TAX YEAR BOOK 2018/19

PREFACE

The Reanda International Tax Year Book 2018/2019, a bi-yearly tax publication of Reanda International, aims to be a tax handbook for providing the tax rates, main reliefs and exemptions for countries and regions where Reanda International has established its presence.

On a country-by-country basis, each summary is divided into 6 sections, addressing the country and region's 1) corporate, 2) personal tax regime, 3) statutory requirement on social security and retirement contribution, 4) GST/VAT, 5) Double Tax Treaty as well as 6) other significant taxes in the country and region that need readers' attention.

The Tax Year Book only contains general information of the taxation issues in each country and region for the broad guidance of readers only. It is NOT intended to offer specific and universal explanation or advices in the tax fields. Readers shall take the Tax Year Book as first point of reference and should they need specific information and advice, please contact the respective Reanda International network firm for professional services and advices addressing to their particular situation.

The electronic version can be downloaded from the Reanda International website at www.reanda-international.com.

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AUSTRALIA

GENERAL INFORMATION

1.1 Country/Region

Australia

1.2 Currency

Australian Dollar (AUD)

1.3 Principal business entities

Private Companies
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1.4 Foreign exchange control

No Exchange Control

1.5 Current economy climate (Industry overview/ encouraged business development)

Australia's economy has enjoyed success in recent decades, reflecting the strong macroeconomic policy, structural reform and the long commodity boom. However, in the past years, we saw a gradual decline in growth following the end of the commodity boom. Nevertheless, economic growth is projected to increase and reach approximately 3% by 2018, as the drag on growth from declining resource sector investment are fading, and gathering momentum outside the resource sector will support wage and employment growth, thus boosting consumer spending.

1.6 National tax authority

Name: Australian Taxation Office

Website: www.ato.gov.au

CORPORATE INCOME TAX

2.1 Basis of taxation

The residence of a company and the source of its income are both important elements in calculating income tax payable in Australia. If a company is a resident of Australia, the company's assessable income includes income derived from all sources whether in or out of Australia. If, on the other hand, the company is not a resident of Australia, the company's assessable income includes income derived from all sources in Australia only.

A company is a resident of Australia if it is incorporated in Australia, or carries on business in Australia and has either its central management or control in Australia, or is controlled by shareholders who are residents of Australia.

2.2 Rates of tax

Companies are currently subject to a 30% flat rate of tax on taxable income with no tax free threshold.

However, from 1 July 2016, a 27.5% company tax rate applies to small business entities companies with less than AUD$10 million of turnover.

2.3 Year of assessment

The income tax year for most companies commences on 1 July and ends the following 30 June. However, in certain circumstances, a substituted accounting period of twelve months ending on a date other than 30 June may be adopted.

2.4 Profits deemed to be taxable

For Australian resident companies, assessable income includes income derived from all sources whether in or out of Australia.

For non-resident companies, assessable income includes income derived only from Australian source.

For the purpose of income tax, assessable income includes income according to ordinary concepts as well as statutory income that are amounts included as assessable income under a specific provision of the income tax legislations.

2.5 Taxation of dividends

Resident individual shareholders who receive franked distributions from a company are entitled to a tax credit (franking credit) for the tax paid by the company on its income.

For non-residents, the franked distribution would be exempt from withholding tax to the extent that it is franked and therefore exempt from income tax.

Generally a non-resident receiving an unfranked distribution is subject to withholding tax.

2.6 Taxation of capital gains

Net capital gains from the disposal of assets acquired after 19 September 1985 are included in a company's assessable income.

Capital gains and capital losses that occur during a year can be offset against each other. If a net capital gain arises, the net capital gain is included in assessable

income. If a net capital loss arises, it is not deducted from assessable income but carried forward to offset future capital gains. For Capital Gains Tax (CGT) purposes, capital gains are calculated by identifying the capital proceeds less the cost base. There are different CGT consequences with respect to different CGT events.

2.7 Taxation of interest income

Interest is included as part of a company's assessable income and is subject to the company tax rate.

2.8 Utilisation of tax losses

Revenue losses can be carried forward to offset against future income if the company satisfies either:

- the continuity of majority beneficial ownership test; or
- the continuity of business test.

Companies are also allowed to carry-back tax losses to receive a refund against tax paid of either of the two income years preceding the current income year. The loss carry-back tax offset for the income year in which you carry back tax losses is the lowest of:

- the sum of the loss carry-back tax offset components for the earliest year and the middle year;
- AUD$1 million multiplied by the corporate tax rate for the year you make a claim; or
- Your franking account balance at the end of the income year you make a claim.

Losses are generally not transferable to other group members other than within a tax consolidated group.

2.9 Key Tax incentives

R&D

A research and development (R&D) tax incentive provides refundable or non-refundable tax offsets to encourage more companies to engage in R&D. The R&D tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after 2 July 2011.

A 43.5% refundable tax offset is available to eligible small companies with an annual aggregate turnover of less than $20 million, provided they are not controlled by income tax exempt entities. A 38.5% non-refundable tax offset is available to eligible companies with an annual aggregate turnover of $20 million or more. Effective from 1 July 2016, R&D expenditure claims are capped at AUD$100 million per taxpayer and, for expenditure above AUD$100 million, companies can claim a 30% tax offset. Unused offset amounts may be carried forward for use in future income years.

This tax incentive is available to corporations that are Australian residents, foreign corporations that are resident of a country with which Australia has a double tax agreement and carry on business through a permanent establishment in Australia, and to public trading trusts with a corporate trustee.

Tax incentives for early stage investors

From 1 July 2016, if an individual invest in a qualifying early stage innovation company (ESIC), the individual may be eligible for tax incentives.

The tax incentives provide eligible investors who purchase new shares in an ESIC with a:

- Non-refundable carry forward tax offset equal to 20% of the amount paid for their qualifying investments. This offset is capped at a maximum amount of AUD$200,000 for the investor and their affiliates combined in each income year.
- Modified capital gains tax treatment, under which capital gains on qualifying shares that are continuously held for at least 12 months and less than ten years may be disregarded. Capital losses on shares held less than ten years must be disregarded.

Investors that don't meet the sophisticated investor test under the Corporations Act 2001 would not be eligible for any tax incentives if their total investment in qualifying ESICs in an income year is more than AUD$50,000.

Venture capital investors

From 1 July 2016, limited partners of new early stage venture capital limited partnerships may be entitled to claim a 10% non-refundable carry forward tax offset to encourage new investment by reducing the effective cost of these kinds of investments.

2.10 Withholding tax

In general, a withholding tax is applied to non tax resident on interest, royalties and unfranked dividends earned in Australia. Where there is no Double Tax Agreement between Australian and the other States, the following withholding tax rate will apply:

Interest – 10%;
Royalties – 30%;
Unfranked Dividends – 30%

Where the recipient is a resident of a country that has a double tax agreement with Australia, the rates may vary.

2.11 Transfer Pricing

Our existing transfer pricing laws and transfer pricing documentation laws are relatively new as it came into effect on 1 July 2013, based on the 2012 OECD transfer pricing model. However, in recent years, further legislative changes were made:

- From 1 January 2016, commencement of a new Multinational Anti-Avoidance Law to counter tax structures that are perceived to avoid the existence of a permanent establishment in Australia;
- From 1 January 2016, commencing of the Country-by-Country reporting together with the associated Master File and Local File within 12 months of the end of the applicable financial year in the specific format required by the Australian Taxation Office (ATO);
- From 1 July 2017, commencement of the Diverted Profits Tax; and
- From 1 July 2017, doubling of penalties associated with transfer pricing adjustments for significant global entities (annual global revenue of AUD$1 billion or more) in the absence of a Reasonably Arguable Position. From 1 July 2017, new late lodgement penalties applies to late lodgement of any new documents.

2.12 Filing requirements of tax return

Filing due dates

Existing large companies (including public companies and companies with turnover exceeding AUD $10 million) – within 5 months after closing the company's year end.

New large and medium companies – within 8 months after closing the company's year end.

Medium companies (turnover AUD $2 million to AUD $10 million) – within 9 months after closing the company's year end.

Small companies (turnover less than AUD $2 million) – within 10 ½ months after closing the company's year end.

Penalties

Shortfall Penalties

Penalties may apply where a taxpayer or their tax agent, makes a false or misleading statement to the Commissioner, including where there is an omission from the statement, about a tax law that results in a shortfall amount. The severity of penalties is based on the culpability of the taxpayer or their agent. The more culpable the behavior the more severe the rate of the penalty applied to the shortfall amount. Under the Tax Agent Services regime that commenced on 1 March 2010, a taxpayer who engages a registered Tax or BAS agent will not be liable for a penalty if the taxpayer provided the agent with all relevant tax information and that any false or misleading statement subsequently provided to the ATO did not result from the agent's intentional disregard of a tax law or recklessness.

Administrative Penalties

Failure to lodge penalties and other administrative penalties may also be imposed.

Payment of profit tax and application of holdover

Existing large companies (including public companies and companies with turnover exceeding AUD $10 million) – within 5 months after closing the company's year end.

New large and medium companies – within 8 months after closing the company's year end.

Medium companies (turnover AUD $2 million to AUD $10 million) – within 9 months after closing the company's year end.

Small companies (turnover less than AUD $2 million) – within 10 ½ months after closing the company's year end.

An instalment system for provisional tax known as Pay As you go instalments collects company income tax instalments during the income year based on the previous year's income tax assessment.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are subject to Australian income tax on income derived from all sources whether in or out of Australia.

Non-resident individuals are subject to Australian income tax on income derived from Australian sources.

The primary tax residency definition in Australia is based on whether the individual is ordinarily residing in Australia. The basic tests of tax residency for an individual in Australia are:

1. Primary test – resides – if you reside in Australia in accordance to the ordinary meaning of the word, you don't need to apply any of the other three tests;
2. Statutory tests – if you don't satisfy the "resides test', you may still be considered an Australian resident if you satisfy one of the following three statutory tests:

   (a) Domicile;
   (b) 183 day rule; and
   (c) Superannuation.

3.2 Rates of tax

Income tax rates for resident individuals for 2016-2017 Tax year:

Taxable income	Tax on this income
$0 - $18,200	Nil
$18,201 - $37,000	19c for each $1 over 18,200
$37,001 - $87,000	$3,572 plus 32.5 for each $1 over $37,000
$87,000 - $180,000	$19,822 plus 37c for each $1 over $80,000
$180,001 and over	$54,232 plus 45c for each $1 over $180,000

Income tax rates for non-resident individuals for 2016-2017 tax year:

Taxable income	Tax on this income
$0 - $87,000	32.5c for each $1
$87,001 - $180,000	$28,275 plus 37c for each $1 over $80,000
$180,001 and over	$62,685 plus 45c for each $1 over $180,000

3.3 Year of assessment

The income tax year for individuals commences on 1 July and ends the following 30 June.

3.4 Allowances and Deductions

(a) In general terms, expenses are deductible to the extent to which they are incurred in gaining or producing assessable income.

(b) Careful consideration and analysis is required for deductions due to the complex legislation and case law.

3.5 Taxation of dividends

Resident individual shareholders are assessable on distributions. Resident individual shareholders who receive assessable distributions from a company are entitled to a tax credit (franking credit) for the tax paid by the company on its income. Only Australian resident taxpayers can claim a tax credit attached to a distribution. For non-residents, the distribution would be exempt from withholding tax to the extent that it is franked and therefore exempt from income tax. A non-resident receiving an unfranked distribution is subject to withholding tax.

3.6 Taxation of capital gain

A comprehensive capital gains tax commenced in Australia on

AUSTRALIA

19 September 1985. In broad terms, resident individuals are assessable on net capital gains from the disposal of assets acquired after 19 September 1985, whether in or out of Australia. Non-resident individuals are assessable on net capital gains from the disposal of their Australian assets acquired after 19 September 1985.

Capital gains and capital losses that occur during a year may be offset against each other. If a net capital gain arises, it is included in assessable income. If a net capital loss arises, it is not deducted from assessable income but carried forward to offset future capital gains. For CGT purposes, capital gains are calculated by identifying the capital proceeds less the cost base. There are different CGT consequences with respect to different CGT events.

Net capital gains derived by resident individuals from assets held for at least twelve months are eligible for a 50% discount. Non-residents are not eligible for a 50% discount.

3.7 Taxation of interest income

Interest derived by Australian resident individuals is assessable income.

Interest derived by non-resident individuals from Australian sources is subject to withholding tax. Where the recipient is a resident of a country that does not have a double tax agreement with Australia, the withholding tax rate is 10%. The withholding tax rate varies where there is a double tax agreement with Australia.

3.8 Personal assessment and utilisation of losses

Under the self assessment system that applies in Australia, tax returns are not subject to technical or other scrutiny before assessment. The Commissioner of Taxation is authorised to accept, without examination, statements made by a taxpayer. The information provided in a return is generally a minimal amount sufficient to ascertain the taxpayer's taxable income and tax payable. Records and statements must be retained by the taxpayer and may have to be produced if the taxpayer is selected for tax audit.

In general, revenue losses can be carried forward to offset future income. However, careful consideration and analysis is required due to complex legislation such as the non-commercial loss provisions.

3.9 Withholding tax

Employer must withhold income tax from payments made to employees, company directors, certain contractors and other businesses that do not quote their ABN if required.

The reporting and payment of all amounts withheld occurs under the Pay As You Go (PAYG) withholding system.

3.10 Statutory obligation of employers

Employer's obligation, include:

Superannuation contributions

Superannuation contributions must be paid to the correct superannuation fund by the cut-off dates for all eligible employees. Choice of superannuation fund must be offered to eligible employees including individual contractors.

Fringe benefits tax

Fringe benefits tax is payable on non-cash and in-kind benefits provided to an employee or their associate. Examples of fringe benefits include payments of an employee's personal expenses and when an employee is allowed to use a work car for private purposes.

Payroll tax

All Australian States and Territories have a payroll tax, which is calculated on wages paid or payable by employers. For payroll tax purposes wages includes salaries, allowances, director's fees, superannuation and the 'grossed-up' value of fringe benefits. Employers are required to self-assess their liability on a monthly basis, with an annual adjustment reconciliation.

3.11 Filing requirement of tax return

Filing due dates

- 31 October for taxpayers with one or more prior year income tax returns outstanding at the preceding 30 June and for taxpayers not filing with a registered tax agent
- 1 April for individual taxpayers with higher tax payable
- 15 May for all other individual taxpayers

Penalties

Shortfall Penalties

Penalties may apply where a taxpayer or their tax agent, makes a false or misleading statement to the Commissioner, including where there is an omission from the statement, about a tax law that results in a shortfall amount. The severity of penalties is based on the culpability of the taxpayer or their agent. The more culpable the behavior the more severe the rate of the penalty applied to the shortfall amount. Under the Tax Agent Services regime that commenced on 1 March 2010, a taxpayer who engages a registered Tax or BAS agent will not be liable for a penalty if the taxpayer provided the agent with all relevant tax information and that any false or misleading statement subsequently provided to the ATO did not result from the agent's intentional disregard of a tax law or recklessness.

Administrative Penalties

Failure to lodge penalties and other administrative penalties may also be imposed.

Application of holdover

An instalment system for provisional tax known as Pay As You Go (PAYG) instalments, collects income tax instalments during the income year based on the previous year's income tax assessment.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organisation

The superannuation guarantee scheme, administered by the Australian Taxation Office, requires all employers to contribute a prescribed minimum level of superannuation support in each financial year for their employees.

4.2 Basis of contribution

Contributions are calculated by multiplying an employee's "ordinary time earning" by the superannuation guarantee charge percentage. The charge percentage applies to all employers. Contributions for each employee are measured on a quarterly basis. A maximum contribution base applies to limit the minimum contributions required for high salary employees.

4.3 Contribution rate

Period	Super guarantee charge (%)
1 July 2002 - 30 June 2013	9
1 July 2013 - 30 June 2014	9.25
1 July 2014 - 30 June 2015	9.5
1 July 2015 - 30 June 2016	9.5
1 July 2016 - 30 June 2017	9.5
1 July 2017 - 30 June 2018	9.5
1 July 2018 - 30 June 2019	9.5

4.4 Exemption from tax

Contributions paid by employers are generally tax deductible. Before-tax super contributions received by complying superannuation funds are generally taxed at 15%.

GST/VAT

5.1 Basis of tax

A 10% broad-based good and services tax (GST) applies to most goods, services and other items sold or consumed in Australia. Subject to limited excetions, businesses registered for GST include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases. While GST is paid at each step in the supply chain, businesses generally do not actually bear the economic cost of the tax. The cost of GST is borne by the final consumer, he is unable to claim GST credits.

5.2 Rates of tax

10%

5.3 Registration

GST registration is compulsory for business or other enterprises whose GST turnver is AUD $75,000 or more. For non-profit organisations, the threshold is AUD $150,000 or more.

5.4 Filing requirements

GST collected and GST paid are reported in Business Activity Statements that are typically filed on a quarterly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be offset against Australian income tax payable on the foreign income. The foreign income tax offset is limited to the Australian income tax payable on the foreign income and is not refundable in Australia.

6.2 List of double tax treaties signed

Australia has signed double tax agreements with the following States:

Argentina
Austria
Belgium
Canada
Chile
China
Czech Republic
Denmark
Fiji
Finland
France
Germany
Hungary
India
Indonesia
Ireland
Italy
Japan
Kiribati
Malaysia
Malta
Mexico
Netherlands
New Zealand
Norway
Papua New Guinea
Philippines
Poland
Romania
Russia
Singapore
Slovakia
South Africa
South Korea
Spain
Sri Lanka
Sweden
Switzerland
Taipei
Thailand
Turkey
United Kingdom
United States
Vietnam

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Australia has eight separate States and Territories. Stamp duty is a State and Territory tax administered by the separate States and Territories legislatures and imposed either at a fixed rate or at an "ad valorem" rate on the value of transactions such as real estate conveyances, certain insurance policies, motor vehicle transfers, unlisted security transfers and deeds relating to trusts.

7.2 Real property tax

Land tax is a State and Territory tax administered by each State and Territory with the exception of the Northern Territory which does not impose land tax. In general terms, exemptions apply to land used and occupied by a natural person as their principal place of residence, land used principally in agriculture, land used for retirement and aged care, land owned by religious, charitable, or educational institutions and non-profit organisations.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc: N/A

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CAMBODIA

GENERAL INFORMATION

1.1 Country/Region

Cambodia

1.2 Currency

Riel (KHR) (Appr. USD1: KHR4000)

1.3 Principal business entities

In accordance with the Law on Commercial Enterprise, LCE, the following types of business entities are available in Cambodia.

- Sole Proprietorship
- Partnerships
- Limited Company and Public Limited Company
- Subsidiary
- Branch
- Commercial Representative Office or Commercial Relations Office

All business entities operating in Cambodia are required to register with Ministry of Commerce and General Department of Taxation (GDT) to obtain the operation patent and certificate of tax registration (Value Added Tax) respectively.

1.4 Foreign exchange control

There is currently no restriction on the repatriation of profits or capital derived from investments made in Cambodia. The Law on the Amendment to the Law on Investment guarantees the rights of foreign investors to remit foreign currencies abroad for:

1. the payment of imports and repayment of principal and interest on foreign loans
2. the payment of royalties and management fees
3. the remittance of profits, and
4. the repatriation of invested capital on dissolution of an investment project.

1.5 Current economy climate (Industry overview/ encouraged business development)

Cambodia shifted to a free market economy and welcomed Foreign Direct Investment (FDI) in 1989. While Cambodia has adopted a competitive investment strategy, it still lags behind Asia-Pacific countries in terms of investment facilities and other factors such as roads, ports and other infrastructure developments.

Cambodia joined ASEAN in 1999 and WTO in 2004 and has experienced an economic boom over the last decade with an average annual growth of 8%. The growth of Cambodia remains strong with an estimated annual growth of 6.9% between 2017 and 2018 contributed by construction activities, garment exports, expansion of agriculture production and tourism.

1.6 National tax authority

Name: General Department of Taxation Cambodia (GDT)

Website: www.tax.gov.kh/en/

CORPORATE INCOME TAX

2.1 Basis of taxation

For business entity registered in Cambodia, corporate income is taxed on worldwide basis. For company registered outside Cambodia, the corporate income is taxed on source basis, which means only the income derived from Cambodia will be taxed.

2.2 Rates of tax

The following table shows the applicable corporation profit tax rate:

Standard rate	20%
Oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones	30%
Profit of Qualified Investment Project (QIP) during the tax exemption period as determined by CDC.	0%
Insurance companies insuring Cambodian risk	5% (on gross premium)

2.3 Year of assessment

The default year of assessment is calendar year (i.e. year ended 31st December). However, company can apply for change of year of assessment and subject to approval from the GDT.

2.4 Profits deemed to be taxable

All companies, except those enjoying exemption from tax on profit, have the obligation to pay self-accessed 1% of monthly turnover as a monthly prepayment of profit tax (PPT). The deadlines of PPT payments are the 20th day of the following month and the prepayments are offset against the annual tax on profit.

2.5 Taxation of dividends

Dividends received from resident companies are exempted from income tax. However, dividends received from non-resident companies are subject to income tax in Cambodia. Tax credit is allowed for tax paid in overseas on foreign source income, subject to certain conditions.

Dividends paid to non resident companies is subject to WHT of 14%.

2.6 Taxation of capital gains

All realized gains (including capital gains) are treated as income. However, Cambodia does not impose a separate tax on capital gain. Gains on disposal of assets are treated as ordinary income and are subject to standard rate under corporate income tax.

2.7 Taxation of interest income

The interests below are subject to withholding tax:

1. I Interest paid by a domestic bank or savings institution to a resident taxpayer:

    1.1.1. having a fixed deposit account is 6%

    1.1.2. having a saving account is 4%

Interest paid to non-resident is 14%

2.8 Utilization of tax losses

Losses can be carried forward for a maximum of 5 years. Losses cannot be carried back.

However, unutilized losses carried forward will be forfeited if there is

1. a change in ownership of the business occurs, or
2. a change in business activity occurs, or
3. when the taxpayer is subject to a unilateral tax reassessment.

2.9 Key Tax incentives

Investors can apply for Qualified Investment Project (QIP) status from Council for the Development of Cambodia (CPC) or the Provinces- Municipalities Investment Sub-committees (PM15) to enjoy tax incentives.

The tax incentives (generally) available to QIPs are:

I Exemption from tax on profit and prepayment for profit tax with minimum of three years and maximum of nine years.

II Accelerated depreciation on manufacturing assets

III Exemption from import VAT and import custom duty on production equipment, construction materials and manufacturing inputs.

Tax incentives would be available to all sectors that are not under the negative list. All QIPs are required to apply for a Certificate of Compliance (CoC) annually to continue to enjoy the investment incentives granted under the investment license.

