

Global Expansion Updates



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We are pleased to present the October issue of SKP Global Updates, our newsletter that covers employment, payroll, Goods and Services Tax (GST)/Value Added Tax (VAT) and corporate tax-related developments globally.

The key highlights of this issue include Updated Transfer Pricing Regulations in Nigeria, Increase in Minimum Wage Rate in Canada, New Car Expense Rate in Australia and Postponement of contributions under SAYE option scheme in the United Kingdom.

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Africa

Kenya

Strict Adherence to Work Permit Application Process

On 27 August 2018, the Kenyan Department of Immigration issued a new directive stating that it will increase its control over the requirement for foreign nationals, seeking to work in Kenya, to apply for a work permit prior to entry into the country.

Foreign nationals must apply for and acquire their work permit prior to their arrival in Kenya. Individuals arriving on a business visa will not be allowed to acquire a work permit in Kenya later.

Foreign nationals with expired work permits cannot remain in Kenya during the processing of their work-permit renewal application. It is advisable to file their work-permit renewal applications at least four months prior to the work-permit expiry date to avoid facing any consequences of leaving Kenya.

Nigeria

Updated Transfer Pricing Regulations

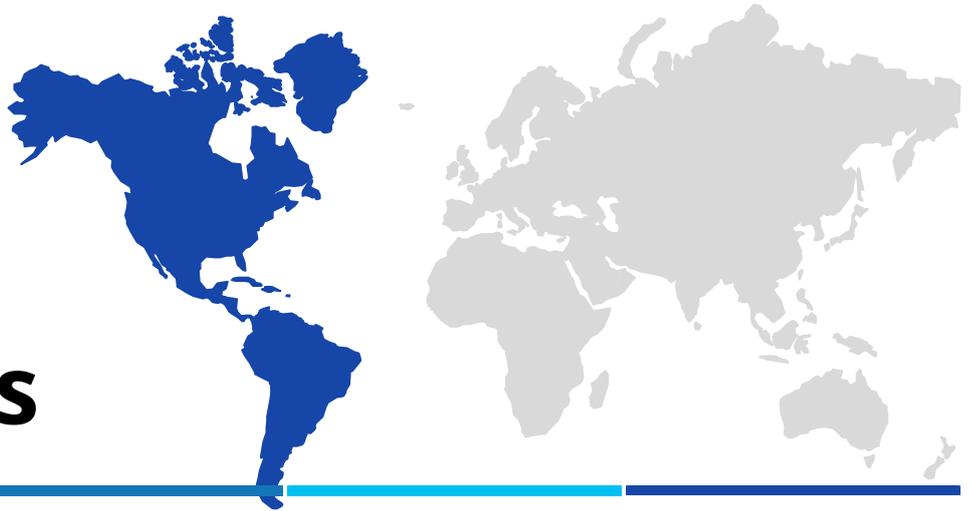
Nigeria's Federal Inland Revenue Service reportedly issued the memorandum on Income Tax (Transfer Pricing) Regulations 2018, which incorporates certain aspects of the 2017 OECD Transfer Pricing Guidelines. Key points of the new regulations are as follows:

- Changes in the definition of the connected (related) persons;
- New transfer pricing documentation requirements and exemptions;
- New rules for transfer pricing declarations for change in the structure or circumstances of a person that would affect whether or not that person is connected with another;
- Removal of the safe harbor rules relating to statutory or regulatory prescribed prices;
- New rules on intragroup funding to limit capital-rich

companies to a risk-free return;

- New rules for the pricing of intragroup services;
- New rules on the allocation of returns from the exploitation of intangible assets;
- A new limit on the deduction of payments for rights to exploit intangibles (royalties) to 5% of Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA);
- New rules on the use of quoted prices for commodity import and export transactions;
- Updated documentation requirements for advance pricing agreements; and
- Stricter Penalties for non-compliance.

Americas



Canada

Increase in Minimum Wage Rate

The minimum wage rate will rise from CAD 13.65 to CAD 15 per hour in Alberta and will be effective from October 1 2018.

Minimum wage rates for 2017-2018

The following minimum wage rates are set out in the Employment Standards Regulation:

Type of employee	October 1, 2017	October 1, 2018
Most employees (general minimum wage)	CAD 13.60/hour	CAD 15/hour
Salespersons (including land agents and certain professionals)	CAD 542/week	CAD 598/week
Domestic employees (living in their employer's home)	CAD 2,582/month	CAD 2,848/month

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

United States

New Tax Transcript for Data Protection of Taxpayer

Recently, various measures have been taken to protect a taxpayer's data.

