Sales Tax Return & Payment and Service Tax Return & Payment. It covers the return and payment requirements of taxpayers under the Sales and Service Tax (SST) regime, which formally replaced the Goods and Services Tax (GST) effective 1 September 2018.

A standard two-month tax period is followed under this new regime, with SST returns and payment due by the last day of the month following the period. However, the initial period may be one month or two months. Both Sales Tax and Service Tax returns are made using the same form – Form SST-02. Returns may be submitted electronically through the MySST Portal or in paper form via post.

For more information, click here

Philippines

Corporate Tax Reform Bill

Effective on 10 September 2018, the House of Representatives approved the Tax Reform for Attracting

Better and Higher Quality Opportunities (Trabaho) bill 8083. In the bill, the corporate tax rate will gradually reduce by 2% every two years from 2021 until it reaches 20% in 2029; the current corporate tax rate is 30%. The bill aims to reduce the current corporate income tax rate by 30% per two years.

With the following schedule: 28 % in 2021; 26 % in 2023; 24 % in 2025; 22 % in 2027 and 20 % in 2029.

This reform aims to improve fairness, competitiveness, reduce tax defaults and increase public finance sustainability.

For more information, click here

Singapore

Enhancements to the Central Provident Fund (CPF) Investment Scheme

The Ministry of Manpower Committee of Supply in March 2018 debated that the CPF Investment Scheme (CPFIS) will be supplemented to better suit the members who have the knowledge and time to invest, and are ready to take investment risk. Such members with no knowledge or readiness to take investment risk can leave their monies in CPF to earn risk-free interest rates.

Following are the enhancements:

- With effect from 1 October 2018, Self-Awareness Questionnaire is introduced as a part of the process. This will help CPF members to assess whether CPFIS is appropriate for them by giving them a feedback on their level of basic financial knowledge. Members can participate in the CPFIS after taking the SAQ, regardless of the feedback. Those members who already have a CPFIS account are not required to take the SAQ, but are strongly encouraged to do so.
- Following are the fee cap reduction to reduce the cost of investing -

Particulars	Current	From 1 October 2018
Sales charge (for new CPFIS purchases)	3%	1.5%
Wrap fee (for existing and new accounts)	1%	0.7%

Sales charges are open fees paid to mediator upon the purchase of funds while wrap fees cover advisory services and the costs to maintain the wrap account.

For more information, click here

Effective date: 01 October 2018

Special, MediSave and Retirement Account Monies to be Extended until 31 December 2019

Following are the Central Provident Fund (CPF) interest rates from 1 October 2018 to 31 December 2018:

- On the Ordinary Account up to 3.5% per annum
- On the Special and MediSave Accounts up to 5% per annum
- An additional 1% extra interest on the first SGD 30,000 of the combined balances for CPF members aged 55 and above
- Housing and Development Board (HBD) mortgage rate from 1 October 2018 to 31 December 2018 remains unchanged at 2.6% per annum.

GST Changes

The Ministry of Finance is to update its proposals to change its Goods and Services rules following a recent public consultation. The changes include:

- A 2020 requirement on non-resident providers to charge GST on B2C digital supplies with an annual threshold of SGD100,000;
- GST imposition on B2B supplies by the non-resident providers and an annual threshold for foreign suppliers of SGD1m; and
- Split GST payment impositions on B2G supplies to limit fraud.

Proposed Bill related to Amendments in the Employment Act

A new bill for Professionals Managers and Executives (PMEs) is proposed under the Employment Act in the parliament. PMEs, who receive a salary of more than SGD 4,500 and form an increasingly significant portion of the workforce, have been covered under this Act. However, the proposed law does not apply to public servants, domestic workers, and seafarers who are covered by other legislation.

Under the present Act, annual leave provides enhanced protection that only certain employees, such as workmen and vulnerable non-workmen, are entitled to. However, pursuant to the Bill, annual leave will become core protection under the new section 88A, which all employees under the Act, including PMEs, will be entitled.