2.10 Withholding tax

A. Resident Taxpayer

1	1. Income received from the performance of services including management, consulting, and similar services; 2. Royalties for intangibles and interests in minerals, oil or natural gas; 3. Interest payments to a physical person or enterprise other than interest paid to a domestic bank or saving institution.	15%
2	Rental of movable and immovable property	10%
3	Interest paid by a domestic bank or savings institution to a resident taxpayer: 1. having a fixed deposit accounts. 2. having a saving accounts.	6% 4%

B. Non Resident Taxpayer

Any resident taxpayer carrying on business and who makes any of the following payments to a non-resident taxpayer shall withhold, and pay as tax, an amount equal to 14% of the amount paid.

1. Interest
2. Royalties, rent, and other income connected with the use of property
3. Management or technical services
4. Dividends

2.11 Transfer Pricing

There is no specific transfer pricing regulation in Cambodia. However, the GDT has an absolute power to reallocate income and deductions between entities over common ownership to prevent avoidance or evasion of taxes. Common ownership refers to an entity hold more than 20% of an entity in the above situations.

2.12 Filing requirements of tax return

Filing due dates	The annual tax return must be filed within 3 months following the tax balance sheet date.	
Penalties	1. If the taxpayer is considered negligent, being underpayment by less than 10%, or if the taxpayer fails to file a tax declaration or to pay tax by the due date	10% of the underpaid tax
	2. If the taxpayer is considered seriously negligent, being underpayment by more than 10% or taxpayer has failed to settle for liabilities by the due date	25% of the underpaid tax
	3. Where the taxpayer receives a unilateral tax assessment	40% of the underpaid tax
	4. Late payment of taxes and late submission of returns	2% of underpaid tax per month
	5. Additional tax for the obstruction of the implementation of tax law	KHR2 million per case
Payment of profit tax, minimum tax and application of withholding	Real regime taxpayers are subject to a separate Minimum Tax of 1% of the annual turnover. Minimum Tax is due if it is greater than the Tax on profit payable or taxpayers incurred a loss for the year. The Minimum Tax can be reduced by PPT and other withholding tax credits.	

PERSONAL INCOME TAX (TAX ON SALARY)

3.1 Basis of taxation (residence, personal assessment)

According to Law on Taxation, Article 42, The term "Salary" means remunerations, wages, bonuses, and overtime, compensations and fringe benefits which are paid to an employees, or which are paid for direct or indirect advantage of the employee for the fulfillment of employment activities.

The salary of a physical person resident is subject to Cambodia income tax (i.e. tax on salary) on worldwide basis. For non-resident, only the salary received in Cambodia is subject to the tax on salary in Cambodia.

3.2 Rates of tax

1. Any physical person who has a principal place of abode in Cambodia or present in Cambodia for more than 182 days in a calendar year is classified as residents, the tax rates are as follow. :

Taxable Income for the Month (KHR)	Progressive Tax (%)
Up to 1,200,000 (~USD300)	0
From 1,200,001 – 2,000,000 (~USD300-500)	5
From 2,000,001 – 8,500,000 (~USD500-2,125)	10
From 8,500,001 – 12,500,000 (~USD2,125-3,125)	15
Over 12,500,000 (~USD3,125)	20

2. Non-residents: Flat rate of 20% on salaries received from Cambodia.

3.3 Year of assessment

Tax on salary is taxed on a monthly basis. Employer has the obligation to withhold the tax before salary payments and pay the tax to GDT by 20th of the month after the month in which the salary is paid.

3.4 Allowances and Deductions

An individual resident is entitled to the following personal relief:

1. KHR 150,000 for each child.
2. KHR 150,000 for dependent spouse (who is not being employed)

3.5 Taxation of dividends

14% withholding tax on dividend paid to non-residents.

3.6 Taxation of capital gain

N/A

3.7 Taxation of interest income

Please refer to the Taxation of interest income mentioned under item 2.7.

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

Please refer to the withholding tax rate mentioned under item 2.10.

3.10 Statutory obligation of employers

Employers have the obligation to file monthly tax on salary declarations and payments for the employees on or before the 20th day of the following month.

3.11 Filing requirement of tax return

Filing due dates	Employers have to file the salary and fringe tax returns together with the payments of tax on salaries to GDT before 20th day of the following month.
Penalties	10% plus monthly interest of 2% on the unpaid tax
Application of withholding	The monthly salary tax deduction is considered to be a final tax for individuals, and does not require submission of annual return to the GDT.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Social Securities Fund (NSSF). NSSF is a fund established for well-being and protection of employees and workers.

4.2 Basis of contribution

All employers with 8 employees or more are obliged to register with NSSF.

4.3 Contribution rate

The contribution is a uniform rate applied to all risk class or industry. All employers pay 0.8% of the assumed wage based on the employee's monthly wage before taxation.

4.4 Exemption from tax

NSSF is borne by employer and it is not subject to fringe benefit tax.

GST/VAT

5.1 GST

N/A

5.2 Basis of VAT

VAT is levied on a wide range of importation of goods and almost all supply of goods and services in Cambodia and on each stage of production, VAT is imposed allowing each supplier credit for the tax paid, hence VAT eventually impacts on the end consumer only.

5.3 Rates of VAT

The following specific supplies are subject to VAT at zero rate

i. Exported goods and services, and certain charges in relation to international transportation

ii. Supply of unprocessed agricultural products

iii. Supply of education services and goods or other services related to student education

iv. Supply of qualifying goods & services by qualifying persons to qualifying industries shall be eligible to charge VAT at the preferential rate of 0%

Except the above specific supplies, all other supplies of goods and services are subject to standard VAT rate of 10%.

5.4 Registration

Any business entities having businesses providing taxable supplies of goods and services are required to be registered under VAT if they meet the criteria below:

a	Corporations, importers, exporters and investment companies
b	Taxpayers with taxable turnover in any period of 3 consecutive months that exceeds or expect to exceed in the coming period of 3 consecutive months of : i. goods sold exceeding KHR125 million; or ii. services provided exceeding KHR60 million
c	Taxpayers undertaking government contracts with a total taxable turnover exceeding KHR30 million.

Entities required to register for VAT shall apply to the GDT within 30 days counting from the commencement of business operations.

5.5 Filing requirements

Returns and payment have to be filed and paid to the GDT by the 20th day of the following month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Tax paid overseas on foreign source income is available as a tax credit, subject to the taxpayer providing sufficient evidence to substantiate the foreign tax paid. The tax credit is calculated separately for each foreign country and is the lower of the foreign tax paid or Cambodian tax payable on foreign source income.

6.2 List of double tax treaties signed

Currently, Cambodian government have signed a total of 4 its first tax treaties with Singapore, China, Brunei and Thailand in 2016 and 2017. On the other hand, Cambodia government has made investment and trade agreements with a number of countries including Malaysia, Vietnam, Laos, Philippines, Croatia, Czech, Germany, Netherlands, Switzerland, France, Russia, United States of America, Korea, Japan, India, Bangladesh and Uganda.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp Tax is levied on administration documents, court documents, non-court document. Ministry of Economy and Finance shall determine the scope of implementation and stamp tax table in the sub-decree. All unpaid documents which are subject to stamp tax will not be received or issued by the competent authority. Each stamp has value of KHR100, KHR200, KHR500, KHR1,000, KHR2,000. Ministry of Economy and Finance is the only competent authority to print the stamp.

7.2 Immovable property tax

Property tax shall be imposed on the properties located in the municipality and provinces of the Cambodia. This tax shall be collected annually at a rate of 0.1% on the value of the property. It is charged to immovable properties valued in excess of KHR100 million. The term "Property" refers to lands, houses, buildings and other constructions that are built on the land, and the value of property shall be determined based on the market price by the property evaluation committee which is established by the Prakas of the Minister of Economy and Finance. The deadline for Property tax payment is on 30th September each year.

7.3 Unused land tax

The unused land tax is levied on unused land which are located in the cities and areas which are levied by Unused Land Appraisal Committee (ULAC). The unused land tax is paid by owners. Tax on unused land is based on 2% of the market price per square meter as determined by ULAC.

7.4 Patent tax

All entities carrying on business activities in Cambodia must register annually and pay GDT a standard patent tax rate as follow:

- Small Taxpayer: KHR 400,000
- Medium Taxpayer: KHR 1,200,000
- Large Taxpayer: Minimum KHR3,000,000 and Maximum: KHR5,000,000

Patent payment must be remitted by 31st March at the relevant ensuing fiscal year.

7.5 Accommodation tax(AT)

AT is a tax imposed on the provision of hotel accommodation service. AT is levied at a rate of 2% on hotel accommodation services charge, inclusive of other services charge and all kind of taxes, but excluding of the AT itself and VAT.

7.6 Property transfer tax

Except the inheritance of property among direct relative, other transfers of ownership of immovable property and certain vehicles are subject to 4% property transfer tax of the transferred value. It is the obligation of transferee to pay the tax.

7.7 Registration Tax

Registration tax of 0.1 % applies to transfer of company's shares. 0.1% registration tax also applies on the government contract value related to the supply of goods/ services that are used under the state budget.

The following legal documents are subject to a registration tax (stamp duty) of KHR 1 million:

1. Document on establishing company
2. Document on merging the companies
3. Document on resolving the company

7.8 Others

Business tax: N/A

Consumption tax: N/A

OTHERS

8.1 Types of Taxpayers

GDT has classified taxpayers in Cambodia into 3 categories:

i. Large Taxpayer: Annual Taxable Turnover > KHR2,000 million

ii. Medium Taxpayer: Annual Taxable Turnover more than KHR700 million and KHR2,000 million

iii. Small Taxpayer: Annual Taxable Turnover more than KHR250 million and KHR700 million

Small Taxpayer is entitled to simplified accounting system and taxed under a more simplified tax system.

8.2 Types of Tax Audit

Four types of corporate tax audits are commonly carried out in Cambodia.

1. Desk Audit
2. Limited Audit
3. Comprehensive Audit
4. Investigation

8.3 Official Licensing of Tax Services Agent

To improve the level of compliance, official licensing of tax agent system has been implemented in Cambodia. Licensed tax services agents must be recognized and approved by the GDT through renewing their license valid for two years. Taxpayers who outsource the tax related services to unlicensed tax agents shall be liable for a fine of KHR 5 million.

8.4 Tax Incentives for small taxpayers registered voluntarily during year 2017 and 2018.

In accordance with Sub-Decree No. 17, Small and Medium Entities (SMEs) that voluntarily registered with GDT during 2017 and 2018 will be entitled to the below preferential tax treatments:

1) Two-Year Tax Exemption: The two-year tax exemption on Profit Tax commences from the year that the SME first generates revenue, or from the year of tax registration should the SME have earned revenue prior to the date of tax registration, whichever is earlier;

2) Minimum Tax and Prepayment of Profit Tax Exemption: During the two-year exemption, the annual minimum tax and the monthly prepayment of profit tax will also be exempted.

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CHINA

GENERAL INFORMATION

1.1 Country/Region

The People's Republic of China

1.2 Currency

Renminbi (RMB)

1.3 Principal business entities

- Domestic enterprise structure
  - State-owned enterprises
  - Private enterprises
- Stock companies
  - Limited liability companies
  - Companies limited by shares
- Foreign-funded enterprises
  - Joint ventures with Chinese and foreign investment
  - Exclusively foreign-owned enterprises
  - Chinese-foreign cooperative enterprises
- Foreign enterprises and others
  - Representative office
  - Branch offices

1.4 Foreign exchange control

In China, the foreign exchange management authority is the State Administration of Foreign Exchange (SAFE), which is responsible for the foreign exchange control of current accounts, foreign exchange control of capital accounts, and foreign exchange business control of financial institutions, among others. As China economy increases its presence in the world, its foreign exchange control policy has changed accordingly, and the major affairs that merit attention in the near future are listed as follows:

In July 2013, the SAFE issued the *Notice on Distributing the Rules on Foreign Exchange Control over Service Trade* (H.F. [2013] No.30, hereinafter referred to as "the Notice" for short). These important provisions integrate, abolish or standardize the original regulations on foreign exchange control over service trade, and make a landmark major reform in improving the foreign exchange control over service trade and facilitating trade investment.

The Notice came into effect on 1 September 2013, and its main contents are as follows:

a. The state has no restrictions on international payments under service trade, and cancels the approval process which the purchase and payment of foreign exchange in service trade had to go through in the past, thus cutting down the review flow in the charge of the SAFE. The management of the purchase and payment of foreign exchange in service trade is mainly handed over to banks.

b. The document review is simplified, as the document review on small-amount transactions is cancelled and petty receipt and payment of foreign exchange in service trade can be handled directly at banks. Banks may, in principle, not examine the vouchers for the collection and payment of foreign exchange in service trade at a single transaction valued no more than USD50,000. Banks will simplify the examining requirements for a single transaction valued at more than USD50,000 whose transaction vouchers still need to be examined. At the same time, according to the Announcement [2013] No. 40 of the State Administration of Taxation (SAT) and the SAFE, from 1 September 2013, the tax certificate of the foreign exchange payment in service trade will be cancelled and replaced by tax filling. The small-amount transactions (a single transaction valued at USD50,000 (inclusive) and below) can be exempt from filling.

c. The control over offshore deposit has been eased. As outlined by the Notice, the competent authority has relaxed the conditions for the offshore deposit of foreign exchange receipts of the domestic institutions in service trade, and permitted the centralized offshore deposit of foreign exchange revenues reaped from service trade by qualified enterprise groups.

The Notice has simplified the relevant procedures and cultural requirements for the purchase and payment of foreign exchange in service trade, and provided a great deal of convenience for enterprises to make foreign payments. The focus of foreign exchange control has been shifted from pre-approval to transaction supervision, so as to highlight the importance of the self-discipline of enterprises and the authenticity of transactions.

In addition, the stringent ex-post punishment procedure is also noteworthy. For example, the *Detailed Implementation Rules for the Guidelines on Foreign Exchange Control over Service Trade* especially indicates that the enterprises that attempt to evade from foreign exchange regulation by deliberate separation will be punished in accordance with the relevant provisions of the *Regulations of the People's Republic of China on Foreign Exchange Control*.

1.5 Current economic climate (Industry overview/ encouraged business development)

China has become one of the world's major economies and trade powers in recent years. Now it is the second largest economy, the largest exporter of commodities, the second largest importer of foreign commodities, the second largest destination of foreign direct investment (FDI), the largest manufacturer, the largest holder of foreign exchange reserves, and the largest creditor country across the globe.

China has a lot of space and many projects to upgrade its industries, develop its infrastructure and improve its social welfare. In the meantime, it also demonstrates enough economic strength and huge economic demand. Therefore, China is in a position to remain stable and rapid economic growth for a long time to come.

1.6 National tax authorities

Name: The State Administration of Taxation (SAT)

Official website: www.chinatax.gov.cn/

CORPORATE INCOME TAX

2.1 Basis of Taxation

In the territory of the People's Republic of China, enterprises and other organizations that derive income (hereinafter referred to as "enterprises") shall be taxpayers of business income tax, and pay business income tax in accordance with the provisions of this law.

This law does not apply to sole-proprietorship enterprises or partnership enterprises.

The concept of "resident enterprises"

The Business Income Tax Law introduces the concept of resident enterprises. Resident enterprises refer to the companies established in accordance with the Chinese law or the foreign law with actual authority located in China. Resident enterprises need to pay business income tax in China on the basis of their global income, while non-resident enterprises only pay the business income tax on the basis of their income derived from China. The enterprises registered in China must be resident enterprises, and the foreign companies with actual authority located in China may also be identified as Chinese resident enterprises.

2.2 Rate of tax

The statutory business income tax rate is 25%. Eligible enterprises shall pay the business income tax at a lower rate (for more details, please refer to Section "Preferential Tax Policy" below).

The applicable tax rate for non-resident enterprises that derive the income in accordance with the provisions of *China's Business Income Tax Law* is 20%.

Eligible small and micro-sized enterprises shall pay business income tax at a reduced rate of 20%.

Eligible high-tech enterprises shall pay the business income tax at a reduced rate of 15%.

2.3 Year of Assessment

The business income tax shall be calculated in a tax year. A tax year begins on 1 January and ends on 31 December. When an enterprise starts production or terminates its business operation and its actual operation period within a tax year is less than 12 months, the actual operation period shall be regarded as a tax year. If the enterprise is liquidated according to law, the period of liquidation shall be regarded as a tax year.

2.4 Profits deemed to be taxable

The taxable income shall be the balance of the total income of an enterprise in each tax year minus the non-taxable income, tax-free income, all deductions and losses covered for previous years.

Total income consists of currency and non-currency income from various sources:

i. sales of goods;

ii. provision of labor;

iii. transfer of assets;

iv. equity investment (such as dividend and bonus);

v. interest income;

vi. rents;

vii. royalties;

viii. donations received;

ix. others.

The following income in total income shall be non-taxable income:

i. government subsidies;

ii. administrative fees and government funds collected and incorporated into financial management according to law;

iii. other non-taxable income stipulated by the State Council. The reasonable expenditure in relation to the income derived by an enterprise, including costs, expenses, taxes, losses, and other expenses, shall be permitted to be deducted when the taxable income is calculated.

The expenditure on public welfare donations of the enterprise within 12% of the total annual profits shall be permitted to be deducted when the taxable income is calculated.

When the taxable income is calculated, the following expenses shall not be deducted:

i. the proceeds from equity investments such as dividends and bonus paid to investors;

ii. the business income tax;

iii. the tax delay charge;

iv. pecuniary punishment, fines, and losses of confiscated properties;

v. the expenditure on donations other than those stipulated in the ninth article of this law;

vi. sponsorship expenditure;

vii. unverified reserve expenditures;

viii. other expenditures in no relation to the derivation of revenues.

In calculating the taxable income, the depreciation of the fixed assets calculated by an enterprise in accordance with the provisions shall be permitted to be deducted.

Depreciation is not deductible for the following fixed assets:

i. fixed assets other than houses and buildings that have not been put into use;

ii. fixed assets rented under an operating lease;

iii. fixed assets rented out under a financing lease;

iv. fixed assets still in use despite having been fully depreciated;

v. fixed assets unrelated to business activities;

vi. land separately priced and entered into accounts as a fixed asset; and

vii. other fixed assets for which deduction of depreciation is not allowed. In calculating the taxable income, the amortization of intangible asset expenses calculated by an enterprise in accordance with the provisions shall be permitted to be deducted.

Amortization of expenses is not deductible for the following intangible assets:

i. expenditure for intangible assets developed by the enterprise that has already been deducted during calculation of the taxable income;

ii. goodwill created by the enterprise;

iii. intangible assets unrelated to business activities;

iv. other intangible assets for which deduction of amortization expenses is not allowed.

In calculating the taxable income, the following expenditures incurred by an enterprise as long-term prepaid expenses that are amortized shall be permitted to be deducted.

i. expenditure for the reconstruction of fixed assets which have been fully depreciated;

ii. expenditure for the reconstruction of fixed assets under lease;

iii. expenditure for the overhaul of fixed assets; and

iv. other expenditure that shall be regarded as long-term prepaid expenses.

Costs of invested assets incurred by an enterprise during the period of external investment may not be deducted when computing the taxable income. However, inventory costs calculated by an enterprise pursuant to provisions of inventory used or sold by the enterprise shall be permitted to be deducted when the taxable income is calculated.

When an enterprise consolidates calculation of the business income tax payable, it shall not offset an overseas business entity's losses against the profits of a business entity in China.

Where an enterprise incurs a loss in a tax year, the enterprise is allowed to carry the loss over to subsequent years to be offset against income of subsequent years, provided the carryover period does not exceed five years.

If a non-resident enterprise obtains the income specified in Paragraph 3 of Article 3 of this law, the taxable income shall be calculated according to the following methods:

i. dividends, bonuses and other equity investment income, gains from interests, rents and royalties shall be taxed in full;

ii. for incomes from property transfer, the taxable income should be the balance of total income minus net value of property;

iii. with regards to other incomes, the taxable income shall be calculated according to the approaches as mentioned in the preceding two items by analogy.

The incomes, specific scopes and standards of deduction as well as concrete tax treatment measures specified in the Business Income Tax Law shall be prescribed by the competent finance and tax departments under the State Council.

If there is any discrepancy between enterprise financial and accounting treatment methods and the provisions of the tax laws and administrative regulations, the latter shall prevail.

2.5 Tax agreement network and the applicable withholding tax rate

The non-active income derived from sources inside China shall be applicable to 20% withholding income tax according to the *Business Income Tax Law*, but the implementation regulations provide that the withholding income tax rate shall be reduced to 10%. This preferential withholding income tax rate offered unilaterally is applicable to dividends, interest income, rents, royalties and other non-active income such as earnings from sales or transfer of houses, buildings, land use rights and transfer of equity held in Chinese companies. Dividends from profits prior to 2008 of a foreign-invested enterprise are exempted from withholding income tax.

The withholding income tax rate of these non-active incomes may be below 10% or even zero under the tax agreement.

When the tax agreements inked between Chinese government and foreign governments are in conflict with Chinese business income tax, the terms of agreements shall prevail. And, the same applies to tax agreements between the Chinese Mainland and Hong Kong and Macau.

2.6 Taxation of capital gains

There is no separate capital gains tax. The business income tax on the capital gains and losses are generally levied at the standard tax rate of 25% in accordance with other operating income.

2.7 Taxation of interest income

According to the provisions of *Business Income Tax Law*, the taxable income of interest income shall be the total interest income amount minus interest income of treasury bonds.

2.8 Utilisation of tax losses

1. Where an enterprise incurs a loss in a tax year, the enterprise is allowed to carry the loss over to subsequent years to be offset against income of subsequent years, provided the carryover period does not exceed five years.
2. Operating profits from tax-exempt items or tax reduction items may not be offset against the transaction losses of the year and carried backward for trading losses. In addition, the transaction losses from tax-exempt items or tax reduction items may not be offset against the transaction profits or be carried over to offset the future earnings.
3. Enterprises should calculate the transaction losses derived from a tax year since the transaction year.
4. Transaction profits from domestic activities may not be used to offset losses from overseas transactions. However, the operating profits from overseas activities may be used to offset the domestic trade losses.

2.9 Key tax incentives

Tax-exempt income

1. Interest income from treasury bonds;
2. Dividends, bonus and other equity investment income among eligible resident enterprises, which refer to investment income obtained by resident enterprises from direct investment in other resident enterprises;
3. Dividends, bonus and other equity investment income which are derived by non-resident enterprises with institutions or premises set up in China from resident enterprises and are actually related to the institutions or premises;
4. Income of eligible non-profit organizations;

Preferential tax policy

i. Tax deduction and exemption

Tax deduction is available for the income derived from the following projects as prescribed by the *Business Income Tax Law*.

Preferential projects and industries	Preferential policy applicable to business income tax
Agriculture, forestry, animal husbandry and fishery projects	Tax exemption or tax collection at half rate
Public infrastructure projects	3+3 tax deduction and exemption period
Environmental protection and energy/water conservation project	3+3 tax deduction and exemption period
Certified high-tech enterprises established in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area after 1 January 2008	2+3 tax deduction and exemption period
Software enterprises	2+3 tax deduction and exemption period
Integrated circuit design enterprise	2+3 tax deduction and exemption period
Integrated circuit manufacturing enterprises with the total investment of more than RMB8 billion or the integrated circuit width of less than 0.25 micron and already operating over fifteen years	5+5 tax deduction and exemption period
The integrated circuit width of less than 0.8 micron	2+3 tax deduction and exemption period
Eligible energy-saving service companies	3+3 tax deduction and exemption period
Enterprises falling in the encouraged category in difficult areas of Xinjiang	2+3 tax deduction and exemption period
Projects in line with the clean development mechanism	3+3 tax deduction and exemption period

Note: "2+3 tax deduction and exemption period" means the exemption of business income tax for two years and the collection of business income tax at half rate for the following three years; and so forth.