Internal Revenue Service (IRS) announced a new format for individual tax transcripts to write personally identifiable information from the Form 1040 series. In addition to that, IRS has also created a new Client File Number that lenders, universities and other third parties who order transcripts for non-tax purposes can use as an identification number instead of the social security number of the taxpayer.

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

Due Date extended to provide Tax Relief

The Internal Revenue Services (IRS) announced that the Hurricane Florence victims in parts of North Carolina could file certain individual and business tax returns, and make certain tax payments until 31 January 2019.

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

Florida Minimum Wage - Tip Credits

The Fair Labour Standards Act (FLSA) and Florida minimum wage law allow an employer to take a tip credit toward its minimum wage obligation for "tipped employees." A "tipped employee" is an employee who customarily and regularly receives more than USD 30 per month in tips.

If an employee's tips combined with the employer's direct wages of at least USD 5.23 an hour do not equal to the minimum hourly wage, the employer must make up for the difference. A tip credit may be taken for the workweek to the extent of the tip received by an employee. If reported tips fall below the tip credit, the employer remains liable to pay wages for the difference between the credit taken and the tips received. The employer cannot pay less than USD 5.23 per hour to the tipped employees, but it can pay more.

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

Michigan passes Paid Sick Leave Law

Recently, The Michigan Legislature adopted a new law wherein an employer has to provide its employees paid leave that can be used for “sick” and “safe” time purposes. Michigan’s Earned Sick Time Act (ESTA) is the Midwest’s first statewide Paid Sick and Safe Time (PSST) law.

Change in Taxability of Reimbursements

The Internal Revenue Services (IRS) announced that the reimbursements that an employer pays to an employee in 2018 onwards would be now subject to taxes.

Earlier, employer payments or reimbursements for the employees’ moving expenses, incurred prior to 2018, were excluded from the employee’s wages for income and employment tax purposes.

The 2017 Tax Cuts and Jobs Act (TCJA) suspended the exclusion from income for moving expenses reimbursed or paid by an employer for most employees starting in 2018, making these amounts taxable, except for the amounts for active-duty members of the U.S. Armed Forces, whose moves relate to a military-ordered permanent change of station.

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



Asia-Pacific

Australia

Family and Domestic Violence Leave

The Fair Work Commission has updated all industry and occupation awards to include a new clause about family and domestic violence leave. This new clause applies from the first full pay period on or after 1 August 2018. All employees (including casual employees) covered by an award with the new clause are entitled to 5 days of unpaid family and domestic violence leave.

Family and domestic violence mean violent, threatening or other abusive behaviors by an employee's family member that:

- seeks to coerce or control the employee; and
- causes them harm or fear

Employers must treat any information relating to any notice or evidentiary proof provided by the employee as confidential. It is advisable that employers have the policy to ensure that such documents and correspondence are not disclosed to other employees or persons as far as practicable.

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

Check the Eligibility for the Lower Company Tax Rate

There are changes to the company tax rates. The full company tax rate is 30% and the lower company tax rate is 27.5%. Eligibility for the lower company tax rate depends on whether the company is a base rate entity for the income year 2017–18. A company will be a base rate entity, and eligible for the 27.5% lower company tax rate, if:

- 80% or less of their assessable income is a passive income (such as interest, dividends or rent)
- They have an aggregated turnover below the AUD 25 million turnover threshold (this increased to AUD 50 million from 2018–19).

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

State Budget 2018-19 - South Australia

Relevant changes with respect to Payroll Tax. The payroll tax rates will be applicable as follows:

- For the first AUD 1.5 million - exempt from payroll tax
- From AUD 1.5 million to AUD 1.7 million - the rate increases proportionately from 0% at AUD 1.5 million to 4.95% at AUD 1.7 million
- Above AUD 1.7 million - 4.95%

Effective Date: 1 January 2019

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

Car Expense Rate

The rate for work-related car expenses has increased to 68 cents per kilometer for the income year starting from 1 July 2018. This applies if the employer has chosen to use the cents per kilometer method for calculating work-related car expenses.

Employers paying employees a car allowance in excess of 68 cents per kilometer need to withhold tax on the amount paid over 68 cents.