South Korea

Proposed Tax Revision Legislation for 2019

In July 2018, the Cabinet Council disclosed and approved the Tax revision legislation for 2019. The National Assembly is expected to execute the legislation with clause in September 2018.

Once executed, most of the legislative measures will be effective from 1 January 2019.

International tax strategy:

- New disclosure obligations for Mutual Agreement Procedures (MAPs)
- Abolition of the preference granted in applying a tax-treaty provision over domestic tax law measures
- A protracted range for nominal owners of foreign financial accounts owned by foreign corporations
- A minimum penalty to be levied for non-reporting or underreporting of foreign financial accounts
- Upgrade transfer pricing rules.

Incentives in Tax:

- For small or medium-sized enterprise (SME) 10% tax credit for profit sharing
- An expanded tax credit to support youth employment
- Relating to childcare leave, a new tax credit for employees returning to work
- Increased depreciation for an Innovative Growth Investment Asset
- The income tax exemption for Foreign Direct Investment withdrawn
- Preferential tax rates extension for foreign employees
- For foreign engineers extension of the tax exemption period.

Corporate income tax:

- An extended scope of Permanent Establishment (PE) of the non-resident corporations or individuals (generally reflecting the provision in the Organization for Economic Cooperation and Development (OECD) Model Tax Convention on Income and Capital of 2017)
- For preliminary and auxiliary activities an anti-abuse rule for the PE exemption
- An extended carryforward period for charitable contribution donations
- Revised rules for the dividend-received deduction bracket as applicable for a holding company
- New penalty measures for unlawful cash receipts
- Enhanced limits on the use of net operating losses (NOLs) of foreign corporations
- Justification of the tax regime that applies for domestic-source income of Overseas Investment Vehicles (OIVs) and justification of the standard for making a foreign corporation determination
- Reduced penalties for failures to issue a receipt for sales made for cash
- A provision on the Substantive Owner of domestic OIVs
- An extended definition of dependent agent PE and clarification of contracts subject to the PE dependent agent rule

Local tax:

- Clarification and an extension of the Sunset Provision on the deemed acquisition tax exemption for holding companies
- Refund procedures for refunds of withholdings of local income tax
- A reduction to the rate of exemption from the Acquisition Tax for split-offs and merger

Value Added Tax (VAT):

- An extended scope for a deemed supply of goods for VAT purposes
- An extended payment deadline for Proxy VAT payments in instances of a business transfer
- A reduction to the VAT penalties
- An extended scope of electronic services from foreign service providers subject to VAT

Other tax law measures:

- An extended statute of limitations in instances of a change of substantive owner
- A fall in the rate of interest owed on penalty assessments with respect to non-compliance with the tax law
- A limitation on the standard for joint and several tax liabilities as a result of a split-off or merger
- A limitation on the secondary tax liability of business transferees
- Right to record discussions with the tax agents during tax audits
- An extended scope of limited tax audits
- An extended scope and increased rate for the Exit Tax
- An extended statute of limitations for offshore transactions.

Thailand

Transfer Pricing Law in Thailand

Recently, the Thailand government has approved the transfer pricing law. The key highlights of the transfer pricing law are summarized below:

- The Minimum annual income threshold has increased from THB30 million to THB200 million. This threshold is to be used for mandatory filing and submission to the Thai Revenue Department (TRD) of a Transfer Pricing Disclosure Form.

- The above-mentioned minimum annual income threshold will apply to the preparation and filling of the Transfer Pricing documentation. The companies that reach this annual threshold may submit a Transfer Pricing documentation to the TRD within 60 days.

- Taxpayers, who receive a tax official letter requesting TP documentation for the first time, should prepare and submit such documentation to the TRD within 180 days beginning from the date mentioned in the tax official letter.