The eligible income derived from technology transfer by resident enterprises can be exempted from the business income tax or levied with such tax at half the rate. In a tax year, the part within RMB5 million can be exempted from the business income tax; the part over RMB5 million can be levied with such tax at half the rate.

ii. Low tax rate

Eligible high-tech enterprises shall pay business income tax at a reduced rate of 15%.

Integrated circuit manufacturing enterprises with the total investment of more than RMB8 billion or the integrated circuit width of less than 0.25 micron shall pay the business income tax at a reduced rate of 15%.

Major software enterprises and integrated circuit design enterprises shall pay the business income tax at a reduced rate of 10%.

From 1 January 2009 to 31 December 2018, eligible advanced technical service enterprises in 21 cities such as Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen shall pay business income tax at a reduced rate of 15%.

Enterprises established in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone can pay the business income tax at a reduced rate of 15% if they are engaged in the projects that fall in the directory of preferential industries.

Enterprises established in Zhuhai Hengqin New Area can pay the business income tax at a reduced rate of 15% if they are engaged in the projects that fall in the directory of preferential industries.

Enterprises established in Fujian Pingtan Comprehensive Experimental Area can pay the business income tax at a reduced rate of 15% if they are engaged in the projects that fall in the directory of preferential directory industries.

From 1 January 2011 to 31 December 2020, western region-based enterprises falling in the encouraged category can pay the business income tax at a reduced rate of 15%.

Eligible small-size, low-profit enterprises can pay the business income tax at a reduced rate of 20%. From 1 January 2015 to 31 December 31 2017, such enterprises if generating an annual taxable income no more than RMB200,000 shall be entitled to the reduced business income tax rate of 10%.

2.10 Withholding tax

Dividend

A withholding tax rate of 10% (statutory tax rate of 20%) will apply if dividends are paid to non-shareholder enterprises, unless the rate is reduced in accordance with the tax agreement.

Interests

A withholding tax rate of 10% (statutory tax rate of 20%) will apply if interests are paid to non-shareholder enterprises, unless the rate is reduced in accordance with the tax agreement. The applicable VAT tax rate is 6%.

Royalties

A withholding tax rate of 10% (statutory tax rate of 20%) will apply if royalties are paid to non-shareholder enterprises, unless the rate is reduced in accordance with the tax agreement. The applicable VAT tax rate is 6%.

Technical service fee

The technical service fee paid to non-resident enterprises is based on net profit which is obtained by the provision of relevant services in China, unless the rate is reduced in accordance with the tax agreement.

2.11 Transfer pricing

Transfer pricing is applicable to related-party transactions.

For related-party transactions between enterprises and related companies which result in reduction of taxable income and are not in accordance with the arm's length principle, the tax authorities have the right to make tax adjustments through reasonable methods.

Costs incurred by the joint development, intangible assets transfer, and common provision or receipt of labor between enterprises and their related parties should be shared on the arm's length basis when calculating the taxable income.

The pricing policies and calculation methods of related-party transactions should be reported by the enterprises to the tax authorities. The tax authorities will make an appointment for pricing after consultation with the enterprises.

In early 2012, two files were issued by the government. They are the notice on *Internal Working Regulations for Special Tax Adjustment (Trial) (G.SH.F. [2015] No.13)* and *Major Case Review Working Regulation for Special Tax Adjustment (Trial) (G.SH.F. [2012] No.16)*. The two documents further standardize the transfer pricing management of related-party transactions.

2.12 Filing requirements of tax return

Filing due dates
The declaration of the business income tax shall be completed within 15 days after the end of the quarter, and the annual income tax declaration shall be completed within 5 months after the end of the year. If the enterprise has ceased to operate, the tax return shall be submitted within 60 days from the date of cessation of business.

Penalties
If the tax declaration is not made within the prescribed time limit, the tax authorities may impose a fine of less than RMB2,000 on the enterprise; if the circumstances are serious, a fine of over RMB2,000 and less than RMB10,000 shall be imposed, and the late payment penalty shall be paid for the unpaid taxes (the amount of the taxable income of the enterprise * 0.05% * days).

Payment of profit tax and application of holdover
According to Article 27 of the *Tax Collection Administration Law of the People's Republic of China*, Article 37 of the Implementation Rules, if an enterprise does have difficulty in filing tax returns on schedule, it shall submit an application for formal extension to the tax authorities in advance. With the approval of the tax authorities, the enterprise may delay the declaration, but the tax return should be completed as soon as possible.

PERSONAL TAX

3.1 Basis of taxation (residence, personal assessment)

Individuals who have a domicile in China or though without a domicile yet have resided in China for a year or more shall pay the personal income tax on their income derived from sources inside and outside China according to laws.

Individuals who neither live or have a domicile in China or though without a domicile yet have resided in China for less than a year shall pay the personal income tax on their income derived from sources inside China.

Scope of taxation:

1. Income from wages and salaries;
2. Income from production and operation of self-employed individuals;
3. Income from contracting and leasing;
4. Income from labor remuneration;
5. Income from author's remuneration;
6. Income from royalties;
7. Income from interests, dividends and bonus;
8. Income from lease of property;
9. Income from transfer of property.

3.2 Rates of tax

Income from wages and salaries shall be taxed at seven-bracket progressive rates ranging from 3% to 45%.

Income from interests, dividends, bonus, royalties, lease of property, transfer of property and author's remuneration and other incidental income is taxed at the rate of 20%.

Interest income from bank deposits is temporarily exempted from the personal income tax.

Income from production, operation as well as contracting and leasing by self-employed individuals is taxed at five-bracket progressive rates ranging from 5% to 35%.

Personal income from labor remuneration is taxed at progressive rates which top at 40%.

Table 1- Personal income tax rates (applicable to income from wages and salaries)

Bracket	Total monthly taxable income (RMB)	Tax rate
1	RMB≤1,500	3%
2	1,500<RMB≤4,500	10%
3	4,500<RMB≤9,000	20%
4	9,000<RMB≤35,000	25%
5	35,000<RMB≤55,000	30%
6	55,000<RMB≤80,000	35%
7	RMB>80,000	45%

3.3 Year of assessment

In general, personal income tax on other income except income from production and business is paid on a monthly basis.

3.4 Allowances and deductions

Chinese legislative bodies have adopted a zero-bracket amount of RMB3,500 for personal income tax and a new program for simplifying tax rate brackets. Under the program, the nine-bracket progressive tax rates are reduced to 7 brackets. Both of the new provisions took effect on 1 September 2011. Foreigners are also subject to the new tax rates; the zero-bracket amount for them is RMB4,800.

3.5 Taxation of dividends

The tax rate applicable to dividend income is 20%.

3.6 Taxation of capital gain

For the income from sales of asset sales with relevant cost expenses and taxes deducted, the gain is taxed at a rate of 20%. The income from the individual transfer of a house having been used privately for more than 5 years and being the unique family dwelling is exempted from the personal income tax.

3.7 Taxation of interest income

The tax rate applicable to interest income is 20%.

3.8 Personal assessment and utilization of loss

N/A

3.9 Withholding tax

According to the measures concerning withholding and payment of personal income tax, all organizations including enterprises (companies), public institutions, agencies, organizations, troops, branches of foreign organizations in China, self-employed entrepreneurs and individuals generating taxable income are the agents of withholding and payment of personal income tax.

3.10 Statutory obligation of employers

A withholding agent should withhold and pay the personal income tax when paying the amounts (including cash, assets and negotiable securities) to the taxpayers.

3.11 Filing requirement of tax return

Filing due dates
The tax on individual income from wages and salaries shall be paid monthly. The withholding agents and the self-declaration tax payers should submit the tax returns to the tax authority and pay the tax payable to the national treasury before the 15th day of the next month.

Individuals receiving an annual income of more than RMB120,000 should handle the annual tax declaration at the competent tax authority within 3 months from the end of the year.

Penalties
Late payment penalty equivalent to 0.05% of the unpaid tax is additionally charged from the date of such delay, in case the tax payer delays tax payment. Fines may be imposed in addition to the late payment penalty.

Application of holdover
Tax payer may submit the Application for Delayed Payment to the tax authority in advance, in case the tax payer has difficulties in handling the tax declaration within the time limit specified.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

1. Social insurance organs

2. Ministry of Labor and Social Security

4.2 Basis of contribution

In China, Chinese citizens employed by Chinese economic entities are entitled to social security. The *Social Insurance Law of the People's Republic of China* was executed on 1 July 2011; on 15 October 2011, the *Interim Measures for Social Insurance System Coverage of Foreigners Working within the Territory of China* also went into effect. Foreign individuals taking up occupations in China and their Chinese employers are required to pay contributions to the Chinese social insurance fund, including pension, medical, work-related injury, unemployment and maternity insurances.

4.3 Contribution rate

Different regions adopt varying social insurance contribution rates. The average social insurance contribution rates of enterprises and employees account for 30% and 11% of their salaries, respectively; the contribution base of salary should not exceed three times of the average salary of the previous year published by the local government.

4.4 Exemption from tax

The social insurance expense can be deducted from the taxable income, when the individual and business income taxes are calculated.

VALUE-ADDED TAX (VAT)

5.1 Basis of tax

VAT is applicable to tax payers for selling goods, providing processing services, repair and fitting services as well as importing goods; and, it is applicable to tax payers for selling services, intangible assets and immovable properties.

5.2 Rates of tax

Selling goods, providing processing services, repair and fitting services as well as importing goods

1. The tax rate for tax payers selling or importing goods is 17%.
2. The tax rate for tax payers selling or importing the following goods is 11%:

Agricultural products (including cereals), tap water, heating, liquefied petroleum gas, natural gas, edible vegetable oil, air conditioning, hot water, coal gas, coal products for residents, edible salt, agricultural machinery, feed, agricultural chemicals, agricultural film, chemical fertilizer, methane, dimethyl ether, books, newspapers, magazines, audio and video products as well as electronic publications.

3. The tax rate for tax payers providing processing, repair and fitting services is 17%.
4. The tax rate for tax payers exporting goods is zero, unless otherwise specified by the State Council.

Selling services, intangible assets and immovable properties

1. The tax rate for tax payers having the taxable behavior is 6%, except the provisions in Items 2, 3 and 4 below.
2. The tax rate for tax payers providing transport, postal, basic telecom, construction and real estate leasing services, selling real estates as well as transferring land use right is 11%.
3. The tax rate for tax payers providing tangible movables leasing service is 17%.
4. The tax rate for domestic entities' and individuals' cross-border taxable behaviors is zero. The specific scope is otherwise specified by the Ministry of Finance and the SAT.

Unless otherwise specified by the Ministry of Finance and the SAT, the small-scale tax payers shall be levied with the value-added tax at a rate of 3%.

5.3 Registration

VAT taxpayers must register for VAT purposes with the competent tax authority. Non-resident enterprises are not required to register for VAT.

5.4 Filing requirements

The terms of VAT payment are one day, three days, five days, ten days, 15 days, one month or one quarter.

Specific terms of VAT payment shall be decided by the competent

tax authority according to the taxable amount. Rules taking one quarter as the term of tax payment are applicable to small-scale taxpayers, banks, financial companies, trust and investment companies, credit cooperatives and other taxpayers provided for by the Ministry of Finance and the SAT.

Taxpayers with one month or one quarter as the term of tax payment shall make tax declaration within 15 days after expiration; taxpayers with one day, three days, five days, ten days or 15 days as the term of tax payment shall prepay the tax within five days after expiration and make tax declaration and settle the tax liability within 15 days after the first day of the next month.

Terms of delivering tax payments for withholding agents shall be in line with the two rules above.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The foreign tax credit is the income tax the resident enterprises or individuals have paid overseas and it is deductible from the income tax payable in China. The credit is limited to the amount of China tax payable on the same income.

6.2 Double tax treaties signed

Albania	India	The Philippines
Algeria	Indonesia	Poland
Armenia	Iran	Portugal
Australia	Ireland	Qatar
Austria	Israel	Romania
Azerbaijan	Ital	Russia
Bahrain	Jamaica	Saudi Arabia
Bangladesh	Japan	Seychelles
Barbados	Kazakhstan	Singapore
The Republic of Belarus	Republic of Korea	Slovakia
Belgium	Kuwait	Slovenia
Bosnia and Herzegovina	Kyrgyzstan	South Africa
Brazil	Laos	Spain
Brunei	Latvia	Sri Lanka
Bulgaria	Lithuania	Sultan
Canada	Luxembourg	Sweden
Croatia	Macao Special Administrative Region	Switzerland
Cuba	Macedonia	Syria
Cyprus	Malaysia	Tajikistan
Czech Republic	Malta	Thailand
Denmark	Mauritius	Trinidad and Tobago
Ecuador	Mexico	Tunisia
Egypt	Moldova	Turkey
Estonia	Mongolia	Turkmenistan
Ethiopia	Morocco	Ukraine
Finland	Nepal	The United Arab Emirates
France	Netherlands	The United Kingdom
Georgia	New Zealand	The United States
Germany	Nigeria	Uzbekistan
Greece	Norway	Venezuela
Hong Kong Special Administrative Region	Oman	Vietnam
Hungary	Pakistan	Yugoslavia
Iceland	Papua New Guinea	Zambia

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

1) Basis of taxation

Stamp duty is a tax levied on certain legal business transactions, such as property transfer.

The following categories of documents shall be taxable:

I. contracts on purchases and sales, processing and contracting, project contracting, property leasing, freight transport, warehousing, loan, property insurance and technical contracts;

II. Property transfer documents;

III. Account books;

IV. Certificates evidencing rights or licenses;

V. Other documents determined by the Ministry of Finance.

2) Tax rate

- purchase and sales contract is 0.3%
- processing and contracting contract is 0.5%
- construction survey and design contract is 0.5%
- construction installation project contract is 0.3%
- property leasing contract is 1%. If the amount is less than RMB1, the stamp duty shall be RMB1
- freight transport contract is 0.5%
- warehousing contract is 1%
- for loan contract is 0.05%
- for property insurance contract is 1%
- for technical contract is 0.3%
- for property transfer document is 0.5%
- paid-in capital and capital reserve for capital accounts is 0.5%, and RMB5 per item for other accounts
- rights or license is RMB5 per item

7.2 Real property tax

1) Basis of taxation

An owner of housing property shall take the obligation of paying house property tax. For property pawned, the tax shall be paid by the pawnee; if neither the owner nor the pawnee of a housing property is at the place where the house locates, or if there are undetermined property rights or unsettled renting disputes, the tax shall be paid by the agent or the user of the house.

2) Tax rate

For a house used by the owner, the taxable amount is the original value of the property reduced by 10% to 30%, and the tax rate is 12%;

For a rented house, the taxable amount is the rental income, and the tax rate is 12%.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax or other taxes

Consumption tax is levied on alcohol, cosmetics, diesel, fireworks, jewelry, motorbikes, automobiles, petroleum, luxury watches, cigarettes and tobacco, tires, golfing equipment, yachts, and etc. The tax rates range from 1% to 45%.

Consumption tax is declared monthly, and the declaration shall be completed before the 15th of the following month.

POINT OF CONTACT

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CYPRUS

GENERAL INFORMATION

1.1 Country/Region

Cyprus

1.2 Currency

Euro - €

1.3 Principal business entities

- Public Companies – unlimited number of shareholders and no restrictions on transfer of shares
- Private Companies – limited number of shareholders and possible restrictions on transfer of shares
- Partnerships
- Branches of foreign companies
- Trusts
- Funds
- Investment Firms
- SE Companies – Societas Europaea

1.4 Foreign exchange control

No foreign exchange controls

1.5 Current economy climate (Industry overview/ encouraged business development)

Cyprus is an island lying at the south-eastern corner of the Mediterranean. It is the third largest island in the Mediterranean. The geographical position of the island played a significant role in rendering it into an international business centre, as it is in the crossroads of three cotinents (Europe, Asia, Africa) and the Middle East.

The Cyprus economy is based mainly on professional services and tourism.

There are more than 214,000 companies registered in Cyprus, evidence of the attractiveness of Cyprus' taxation system benefits and international investors' confidence in Cyprus economy.

The banking system in Cyprus is capable of providing fast and effective services worldwide. The system is under the supervision of the Central Bank of Cyprus (www.centralbank.gov.cy) which controls all businesses carried out by commercial banks and other financial institutions.

All financial institutions provide a wide range of services and they are all subscribers to the SWIFT system (Society for World Interbank Financial Telecommunications).

Operating through a company registered in Cyprus can significantly reduce the tax liability of the business and the ultimate shareholders, thus increasing the net return on the investment.

Cyprus has been a full member of the European Union since 2004 and adopted the Euro as its official currency since the beginning of 2008.

The strategic position and time-zone of Cyprus, enables comfortable connections between Europe, Middle East, Africa and Asia and make the island a natural hub for business and trade.

Cyprus is an established and reputable business and financial center supported by an advanced legal, accounting and banking system, highly skilled and multilingual workforce, excellent telecommunication systems and convenient year round flight connections.

In addition, due to the great numbers of international businesses already situated in Cyprus, there are outstanding networking possibilities for all of new entrants.

The local governments have traditionally been promoting Cyprus as an international business center, through the enactment of favorable tax laws, which are in full compliance with EU directives and the reduced paperwork and costs necessary to register a Cyprus company.

1.6 National tax authority

Name: The Cyprus Tax Department (TD)

Website:

www.mof.gov.cy/mof/taxdep.nsf/index_en/index_en?OpenDocument

CORPORATE INCOME TAX

2.1 Basis of taxation

Trading profits of a Cyprus tax resident company are taxed on their income accrued or derived out of sources in Cyprus and abroad. A unilateral tax credit is given for income taxed abroad. A company is considered to be tax resident in Cyprus, if its management and control is exercised in Cyprus.

2.2 Rates of tax

The corporation tax for all companies is the flat rate of 12.5%, among the lowest tax rate within Europe. Income from dividends, gains on trading and valuation of securities and gain on disposal of shares in subsidiaries and associates is tax exempt. 80% of income generated out of Intellectual Property registered in Cyprus could also be exempt, based on certain conditions.

2.3 Year of assessment

The tax year of each company covers the year from 1st of January to 31st of December.

2.4 Profits deemed to be taxable

- Business profits
- Interest income
- Income from intangible assets (e.g. royalties)
- Rental income
- Grants and subsidies
- Income from disposal of immovable property situated in Cyprus

2.5 Taxation of dividends

Dividends received from abroad are tax exempt unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 17%:

(1) The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and

(2) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

A tax credit will be afforded according to the Double Taxation Agreements concluded by Cyprus. In the absence of a Double Taxation Agreement, Cyprus unilaterally affords a credit for the foreign tax paid on such income. For dividends received from EU Member States, Cyprus adopts the EU Parent-Subsidiary Directive.

Dividends paid from one Cyprus tax resident company to another are exempt from any tax in Cyprus.

2.6 Taxation of capital gains

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

2.7 Taxation of interest income

There are two types of taxes that may apply to interest income earned by a Cypriot company: income tax at 12.5% levied on interest derived, less any allowable expenses or Special Defence Contribution (SDC) at 30% applied to gross interest income. Interest earned by a Cypriot tax resident company derived in the ordinary course of business or closely connected thereto is only subject to income tax. Interest income by all other companies is subject to SDC.

2.8 Utilization of tax losses

Income tax losses are carried forward for five years. Capital gains tax losses are carried forward indefinitely.

Group relief is allowed for at least seventy-five percent (75%) group structures and is applicable only on yearly results, if claimants are Cyprus tax resident companies and are members of the same group for the whole tax year. Losses incurred from business carried outside Cyprus through a Permanent Establishment (PE) are allowed as a deduction against other taxable profits generated by the Cyprus Company.

2.9 Key Tax incentives

Royalties

As per the new Intellectual Property (IP) regime, qualifying taxpayers can claim an 80% tax deduction of qualifying profits generated from qualifying assets. Qualifying profits (QP) shall be calculated with the following formula:

QP = Overall Income × (Qualifying Expenditure + Uplift Expenditure) / Overall Expenditure

Qualifying assets exclude marketing related IP assets such as trademarks, brands and image rights.

Gross amounts of royalties from sources within Cyprus by a company which is not a tax resident of Cyprus are liable to 10% (unless a Double Tax Treaty exists, where tax credit might be available) withholding tax at source. If the intangible property right, however, is granted to a Cyprus company for use outside Cyprus, then there is no withholding tax and the corporate rate is applied only on the profit margin left in the Cyprus company.

Trading In Titles

Gains from trading and disposal of securities are tax free. The term 'Titles' includes:

- ordinary and preference shares;
- founder's shares;
- options on titles;
- debentures;
- bonds;
- short positions on titles;
- futures / forwards on titles;
- swaps on titles;
- depositary receipts on titles;
- rights of claims on bonds and debentures;
- index participations (if they result in titles);
- repurchase agreements or Repos on titles;
- participations in companies; and
- units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

Cyprus Holding Company

Cyprus companies have been traditionally used by experienced and sophisticated investors as holding companies for international investments (subsidiaries, associates and other), since Cyprus provides an extensive range of tangible and intangible advantages in comparison with other international investment hubs and financial centers.

Cyprus is not considered to be an offshore, but rather onshore European Union jurisdiction and companies registered in the island enjoy the same status as any other E.U. companies. Cyprus has adopted the E.U. Parent-Subsidiary Directive, which prohibits withholding taxes on dividends flowing between E.U. companies when the shareholding is greater than 10%. In addition, Cyprus has in place more than 60 Double Taxation Avoidance Agreements (DTAA) with countries covering more than 80% of the global GDP like China, Russia, United States, U.K., India, Canada, Germany, Ukraine and United Arab Emirates. On the other hand, Cyprus has in effect DTAAs with a number of offshore jurisdictions like Mauritius and Seychelles, which may facilitate the flow of funds for investments between onshore and offshore jurisdictions.

Furthermore, Cyprus unilaterally does not withhold taxes on outbound dividends and dividends coming from abroad are exempted from tax irrespective of the county of origin, unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 17%:

(1) The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and

(2) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

As a result, an investor from any country in the world can make an investment within E.U. or any other country and receive the return (dividend) suffering only the withholding tax on the outbound dividend towards the Cyprus company from the end investment, if any. And in that case, a tax credit will be allowed by Cyprus tax authorities according to the DTAA in force. In the absence of a DTAA, Cyprus unilaterally grants a credit for the foreign tax paid on such income.

Besides the tax advantages in relation to the annual return/ dividend stream, the Cyprus holding company offers a great investment exit route as well, since the gain on disposal of shares is exempt from taxation, unless the company of which shares are disposed maintains immovable property in Cyprus. Therefore, disposing any type of international investment held under a Cyprus company is virtually tax free.