For more details click [here](#).

GST Ruling 2018/2

The Australian Taxation Office has issued GSTR 2018/2 - Goods and Services Tax: supplies of goods connected with Australia, which replaces the previous ruling, GSTR 2000/31. The ruling explains, through different cases, when will the supplies be deemed connected with Australia. It explains under which circumstances a supply will be deemed to have taken place within, from and to Australia. It also explains under which conditions a supply will be treated as disconnected.

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

Dubai

New Labor Insurance System

Prime Minister and Ruler of Dubai announced a new legislation, which was approved by the UAE cabinet. It

has eliminated bank guarantees for the recruitment of labor in the private sector. The Cabinet adopted a "low-cost insurance" system as an alternative to the monetary guarantee provided by the employers. This costs AED 3,000 per worker. In contrast, the insurance is priced at AED 60 per year per employee. The insurance policy covers the end-of-service benefits, vacation allowance, overtime allowance, unpaid wages, return air ticket and cases of work injury of the workers. The insurance coverage amounts to AED 20,000 a person. The scheme is aimed at securing the workers' rights in the private sector and reducing the burden on the employers. The reforms also include six-month temporary visas without any fees to help those who have lost their jobs to find new employment.

VAT Invoice Specifications

Recently, UAE Federal Tax Authority issued a public clarification on 9 September 2018 detailing out the invoice specifications.

The main specifications are:

- If a taxable supply is made, a tax invoice must be issued and delivered to the recipient.
- In a tax invoice, the tax value and net value should be shown separately. It is not mandatory to show the gross value.
- If simplified tax invoices are issued, there is no requirement to show the net value for each item purchased.
- Tax invoices issued in a foreign currency must show the tax amount converted to AED and the exchange rate used for the conversion.

Hong Kong

Employee Dismissal Reinstatement Right

Recently, Legislative council amended the Employment Ordinance (EO) to make an order to reinstate or re-engage employees who are dismissed unreasonably and unlawfully.

Prior to the amendment, both the employer and employee must give consent to an order for reinstatement or re-engagement.

After the amendment, if the employee is found dismissed unreasonably and unlawfully, then the employer's agreement will not be required for reinstatement or re-engagement.

This amendment does not have a retrospective effect and will only apply to such dismissals where the employee was informed of the dismissal before 19 October 2018.

Effective Date: 19 October 2018

Dependent Status conferred to Same-Sex Spouses and Partners

The Hong Kong Immigration Department (HKID) announced that same-sex dependent spouses are now eligible to apply for dependent status provided they meet certain immigration requirements.

Effective Date: 19 October 2018

New Zealand

Employee Share Scheme – Share Scheme Taxing Date

Changes made to the taxation of Employee Share Schemes (ESS) came into effect on 29 September 2018. As per the changes, the 'share scheme taxing date' under the scheme is defined to be earlier of:

- There is no real risk if the beneficial ownership of the shares will change, or that the shares will be required to be transferred or canceled;
- The employee is not compensated for a fall in the value of the shares;
- There is no real risk if there will be a change in the terms of the shares affecting their value; and
- The benefits are either transferred to a non-associated person or cancelled,

These changes ensure that the tax treatment is in line with the other forms of employment income.

For more details click [here](#).

Singapore

Pilot Data Protection Trustmark Certification Scheme

In July 2018, the Infocomm Media Development Authority (IMDA) and Personal Data Protection Commission (PDPC) launched a pilot scheme for Singapore's Data Protection Trustmark (DPTM) certification. As per the DPTM certification scheme, independent assessment bodies evaluate organizations to determine if the data protection policies of the latter are aligned with the DPTM certification requirements.

The three assessment bodies are ISOCert, Setsco Services and TUV SUD PSB. The scheme is open to all organizations that are based in Singapore. Organizations may apply to the IMDA and select an assessment body thereafter to conduct the assessment. After the receipt of the approval, the assessing body will issue the DPTM certification. Certified organizations will be able to use and display a DPTM logo on their business communications for three years.



Europe

Belgium

Extension of VAT Cross-Border Rulings Project

Recently, the Federal Public Service for Finance announced that the pilot project of VAT cross-border rulings, which allows a taxable person to obtain private rulings on the VAT treatment of complex cross-border transactions, should extend from 30 September 2018 to 30 September 2022.