Effective date: 1 January 2019

Extension of Thailand Reduced VAT Rate for an Additional Year

Recently, Thailand Tax Authority announced in the decree No. 30/2018, which is published in its Official Gazette. It is announced that the reduced VAT rate of 7$ is extended until 30 September 2019

Europe

Denmark

Danish Special Tax Bill Revised

Effective from, 1 January 2019 significant changes have been done in the Danish special tax scheme for the expatriates. The bill was presented on 3 October 2018 by the government of Denmark.

The bill includes numerous initiatives making it easier for employers and their employees to apply the Danish special tax scheme. The bill's provisions aim to revolutionize the existing rules and promote mobility.

An employee can choose to be taxed at a beneficial tax rate of 27% tax plus 8% labor market contribution, equating to 32.84% effectively. The scheme now applies for up to 84 months, in contrast to only 60 months before 1 January 2018.

Presently, an employee, who is hired by a Danish branch directly after the employment with the parent company, is not considered eligible for taxation under the Danish special tax scheme. For instance, the parent company and the Danish branch are considered parts of the same legal entity. The same principle applies to an employee who is hired by a Danish parent company directly after the employment with a foreign branch of the parent company.

Salary Requirement while on leave: The condition of the Danish special tax scheme is that the employee, according to the employment contract, be guaranteed a monthly gross salary of DKK 65,195 per month. If the salary requirement is not met, the employee's entire employment income for that income year is retroactively taxed according to the ordinary Danish tax rules. In the current regime, the salary requirement cannot be waived, even if the reason being for this is that the taxpayer is on parental leave.

Bill adopted in a current form, where the employee in a period of parental leave has a reduced or no salary will be excluded from the calculation of whether the employee meets the salary requirement. The principle applies even if the parental leave stretches across the two income years.

Finland

New Interest Deduction Limitation Rules from 1 January 2019

Recently, a new bill has been issued by the Finland Ministry of Finance with respect to interest deduction limitation rules due to the Anti-Tax Avoidance Directive (ATAD) issued by European Union (EU).

Following are the significant points of the Bill:

- The rules will also apply to net interest expense from related and non-related party loans. Definition of the related party would remain the same as in the current rules (e.g., 50% ownership);
- The thresholds for the application of the rules would be 25% of taxable earnings before interest, taxes and depreciation (EBITD);
- The new rules would have the equity ratio based exception;

The rules would also apply to all income brackets, and therefore real estate companies and mutual real estate companies (MRECs) will be affected by the new rules. In general, the new rules will not apply to the financial institutions.

Applicable from: 1 January 2019

France

End of Saisonnier VAT Returns

Effective from 3 October 2018, France has withdrawn the Saisonnier VAT reporting authority, which only required irregular providers of taxable supplies to file VAT returns. Usually, these were event organizers, large contractors and suppliers.

Effective from quarter 3, 2018 existing Saisonnier registrations will be moved to quarterly returns. If a taxpayer has an annual turnover of above Euro 4,000 per annum, he will be required to file monthly VAT returns.

Effective date: 03 October 2018

France draft Finance Bill for 2019 Released

On 24 September 2018, the French government presented the draft Finance Bill for 2019. This will be enacted by the end of December 2018. Following are the details of the draft of the bill-

Limitation to Interest Deduction

To obey with the European Union (EU) Anti-Tax Avoidance Directive (ATAD), following major changes to the present French interest deductibility limitation rules:

- From the taxable income of a company, the net interest expenses would be deductible only to the scope that they do not exceed the higher of the two following thresholds: (a) 3 million euros or (b) 30% of the adjusted taxable income of the company.
- Exceeding the higher of the above-mentioned thresholds 75% of the net financial expenses would still be tax deductible in case that the equity-to-asset ratio of the company is at least equal to or is not lower by more than 2% points than the equity-to-asset ratio of the associated group to which it belongs.
- Interest expenses that are excluded from the deductible expenses of a given fiscal year (FY) can be carried forward indefinitely (subject to the above-mentioned limitations).
- For a given FY, a company does not fully use its deduction capacity the unused portion of deduction capacity, can be carried forward for the following five Fiscal Years. However, this deduction capacity carryforward cannot be used to deduct non-deductible interest expenses that have been carried forward.
- The 25% general reduction applicable upon the purchase of a new shareholding and the three current thin-cap ratios, i.e., debt-to-equity ratio, adjusted earnings threshold and interest income threshold would be void.