Given the fact that Cyprus holding companies are used to facilitate international investments, the tax residency status of those companies becomes of crucial importance. The company needs to be a tax resident of Cyprus in order to enjoy the rights of the local taxation system, but most importantly the rights derived under DTAAs. The main determining factor for establishing management and control in Cyprus is to ensure that all board of directors meetings take place in Cyprus. Minutes of such meetings should be prepared and maintained at the company's registered office in Cyprus. In addition, the majority of the board members should be Cyprus tax residents. If the local tax authorities get satisfied by the evidence provided by the company then a tax residency certificate is issued.

Cyprus financing companies and minimum acceptable profit margins

A Cyprus company that earns interest in the normal course of its business/operations, including interest closely associated with its normal business/operations, is subject to income tax at the rate of 12,5%. Due to the beneficial corporate tax rate a large number of Cyprus companies have been traditionally used in international tax structures for providing financing to other group companies. A financing company which meets specific substance requirements and pursues a purely intermediary financing activity to related parties will be deemed to comply with the arm's length principle if at least a 2% return after-tax on assets is received.

The substance criteria are:

- The majority of board directors should be Cyprus tax residents
- The majority of board directors meetings must be held in Cyprus and the main management and commercial decisions must be made in Cyprus
- The majority of the shareholders meetings must be held in Cyprus
- The financing company must have qualified personnel controlling and managing the financial arrangements
- The financing company must prove substance of its active business in Cyprus with running offices and personnel

<u>Other considerations – Withholding taxes</u>

Understanding the implications of cross border transactions and withholding taxes involved (where applicable) is essential in international tax planning. The application of Double Taxation Avoidance Agreements and the relevant EU directives (if the transaction is within the European Union) are additional factors that need to be analyzed and taken into account for each scenario.

New tax incentives granted for investment in innovative SMEs

<u>Introduction</u>

Cyprus' House of Representatives approved the introduction of revised tax incentives for investment in innovative businesses.

The new incentives granted for investment in innovative SMEs are effective from 1 January 2017 for a three-year period and replace the previous incentives that were available to investors until 31 December 2016.

<u>Tax incentive</u>

According to the new provisions of Article 9A of the revised income tax law, a "qualifying investor" that makes a "risk-finance investment" in an "innovative small and medium-sized enterprise (SME)" may deduct the costs of the investment from his/her taxable income.

A qualifying investor can invest either directly in the innovative SME or indirectly via an "investment fund" or an "alternative trading platform" (ex. Emerging Companies Market of Cyprus Stock Exchange). Both terms are explicitly defined in the law and needs to hold his/her investment for a minimum period of three years, otherwise the Commissioner of Taxation may disallow the tax deduction.

<u>Limitations</u>

- The tax deduction is limited to 50% of the investor's taxable income in the year in which the investment is made
- The total deductible amount may not exceed EUR 150,000 per year
- The remaining investment cost not claimed as tax

deductible may be carried forward and deducted from the taxable income of the subsequent five years, subject to the aforementioned restrictions.

Definitions

- Qualifying investor: qualifying investor is an individual that is deemed to be independent from the enterprise. An investor is deemed to be independent, if he/she is not an existing shareholder of the enterprise, unless he/she is a founder of a new enterprise
- Risk-finance investment: risk-finance investment is an "equity investment" or a "quasi-equity investment" or a "loan", or a combination thereof, and includes finance leases and guarantees. A risk finance investment may be the initial investment in the enterprise or a "follow-on investment". The above terms are explicitly defined in the law.

Follow-on investment conditions:

- The total amount of risk finance investment may not exceed EUR 15 million (A business will automatically lose its innovative SME status, if at any time, the total amount of risk-finance investment received exceeds EUR 15 million)
- The possibility of a follow-on investment must have been foreseen in the original business plan submitted to the authorities
- The enterprise receiving the follow-on investment may not be linked with another undertaking as outlined in Article 21(6)(c) of the EU state aid rules (Regulation 651/2014).

Innovative small and medium-sized enterprise (SME): an SME will qualify as an innovative SME if it meets the following requirements:

- It operates in the Republic of Cyprus
- It has been approved by the Cyprus Ministry of Finance or other authority as a qualifying innovative SME
- At the time of the investment, it is an unlisted SME (unless it is listed on an alternative trading platform) that has a business plan for its risk-finance investment and fulfils at least one of the following conditions:
    - It has not been operating in any market
    - It has been operating in any market for less than seven years following its first commercial sale
    - It requires an initial risk-finance investment which, based on a business plan prepared in advance of a new product offering or the entering of a new geographical market, is higher than 50% of its average annual turnover in the preceding five years

Process for obtaining approval as a qualifying innovative SME

To be approved as an innovative SME, the company must submit an application to the authorities, along with a statement from an independent auditor confirming that the R&D expenses (which may also include any capitalized R&D expenses) represent at least 10% of the total operating expenses of the enterprise in at least one of the three tax years preceding the tax year in which the investment was made; or, in the case of a start-up enterprise without any financial history, based on the audited financial statements or in the absence of audited financial statements, in accordance with a business plan that the authorities are entitled to request.

Shipping Companies

The tonnage tax system for Cyprus merchant shipping as approved by the European Commission on 24th March 2010 (case N. 37/2010), is compatible with the requirements of the EU acquis, in accordance with the relevant guidelines on State Aid to Maritime Transport. This simplified tonnage tax system is approved for the first time for an EU Member State, a state with an open registry. It extends the favorable benefits applicable to owners of Cyprus flag vessels and ship managers to owners of foreign flag vessels and charterers. It also extends the tax benefits that previously covered only profits from the operation of vessels in shipping activities, to cover profits on the sale of vessels, interest earned on funds used other than for investment purposes and dividends paid directly or indirectly from shipping related profits.

The new tonnage tax system contains most of the favorable features found in tonnage tax systems in other EU countries, and more. The system, therefore, provides Cyprus with a competitive advantage and is expected to significantly contribute to the improvement of the already strong position of the country in the shipping world.

Beneficiaries

The tonnage tax system is available to any owner, charterer or ship manager who owns, charters or manages a qualifying ship in a qualifying shipping activity. The tonnage tax is calculated on the net tonnage of the ship according to a broad range of bands and rates prescribed in the legislation. The rates applicable to ship managers are 25% of those applied for ship owners and charterers.

Tonnage Tax Rates

The following table summarizes the applicable rates for the tonnage tax calculation:

Tax Tonnage				
0 - 1,000	1,001-10,000	10,001-25,000	25,000-40,000	>40,000
€36.50	€31.03	€20.08	€12.78	€12.78

Note: The rates applicable to ship managers are 25% of the above.

2.10 Withholding tax

There are no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends and interest.

2.11 Transfer Pricing

Transactions between 'related parties' must be in accordance with the 'arm's length principle'. The Cyprus tax legislation adopted the OECD model and guidelines to determine whether a transaction is at arm's length.

2.12 Filing requirements of tax return

Filing due dates

15 months after the year end

Penalties

€100 for late submission

Payment of profit tax and application of holdover

Income tax is paid provisionally based on estimated income in 2

installments (by 31 July and 31 December of the current year). If the final assessment is lower than 75% of the estimated taxable profits, a 1.25% additional tax is paid on the balance. The final balancing payment is due by August of the following year.

The annual tax return of each tax year must be submitted electronically within 15 months of year end.

Application of holdover: Not applicable under Cyprus tax.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Cyprus tax residents are taxed on their chargeable income as derived or being accrued from all sources in Cyprus and abroad. On the other hand, individuals that are not tax residents are taxed on their income accrued or derived only in Cyprus.

An individual is considered to be Cyprus tax resident if he/she resides more than 183 days in the Republic within one calendar year. The following rules are applied for calculating the exact number of days in the Republic:

- The day of the departure from the Republic is considered to be a day outside of Cyprus.
- The day of the arrival to the Republic is considered to be a day in Cyprus.
- Arrival and departure on the same day is considered to be a day in Cyprus.
- Departure and arrival on the same day is considered to be a day outside Cyprus.

In addition, an individual who does not remain in any other jurisdiction for one or more periods which altogether exceed 183 days in the same tax year and is not a tax resident of another jurisdiction within the same tax year, can be considered a Cyprus Tax Resident Individual if the following conditions are satisfied:

- he should remain in Cyprus for at least 60 days during the tax year;
- he should pursue any business in Cyprus and / or to work in Cyprus and / or to be a director in a company resident in Cyprus at any time during the tax year and
- he should maintain a permanent residence in Cyprus, which can be either owned or rented

Any foreign taxes paid can be credited against income tax liability.

3.2 Rates of tax

Chargeable Income	Tax Rate	Accumulated Tax
€	%	
0 - 19,500	Nil	Nil
19,500 - 28,000	20	1,700
28,001 - 36,300	25	3,775
36,301 - 60,000	30	10,885
over 60,000	35	

3.3 Year of assessment

The tax year of each individual covers the year from 1st of January to 31st of December.

3.4 Allowances and Deductions

The following types of income are exempted from Income Tax:

- Interest, except for interest derived out of ordinary business activities – it is subject to Special Defence Contribution.
- Dividends – subject to Special Defence Contribution (section 2.5).
- Any physical person who was not a Cyprus tax resident and comes to work in Cyprus is entitled to a 50% exemption on income from employment in Cyprus exceeding €100,000 per annum, for a period of 10 years
- 20% of income earned from employment in Cyprus by an individual who was not tax resident of Cyprus in the previous year is exempt for a period of 5 years, subject to maximum of €8,550 per annum. The exemption is allowed until the year 2020.
- Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer.
- Profits from a permanent establishment.
- Profits as derived out of the sale of securities.
- Capital/lump sum as derived out of approved provident funds, retiring gratuity and/or compensation for death or injuries.

The following deductions are permissible:

- Contributions to trade unions and/or other professional bodies.
- Loss of current and previous 5 years.
- 20% of annual rental income.
- Donations to approved institutions.
- Expenditure incurred for the maintenance of preserved buildings – up to €1,200, €1,100 or €700 depending on the size of the building.
- Social Insurance, provident fund and pension fund contributions – up to 1/6 of the annual chargeable income.
- Medical fund contributions with maximum of 1% of remuneration and up to 1/6 of the annual chargeable income.
- Expenditure incurred for the acquisition of shares in an innovative business
- Life insurance premiums with maximum of 7% of the insured amount and up to 1/6 of the annual chargeable income.

3.5 Taxation of dividends

Dividends (from Cyprus and non-Cyprus resident companies) are taxed to Special Contribution for Defence (SCD) at 17%.

3.6 Taxation of capital gain

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying

asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

Individuals are entitled to a general life time exemption of €17,086 (€85,430 for principal private residence and €25,629 for agricultural land).

3.7 Taxation of interest income

Special Defence Contribution (SDC) at 30% applied to gross interest income.

3.8 Personal assessment and utilization of losses

Allowable expenses and deductions can never exceed 1/6 of income, therefore there are no taxable losses created for physical persons, hence no utilization of losses.

3.9 Withholding tax

It is the responsibility of the banking institutions to withhold SDC on behalf of their clients receiving interest income. The same applies to companies distributing dividends.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates

31 July of the year following the year of assessment

Penalties

€100 for late submission

Application of holdover

Not applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Department of Social Insurance Services under the Ministry of Labor and Social Insurance.

4.2 Basis of contribution

Social insurance contributions (SICs) are mandatory requirement and comprise of savings for retirement scheme introduced by the Republic. The SICs are contributed equally by the employer and the employee and are deductible from the taxable income of the employee/employer accordingly.

SICs are restricted to a maximum amount of €54,396 (weekly €1,046, monthly €4,533) and might be reviewed and adjusted annually depending on inflation rates.

Other than the above, the employer makes the following additional contributions as a percentage of employee's remuneration:

- Social Cohesion Fund
- Redundancy Fund
- Industrial Training Fund
- Holiday Fund

The contributions of self-employed depend on the type of profession or trade of each individual.

4.3 Contribution rate

- Social Insurance – 7.8% (employer) and 7.8% (employee)
- Social Cohesion Fund – 2%
- Redundancy Fund – 1.2%
- Industrial Training Fund – 0.5%
- Holday Fund – 8% (if not exempted)

4.4 Exemption from tax

All of the abovementioned contributions are tax allowable for a Cyprus Company.

GST/VAT

5.1 Basis of tax

In accordance with the Cyprus legislation every corporation must be registered in the Value Added Tax (VAT) Register provided that they have an annual turnover exceeding €15,600. Voluntary registration is also possible.

Where the exclusive purpose of a holding company is the acquisition and holding of interest in shares in other companies, with the intention of deriving dividend income, such a company is not considered to be performing an economic activity for VAT purposes and consequently it does not have the status of a taxable person.

Companies which are not performing economic activities have neither the liability nor the right to register for VAT purposes and consequently they cannot claim input VAT. However, holding companies may be liable to register for VAT where, in addition to the holding of investments, they also have taxable or exempt activities such as:

- Supply management services at a consideration to subsidiaries;
- Supply finance to subsidiaries;
- Trade in shares i.e. purchase and sell shares on a frequent basis with the intention to profit from the fluctuations of the share price.

Where a holding company is registered for VAT purposes, it may claim input VAT on goods and services acquired in Cyprus and other EU Member States. The right to claim input VAT depends on which type of the holding company's activities the acquired goods or services, directly or indirectly relate.

5.2 Rates of tax

The following VAT rates are currently applicable:

- Zero rated – 0%

- Reduced rate – 5%
- Reduced rate - 9%
- Standard rate – 19%

Supply of certain goods and services is exempted from VAT as follows:

- Letting of immovable property
- Banking, financial and insurance services
- Medical care services
- Betting and lottery tickets
- Certain cultural educational and sports activities

5.3 Registration

Registration is compulsory when the turnover (subject to VAT) of the business exceeded €15,600 the prior 12 months or expected to exceed this threshold within the next 30 days. Voluntary registration is also available.

5.4 Filing requirements

VAT returns must be submitted quarterly and the payment for the VAT must be made 40 days after the end of the particular quarter.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Unilateral tax credit is granted for taxes suffered abroad or according to the Double Tax Treaty in place.

6.2 List of double tax treaties signed

1. Armenia	22. Guernsey	43. Qatar
2. Austria	23. Hungary	44. Romania
3. Azerbaijan	24. Iceland	45. Russia
4. Bahrain	25. India	46. San Marino
5. Barbados	26. Iran	47. Serbia
6. Belarus	27. Ireland	48. Seychelles
7. Belgium	28. Italy	49. Singapore
8. Bosnia	29. Jersey	50. Slovakia
9. Bulgaria	30. Kuwait	51. Slovenia
10. Canada	31. Kyrgyzstan	52. South Africa
11. China	32. Latvia	53. Spain
12. Czech Republic	33. Lebanon	54. Sweden
13. Denmark	34. Lithuania	55. Switzerland
14. Egypt	35. Luxembourg	56. Syria
15. Estonia	36. Malta	57. Tadzhikistan
16. Ethiopia	37. Mauritius	58. Thailand
17. Finland	38. Moldova	59. Ukraine
18. France	39. Montenegro	60. United Kingdom
19. Germany	40. Norway	61. United States
20. Georgia	41. Poland	62. United Arab Emirates
21. Greece	42. Portugal	63. Uzbekistan

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is enforced on written documents which deal with Cyprus situated property or matters that will be performed in Cyprus, irrespective of where the agreement is signed. Stamp duty on agreements ranges between 0.15% - 0.20% depending on the amount of the contract, with a maximum duty of €17,086. The duty is payable within 30 days from the signing of the agreement.

Contracts with a fixed amount:

- The first €5,000: 0%
- €5,001- €170,000: 1.5%
- More than €170,000: 2% *

*Capped at a maximum of €20,000

Contracts without fixed amount - €35

7.2 Real property tax

Immovable Property Tax (IPT) was abolished in 2017.

7.3 Estate duty

There are no inheritance or estate taxes on shares held in a Cyprus company.

7.4 Net wealth/net worth tax

Cyprus imposes no tax on wealth.

7.5 Others

Business tax

All companies are liable for paying a €350 annual levy fee to the Cyprus government.

Consumption tax, etc.: Not Applicable

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GERMANY

GENERAL INFORMATION

1.1 Country/Region

Federal Republic of Germany

1.2 Currency

Euro

1.3 Principal business entities

Civil Law Partnership

Registered Commercial Businesses

General Partnership

Limited Partnership

Limited Liability Company

Joint-Stock Company

Limited Partnership on Shares

Sole Proprietorship

Entrepreneurial Company at Limited Liability

1.4 Foreign exchange control

No foreign exchange control, however a customs declaration must be filed for transfers of more than Euro10,000.

1.5 Current economy climate (Industry overview/ encouraged business development)

Germany has experienced a prospering economic development for the last decades.

Traditionally, the manufacturing sector and its related services are the most important catalyst for economic growth. Germany is not only home of global players but also to a large number of small and medium sized companies being world market leaders in their respective field.

Furthermore, the economic environment is characterised by export-orientation, legal security and constant growth rates.

1.6 National tax authority

Name: Federal Central Tax Office (Bundeszentralamt für Steuern) and local Tax Administrations in each state

Website: www.bzst.de/EN/Home/home_node.html

CORPORATE INCOME TAX

2.1 Basis of taxation

Basis of taxation is the firm's net profit, as shown in the financial statements produced according to German Commercial Law (accrual basis of accounting). However taxable income differs from the profit under commercial law.

Tax deductible expenses are specified by Income Tax Law and Corporate Income Tax Law.

Generally, normal and reasonable business expenses are tax-deductible from the corporation's gross income. Personal taxes, fines and half of the supervisory board compensation are not deductible.

All types of limited companies, joint-stock companies and other corporations such as cooperatives, associations and foundations are subject to corporate income tax. Corporation tax is not charged on partnerships and sole proprietorships. These companies have to pay Income Taxes with tax rates similar to those for individuals and are subject to a trade tax (trade tax reduces the Income Tax payment as the paid trade tax is credited).

Resident corporations having either their management or registered office within the country have full tax liability.

2.2 Rates of tax

At corporate level a flat tax rate of 15% on retained and distributed profits is charged.

On top of that, a Solidarity Surcharge of 5.5% of corporate tax payable is levied.

Furthermore, there is a municipal trade tax of 7% to 17.5%. Hence, effective corporation tax rate amounts to approximately 30%.

2.3 Year of assessment

Period of assessment is the calendar year, a financial year differing from the calendar year might be adopted.

2.4 Profits deemed to be taxable

Resident corporations who are subject to unlimited taxation are taxed on their globally generated income.

Non-resident corporations who neither have their management nor registered office in Germany are subject to taxation of their German-source income only.

2.5 Taxation of dividends

Dividends received by resident corporations are 95% tax exempt, the remaining 5% qualify as non-deductible business expenses leading to an approximate tax rate of 1.5% including municipal trade tax.

2.6 Taxation of capital gains

There is no explicit capital gains tax since capital gains are included in taxable business income.

Capital gains generated from the selling shares, however, are 95% tax exempt. The remaining 5% qualifies as non-deductible business expenses.

2.7 Taxation of interest income

See under "Withholding Tax"

2.8 Utilisation of tax losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of EUR 1 million. Losses can be carried forward up to EUR 1 Million without restriction, 60% of income exceeding 1 Million can be offset against remaining loss carry forward. A direct or indirect change in ownership of a corporation might lead to a complete or partial loss of future loss carry forwards.

2.9 Key Tax incentives

Various incentive programmes have been introduced, mainly in favour of the economic promotion of Eastern Germany, the foundation of new business and the spread of new energies.

2.10 Withholding tax

Withholding tax is charged on dividends, interests on deposits from German financial institutions and royalties paid to non-resident recipients.

For dividends and interest income, the tax rate amounts to 26.675% including solidarity surcharge. Deducting a possible 40% refund on tax withheld on dividends for non- resident companies, the effective tax rate is 15.825% (not considering a further possible reduction on basis of a Double Taxation Agreement).

On royalties, a statutory tax rate of 25% is applied.

Dividends paid are not subject to a withholding tax within the European Union (substance requirement for foreign Holding companies have to be meet). Furthermore no withholding tax will be levied, if foreign recipients are from countries with Double Taxation Agreements.

2.11 Transfer Pricing

Transactions between related entities must satisfy the arm's length principle: An independent third party would have agreed on the exact same transaction. Administrative instructions provide standard transfer pricing methodologies which are accepted by German tax authorities. Affected taxpayers have a duty to cooperate and document all important information.

Cross-border transfers of functions among affiliates are taxed with an exit tax on "profit potential" that is transferred abroad.

Generally a documentation has to be submitted within 60 days after a Tax Auditor has requested a submission during a Tax Audit.

2.12 Filing requirements of tax return

Filing due dates

The final corporate tax return must be filed by 31st May of the following year (this dead line can be extended, if the company consults a tax advisor: in this case the tax return must be filed by 31st December of the following year). Corporate income tax and municipal trade tax must be filed electronically.

Penalties

- For late filing: up to 10% of the tax payable, maximum EUR25 000
- For late payment: 1% of the overdue tax per month
- Taxes assessed in succession of an audit: no penalty, but interest of 0.5% per month, beginning 15 months after the calendar year in which the assessment became effective
- Transfer pricing documentation:
    a. No or insufficient documentation: punitive fine of 5 to 10% of any transfer pricing adjustment, minimum EUR 5,000
    b. Late submission of documentation: charge of at least EUR 100 per day, up to EUR 1 million

Payment of profit tax and application of holdover

Corporate tax is assessed yearly but quarterly advance payments must be made in March, June, September and December.

Municipal trade tax is due in February, May, August and November.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual is resident if he/she is domiciled in Germany or has his/her habitual residence within the country. Any individual having spent at least six months inland has a habitual residence in Germany. A domicile can be any permanent accommodation that is at the individual´s disposal.

Residents are taxable on their worldwide income whereas non-residents are taxed on basis of their German-source income.

Taxable income is the sum of income from employment, from trade or business, from agriculture and forestry, from independent work, from rent or leasing, from capital and other income.

3.2 Rates of tax

Tax rates are progressive from 14% for income exceeding 8,820 Euro (tax year 2017) and 9,000 Euro (tax year 2018) to 45% for income exceeding 250,731 Euro.

A solidarity surcharge of 5.5% on income tax payable is levied as well as a church tax of 9%.

3.3 Year of assessment

Tax year is the calendar year.

3.4 Allowances and Deductions

Any taxpayer is granted a personal exemption of currently 8,820 Euro (tax year 2017) and 9,000 (tax year 2018) as well as a deduction for children. Additionally, within the range of further restrictions, one may deduct contributions to certain insurances, costs of professional training, donations, alimony paid and church tax.

Generally, expenses related to the generation of income are deductible.

3.5 Taxation of dividends

Income from private capital investment is taxed by means of a withholding tax at the source (25%/ 26.275% including solidarity surcharge). Dividends are taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

Gains from the sale of minor shareholdings (<1% of share capital) also fall within the scope of this withholding tax.

3.6 Taxation of capital gain

Sales of private property rights and real estate is taxable if the seller has owned the property for less than ten years, all other assets must be held for at least one year before resale.