New Belgian Data Protection Law

Effective from 5 September 2018, new data protection law came into force. The new data protection law brings together the coexistence of current data protection law with the EU General Data Protection Regulation (GDPR).

The new data protection law has decided '13' as opposed to '16' set by GDPR, to be the age from which children may provide consent for the use of an information service. An entity processing genetic data, biometric data, data concerning health or data related to criminal convictions and offenses, must maintain a list of the categories of persons who may have an access to that data, along with a description of their function related to processing such data. The list must be disclosed to the competent supervisory authority on request.

Effective Date: 5 September 2018

The Mobility Allowance – An Alternative to Company Provided Car

Effective from 1 January 2018, employers will be able to offer employees with a company car in exchange for a monthly cash amount.

There would be a revision of certain conditions linked to the mobility allowance regarding the minimum period, during which an employee needs to have a car. There will also be changes to qualifying as an employee

who will be eligible to order a car to opt for the cash-for-car system.

VAT Rate postponed for Legal Assistance for an Indefinite Period

Belgium Ministry of Finance had announced earlier that the VAT rate for the pro bono services provided by the lawyers would increase from 0% to 21% from 1 September 2018.

Recently, the Ministry of Finance has announced that the increased VAT rate is postponed for an indefinite period.

France

Withholding of Income from 2019

Effective from, 1 January 2019, the source deduction of the income tax is intended to adopt the recovery of the tax for a year to the actual situation of the user (income, life events) for the same year, without modifying the calculation rules. It aims to eliminate the one-year gap between revenue collection and the payment of income tax.

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

New French Employee Withholding Tax Introduced

The French Finance Act 2017 has adopted new withholding tax system, which is effective from 1 January 2019. Currently, the tax residents file an annual income tax return and pay income tax a year after the income was received (e.g. for income received in 2017, the income tax is paid in 2018)

French tax residents will be subject to a monthly withholding tax on their 2019 income starting from 1 January 2019 rather than paying the 2019 income tax when they file the return in 2020.

Germany

A1 Applications to be filed Electronically

Effective from 1 January 2019, the application for an A1 certificate in Germany must be filed electronically via a payroll program.

Earlier on, A1 applications in Germany were filed in a paper form and were sent to the concerned authority via post.

Employers in Germany must now be prepared for the new electronic A1 application process.

Effective Date: 1 January 2019

Invoice Requirement for Input VAT Deduction

German tax authority allows deduction of input value credit if an invoice satisfies formal requirements.

Earlier, tax authorities and the German Federal Tax Court (BFH) had conditioned the ability to deduct input VAT as dependent on the address provided on the invoice as the location, where the issuer of the invoice conducts or carries out the economic activity.

In a recent court decision, the tax authority has confirmed that any type of address is sufficient as long as the contractor is contactable at the mentioned address. The other VAT developments in France are as below :

- VAT-exempt transactions concerning the payments and bank transfers business; and
- VAT-exempt purchase of opera tickets.

Increases in National Minimum Wage

Effective from 1 January 2019, The German legislature increased the National Minimum Wage (NMW) from EUR 8.84 to EUR 9.19 per hour. This will amount to a gross figure of EUR 1,599.06 per month for a 40-hour week.

The next increase in the minimum wage will be effective from 1 January 2020 with an estimated level of EUR 9.35 per hour.

Ireland

Tax Exemption and Marginal Relief

The Tax and Duty Manual [PDF] Part 07-01-18 has been updated to include further guidance on the availability of increased exemption limits to the claimants with qualifying children, detailing how the exemption limit should be apportioned where 2 or more individuals are entitled to an increase in the exemption limit in respect of the same child (see Section 1).

For more info click [here](#).

Update on Re-Entry Visa Process

The re-entry visa-appointment system of Ireland will be discontinued from 3 September 2018 (except emergency re-entry visa appointments).

An application for re-entry visa can be made through a registered post system, and it must be submitted five to six weeks before travel.

Italy

VAT Update on Treatment of Vouchers

Recently, the government has approved the draft legislative decree with respect to the treatment of vouchers. The decree explains between "single-use" vouchers, which is subject to VAT (as an advance payment of the goods/services to which it is entitled), and the "multi-purpose" coupons of which each transfer has been excluded from VAT but only in case of an underlying transaction, i.e., upon delivery of the voucher as payment for service or sale of goods.

Netherlands

Tax Plan 2019

The Dutch government has released the 2019 budget. Below is the list of the proposed amendments.