Last Corporate Income Tax (CIT) installment increased

Outstanding of the last CIT installment by large companies is based on a percentage of the predicted profits for the current FY instead of the previous FY. The FY is open between 1 January 2019 and 31 December 2019; and this last installment will be outstanding on the basis of higher rates:

- 95% (instead of 80%, currently) for companies with revenue over 250 million euros, but less than or equal to 1 billion euros
- 98% (instead of 90%, currently) for companies with revenue over 1 billion euros, but less than or equal to 5 billion euros.

New Requirements of Withholding, effective from 1 January 2019, with the deadline forthcoming, both employees and employers and their payroll departments should be getting to hold with their compliance obligations.

The New System: Currently, employees pay income tax directly to the state, in the tax year following the current year. Effective from 1 January 2019, this regime will be replaced by “prélèvement à la source” (PAS), which will require employers to withhold income tax from their employees salaries on a monthly, PAYE basis and send that tax to the French Tax Authorities (FTA). All income types will be covered, including salaries and wages, replacement income, self-employment income, and property income. As a result, the employer will become a collector and third party payer of personal income taxes.

Withholding Rates: There are three withholding rates-

- A personalized rate
- An individual rate chosen by the taxpayer (certain conditions apply)

With effect from September 2018, to implement the appropriate rate, the French Tax Authority sent employers details in a Declaration Sociale Nominative (DSN), which is a dematerialized transmission, which have pay elements and notifications. Going ahead, employers will compute and deduct the taxable amounts from their employees’ payslip in 2019 and subsequent payslips, and then pay that tax to the French Tax Authority.

Payments to FTA

The date on which the tax must be paid to the FTA depends on some factors, including a number of employees, and the date of the monthly DSN

Business Type	FTA Payment Date
Over 50 employees DSN filing deadline of the fifth of the month	Eighth of the month
Less than 50 employees DSN filing deadline of the 15th of the month	18^{th} of the month
Less than 11 employees	Optional payment dates - possibility of quarterly repayments

Germany

Germany Publishes the First Draft of Brexit Tax Implementation Act

Germany's Ministry of Finance (MOF) issued a draft law to protect the German taxpayers against the harmful consequences as the UK leaves the EU.

- Capital gains on the transfer of asset will be spread over a five-year period to a Permanent Establishment of the same taxpayer in the EU However, if the asset is no longer part of a PE located in the EU, the capital gains would become taxable immediately.
- For VAT purposes, special rules governing the status of the Isle of Man as part of the UK would be revoked.

Effective date: March 2019

Netherlands

Change in VAT Rate for some LS-Products

Dutch VAT Act has changed the reduced VAT rates of various LS-products.

Various types of goods and services are listed in the Dutch VAT Act qualify for the reduced VAT rate. Among these goods and services, qualifying medicines; first-aid-type supplies, such as bandages; and qualifying medical aids, such as medical vaporizers, intravenous-pumps and catheters are to be taxed with a VAT rate of 9% instead of 6% for supplies after 31 December 2018, whereby payment is received still in 2018 the 6% rate applies.

Norway

New VAT Rate set for Electronic Books

The Norwegian government has set the VAT rate on electronic books and new journals at 0% from 1 July 2019. Currently, supplies of e-books and electronic publications are subject to standard 25% Norwegian VAT, although paper books and specific publications on the paper have been subject to VAT zero rating for many years.