3.7 Taxation of interest income

"See under withholding tax" Also Interest Income is taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

3.8 Personal assessment and utilisation of losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of Euro 1 million (2 Million for spouses with joint assessment). Losses can be carried forward up to EUR 1 Million (2 Million) without restriction, 60% of the income exceeding 1 Million can be offset against remaining loss carry forward.

3.9 Withholding tax

See under "Withholding tax" (2.10) above

3.10 Statutory obligation of employers

Employers have the obligation to withhold salaries tax on a monthly basis. The salaries tax has to be declared and paid monthly.

3.11 Filing requirement of tax return

Filing due dates

Tax returns must be filed by 31st May of the following year (this dead line can be extended, if the individual´s tax declarations is filed by a tax advisor; in this case the declaration has to be submitted by 31st December of the following year). If a taxpayer receives income apart from income from employment, quarterly advance payments must be made

Penalties

For late filing: up to 10% of the tax payable

For late payment: 1% of the overdue tax per month

Application of holdover

See under "Penalties"

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Federal Ministry of Health, Federal Ministry of Labour and Social Affairs

4.2 Basis of contribution

The German social security system is based on five branches: Unemployment insurance, pension insurance, health insurance, accident insurance and long-term care insurance. Both, employer and employee are obliged to contribute with (mostly) an equal share.

The employee's contribution is deducted directly from the gross wage by the employer and, together with the employer's contribution, is transferred to the insurance company responsible for the collection.

Employers bear 50% of their total contribution to pension, health and unemployment insurance.

4.3 Contribution rate

Employer's contribution:

Pension Insurance: 9.35%

Health Insurance: 7.3%

Unemployment insurance: 1.5%

Long-term care insurance: 1.275%

Accident insurance: 1.6%

Employee's contribution:

Pension Insurance: 9.35%

Health Insurance: 7.3%

Unemployment insurance: 1.5%

Long-term care insurance: 1.275%

4.4 Exemption from tax

For the contributions made by an employee, tax deduction can be claimed. If the maximum lump-sum deduction amount of 1,900 Euro is not reached by the employee´s health and long-term care insurance contribution, a deduction for other insurance payment can be applied.

GST/VAT

5.1 Basis of tax

VAT is levied on all stages of the production of goods and services. Only the value-added on each production state is taxed (net-all phase principle).

More precisely, the supply of goods and services accomplished by a VAT entrepreneur as well as intra-Community acquisitions and imports of goods are taxable activities.

The VAT entrepreneur calculates the amount of output VAT charged to his/ her customers and then deducts the total input VAT paid to suppliers; resulting in a sum of value added tax payable or a refund.

Hence, the final burden is passed to the consumers, who are not entitled to deduct VAT.

5.2 Rates of tax

19%, reduced rate of 7% for "necessities"

Exempt transactions:

Export of goods, intra-community supplies, financial and insurance services, medical services, social welfare activities, cultural and educational activities

5.3 Registration

A registration is compulsory for resident and non-resident entrepreneurs with turnovers exceeding the 17,500 Euro threshold in the previous calendar year and with an estimated turnover higher than 50,000 Euro in the current year.

5.4 Filing requirements

Entrepreneurs must file a quarterly turnover tax advance return and pay the respective amount of tax due. If VAT payable in the previous year exceeds Euro 7,500 the advance return must be filed monthly. Also start-up entrepreneurs have to submit VAT declarations on a monthly basis. The preliminary returns are to be filed electronically within 10 days after the end of the reporting period. If a prepayment is made, this deadline can be extended; in this case the returns have to be submitted within 10 days after the end of the following month.

An annual VAT return must be filed by the 31st May of the following calendar year.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Double tax treaties ensure the relief of double taxations regarding taxes on all types of income and protect against discriminatory taxation in any of the involved countries.

Taxes paid abroad on foreign-source income might be credited against tax payable according to German law.

Generally, foreign withholding taxes might be offset.

Otherwise, the amount of tax paid abroad might be deducted as business expenses.

6.2 List of double tax treaties signed

Double Tax Treaties with respect to taxes on income

Albania	Bolivia	Egypt
Algeria	Bosnia-Herzegovina	Estonia
Argentina	Bulgaria	Finland
Armenia	Canada	France
Australia	China	Georgia
Austria	Croatia	Ghana
Azerbaijan	Cyprus	Greece
Bangladesh	Czech Republic	Hungary
Belarus	Denmark	Iceland
Belgium	Ecuador	India
Indonesia	Malta	Spain
Iran	Mauritius	Sri Lanka
Ireland	Mexico	Sweden
Israel	Moldova	Switzerland
Italy	Mongolia	Syria
Ivory Coast	Montenegro	Taiwan
Jamaica	Morocco	Tajikistan
Japan	Namibia	Thailand
Jersey	Netherlands	Trinidad & Tobago
Kazakhstan	New Zealand	Tunisia
Kenya	Norway	Turkey
Kosovo	Pakistan	Turkmenistan
Korea (ROK)	Philippines	Ukraine
Kuwait	Poland	United Arab Emirates
Kyrgyzstan	Portugal	United Kingdom
Latvia	Romania	Uruguay
Liberia	Russia	Uzbekistan
Liechtenstein	Serbia	Venezuela
Lithuania	Singapore	Vietnam
Luxembourg	Slovakia	Zambia
Macedonia	Slovenia	Zimbabwe
Malaysia	South Africa	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

None

7.2 Real property tax

Real property tax is charged on the owner of any land or buildings in Germany. The tax rate depends on the type of real property. This is sorted into two categories:

- Real property used for agriculture and forestry
- Constructible real property or real property with buildings.

The real property tax rate depends on the type of real property. The tax rate is e.g. 0.26% for property used for (semi-) detached houses with a value of up to EUR 60,000 and 0.35 % for all remaining types of real property (including commercially used real property).

The amount from multiplying the Value of the property and the tax rate has to be multiplied with an municipal multiplier. This municipal multiplies is stipulated by each municipality (e.g. 350 %).

7.3 Estate duty

Gift and Inheritance Tax: tax rates vary according to degree of kinship between testator(donor) and heir (done), from 7% to 50%; Numerous exemptions for businesses

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.

Real estate transfer tax: Real estate transfer tax is levied by the municipality, total level of the tax varies (between 3.5 and 6.5% of the basis of assessment) on basis of the purchase price.

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GERMANY

HONG KONG

GENERAL INFORMATION

1.1 Country/Region

Hong Kong

1.2 Currency

Hong Kong Dollar (HKD)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

In 2017, the Hong Kong economy continued to expand notably. External demand stayed vibrant, supported by the broadly benign global economic conditions. Domestic demand attained further solid growth, mainly underpinned by firm private consumption.

In its Policy Address, the government outlined its visions on various policy areas, including:

- Capitalise on the opportunities arising from the national Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development proactively and holistically.
- Provide tax relief to small and medium-sized enterprises: profits tax rate for the first $2 million of profits proposed to be lowered to 8.25%, and standard tax rate at 16.5% for profits exceeding that amount. Only one enterprise nominated by each business group is eligible for the lower tax rate.
- Encourage research and development (R&D) investment by enterprises, propose to introduce a 300% tax deduction for the first $2 million eligible R&D expenditure, with the remainder at 200%.
- Increase the total number of comprehensive avoidance of double taxation agreements to be signed with other tax jurisdictions to 50 in the next few years.

Based on the free market economic policy, together with a sound legal system, Hong Kong has developed into a modern, energetic international services economy, and facilitates a flexible business environment for global commercial activities. In additions, the sound simple tax system and the low tax rate environment enhance Hong Kong to be a place for professionals to make business and maintain its competitiveness among other developed cities.

1.6 National tax authority

Name: The Inland Revenue Department ("IRD")

Official website: www.ird.gov.hk

CORPORATE INCOME TAX

2.1 Basis of taxation

A person who carries on a trade, profession or business in Hong Kong is chargeable to profits tax on the profits from that trade, profession or business (excluding profits arising from the sale of capital asset) that arise in or are derived from Hong Kong. Foreign-sourced income is not taxed even if it is remitted to Hong Kong. The tax residence of a person is generally irrelevant for profits tax purposes.

Territorial concept is the fundamental concept on the taxation of profits in Hong Kong adopted by the Hong Kong IRD. In determining whether profits arise in or are derived from Hong Kong, one looks to see what the taxpayer has done to earn the profits in question and where he has done it. If the profits are generated from operations in Hong Kong, the profits are subject to Hong Kong profits tax. The IRD has issued Departmental Interpretation and Practice Notes

("DIPN") No. 21 "Locality of profits" stating the IRD's interpretation and practice in respect of this area.

2.2 Rates of tax

Companies: 16.5%

Unincorporated businesses: 15%

2.3 Year of assessment

From 1 April to 31 March of the following year or where the annual accounts are made up to any day other than 31 March, the year ended on that day in the relevant year.

2.4 Profits deemed to be taxable

- The assessable profits or adjusted loss are the net profits or loss, except for the capital gain or loss, for the basis period, arising in or derived from Hong Kong.
- Particularly, certain sums received from the use of intellectual properties, such as royalty, trademarks, patent, are deemed as receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong. The effective profits tax rates are as follows:

Sums not from an associate	4.95% on such income
Sums from an associate	16.5% on such income

- Grants, subsidies or similar financial assistance in carrying on a trade, profession or business in Hong Kong;

- Consideration for the transfer of certain rights to receive income from property;
- Profits made by a financial institution through or from the carrying on of its business in Hong Kong from the sale or on the redemption on maturity or presentment of any certificate of deposit or bill of exchange;
- Hong Kong sourced profits from the sale or on the redemption on maturity or presentation of a certificate of deposit or bill of exchange except for individuals in a non-business capacity.

2.5 Taxation of dividends

Generally not subject to Hong Kong profits tax and no withholding tax thereon.

2.6 Taxation of capital gains

Capital profits are not taxable.

2.7 Taxation of interest income

Interest income derived from any deposits placed in Hong Kong with a financial institution is exempted but not apply to:

- interest income received by financial institutions
- interest income from deposits pledged as collateral for financing facilities.

2.8 Utilization of tax losses

- Time limit – Tax loss can be carried forward indefinitely
- Loss relief among group companies – Not allowed. The IRD restricts the use of tax losses by changing shareholding for the purpose of utilizing the losses to obtain a tax benefit.

2.9 Key Tax incentives

a) Capital allowance

Includes industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery and refurbishment allowance.

b) Offshore funds

Offshore funds with Hong Kong fund managers and investment advisors with full discretionary powers are exempted, whereas they are derived in Hong Kong from six categories of transactions which are carried out or arranged by "specified persons".

c) Quality debit instrument ("QDI)

With effect from 24 May 1996, interest income and trading profits derived from a QDI issued in Hong Kong with an original maturity of not less than 5 years are subject to a concessionary tax rate equivalent to 50% of the normal profits tax rate. Commencing from the year of assessment 2003/04, this concession is expanded to cover a "medium term debt instrument" issued in Hong Kong on or after 5 March 2003 having an original maturity of less than 7 years but not less than 3 years. In addition, interest income and trading profits derived from a "long term debt instrument" issued in Hong Kong on or after 5 March 2003 with an original maturity of not less than 7 years are exempt from profits tax.

From 25 March 2011 onwards, the 50% tax concession further extends to cover interest income and trading profits derived from a "short term debt instrument" issued on or after that date with a tenor of less than 3 years. However, the tax concession and exemption will not apply in relation to a QDI issued on or after 25 March 2011 if, at the time during which the interest income and trading profits is/are so received or accrued, the person is an associate of the issuer of the QDI.

d) Expenditure on research and development

Allowable deduction on expenditure on research and develop ment is granted for payments to an approved research institute and development related to the taxpayer's trade, profession or business.

e) Environmental protection facilities

Expenditure on environmental protection machinery

A full deduction is allowed during the basis period in which the expenditure is incurred.

Expenditure on environmental protection installation

A deduction at 20% of the expenditure is allowed in each of the 5 consecutive years commencing from the year in which the expenditure is incurred.

Expenditure on environment-friendly vehicle

A full deduction is allowed during the basis period in which the expenditure is incurred.

2.10 Withholding tax

Dividends	No withholding tax
Interests	No withholding tax
Royalties	Effective rate of 4.95% for royalty to non-associate and effective rate of 16.5% for royalty to associate.
Technical service fee	No withholding tax

2.11 Transfer Pricing

The arm's length principle is adopted for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a guideline to determine how profits and expenses of the transactions should be allocated between associated enterprises. Alternatively, IRD introduces advance rulings services. A taxpayer may apply for a ruling on how the sections of the Inland Revenue Ordinance (IRO) apply to the case or state the arrangement in its application. It provides the taxpayer with a degree of certainty about the tax treatments under the current tax legislation for seriously contemplated transfer pricing arrangements.

Under the existing tax law and regulations, the IRD mainly rely on case laws that are relevant to transfer pricing and S16(1) of IRO to govern transfer pricing transactions. S.16 (1) allows deductions of expenses only if they are incurred in the production of assessable profits. In addition, the IRD issued DIPN 45 to 48 to deal with transfer pricing and double taxation relief of transfer pricing adjustments.

On 29 December 2017, The Inland Revenue (Amendment) (No. 6) Bill 2017 (Amendment Bill) was gazetted. The main objectives

of the Amendment Bill are to codify the transfer pricing principles into the Inland Revenue Ordinance ("IRO") and implement the minimum standards of the Base Erosion and Profit Shifting (BEPS) package promulgated by the Organisation for Economic Co-operation and Development (OECD).

2.12 Filing requirements of tax return

Filing due dates

Normal profits tax return issue date: 1 April

Normal due date: 2 May

If the tax payer appointed a tax representative, the due dates can be extended as follows:

For accounting year end dates	Normal filing date for cases with tax representative
1 April to 30 November	2 May
1 December to 31 December	15 August
1 January to 31 March	15 November

Penalties

Penalties may be imposed for failure to submit tax return to the IRD on time. The Commissioner of IRD has authority to institute prosecution, to compound or to assess additional tax (in a form of penalty) in respect of an offense.

Payment of profit tax and application of holdover

Surcharges of 5% or 10% will be imposed for overdue payment of tax, depending on the length of time of late payment. Provisional profits tax for the following year of assessment has to be charged and estimated by the assessable profits of the preceding year. If the estimated profits are less than 90% of that previously assessed, an application for holdover of provisional tax can be lodged to the IRD in writing. The application should be lodged not later than:

- 28 days before the due date for payment of the provisional tax,

  or

- 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Salaries tax shall be charged on every person in respect of his income arising in or derived from Hong Kong from any office or employment of profit; and any pension. Income from any office or employment includes

- wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite, or allowance
- certain pension or provident fund
- the rental value of any place of residence provided rent-free by the employer or an associated corporation or relevant rental subsidies
- rights to acquire shares or stock in a corporation

Directors' fee is subject to salaries tax if the company is managed and controlled in Hong Kong.

According to DIPN 10, the Inland Revenue Department (IRD) generally accepts that an employment is a non-Hong Kong employment if: (1) the contract of employment was negotiated and entered into, and is enforceable outside Hong Kong; (2) the employer is a resident outside Hong Kong; and (3) the employee's remuneration is paid outside Hong Kong. Only an employment with all three above factors will be treated as a non-Hong Kong employment.

If an employee paid tax outside Hong Kong on income from employment which is chargeable to Hong Kong salaries tax, he could apply exemption on payments of Hong Kong salaries tax on

such income, provided that such income has been charged and the employee has paid salaries tax in the territory he rendered services and a double tax arrangement has been signed with that territory.

3.2 Rates of tax

Tax payable is calculated at progressive rates on the net chargeable income or at standard rate on the net income (before deducting allowances), whichever is lower. Net chargeable income refers to the income less deduction and allowance.

The maximum tax payable is limited to tax at the standard rate of 15% on the person's income from employment less allowable deductions and charitable donations, but without deducting personal allowances.

A married couple may opt for joint or separate assessment.

First HK$45,000 at	2%
Next HK$45,000 at	7%
Next HK$45,000 at	12%
On the remainder at	17%
Standard rate of tax	15%

3.3 Year of assessment

From 1 April to 31 March of the following year.

3.4 Allowances and Deductions

a) Allowances

	(HK$)
Basic allowance	$132,000
Married person's allowance	$264,000
Child allowances	
– 1st to 9th child (each)	
• In the year of birth	$200,000
• In the following years	$100,000
Dependent parent and grandparent allowance	
– Aged 60 or above	
• not living with taxpayer	$ 46,000
• living with taxpayer throughout the year	$ 92,000
– Aged 55 to 59	
• not living with taxpayer	$ 23,000
• living with taxpayer throughout the year	$ 46,000

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	(HK$)
Dependent brother or sister allowance	$ 37,500
Single parent allowance	$132,000
Disabled dependent allowance	$ 75,000

Allowable deduction includes expenses that must be wholly, exclusively and necessarily incurred in the production of the assessable income.

3.5 Taxation of dividends

N/A

3.6 Taxation of capital gain

N/A

3.7 Taxation of interest income

N/A

3.8 Personal assessment and utilization of tax losses

A Hong Kong resident may elect for personal assessment if himself is a sole proprietor, a partner in a business or a property owner. By aggregating the assessable income under salaries tax, profits tax and property tax, adjusting by certain deductions, the overall tax assessment may be reduced. The balance after deducting allowances and deductions are taxed at the same rates as salaries tax. Personal assessment allows a taxpayer to deduct loan interest incurred for rental properties or/ and off-set loss from the business of sole proprietor or partnership.

3.9 Withholding tax

Employer does not have the obligation to withhold salaries tax for its employee except:

- For payments made to a non-resident, an employer has an obligation to withhold an amount from that is sufficient to produce the amount of tax due.
- For employee about to leave Hong Kong more than 1 month, an employer should withhold all amounts due to be paid to him until such time the employee has made tax clearance.

3.10 Statutory obligation of employers

Statutory obligations of an employer to report remuneration paid to an employee

- For commencement of employment, need to notify the IRD in 3 months
- For continuance employment as at 31 March, need to notify the IRD in 1 month from 1 April of the following year of assessment
- For cessation of employment, need to notify the IRD not later than 1 month before cessation
- For departure from Hong Kong, need to notify the IRD not later than 1 month before departure and withhold money for tax clearance

3.11 Filing requirement of tax return

Filing due dates

Employer's return	
Due date	1 April
Filing deadline	2 May
Individual return	
Date of issue	2 May
Normal due date	2 Jun
With sole-proprietors due date businesses	2 August

An extension of one extra month will be granted automatically if the return is filed electronically. If the tax payer has appointed a tax representative, a further extension of one month is granted

Penalties

Penalties may be imposed for failure to submit tax return to the IRD on time.

Payment of salaries tax and application of holdover

Surcharges of 5% or 10% will be imposed for overdue payment, depending on the length of time of late payment.

Provisional salaries tax for the following year of assessment has to be charged and estimated by net chargeable income of the preceding year.

If the net chargeable income for the year of assessment for which provisional tax was charged is likely to be less than 90% of the net chargeable income for the preceding year, or the tax payer becomes entitled to an allowance, an application for holdover of provisional tax can be applied to the IRD in writing not later than:

- 28 days before the due date for payment of the provisional tax, or
- 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Mandatory Provident Fund Schemes Authority

- To regulate and supervise the operations of Mandatory Provident Fund ("MPF") schemes and occupational retirement schemes.

4.2 Basis of contribution

- The Mandatory Provident Fund Schemes Authority
- To regulate and supervise the operations of Mandatory Provident Fund ("MPF") schemes and occupational retirement schemes.

4.3 Contribution rate

Employees and employers each are required to make mandatory contributions to a MPF scheme. It is 5% of the employee's relevant income. For monthly-paid employees, the minimum and maximum relevant income levels are $7,100 and $30,000

respectively. For employee's monthly relevant income which is less than $7,100, the employee is not required to make the contribution but the employer is still required to pay.

4.4 Exemption from tax

For the mandatory contributions made by an employee to a MPF scheme, maximum tax deduction of HK$18,000 can be claimed. Voluntary contributions made by an employee are not deductible.

The severance payments or long service payments made in accordance with the provisions of the Employment Ordinance are not subject to salaries tax.

GST/VAT

5.1 Basis of tax

N/A

5.2 Rates of tax

N/A

5.3 Registration

N/A

5.4 Filing requirements

N/A

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Where there is a double tax agreement, foreign tax paid may be credited against profits tax on the same profits, but the credit is limited to Hong Kong tax payable on the same income.

6.2 List of double tax treaties signed

As of 22 February 2017, Hong Kong has signed comprehensive double tax agreements/arrangement on income with the following jurisdictions:

- Austria
- Belgium
- Belarus (not yet effective)
- Brunei
- Canada
- Czech Republic
- France
- Guernsey
- Hungary
- Indonesia
- Ireland
- Italy
- Japan
- Jersey
- Korea
- Kuwait
- Latvia (not yet effective)
- Liechtenstein
- Luxembourg
- Mainland China
- Malaysia
- Malta
- Mexico
- Netherlands
- New Zealand
- Pakistan (not yet effective)
- Portugal
- Qatar
- Romania
- Russia
- South Africa
- Spain
- Switzerland
- Thailand
- United Arab Emirates
- United Kingdom
- Vietnam

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

a) Basis of tax

The Stamp Duty Ordinance imposes duty on certain types of documents, which include

- transfer of immovable property in Hong Kong
- lease of immovable property in Hong Kong
- transfer of Hong Kong stock

For immovable property in Hong Kong, or Hong Kong stock, is transferred at less than its market value, stamp duty may be imposed based on the market value at the date of transfer.

b) Rates of tax

Immovable property

(i) Ad Valorem Stamp Duty

Property consideration

	Scale 1 rates	Scale 2 rates
Up to $2,000,000	1.50%	$100
$2,000,001 – $3,000,000	3.00%	1.50%
$3,000,001 – $4,000,000	4.50%	2.25%
$4,000,001 – $6,000,000	6.00%	3.00%
$6,000,001 – $20,000,000	7.50%	3.75%
$20,000,001 and above	8.50%	4.25%

Notes:

1. Marginal relief is available upon entry into each higher value band.
2. The Scale 2 rates apply to residential property acquired by a Hong Kong permanent resident (HKPR) who does not own any other residential property in Hong Kong at the time of acquisition. The Scale 1 rates apply to all other cases.

(ii) Special Stamp Duty ("SSD") on disposal of residential properties

For residential property acquired by an individual or a company, but resold within 36 months, the transfer will be subject to SSD unless they are exempted. The SSD is imposed on top of the ad valorem stamp duty payable on the sale of residential property with a few exemptions. The SSD is calculated at the purchase consideration or at the market value (whichever is higher) of the resold property at the rates stated below.

Holding period	Duty rate
Held for six months or less	20%
Held for more than six months but for 12 months or less	15%
Held for more than 12 months but for 36 months or less	10%

(iii) Buyer's Stamp Duty ("BSD") on acquisition of residential properties

BSD is payable on an agreement for sale or a conveyance on sale for the acquisition of any residential property if the

HONG KONG

residential property is acquired by any person (including limited company) on or after 27 October 2012, except a Hong Kong permanent resident acquiring the property on his/her own behalf. BSD is charged at a flat rate of 15% on all residential property in addition to the ad valorem stamp duty and SSD, if applicable.