- Corporate Income Tax
 - Corporate income tax rate is reduced;
 - The period to carry forward loss is reduced;
 - Controlled Foreign Company-rule (CFC) is introduced; and
 - Restriction on depreciation of buildings in use.
- Withholding tax
 - Abolishment of Dutch dividend withholding tax. As a replacement, a new Dutch withholding tax Act will be introduced.
- VAT
 - Increase in VAT rate from of 6% to 9%.
- Personal income tax
 - The proposed reduction in Dutch personal income tax rates; and
 - With effect from January 2019, the application period of the 30% ruling for expats will be reduced to 5 years.

Switzerland

Lump-Sum Taxation for Foreign Individuals

The Swiss Federal Tax Authorities issued a circular letter no. 44 for the foreign individuals to enable them to avail themselves of the benefit of the lump-sum taxation under federal income tax laws.

Individuals who meet the following criteria can claim the benefit from lump-sum taxation, instead of the ordinary tax on income:

- They are not Swiss citizens;
- They have not paid taxes in Switzerland on the global income, at least not in the last ten years (i.e., they are resident for the first time); and
- They do not perform any commercial activity (employed or self-employed) in Switzerland.

Swiss VAT Amendments from 2019

The Swiss Government sets out revised VAT laws for a foreign supplier making low-value shipments. Such supplier, who generates an annual turnover of more than CHF 100,000 from small consignments of goods into Switzerland, must register for VAT in Switzerland.

Currently, imports of goods subject to the standard/reduced rate of a VAT, where the import VAT due on such goods does not exceed CHF 5, are exempt from Swiss import VAT. With effect from 01 January 2019, the sellers will have to register and charge Swiss VAT on supply of these supplies.

Effective date: 01 January 2019

United Kingdom

UK Non-Residents to be taxed on Gains from UK Land

Recently, Her Majesty's Revenue & Customs (HMRC) proposed that from April 2019, gains on any UK property, including commercial and residential properties owned by diversely held companies, would be chargeable to UK tax.

Properties that are not already chargeable to tax will be rebased to market value in April 2019 for this purpose.

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

Brexit Note released by HMRC on VAT Impact in the UK

Recently, the UK tax authorities (HMRC) published the first 25 technical notices stating the potential consequences if UK leaves EU without an agreement. One of such technical notes is based on VAT impact of Brexit.

HMRC indicates that UK will continue with its existing VAT system after it leaves the EU next year and, even if no Brexit deal is reached, the government will keep the VAT procedure as it is, to provide continuity for businesses.

If the UK leaves the EU without an agreement, the government will introduce postponed accounting for import VAT on goods brought into the UK. This means

that UK businesses importing goods from EU and non-EU countries to the UK will account for import VAT on their VAT return, rather than paying import VAT when the goods arrive at the UK border. This will apply to imports from both the EU and non-EU countries.

In the case of exports, if goods are exported to EU private customers, then the distance selling arrangements will not apply to UK sellers and UK sellers will be able to export goods to EU consumers at a Zero Rate. There will be no requirement to complete EC sales lists.

UK businesses can now claim refunds of VAT from EU member states using the existing procedure for non-EU businesses. The earlier EU VAT refund procedure will be discontinued.

Postponement of Contributions under SAYE Option Scheme

HMRC has published guidance confirming that all employees with a savings contract in place on 1 September 2018 can delay the monthly payment contribution for a maximum of 12 occasions over the lifespan of a savings contract. If the employee has already delayed the payment of contributions on six occasions, they can only delay payments on a further six occasions.

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

Change in National Minimum Wage Penalties under TUPE Regulations

Her Majesty's Revenue and Customs has changed their approach regarding the imposition of National Minimum Wage (NMW) in case of transfer of an employee to another under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

HMRC previously charged the former employer, the penalty, which was triggered by arrears that accrued before the employees were transferred under TUPE. With effect from 2 July 2018, all the National Minimum Wage (NMW) liabilities have now been enforced against the new employer.

Abolishment of Class 2 National Insurance Contributions scrapped

Earlier, the UK government had announced that Class 2 national insurance contribution paid by the self-employed would be abolished from 6 April 2018.

In a recent announcement, the UK parliament postponed it by twelve months. This delay is used to examine the impact on those self-employed people whose profits were below the threshold for Class II contributions.

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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