Norway National Budget 2019

Recently, the Norwegian government presented the National Budget for 2019. Below are the main tax-related measures -

- Reduction in corporate tax rate from 23% to 22%
- Increase in the special petroleum income tax from 55% to 56%
- An amendment to corporate tax residency rules to provide that a company will be considered a tax resident in Norway, and subject to tax on its worldwide income, if it is incorporated or has its place of effective management in Norway, unless the provisions of an applicable tax treaty provide otherwise
- A reduction in the individual income tax rate from 23% to 22% and an adjustment of the bracket tax as follows:
  - up to NOK 174,500 – 0%
  - over NOK 174,500 up to 245,650 - 1.9%
  - over NOK 245,650 up to 617,500 - 4.2%
  - over NOK 617,500 up to 993,300 - 13.2%
  - over NOK 993,300 - 16.2%
- Introduction of a new tax regime for temporary foreign employees working in Norway that includes a flat 25% withholding tax on gross income with no deductions.

Effective date: 1 January 2019

Sweden

Postponement of Proposed Tax Rules relating to Temporary Employment

Recently, Sweden's Ministry of Finance made an announcement for the proposed new rules for taxation of temporary employment in Sweden. However, earlier, the effective date of new rules was 1 January 2019. This date is now postponed.

Postponement of Economic Employer Concept in Sweden

Earlier in June 2017, the Swedish Tax Agency had submitted a proposal to apply the concept of an economic employer to the interpretation of Swedish internal legislation.

This proposal has been postponed because the legislative work is not finalized. Thus, Sweden will not adopt the concept of an economic employer as of 1 January 2019.

Currently, Sweden is following the formal employer approach until the concept of an economic employer is adopted and implemented.

Switzerland

Lump-sum Taxation

Switzerland introduced a new circular letter (CL) no. 44 on certain individuals being provided the opportunity to benefit from lump-sum taxation instead of their worldwide income and wealth.

Lump-sum tax benefit can be availed if the following three requirements are met:

- They are not Swiss nationals;
- Individuals relocating for the first time to

Switzerland or former residents returning to Switzerland after an absence of 10 years or more are subject in Switzerland to worldwide taxation;

- These individuals neither have Swiss citizenship nor exercise any dependent or independent professional activity in Switzerland.

Computation of tax within the lump-sum taxation regime

The highest of the following serves the taxable base under the lump-sum tax regime:

- The annual expenses borne by the applicant individual considering his or her standard of living, as well as their dependents;
- A minimum taxable base of 400,000 CHF;
- Seven times the annual rent paid for his or her dwelling or seven times the rental value of the purchased dwelling;
- Three times the price of annual pension for board and lodging in his or her abode;
- The sum of his or her Swiss sourced income and assets as well as certain income streams from outside of Switzerland for which a double taxation treaty protection is sought.

United Kingdom

Multilateral Convention to Implement Tax Treaty Enforced

Effective from 1 October 2018, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) enforced in the United Kingdom. The MLI also applies to the following countries with which the UK has agreed to amend the relevant tax treaty, covered tax agreement (CTA):

- New Zealand
- Poland
- Slovenia
- Serbia
- Sweden.

The MLI also modifies each bilateral treaty on a phase-in basis and the default timings for amended provisions to take effect are:

- Withholding Tax: applicable where the event increase to the tax occurs on or after 1 January of the next calendar year, starts on or after the latest date on which the MLI enforce for each of the parties to the tax treaty.
- All other Taxes: In respect to all the other taxes, it is applicable to the taxable period's starting on or after a six-month period from the latest date on which the MLI enforce for each of the parties to the tax treaty.

Effective dates which are confirmed by UK Tax Authorities:

- 1 January 2019 for taxes withheld at source
- 1 April 2019 for corporation tax
- 6 April 2019 for income tax and capital gains tax

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 assurance advisory 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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