Lease of immovable property in Hong Kong

For leases, stamp duty is calculated at a specified rate of the annual rental that varies with the term of the lease as indicated in following table:

Lease period	
Where the lease term is not defined or is uncertain	0.25%
Not more than one year	0.25%
More than one year but does not exceed three	0.50%
More than three years	1.00%

Hong Kong stock

The rate of stamp duty on stock transactions is 0.2% of the consideration ($2 per $1,000) per transaction.

7.2 Real property tax

a) Basis and rate of tax

Property tax is charged on the owner of any land or buildings in Hong Kong at the standard rate (15%) on the net assessable value of such land or buildings. The assessable value of a property is the consideration, in money or money's worth, payable in that year of assessment to the owner for the right to use the land or buildings. Net assessable value is the assessable value less rates paid by the owner and a 20% statutory allowance for repairs and outgoings.

A corporation is allowed to apply in writing for an exemption from property tax provided that the rental income from the property will be assessable under profits tax .

b) Filing due date

The normal tax filing due date is 2 May.

c) Payment of property tax and application of holdover of provisional property tax

Surcharges of 5% or 10% will be imposed from overdue property tax payment, depending on the length of time of late payment.

The provisional property tax payable is estimated by the assessable value of the preceding year of assessment.

If the estimated assessable value are less than 90% of that previously assessed, an application of holdover of provisional tax can be applied to the IRD in writing. The application should be lodged not later than:

- 28 days before the due date for payment of provisional tax

  or

- 14 days after the date of the notice for payment of the provisional tax, whichever is later.

7.3 Estate duty

With effect from 11 February 2006, estate duty was abolished. No estate duty will be imposed on the value of an individual's Hong Kong property passing on death.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.: N/A

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INDIA

GENERAL INFORMATION

1.1 Country/Region

India

1.2 Currency

Indian Rupees (INR)

1.3 Principal business enlles

I. An Individual

II. A Hindu Undivided Family (HUF)

III. A Company

IV. A Firm

V. An Association of Person or Body of Individual, whether incorporated or not

VI. A Local Authority

VII. Every Artificial Juridical Person not falling within any of the preceding subclauses

VIII. Association of Persons or Body of Individuals or a Local authority or Arficial Juridical Persons shall be deemed to be a person whether or not, such persons are formed or established or incorporated with the object of deriving profits or gains or income

1.4 Foreign exchange control

These regulations in India are governed by the Foreign Exchange Management Act ("FEMA") and the Regulations thereunder. The apex exchange control authority in India is the Reserve Bank of India (RBI) which regulates the law and is responsible for all key approvals.

FEMA is not only applicable to all parts of India but is also applicable to all branches, offices and agencies outside India which are owned or controlled by a person resident in India. It regulates all aspects of foreign exchange and has direct implications on external trade and payments.

FEMA is an important legislation which impacts foreign nationals who are working in India and also Indians who have gone outside India. It is important to be compliant with the exchange control regulations.

1.5 Current economy climate (Industry overview/ encouraged business development)

Economic growth is projected to remain strong and India will remain the fastest-growing G20 economy. The increase in public wages and pensions will support consumption. Private investment will recover gradually as excess capacity diminishes, and the landmark Goods and Services Tax and other measures to improve the ease of doing business are being implemented. However, large non-performing loans and high leverage of some companies are holding back investment.

Monetary policy is projected to remain tight as inflation expectations have still not fully adjusted down. The need to reduce the relatively high public-debt-to-GDP ratio leaves little room for fiscal stimulus. However, investing more in physical and social infrastructure is critical to raising living standards for all. This should be financed by a comprehensive reform of income and property taxes. Restoring credit discipline and cleaning up banks' balance sheets will be instrumental to support the credit growth needed to finance more business investment.

Trade openness has increased, partly driven by a competitive service sector. Manufacturing has lagged behind, with limited contribution to exports and job creation, leaving many workers in low-paid jobs. Promoting quality job creation in manufacturing would require reducing further restrictions on FDI and trade, modernising labour regulations and providing better education and skills. Better infrastructure, transport and logistic services would facilitate manufacturing firms' access to global markets, particularly from remote and poorer regions.

1.6 National tax authority

Name: Central Board of Direct Taxation (CBDT)

Website: www.incometaxindia.gov.in

CORPORATE INCOME TAX

2.1 Basis of taxation

Source Based Taxation

2.2 Rates of tax

Domestic Company

For the Financial Year 2017-18, a domestic company is chargeable to tax at 30%. However, tax rate would be 25% where turnover or gross receipt of the company does not exceed Rs. 500 million in the Financial year 2015-16.

Additionally:

a) Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds ten million rupees but not exceeding one hundred million rupees and at the rate of 12% of such tax, where total income exceeds one hundred million rupees.

b) Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by education cess calculated at the rate of two per cent of such income-tax and surcharge.

c) Secondary and Higher Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by secondary and higher education cess calculated at the rate of one per cent of such income-tax and surcharge.

Foreign Company

Corporate Tax rate is 40%

Additionally:

a) Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds ten million rupees but not exceeding one hundred million rupees and at the rate of 5% of such tax, where total income exceeds one hundred million rupees.

b) Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by education cess calculated at the rate of two per cent of such income-tax and surcharge.

c) Secondary and Higher Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by secondary and higher education cess calculated at the rate of one per cent of such income-tax and surcharge.

2.3 Year of assessment

The tax year of each company starts on 1 April and ends on 31 March every year.

2.4 Profits deemed to be taxable

A resident company is taxed on its worldwide income. A non-resident company is taxed only on income that is received in or that accrues or arises, or is deemed to accrue or arise, in India.

2.5 Taxation of dividends

Dividend distribution tax is the tax imposed by the Indian Government on companies according to the dividend paid to a company's investors. At present the dividend distribution tax is 15% (plus surcharge and cess).

2.6 Taxation of capital gains

Meaning of Capital Asset [Sec 2(14)]

Capital Asset is defined to include:

a) Any kind of property held by an assessee, whether or not connected with business or profession of the assessee.

b) Any securities held by a Foreign Institution Investor (FII) which has invested in such securities in accordance with regulations made under the Securities and Exchange Board of India (SEBI) Act, 1992.

Classification of assets into short term and long term

A. Short Term Capital Asset

Capital asset held for not more than 36 months immediately prior to the date of transfer shall be deemed as short-term capital asset. However, following assets held for not more than 12 months shall be treated as short-term capital assets:

a) Equity or preference shares in a company which are listed in any recognized stock exchange in India;

b) Other listed securities;

c) Units of Unit Trust of India(UTI);

d) Units of equity oriented funds; or

e) Zero Coupon Bonds.

Note: Unlisted shares held for not more than 24 months immediately prior to the date of transfer shall be treated as short-term capital asset.

B. Long Term Capital Asset

Capital Asset that held for more than 36 months or 12 months, as the case may be, immediately preceding the date of transfer is treated as long-term capital asset.

Computation of capital gain depends upon the nature of the capital asset transferred during the previous year, vis-à-vis, short-term capital asset, long-term capital asset or depreciable asset. Capital gain arising on transfer of short-term capital asset or depreciable asset is considered as short-term capital gain, whereas transfer of long-term capital asset gives rise to long-term capital gain.

The tax treatment depends on whether gains are long term or short term. Generally, the tax rates vary form 10% to 20%.

2.7 Taxation of interest income

Interest income is treated as part of the business income and taxed accordingly.

2.8 Utilization of tax losses

Business losses and capital losses may be carried forward, with short-term capital losses offsetting capital gains on both long and short term assets, and long-term capital losses off setting only long-term capital gains. Business losses may be offset only against business profits in subsequent years.

2.9 Key Tax incentives

Overview of tax incentives

- In order to attract new investments, develop infrastructure and promote eport/ industries, India offers various incentives such as tax holidays, investment allowances, tax credits, rebates and other incentives.
- Prior to expansion/ new investments, companies should evaluate and avail of available incentives to obtain tax synergies. Some of the incentives could be available to existing as well as new businesses.

Location Based Incentives

Tax benefits are available for setting up undertaking/ manufacturing facilities ("units") in the Northeastern States of India. The key incentive is deduction of 100% of profits of the qualifying unit for 10 consecutive years.

Activity based Incentives

Capital expenditure incurred on approved in-house scientific research and development facility eligible for deduction @200%

Investment Allowance

Deduction for the acquisition and installation of new assets by a company engaged in the manufacture or production of any article or thing on or after 1 April 2014 but before 1 April 2018 (specified period)

- Actual cost of new assets acquired/installed during the specified period to exceed INR 250 million
- Neutral to the description of the article
- Foreign currency fluctuation gains/losses to be factored

Deduction @ 15% of the actual cost of the new asset acquired and installed in each tax year, if in each tax year investment > INR 250 million.

Expenditure on Skill Development

Skill development undertaken by an eligible company in separate facilities in a training institute

- Central Board of Direct Taxes (CBDT) to notify the project, in consultation with the National Skill Development Agency (NSDA) for three years (subject to further extension)
- Skill development for existing employees, i.e., not eligible for employees within six months of recruitment
- Company to maintain separate books of accounts for the notified project and get them audited

Deduction available: 150% of expenditure on skill development

2.10 Withholding tax

Person who is making payment to a non-resident or a foreign company is required to withhold tax. The tax is deducted at the rate prescribed under the Act or relevant Double Taxation Avoidance Agreement (DTAA). It is the obligation of the payer to withhold tax at the time of paying rent, commission, salary, professional services, contract etc. at the rates specified in the tax rule.

The current rate for withholding tax in India for making payments to non-residents are:

i. Interest – 20%

ii. Dividends paid by domestic companies – Nil

iii. Royalties – 10%

iv. Technical services – 10%

v. Individuals – 30% of the income

vi. Companies – 40% of the net income

In case DTAA exists between the country of residence of non-resident and India, the withholding taxes will be as specified in the DTAA.

2.11 Transfer Pricing

The Indian TP Regulations are largely influenced by the OECD TP Guidelines, but are modified to specifically suit the Indian tax regime. Similar to the OECD TP Guidelines and TP Regulations of several other countries, Indian TP Regulations prescribe methods to compute 'Arm's Length Price' for an 'International Transaction' or a 'Specified Domestic Transaction' entered into by a taxpayer with its 'Associated Enterprise'. Any adjustment in transfer price would then be considered for determining taxable income of the said taxpayer. Owing to India's commitment to the OECD/ G20 BEPS Project, the Indian TP Regulations are being amended to align the same with the BEPS Action Plans. The principles laid down by the BEPS Action Plan are also finding their way into judicial pronouncements made by Indian Courts and Tribunals.

Associated Enterprise

The term 'Associated Enterprise' generally means any entity that participates directly or indirectly or through one or more intermediaries in the management or control or capital of another entity. Further, where two entities are commonly controlled by one or more controlling entities, such entities are also considered as 'Associated Enterprises'. The Regulations further provide specific conditions and circumstances under which two entities are deemed to be Associated Enterprises. Some of these basic conditions include, ownership in the voting power of an enterprise exceeding the stipulated limit and right to appoint more than half of the directors on the governing Board of an entity. Other specific relationships applicable to firms and family businesses are also prescribed. In the context of Specified Domestic Transactions, a related party (also referred to as Associated Enterprise) includes, amongst others, a director of a Company, a relative of such director, an entity having substantial interest (i.e., holding more than 20% of the voting power) in the other entity, subsidiaries, fellow subsidiaries, etc.

International Transaction

'International Transaction' is defined to mean a 'transaction' entered into between two or more Associated Enterprises, either or both of whom are non-residents, which has a bearing on the profits, income, losses or assets of an entity. The 'transactions' covered, inter alia, include:

- Purchase, sale, transfer, lease or use of tangible or intangible property;
- Capital financing;
- Provision of services;
- Business restructuring or reorganisation.

International Transactions also include transactions pertaining to cost allocations, cost contribution agreements, reimbursements, etc. The definition of 'International Transaction' also includes a deeming fiction wherein transaction between two non-associated entities is deemed to be an International transaction between Associated Enterprises and consequently subject to TP. These provisions are attracted in case where transactions between unrelated parties are influenced by a prior agreement/ arrangement existing between unrelated enterprise and Associated Enterprise.

Specified Domestic Transaction

With effect from Fiscal Year 2012-13, specified domestic transactions between two related parties or Associated Enterprises are subject to TP Regulations, where the aggregate of all such transactions exceeds a sum of INR 200 mn. The following transactions have been covered under the ambit of Specified Domestic Transactions:

- Payments in the nature of business expenditure made to a related party/ Associated Enterprise.
- Transfer of goods or services between a tax holiday and non-tax holiday unit of an entity.
- Any business transacted between an enterprises claiming tax holiday with another closely-linked enterprise.

Arm's Length Price (ALP)

ALP has been defined to be the price which is applied or is proposed to be applied in a transaction between persons other than Associated Enterprises, in uncontrolled conditions.

Computation of ALP

The Indian TP Regulations require computation of ALP based on

the prescribed TP methods. The Regulations have prescribed the following five methods for determination of ALP – Comparable Uncontrolled Price Method (CUP), Cost Plus Method (CPM), Resale Price Method (RPM), Profit Split Method (PSM) and Transactional Net Margin Method (TNMM). The TP Regulations also provide for use of any other method which takes into consideration a price charged in a similar transaction between unrelated parties in uncontrolled circumstances.

Compliance Requirements

Reporting

Taxpayers entering into International and/ or Specified Domestic Transactions with their Associated Enterprises, need to report the same to the Indian tax authorities on or before the due date of filing of tax return, by furnishing a certificate obtained from an Accountant. The Accountant needs to certify the following in the said certificate (in a specified Form):

- That the ALP computed by the taxpayer is correct and in accordance with the Regulations; and
- That the taxpayer has maintained appropriate TP documentation as required by the Regulations.
- The said certificate requires the Accountant to report specific details of the International and/or Specified Domestic Transactions, the value of transaction, the method used to determine ALP.

Three-Tiered Documentation

Taxpayers are required to maintain comprehensive and contemporaneous documentation to substantiate the ALP determined for the transactions exceeding INR 10 mn, entered into with Associated Enterprises. However, even in case where the value of International Transactions does not exceed INR 10 mn, the taxpayer is required to maintain basic documentation demonstrating that the transactions were at ALP.

To align with OECD recommendations on TP documentation under the BEPS project, the Union Budget of 2016 introduced changes to the TP Regulations. The changes are in line with the 3-tier approach recommended in Action Plan 13 of the BEPS Project and calls for the taxpayer to maintain:

– A Master File;
– A Local File; and
– A Country by Country Report ('CbCR').

This 3-tier documentation approach is effective from 1 April 2016 (i.e., fiscal year 2016-17).

Penalties

The Indian tax law has prescribed the following penalties for various defaults in TP compliances:

Default	Penalty (from fiscal year 2016-17)
Failure to keep or maintain required documentation, failure to report required transactions and furnishing incorrect information or documentation	2% of Value of International Transactions and/ or Specified Domestic Transactions
Failure to furnish TP documentation when called for by the Indian tax authorities	2% of Value of International Transactions and/ or Specified Domestic Transactions
Failure to furnish Form 3CEB before the due date of furnishing the tax retur	INR 100,000
Failure to furnish Master file when called for by the Indian tax authorities	IINR 500,000
Failure to furnish CbCR or further information (called for) in respect of CbCR	NR 5,000 – 50,000 per day, depending upon period of delay
Providing inaccurate information in CbCR	INR 500,000
In case of TP adjustment during the course of audit by Indian tax authorities	• 50% of tax on TP adjustment where TP documentation not maintained. • 200% of tax on TP adjustment where transaction or material facts not disclosedwhere transaction or material facts not disclosed

2.12 Filing requirements of tax return

Filing due dates

Generally, the filing due date is 30 September.

Penalties

If an assessee does not file his return by the `due date' and files his return subsequently:

- He cannot have the benefit of revising the return, as the return filed beyond the `due date' is treated as `belated return'.
- He cannot carry forward the following losses in case of delayed filing:
  a) Speculation loss
  b) Business loss excluding loss due to unabsorbed depreciation and capital expenditure on scientific research
  c) Short term capital loss
  d) Long term capital loss
  e) Loss due to owning and maintenance of horse races
- He has to pay interest if any, on tax liability existing beyond tax deducted at source (TDS) or tax collected at source (TCS) or the advance tax paid.
- The AO (Assessing Officer) could levy a penalty of Rs 5,000 for the delay or such return would become an invalid return.
- If the tax authorities feel the assessee willfully failed to furnish returns on time, the assessee can be sentenced to rigorous imprisonment for anywhere between six months to seven years, and fined.

Payment of profit tax and application of holdover

Not applicable.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A person is Resident in India if:

a. He has stayed in India in that year for a period of at least one hundred eighty-two days; or

b. He has stayed in India in that year for a period of sixty days and three hundred sixty-five days over a period of four years prior to that year.

The passport will be the final and conclusive proof of the person's entry into and exit from India to calculate the period.

A person is Not-Oridnarily Resident if:

a. He has been non-resident in India in nine out of ten years prior to the year in which the status is being determined.

b. He has been in India during the seven years prior to the year, for a total period of less than seven hundred twenty-nine days.

If a person does fit in the conditions mentioned above to be treated a Resident or Not-Ordinarily Resident then he is automatically deemed to be a Non-Resident.

Tax Incidence

A. In case of a Resident & Ordinarily Resident, his income earned anywhere around the globe is taxable in India, subject to provisions of Double Taxation Avoidance Agreement if applicable to the countries in which such income is earned.

B. In the case of a Resident but Not Ordinarily Resident – income is taxable in India if income is earned or received in India, or income is deemed to be earned in India or income arises out of business controlled in India.

C. In case of a Non-resident, only income actually earned in India or which is deemed to be earned in India is taxable.

3.2 Rates of tax (Assessment Year 2018-19)

1. In case of an Individual (resident or non-resident) or HUF or Association of Person or Body of Individual or any other artificial juridical person

Taxable income	Tax Rate
Up to Rs. 250,000	Nil
Rs. 250,000 to Rs. 500,000	5%
Rs. 500,000 to Rs. 1,000,000	20%
Above Rs. 1,000,000	30%

2. In case of a resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

Taxable income	Tax Rate
Up to Rs. 300,000	Nil
Rs. 300,000 - Rs. 500,000	5%
Rs. 500,000 - Rs. 1,000,000	20%
Above Rs. 1,000,000	30%

3. In case of a resident super senior citizen (who is 80 years or more at any time during the previous year)

Taxable income	Tax Rate
Up to Rs. 500,000	Nil
Rs. 500,000 - Rs. 1,000,000	20%
Above Rs. 1,000,000	30%

a) Surcharge:

i. The amount of income-tax shall be increased by a surcharge at the rate of 10% of such tax, where total income exceeds five million rupees but does not exceed ten million rupees. However, the surcharge shall be subject to marginal relief (where income exceeds five million rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of five million rupees by more than the amount of income that exceeds five million rupees).

ii. The amount of income-tax shall be increased by a surcharge at the rate of 15% of such tax, where total income exceeds ten million rupees. However, the surcharge shall be subject to marginal relief (where income exceeds ten million rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten million rupees by more than the amount of income that exceeds ten million rupees).

b) Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by education cess calculated at the rate of two per cent of such income-tax and surcharge.

c) Secondary and Higher Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by secondary and higher education cess calculated at the rate of one per cent of such income-tax and surcharge.

d) Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs.350,000. The amount of rebate shall be 100% of income-tax or Rs. 2,500, whichever is less.

3.3 Year of assessment

1 April to 31 March of the following year.

3.4 Allowances and Deductions

Deductions available are contributions to the provident fund, pension funds, medical insurance or life insurance policies and some savings schemes.

3.5 Taxation of dividends

Dividends are taxable if the amount exceed Rs 1 million, at a rate of 10 %.

3.6 Taxation of capital gain

Short term capital gains are taxed at a special rate of 15 %.

Long term capital gains on financial assets that are security transaction tax paid are exempt in the hands of individuals.

Long term capital gains on immoveable properties is taxed at the rate of 20%.

The basis for arriving at the capital gains is the same as that in the case of corporates mentioned in section 2.6.

3.7 Taxation of interest income

Interest income is taxable as part of regular income subject to a deduction of Rs 10,000.

3.8 Personal assessment and utilization of losses

Under the Income-tax Law, there are four major assessments given below:

a) Summary assessment without calling the assessee. This can be made within a period of one year from the end of the financial year in which the return of income is filed.

b) Scrutiny assessment.

The objective of scrutiny assessment is to confirm that the taxpayer has not understated the income or computed excessive loss or has not underpaid the tax in any manner. To confirm this, the Assessing Officer carries out a detailed scrutiny of the return of income and will satisfy himself regarding various claims, deductions, etc., made by the taxpayer in the return of income.

c) Best judgment assessment.

The Assessing Officer is under an obligation to make an assessment to the best of his judgment in certain cases such as: -

i) The taxpayer fails to file the return required within the due date prescribed, or a belated return , or a revised return.

ii) The taxpayer fails to comply with all the terms of a notice issued.

iii) The taxpayer fails to comply with the directions issued.

d) Income escaping assessment

This assessment is carried out if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year.

Utilization of losses

The treatment is similar to corporates mentioned in section 2.8.

3.9 Withholding tax

The employer withholds tax on salary income.

3.10 Statutory obligation of employers

Individuals are exempt from the requirement of statutory obligations unless they have more than 20 employees.

3.11 Filing requirement of tax return

Filing due dates

Returns are due by 31 July of the assessment year.

Penalties

- Losses such as business loss (speculative or non-speculative),capital loss(long term or short term) and loss in race horse maintenance are not eligible to be carried forward.
- Filing of revised return cannot be facilitated if the original return has not been filed.
- Non-filing of returns attracts penalty as follows of Rs. 5,000 along with interest accordingly.
- In extreme cases, where the taxpayer willfully fails to furnish the tax return in due time, the assessing officer may levy a penalty which may include imprisonment and fine.

Application of holdover

Not applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The employee provident fund act provides collection of pension and deposit fund, deposit linked insurance for the employees at factories and other establishments. Employee Provident Funds (EPF) and Miscellaneous Provisions Act, 1952 came into effect on 4 March 1952, by the Government of India and is administered by Central Board of Trustees(CBT). This act is an important fragment of Labor Welfare legislation enacted by the Parliament to provide social security benefits to workers. At present, the Act and Schemes framed provide 3 types of benefits:

- Contributory Provident fund.
- Pension benefits to employees/family members.
- Insurance cover to the members of Provident Fund.

All establishments employing 20 or more persons (5(or) more for Cinema Theaters) are brought under preview of the Employee provident fund act from the very first date of setup. The provisions of the Act are applicable on its own force independently. If the establishments do not have the prescribed number of employees and are willing to obtain the benefits of this act, then they can register voluntarily with regional Provident Fund office.

The Payment of Gratuity Act, 1972 (the Gratuity Act) is applicable to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments with ten or more employees.

4.2 Basis of contribution

Both provident fund and gratuity contribution are based on the wages/ salary paid.

In the employee and provident fund act, wages include the sum of basic and dearness allowances, cash value of food concession and retaining allowances, if any. An employee at the time of joining the employment and getting salary up to Rs 15,000/-, is eligible for membership of fund from very first date of joining a covered establishment.

In addition, the employer contributes 4.75 % of the wages as Employees' State Insurance Corporation (ESIC) contribution and Employee Contributes 1.75% out of his wages as ESIC contribution.

To be eligible for gratuity under the Gratuity Act, an employee needs to have at least five full years of service with the current employer, except in the event that an employee passes away or is rendered disabled due to accident or illness, in which case gratuity must be paid.

4.3 Contribution rate

When one starts working, he and his employer both contribute 12% of the basic salary (plus dearness allowances, if any) into his EPF account. The entire 12% of contribution goes into the EPF account along with 3.67% (out of 12%) from the employer, while the balance 8.33% from the employer's side is diverted to his Employee's Pension Scheme (EPS) . It's important to note that if the basic pay is above Rs. 15,000 per month, the employer can only contribute 8.33% of 15,000 to EPS and the balance goes into EPF account. The minimum gratuity payable is 15 days salary based on last drawn salary for every year of completed service. This is payable after the employee has completed a minimum 5 years of service with the company.

4.4 Exemption from tax

Provident fund benefits are exempt from tax.

The taxation process for gratuity depends upon the employee who is receiving the gratuity amount. Two standard cases arise for the calculation of tax on gratuity:

- Government Employee Receiving Gratuity Amount: In case any employee under the state government, central government or local authority receives gratuity amount than the amount is fully exempt from Income Tax.
- Any other Salaried Individual Receiving Gratuity Amount from an Employer who is Covered by Payment of Gratuity Act:
    - In case of gratuity received by any employee whose employer is covered under the Gratuity Act, 15 days salary as per the last drawn salary of the individual is exempt from tax.
    - Any Other Salaried Individual Receiving Gratuity Amount from an Employer who is not covered by Payment of Gratuity Act, the least of the following three amounts is exempt from tax.

        i) Rs.1,000,000

        ii) Gratuity actually received by employee

GST/VAT

5.1 Basis of tax

In India GST is implemented from 1 July 2017. GST shall be levied on supply of goods or services.

5.2 Rates of tax

India has taken into consideration many factors like necessity, standard of living, discouraging the use of certain items like tobacco etc. for adoption of multi layered rate structure.

India has adopted Harmonized System of Nomenclature (HSN) for commodities and Service Accounting Codes (SAC) for services.

Rate structure is tabulated below:

Rates	Applicable on goods & services in brief
0%	**Goods** Jute, fresh meat, fish chicken, eggs, milk, etc. **Services** Hotels and lodges with tariff below INR 1,000/- etc.
5%	**Goods** Skimmed milk powder, branded paneer, frozen vegetables etc. **Services** Transport services (Railways, air transport), small restaurants will be under the 5% category because their main input is petroleum, which is outside GST ambit. Textile job work etc.
12%	**Goods** Butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices etc. **Services** State-run lotteries, Non-AC hotels, business class air ticket, fertilizers etc.
18%	**Goods** Most items are under this tax slab like Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture etc. **Services** Most of the services are under this tax slab like AC hotels that serve liquor, telecom services, IT services, branded garments and financial services etc.
28%	**Goods** chewing gum, molasses, chocolate not containing cocoa, waffles etc. **Services** 5-star hotels, race club betting, cinema etc.

5.3 Registration

GST being a tax on the event of "supply", every supplier is required to be registered. However, small businesses having all India aggregate turnover below Rupees 2 million (1 million if business is in Assam, Arunachal Pradesh, J&K, Himachal Pradesh, Uttarakhand, Manipur, Mizoram, Sikkim, Meghalaya, Nagaland or Tripura) need not register. The small businesses, having turnover below the threshold limit can, however, voluntarily opt to register.

5.4 Filing requirements

Return Form	Particulars	Interval	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Monthly*	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Monthly*	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Monthly*	20th of the next month
GSTR-9	Annual Return	Annually	31st December of next financial year
GSTR-3B	Provisional return for the months of July to December 2017	Monthly	20th of the next month

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The tax payer in India is taxed on any income earned abroad and is allowed to take credit for any taxes paid in foreign jurisdictions.

6.2 List of double tax treaties signed

List of countries with whom India has singed DTAA are:

1. Armenia
2. Australia
3. Austria
4. Bangladesh
5. Belarus
6. Belgium
7. Botswana
8. Brazil
9. Bulgaria
10. Canada
11. China
12. Cyprus
13. Czech Republic
14. Denmark
15. Egypt
16. Estonia
17. Ethiopia
18. Finland
19. France
20. Georgia
21. Germany
22. Greece
23. Hashemite kingdom of Jordan
24. Hungary
25. Iceland
26. Indonesia
27. Ireland
28. Israel
29. Italy
30. Japan
31. Kazakhstan
32. Kenya
33. Korea
34. Kuwait
35. Kyrgyz Republic
36. Libya
37. Lithuania
38. Luxembourg
39. Malaysia
40. Malta
41. Mauritius
42. Mongolia
43. Montenegro
44. Morocco
45. Mozambique
46. Myanmar
47. Namibia
48. Nepal
49. Netherlands
50. New Zealand
51. Norway
52. Oman
53. Philippines
54. Poland
55. Portuguese Republic
56. Qatar
57. Romania
58. Russia
59. Saudi Arabia
60. Serbia
61. Singapore
62. Slovenia
63. South Africa
64. Spain
65. Sri Lanka
66. Sudan
67. Sweden
68. Swiss Confederation
69. Syrian Arab Republic
70. Tajikistan
71. Tanzania
72. Thailand
73. Trinidad and Tobago
74. Turkey
75. Turkmenistan
76. UAE
77. UAR (Egypt)
78. Uganda
79. UK
80. Ukraine
81. United Mexican States
82. USA
83. Uzbekistan
84. Vietnam
85. Zambia

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is a government tax, which is levied on all legal property transactions. Stamp duty is, therefore, a tax which is evidence, as it were, of any purchase or sale of a property between two or more parties. Stamp papers, which have to be bought either in the name of the seller or buyer is valid for 6 months, provided the stamp duty is paid without any delay.

Stamp Duty Charges:

Stamp duty rates differ in various states across the country as stamp duty in India, is a state subject. However, the central government fixes the stamp duty rates of specific instruments. As mentioned above, delay in the payment of stamp duty will attract a penalty of 2% on a monthly basis (up to 200% of remaining amount).

Stamp Duty on Property Registration:

Legal evidence of ownership or transfer of a property is mandatory. To the end, the buyer, in most cases, has to register his or her name in the municipal records. The buyer has to pay a stamp duty at the time of registration. The amount of stamp duty may vary from one state to another. Stamp duty also depends on whether a given property is new or old.

Some of the documents which require stamp duty are listed below:

- Transfer instruments
- Deed of partition
- Reconveyance of mortgaged property
- Mortgage deed
- Certificates of sale
- Gift deed
- Exchange deed
- Tenancy agreement
- Power of attorneys
- License agreement
- Lease deeds

7.2 Real property tax

Taxes are the primary source of income for a government, with the taxes earned dictating the resources available to citizens. Every property is an asset which is taxable and the property tax is an annual amount paid by a property/ land owner to the government. This tax could be paid either to the local state government or Municipal Corporation, depending on government policies. The word “property” in this context refers to all tangible real estate under the ownership of an individual and includes houses, office buildings and premises rented to third parties.

Property, in India is classified into four categories, which help the government estimate tax based on certain criteria. The different property divisions in the country are mentioned below.

- Land – in its most basic form, without any construction or improvement.
- Improvements made to land - this includes immovable manmade creations like buildings and godowns.
- Personal property – this includes movable man-made objects like cranes, cars or buses.
- Intangible property

Property tax in India is to be paid on "real property", which includes land and improvements on land, with the government appraising the monetary value of each such property and assessing the tax in proportion to its value. It is the duty of the municipality of a particular area to do this assessment and determine the property tax, which can be paid either on an annual or semi-annual basis. This tax amount is used to develop local amenities including road repairs, maintenance of parks and public schools, etc. Property tax varies from location to location and can be different in different cities and municipalities.

An exemption is allowed to every taxpayer, where a sum equal to 30% of the net annual value does not come under the tax limit provided the house is let out. This is not applicable if taxpayer is occupying the only house he owns. In addition, deduction is allowed in respect of the interest paid on loan taken in connection with the purchase or construction of the house subject to a limit of Rs 200,000 in case the house is self-occupied. In case of rented property there is no limit for claiming the interest paid of loans availed.

7.3 Estate duty

Estate duty is a tax on assets left behind by a person upon his death, while inheritance tax is a tax on assets inherited by a person. Many countries have or have had either estate duty or inheritance tax. In India, too, we have had estate duty from 1953 till it was done away with in March 1985.

7.4 Net wealth/ net worth tax

Finance Minister in 2015 abolished the wealth tax but increased the surcharge to 12 per cent on individuals earning Rs 10 million and above annually and on firms with an annual income of Rs 100 million or more. Moreover, the minister also introduced a surcharge of 7 per cent on companies having an income between Rs 10 million and Rs 100 million.

7.5 Others

Business tax: Not applicable.

Consumption tax, etc.: See GST mentioned in section 5.

POINT OF CONTACT

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INDONESIA

GENERAL INFORMATION

1.1 Country/Region

Indonesia

1.2 Currency

Indonesian Rupiah (IDR)

1.3 Principal business entities

The limited liability company (Perseroan Terbatas or "PT") is the most common form of legal business entity in Indonesia. Foreign companies are allowed to set up a PT or representative office. Branches of foreign corporations generally are not permitted except for constructions, oil and gas and banking services, unless the foreign corporations are using PT as a legal entities. Foreign companies should refer to the negative investment list for the list of sectors that are partially or wholly closed to foreign investment.

1.4 Foreign exchange control

Foreign exchange rate operates on a managed-float regime against a market rate. The Central Bank ("Bank Indonesia") supports the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position. Furthermore, the rupiah is freely convertible. However, approval of Bank Indonesia (central bank) must be obtained before taking IDR 100 million (or its equivalent in foreign currency) or more out of the country. A person carrying IDR 100 million (or its equivalent in foreign currency) or more into the Indonesia customs territory must verify the authenticity of the funds with Indonesia customs upon arrival. Indonesia does not restrict the transfers of funds to or from foreign countries, but banks must report transfers of funds to foreign countries to Bank Indonesia. There is no set minimum transfer amount for reporting purposes.

Based on the Currency Law stipulated by the Indonesian government, IDR must be used in all transactions that have a purpose of payment, settlement of obligations that have to be satisfied with a cash payment and other financial transactions conducted in Indonesia. Exemptions are provided for the following transactions: certain transactions related to the implementations of the State budget; receipt or grant of offshore grant; international commercial transactions; bank deposits in foreign currency; or offshore loan transactions.

Pursuant to Indonesia Central Bank Regulation, exporters are required to receive all foreign exchange proceeds from exports [Export Proceeds – Devisa Hasil Ekspor (DHE)] through domestic foreign exchange banks in Indonesia no later than 90 (ninety) days subsequent to the export notice. The Central Bank could impose penalties when the income from exports is not transferred into domestic foreign exchange banks in Indonesia before the deadline.

1.5 Current economy climate (Industry overview/ encouraged business development)

The positive performance of Indonesia's economy in 2016 showed that Indonesia has a large domestic potential to help maintain its economic resiliency. The synergy and consistency of policies pursued by the Government to maintain macroeconomic stability, while encouraging the momentum of growth are able to steer the Indonesian economy away from various external pressures, while remaining in the path of true sustainability.

There are 3 (three) potentials, supporting the economic performance. First, the trust and confidence level of economic players over the Government and other stakeholders. Second, the source of economic financing from the recent tax amnesty policy, and third, the fast-growing development in the digital economy and government infrastructure projects.

On the other hand, the national economic growth at quarter II 2017 was at the level 5.01%; this was relatively stable compared to the previous quarter. In 2018, the economy is predicted to grow by 5.4%, slightly better than 2017.

1.6 National tax authority

Name: Directorate General of Taxation (DGT)

Website: www.pajak.go.id

CORPORATE INCOME TAX

2.1 Basis of taxation

Resident companies are taxed on worldwide income. Non resident companies are taxed only on income sourced in Indonesia including income attributable to a permanent establishment in the country.

Taxable net income is defined as assessable income less tax-deductible expenses.

Taxable business profits are modified by certain tax adjustment. Generally, a deduction is allowed for all expenditures incurred to obtain, collect, and maintain taxable business profits. A timing difference may arise if an expenditure recorded as an expense for accounting cannot be immediately claimed as a deduction for tax.

A company is treated as a resident of Indonesia for tax purposes by virtue of having its establishment or its place of management in Indonesia. A foreign company carrying out business activities through a permanent establishment in Indonesia will generally have to assume the same tax obligations as a resident taxpayer.

2.2 Rates of tax

Generally, a flat rate of 25% applies. Variations apply as part of the incentives scheme (please see section 2.9).

Companies engaged in upstream oil and gas and geothermal industries typically have to calculate Corporate Income Tax (CIT) in accordance with their production sharing contracts (PSCs). Certain companies engaged in metal, mineral and coal mining are governed by a contract of work (CoW) for the CIT calculation. Different provisions may apply to them pertaining to corporate tax rates, deductible expenses and how to calculate taxable income.

2.3 Year of assessment

Generally, the year of tax assessment is January to December. However, a corporate tax payer can elects to file a corporate tax return based on the company's book year.

2.4 Profits deemed to be taxable

The following business have deemed profit margins for tax purposes:

	Deemed Profit on Gross Revenue	Effective Income Tax
Domestic shipping operations	4%	1.20%
Domestic airline operations	6%	1.80%
Foreign shipping and airline operations	6%	2.64%
Foreign oil and gas drilling operations	15%	3.75%
Certain Ministry of Trade representative offices	1% of export value	0.44%

2.5 Taxation of dividends

Tax is withheld from dividends as follows:

a. Resident recipients

Dividends received from an Indonesian company by a limited liability company incorporated in Indonesia (*Perseroan Terbatas/ PT*), a corporate, or a state-owned company, are exempt from income tax if the following conditions are met:

- The dividends are paid out of retained earnings; and
- The company earning the dividends holds at least 25% of the paid-in capital in the company distributing the dividends.

If these conditions are not met, the dividends are assessable to the company earning the dividends at the ordinary tax rate alongside the company's other income. Upon declaration, dividends are subject to withholding tax at 15%. The amount withheld constitutes a prepayment of the CIT liability for the company earning the dividends.

This rule is also applied to the stock dividends (bonus shares), and also dividends paid out of share premium.

b. Non-resident recipients :

20% (or lower for treaty countries) final withholding tax is due on dividends paid to a non-resident recipient.

c. The Controlled Foreign Corporation (CFC) rules

Under the CFC rules, the Indonesian Company as a shareholder of the Foreign subsidiary/branch could be deemed to receive a dividend based on the subsidiary profits incurred. The taxable deemed dividend is calculated based on the proportion of shares.

The deemed dividends will be applied for:

- The Indonesian Company who has Foreign Subsidiary/ Branch, and owning at least 50% of shares in that offshore company.
- This rules does not applied to the Company's shares listed on the stock exchange.

2.6 Taxation of capital gains

Capital gains are taxable as ordinary income and capital losses are tax-deductible. Gains from certain transactions are taxed under a special regime (e.g. gains from the disposal of land and/ or building properties are subject to a final tax at 2.5% rate from the transaction value).

2.7 Taxation of interest income

Interest on time or saving deposits and on Bank Indonesia certificates (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

2.8 Utilization of tax losses

Losses may be carried forward for 5 years following the year the loss was incurred (this period may be extended to 10 years on certain industries and for operations in remote areas). Losses are not allowed to be carried back.

2.9 Key Tax incentives

a. Tax cut for public companies

5% tax cut, giving an effective rate of 20%, can be granted to public companies which satisfy the following conditions:

- At least 40% of their paid-in shares are publicly owned;
- The public should consist of at least 300 individuals, each holding less than 5% of the paid-in shares;
- These two conditions are maintained for at least 6 months (183 days) in a tax year.

b. Income Tax for small enterprises

2 different schemes are applied for small enterprises:

- Effective 1 July 2013, companies (exclude permanent establishments) with an annual turnover less than 4.8 billion are subject to 1% final income tax on the gross sales turnover. This final tax should be paid on monthly basis.
- Companies with an annual turnover of not more than Rp50 billion, are entitled a 50% discount of the standard tax rate (25%) which is imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion.

c. Tax holiday

New corporate taxpayers in certain pioneer industries may enjoy a CIT exemption for a period of five to ten years from the start of

commercial production. After the end of the CIT exemption, the company will receive a 50% CIT reduction for two years.

To be eligible for the above facilities, taxpayers should be newly incorporated in Indonesia (not earlier than 14 August 2010), should have a legalized new capital investment plan of a minimum IDR 1 trillion, should deposit a minimum of 10% of their planned investment value in banks located in Indonesia, and should not withdraw the deposit prior to the realization of the investment plan.

Tax holiday proposals may be submitted to the Minister of Finance (MoF) only until 15 August 2014.

Tax holiday may be available for significant investments in the following "pioneer" industries:

1. Basic metals industry;
2. Petroleum refining industry and/or organic basic chemicals derived from petroleum and natural gas;
3. Industrial machinery;
4. Renewable resources industry; and/or
5. Telecommunication equipment

d. Direct tax incentives for new enterprises

Under the Capital Investment Law, the new Enterprises may apply for an exemption from the income tax payable on the importation of capital goods and raw materials. The exemption is granted for capital goods indicated in the Master List and the request must be applied for each importation. Furthermore, new Enterprises should secure an exemption certificate from the Directorate General of Taxes (DGT) where the new enterprise is registered.

e. Tax facilities on investment in certain business and or certain regions

Income tax facilities are available for investment in 25 selected sectors (52 sub-sectors) and/or 15 selected locations (77 sub-locations), effective December 22, 2011.

The tax facilities for the selected sectors/regions comprise of 4 incentives:

1. Additional tax deduction of 5% of the realized capital investment (depreciable and non-depreciable assets) each year up to 6 years (revoked if assets are transferred during facility period)
2. Option to use accelerated tax depreciation at double normal rates
3. The period for tax loss carry forward may be extended to 10 years (instead of 5 years)
4. Withholding tax on dividends to non-resident shareholders is reduced to 10% (or a lower DTA rate)

2.10 Withholding tax

Dividends - Dividends paid by a domestic corporate taxpayer to a non-resident are subject to a final 20% withholding tax (or a reduced treaty rate). A 10% final withholding tax is imposed on dividends paid to a resident individual.

Interests - Interest paid to a non-resident is subject to a 20% withholding tax (or a reduced treaty rate). Interest paid by a domestic taxpayer to a resident is subject to a 15% withholding tax, which represents an advance payment of tax liability.

Royalties - A 20% withholding tax is imposed on royalties remitted abroad (or a reduced treaty rate). For tax purposes, royalties refer to any charge for the use of property or know-how in Indonesia, as well as the transfer of a right to use property or know-how in Indonesia.

Royalties paid by a domestic taxpayer to a resident are subject to a 15% withholding tax, with the payment representing an advance payment of tax liability.

Technical service fees and rental - A 2% withholding tax applies on gross payments made by a domestic taxpayer to a resident taxpayer for technical, management and consulting services and rentals (except for land and building rentals). For the land and building rental is subject to 10% Final Income Tax.

Under the domestic tax law, a 20% withholding tax (or a reduced treaty rate) is imposed on technical service fees remitted abroad.

Branch remittance tax - Permanent establishments are subject to a 20% branch profits tax (or a reduced treaty rate) on after-tax profits.

2.11 Transfer Pricing

Transactions between parties that have a special relationship must be carried out in a "commercially justifiable may" and on an arm's length basis. Transfer Pricing Documentation is required by the Minister of Finance Regulation which consist of an overview of the taxpayer's business operation and structure, its transfer pricing policy, comparability analysis, selected comparables and an explanation of how the arm's length price or profit was determine (including the transfer pricing methodology), etc.

At the end of 2015, the Minister of Finance and Tax Authorities have issued detailed transfer pricing documentation guidelines, which, in principle, are in line with the OECD's approach. This new regulation is applied starting from 2016 fiscal year onwards.

2.12 Filing requirements of tax return

Filing due dates

The monthly income tax returns must be filed by the 20th of the following month.

Annual corporate tax returns must be filed within 4 months from the end of the book year. For annual income tax returns, taxpayers may extend the filling deadline for up to 2 months.

Penalties

Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid.

Late filings are subject to the following penalties:

- Monthly income tax return: IDR 100,000
- Annual cor porate income tax return: IDR 1,000,000

Payment of profit tax and application of holdover

The monthly tax instalment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filling the tax return.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Individual residents in Indonesia are taxed on their worldwide gross income less allowable deductions and non-taxable income.

An individual is a tax resident if he/she fulfils the following conditions:

- He/she resides in Indonesia;
- He/she is present in Indonesia for more than 183 days in any 12-month period (the provisions of tax treaties may overwrite this rule);
- He/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

The taxable income of individuals includes profits from a business, employment income, capital gains, passive income such as royalty, interest, dividend, etc.

3.2 Rates of tax

For resident tax payers: most income is subject to the normal rates of 5% on the first IDR 50 million of annual taxable income; 15% on amounts exceeding IDR 50 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; and 30% on amounts exceeding IDR 500 million.

Effective 1 July 2013, incentives applied for small individual tax payers (see also section 2.9 for the same incentives applied for corporate tax payers) with an annual gross turnover of no more than Rp4.8 billion of which their income is subject to 1% final income tax rate from their gross turnover. This threshold excludes income from independent personal services such as doctors, lawyers, consultants, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

For non-resident tax payers: 20% withholding tax rate on Indonesia-sourced income.

3.3 Year of assessment

The calendar year (January to December).

3.4 Allowances and Deductions

An individual who conducts a business may deduct expenses from business income. Expenses generally are deductible if they are incurred for the purposes of generating income. The allowances are provided for the taxpayer, the taxpayer's spouse and up to 3 dependent children.

Starting from 2016 fiscal year, the non taxable income threshold and allowable deduction for the individual are as follows:

	IDR
Taxpayer	54,000,000
Spouse	4,500,000
Each dependant (max of 3)	4,500,000
Occupational expenses (5% of gross income, max Rp 500,000/month)	6,000,000
Employee contribution to jamsostek or "BPJS" for pension fund security savings (2% of gross income)	Full amount
Pension contributions (5% of gross income, max Rp 200,000/month)	2,400,000

3.5 Taxation of dividends

Dividends received by resident individual tax payers are subject to final income tax at a maximum rate of 10%. If received by non-resident recipients, they are subject to final withholding tax of 20% (or lower for treaty countries).

3.6 Taxation of capital gain

Capital gains derived by an individual are taxed as income at the normal rates; gains on shares listed in Indonesia stock exchange are taxed at 0.1% (final tax) of the transaction value (an additional tax of 0.5% applies to the share value of founder shares at the time of an initial public offering). Gains on the disposal of land and/or buildings are taxed at 5% (final tax) of the transaction value.

3.7 Taxation of interest income

Interest income on time or saving deposits and on Bank Indonesia (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

3.8 Personal assessment and utilization of losses

Personal tax is self-assessed. There are no utilization of losses for deemed income.

3.9 Withholding tax

Employers are required to withhold income tax from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable for other payments to non-employee individuals (e.g. fees payable to individual consultant or service providers). Resident individual taxpayers without an Personal Tax Number / Nomor Pendaftaran Wajib Pajak (NPWP) are subject to a surcharge of 20% in addition to the standard withholding tax.

Non-resident individuals are subject to withholding tax of 20% (unless treaties apply) in respect of the following payments:

The Corporate should withhold the payment to other parties with the various rate (i.e. 2%; 15%; 20%, 25%, etc.). This tax rates are stipulated by Minister of Finance, or Directorate General of Taxation Regulation for certain type of following transactions:

a. On gross amounts:

- Dividends;
- Interest, including premiums, discounts and guarantee fees;
- Royalties, rents and payment for the use of assets;
- Fees for services, work, and activities;
- Prizes and awards;
- Pensions and any other periodic payments;
- Swap premiums and other hedging transactions;
- Gains from debt write-offs;
- After-tax profits of a branch of PE.

b. **On Estimated Net Income (ENI), being a specified percentage of the gross amount:**

	ENI	Effective tax rate
Insurance premiums paid to non-resident insurance companies:		
by the insured	50%	10%
by Indonesian insurance companies	10%	2%
by Indonesian reinsurance companies	5%	1%
Sale of non-listed Indonesian company shares by non-residents	25%	5%
Sale by non-resident of a conduit company where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25%	5%

3.10 Statutory obligation of employers

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

3.11 Filing requirement of tax return

Filing due dates

Monthly employee tax return must be filed by an employer by 20th of the following month. Individual must file his/her annual individual income tax return by the end of the third month after the year end.

Penalties

Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%.

Late filings are subject to the penalties of IDR 100,000.

Application of holdover

For annual income tax returns, taxpayers may extend the filling deadline by up to 2 months.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Badan Penyelenggara Jaminan Sosial or "BPJS" (Formerly PT Jamsostek (Persero))

4.2 Basis of contribution

Indonesia does not have a comprehensive social security system; however, there is a worker's social security program (BPSJ or Jamsostek) which provides compensation in the event of working accidents, deaths, and old age (55 years) as well as sickness or hospitalization. The program is maintained by a designated state-owned company, PT Jamsostek.

Employees contributions are collected by the employer through payroll deductions. These must be paid to BPJS or PT Jamsostek together with the contributions borne by the employers.

4.3 Contribution rate

Areas covered	As a percentage of regular salaries/wages	
	Borne by employers	Borne by employees
Working accident protection	0.24-1.74%	–
Death insurance	0.3%	–
Pension funds/Old age saving	3.7%	2%
Health care	3%	–

4.4 Exemption from tax

Working accident protection, death insurance and health care borne by employers are taxable in an employee's income while the pension funds/old age saving borne by employers is exempted from tax. The pension funds/Old age savings borne by employees are tax deductible from an employee's income.

GST/VAT

5.1 Basis of tax

VAT is levied on the "delivery" of taxable goods and the provision of taxable services. In general, delivery means sale, but this is not always the case. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian business. VAT applies equally to all manufactured goods, whether produce locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good or increases its productivity. Certain goods and services are non-taxable for VAT purposes.

5.2 Rates of tax

The standard rate is 10%. VAT on exports of taxable goods and certain taxable services are zero rated. Zero-rate export services are limited to toll manufacturing services; repair and maintenance services attached to or for movable goods utilized outside the Indonesia customs area; and construction services attached to or for immovable goods located outside the Indonesia customs area.

5.3 Registration

Entrepreneurs exceeding a certain amount (i.e. IDR4.8million) in annual sales of taxable goods and/or taxable services are required to register for VAT purposes and issue a VAT invoice on the delivery of taxable goods and/or taxable services.

5.4 Filing requirements

A monthly VAT return must be filed by the end of the following month, while payment must be made prior to the tax return filing deadline.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Resident companies deriving income from foreign sources are entitled to a unilateral tax credit with respect to foreign tax paid on the income. The credit is limited to the amount of Indonesian tax.

6.2 List of double tax treaties signed

Country		Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial holdings			
Algeria		15%	15%	15/0%	15%	10%
Australia		15%	15%	10/0%	15%/10%	15%
Austria		15%	10%	10/0%	10%	12%
Bangladesh		15%	10%	10/0%	10%	10%
Belgium		15%	10%	10/0%	10%	10%
Brunei		15%	15%	15/0%	15%	10%
Bulgaria		15%	15%	10/0%	10%	15%
Canada		15%	10%	10/0%	10%	15%
China		10%	10%	10/0%	10%	10%
Croatia		10%	10%	10/0%	10%	10%
Czech Republic		15%	10%	12.5/0%	12.5%	12.5%
Denmark		20%	10%	10/0%	15%	15%
Egypt		15%	15%	15/0%	15%	15%
Finland		15%	10%	10/0%	15%/10%	15%
France		15%	10%	15/10/0%	10%	10%
Germany	1	15%	10%	10/0%	15%/10%	10%
Hong Kong		10%	5%	10/0%	5%	5%
Hungary	3	15%	15%	15/0%	15%	20%
India		15%	10%	10/0%	15%	10%
Iran		7%	7%	10/0%	12%	7%
Italy		15%	10%	10/0%	15/10%	12%
Japan		15%	10%	10/0%	10%	10%
Jordan	3	10%	10%	10/0%	10%	20%
Korea (North)		10%	10%	10/0%	10%	10%
Korea (South)	2	15%	10%	10/0%	15%	10/0%
Kuwait		10%	10%	5/0%	20%	10%
Luxembourg	1	15%	10%	10/0%	12.5%	12.5%
Malaysia	4	10%	10%	10/0%	10%	10%
Mexico		10%	10%	10/0%	10%	10%
Mongolia		10%	10%	10/0%	10%	10%
Morocco		10%	10%	10/0%	10%	10%
Netherland		10%	10%	10/0%	10%	10%
New Zealand	3	15%	15%	10/0%	15%	20%
Norway		15%	15%	10/0%	15/10%	15%
Pakistan	1	15%	10%	15/0%	15%	10%
Papua New Guinea	1	15%	15%	10/0%	10%	15%
Philippines		20%	15%	15/10/0%	15%	20%
Poland		15%	10%	10/0%	15%	10%
Portugal		10%	10%	10/0%	10%	10%
Qatar		10%	10%	10/0%	5%	10%
Romania		15%	12.5%	12.5/0%	15/12.5%	12.5%
Russia		15%	15%	15/0%	15%	12.5%
Seychelles	3	105	10%	10/0%	10%	20%
Singapore		15%	10%	10/0%	15%	15%
Slovakia		10%	10%	10/0%	15/10%	10%
South Africa	3	15%	10%	10/0%	10%	20%
Spain		15%	10%	10/0%	10%	10%
Sri Lanka		15%	15%	15/0%	15%	20%
Sudan		10%	10%	15/0%	10%	10%
Suriname		15%	10%	10/0%	15%	15%
Sweden		15%	10%	10/0%	15/10%	15%
Switzerland	1	15%	10%	10/0%	10%	10%
Syria		10%	10%	10/0%	20/15%	10%
Taiwan		10%	10%	10/0%	10%	5%
Thailand		20%	15%	15/0%	15%	20%
Tunisia		12%	12%	12/0%	15%	12%
Turkey		15%	10%	10/0%	10%	10%
Ukraine		15%	10%	10/0%	10%	10%
United Arab Emirates		10%	10%	5/0%	5%	5%
United Kingdom		15%	10%	10/0%	15/10%	10%
United States of America		15%	10%	10/0%	10/0%	10%
Uzbekistan		10%	10%	10/0%	10%	10%
Venezuela	1	15%	10%	10/0%	20%	10%
Vietnam		15%	15%	15/0%	15%	10%
Zimbabwe	1	20%	10%	10/0%	15%	10%

Notes:

1. Service fees including for technical, management and consulting services rendered in Indonesia are subject to withholding tax at rates of 5% for Switzerland, 7.5% for Germany, 10% for Luxembourg, Papua New Guinea, Venezuela and Zimbabwe, and 15% for Pakistan.
2. VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.
3. The treaty is silent concerning the branch profit tax rate. The ITO interprets this to mean that the tax rate under Indonesia Tax Law (20%) should apply.
4. Labuan offshore companies (under the Labuan Offshore Business Activity Tax Act 1990) are not entitled to the tax treaty benefits

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Certain documents are subject to stamp duty at a nominal amount of IDR 3,000 or IDR 6,000.

7.2 Real property tax

Land and building tax is payable annually on land, buildings and permanent structures. The rate is typically not more than 0.3% of the sale value of the property.

7.3 Estate duty

No estate duty will be imposed on the value of an individual's property passing on death. However, further distributions which require a change in certificates of ownership are subject to duty on the acquisition of land and building rights with 5% rate to the relevant tax object acquisition value, minus an allowable non-taxable threshold.

7.4 Net wealth/net worth tax

N/A.

7.5 Others

Business tax: N/A

Consumption tax, etc.: Provincial tax is charged mostly at 10% e.g. hotel, restaurant, and place of recreation and entertainment, etc.

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JAPAN

GENERAL INFORMATION

1.1 Country/Region

Japan

1.2 Currency

Yen (JPY)

1.3 Principal business entities

Representative office, branch office, corporation and partnership with or without legal personality.

1.4 Foreign exchange control

Controlled by Foreign Exchange and Foreign Trade Control Law

1.5 Current economy climate (Industry overview/ encouraged business development)

The Japanese economy is on a moderate recovery. Private consumption, business investment and exports are in growing steadily. Additionally, the employment situation is improving although consumer prices are flat. Concerning short-term prospects, the economy is expected to recover, supported by the effects of the policies, while employment and income situation is improving. However, attention should be given to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

1.6 National tax authority

Name: National Tax Agency (NTA)

Website: www.nta.go.jp

CORPORATE INCOME TAX

2.1 Basis of taxation

A) Domestic Corporations

Domestic Corporations are subject to Japanese corporation tax on their worldwide income.

In general, taxable income is calculated based on annual profits and losses according to Japanese generally accepted accounting principles on an accral basis, After making certain tax adjustment.

B) Foreign Corporations

Corporate income tax on foreign corporations was amended in accordance with the Authorised Orgainsation for Economic Co-Operation and Development (OECD) Approach (A.O.A) rules. As the result of this amendment, the scope of taxable income depends on whether they have a Permanent Establishment (PE) or not, and (if they have) whether their income is attributable to the PE.

Foreign corporations with no PEs in Japan and no Japanese-source income which is attributable to the PE in Japan, are only subject to withholding tax in principle.

2.2 Rates of tax

Corporate income tax consists of the following 3 taxes.

(A) Corporation tax (National Tax)

(B) Prefectural and Municipal Inhabitant Tax (Local Tax)

(C) Business Tax (Local Tax)

a Tax rate for Corporation Tax

	Taxable income in excess of JPY8M in a year	Taxable income in excess of JPY8M in a year
Small and medium-sized corporations(*1)	19.00% (15.00%)*2	23.40% (23.20%)*
Other than Small and medium-sized	23.40% (23.20%)*3	

(*1) A corporation whose paid-in capital is JPY100 million or less, except for either of the following cases:

- where 100% of the shares of the corporations are directly or indirectly held by one large sized company (whose paid-in capital is JPY500million or more)
- where 100% of the shares of the corporations are directly or indirectly held by one large sized companies in a 100% group.

(*2) 15.00% is applied to business years beginning on and before 31 March 2019.

(*3) 23.20% is applied to business years beginning on and after 1 April 2018.

b Local Corporate Tax rate for Prefectural and Municipal Inhabitant Tax

Local Corporate Tax is calculated based on the corporation tax. The tax rate is 4.4%.

c Tax rate for Prefectural and Municipal Inhabitant Tax

Prefectural and Municipal Inhabitant Tax consists of two types. One is an income tax calculated based on the corporation tax, and the other is a per capita tax. The tax rate of income tax is from 3.2% through 4.2% for prefectural tax, from 9.7% through 12.1% for municipal tax respectively, which is at the local government's discretion.

d Tax rate for Business Tax

Business Tax is also imposed by prefectures. The tax rate is at the local government's discretion under the range between the standard rate and the maximum

rate, which is 1.2 times as high as that of the standard rate.

It has two types depending on the paid-in-capital.

1) Corporations with paid-in-capital up to 100 million yen

   Only income tax is imposed. Tax basis is same as a corporation tax.

2) Corporations with paid-in-capital exceeding 100 million yen

In addition to income tax, corporations with paid-in capital exceeding 100 million yen are subject to Pro-forma standard tax. Pro-forma standard tax consists of two types of taxations. One is a taxation on "Added value" equivalent to the total of labor costs, net interest payment, net rent payment and income/loss for the business year. The other is a taxation on "Capital" equivalent to the total of capital plus capital surplus.

The tax rates for Business Tax are as follows.

These are applied to business years beginning on and before 30 September 2019.

			Tax rate
Paid in capital up to JPY 100 million	Taxable Income (JPY)	up to 4 million	3.4
		4-8 million	5.1
		over 8 million	6.7
Paid in capital exceeding JPY 100 million	Taxable Income (JPY)	up to 4 million	0.3
		4-8 million	0.5
		over 8 million	0.7
	Added value		1.2
	Capital		0.5

Special local corporate tax

Special local corporate tax is a national tax, which is imposed for business years beginning on or after 1 October 2008, in order to reduce gap in tax revenue between urban and rural areas. This tax is levied with the reduction in the business tax rates, in order not to increase the total tax burden. The tax rate is as follows.

Tax Base	Paid in capital up to JPY 100 million	Paid in capital exceeding JPY 100 million
Taxable Income x Standard rate of business tax	43.2	414.2

2.3 Year of assessment

The business year for tax purposes (taxable period) is the same as the accounting period provided for in the articles of incorporation.

2.4 Profits deemed to be taxable

In general, profits for accounting purposes is recognized as a taxable income. However, for example, if a corporation obtains a valuable asset for free and does not recognized their income for accounting purposes, such an economical benefit must be recognized as a taxable income.

2.5 Taxation of dividends

Dividend from domestic corporation

In order to avoid double taxation between corporations which pay dividend and which receive dividend, dividends received by corporate shareholders are excluded from taxable income.

The amount of dividends, which is exempt from taxable income, depends on the number of shares and the shareholding duration.

a) A shareholder owning 100% of outstanding shares directly during the whole business year for the dividends:

   All dividends received are exempt from gross revenue.

b) A shareholder owning more than one-third of the outstanding shares directly for at least 6 months until the end of the business year when the dividends are paid:

   100% of the net amount of dividends less interest expense is exempt from gross revenue.

c) A shareholder other than a, b and d:

   50% of the net amount of dividends received is exempt from gross revenue.

d) A shareholder owning less than 5% of the outstanding shares directly at the record date for the dividends:

   20% of the net amount of dividends received is exempt from gross revenue.

Foreign Dividend Exclusion Rule

When a Japanese corporation receives dividends from a foreign subsidiary, in which 25% or more of the outstanding shares or voting rights are held directly by the Japanese corporation continuously at least 6 months, 95% of the dividend is excluded from the taxable income of the Japanese corporation.

2.6 Taxation of capital gains

There is no separate tax on capital gains from the sale of land, securities, etc. Corporations are subject to ordinary corporation taxes on capital gains in the same way as ordinary income.

2.7 Taxation of interest income

Interest income is subject to normal corporate income taxes in the same manner as ordinary income.

2.8 Utilization of tax losses

If the ordinary income for a given business year shows a net loss, the net loss may be carried forward or carried back.

a) Tax losses carry-forward

If the corporation files a blue tax return (See 2.9) for the business year in which the loss incurred and has continued to file blue tax returns, the net loss can be utilized against profits for succeeding 10 years. (*1)

The limit of the deductible amount of the losses for tax purpose is stated as below.

i) Small and medium-sized companies (*2)

   Up to the total amount of taxable income for the business year

ii) Companies other than small and medium-sized companies

Up to 50% of taxable income for the business year (*3)

(*1) The period of 10 years will be applied for the business year beginning on and after 1 April 2018. The losses incurred for the business year beginning before 1 April 2018 can be carried forward 9 years.

(*2) A small and medium-sized company for the purpose of this rule is the same as that defined in section 2-2.

(*3) The percentage of 50% is applied for the business year beginning on after 1 April 2018. The percentage is varied depends on the date when the business years started.

b) Tax losses carry-back

If the corporation files a blue tax return for the business year, in which the loss has been incurred and the previous business year, the tax loss can be carried back for 1 year.

This provision is only applied to small and medium-sized companies(the definition is same as section 2.2)

2.9 Key Tax incentives

A corporation filing a blue tax return is granted privileges in the calculation of income; (*).

- Tax losses carry-forward (see section 2.8)
- Tax losses carry-back (see section 2.8)
- Special depreciation and special tax credits

(*) A corporation may file a blue tax return with the approval of the tax office.

A blue corporation must keep a journal, a general ledger and other necessary books, and record all transactions clearly and in good order according to the principles of double entry. If a corporation meets these requirements, it can file a blue return. If not, it can only file a white return.

2.10 Withholding tax

Dividends from a listed Company	15.315% (+Inhabitant tax 5%)
Dividends from private Company	20.42%
Interest on bank deposits	15.315%

The withholding tax is generally creditable against the corporation income tax . Excess payments are refundable.

2.11 Transfer Pricing

The transfer pricing legislation is set out in order to prevent the tax avoidance by corporations through transactions with their Related Overseas Companies.

When a Japanese corporation transacts with foreign related parties, and if its taxable income is less than the amount calculated on arm's length principles, these transactions will be deemed to have been conducted at an arm's length price. Consequently, the differential amount will be included in (or not be deductible from) the taxable income of the corporation.

A corporation must select the most appropriate method from the following methods to calculate arm's length prices.

- Comparable Uncontrolled Price method
- Resale Price Method
- Cost-Plus Method
- Profit Split Method
- Transactional Net Margin Method
- Other appropriate method

2.12 Filing requirements of tax return

Filing due dates

A corporation is required to file a final return within two months after the end of its business year, whether or not it has a positive income for the business year.

One or two month extension is allowed with the approval of the tax office under certain conditions.

Penalties

Penalties may be levied in some cases, such as failure to file a tax return by the filing due date, failure to pay tax by the payment due date.

There are three kinds of penalties as follows.

A) Delinquency tax (overdue tax)

When a return is filed after the due date, when an amended return is filed after the due date, or when tax is not paid by the payment due date, delinquency tax is imposed.

Tax rate as of 31 December 2018 is as follow;

- If paid within 2 months after the payment due date: 2.7%
- If not paid within 2 months of the payment due date: 9.0%

B) Additional Tax

a) Short payment

In case the amount is short though a return is filed by the due date, 10% or 15% of the short tax is imposed.

b) Non-filing

In case a return is filed after the due date or a return is not filed, 15% or 20% of the corporate tax is imposed (5% if self-filed).

c) Non-payment

When withholding tax is not paid by the due date, 10% of non-payment tax is imposed (5% if notification from tax office was not anticipated).

d) Disguise or obscure the facts

Tax rate is 35% instead of a) and c), and 40% instead of b).

C) Interest Tax

When tax liability is not paid by the payment due date but the tax return's filing extension is already approved, interest tax is imposed. Tax rate is 1.7% as of 31 December 2018.

Payment of profit tax and application of holdover

In principle, Japanese tax offices assess an interim tax on corporate taxpayers whose corporation income tax amount of the previous fiscal year is over JPY 100,000.

The amount of the interim tax is calculated as follows:

The amount of an interim tax = an annual tax of the previous fiscal year x 6 months / the number of months of the previous fiscal year

However, in spite of the assessed interim tax amount noticed by the tax office, a corporate taxpayer can pay an interim tax amount which is calculated on a basis of a provisional taxable income for the first 6 months of a current fiscal year by a filing an interim tax return.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A) Taxpayers' status

Residents are individuals that either have an address within Japan or have had a domicile in Japan continuously for a year or more.

Non-residents are individuals who are not residents.

Residents are further classified into permanent residents and non-permanent residents. Non-permanent residents are residents without Japanese nationality who have lived in Japan for 5 years or less within the past 10 years. Permanent residents are residents who are not non-permanent residents.

The scope of taxable income differs among non-residents, permanent residents and non-permanent residents as tabulated in the following table.

Residence status \ Income category		Japan source income*1		Overseas (outside Japan) source income*2		
		Paid in Japan	Paid outside	Paid in Japan	Paid outside Japan	
					Component remitted to	Component emitted
Residents	Permanent residents	Taxable		Taxable	Taxable	Taxable
	Non-Permanent	Taxable		Taxable	Taxable	Taxable
Non-residents		Taxable		Non-taxable	Non-taxable	Non-taxable

*1 Japan source income is income derived in Japan regardless whether it is paid within Japan.

*2 Overseas source income is income other than Japan source income.

B) Income category

Taxable income is defined as assessable income less allowances and deductions. Assessable income is composed of 10 categories.

3.2 Rates of tax

A) Tax Rate on Ordinary Income

The ordinary income is taxed at the following progressive tax rates.

Taxable income		Income tax (national tax)	Inhabitant tax (local tax)
From	To	Tax rate applicable to taxable income	
–	1,950,000	5%	10%
1,950,001	3,300,000	10%	
3,300,001	6,950,000	20%	
6,950,001	9,000,000	23%	
9,000,001	18,000,000	33%	
18,000,001	40,000,000	40%	
40,000,001		45%	

B) Tax Rate on Capital Gains

Capital gains from real estate and stocks are taxed at different tax rates separately from ordinary income.

Applicable tax rate for capital gains from sales of real estate is 39% (income tax 30%, inhabitant tax 9%) or 20% (income tax 15%, inhabitant tax 5%), which depends on the period of possession as at 1 January in the year of disposal.

Basically, capital gains from sales of stocks are taxed at 20% (income tax 15%, inhabitant tax 5%).

C) Tax Rates on Dividends

In principle, dividend income is included in the ordinary income, and taxed at the rate of ordinary income.

However, in a certain conditions, a taxpayer can select a separate assessment taxation system or final settlement by the withholding income tax. When an individual selects these options, dividend income is taxed at 20% (income tax 15%, inhabitant tax 5%) on listed shares dividends and 20% on non-listed shares dividends.

D) Special Reconstruction Income Tax

In addition of the above, special reconstruction income tax is imposed at 2.1% on the income tax liability from 2013 to 2037.

3.3 Year of assessment

The tax years starts on 1 Jan and ends on 31 December every year.

3.4 Allowances and Deductions

A) Allowance

The allowances described below are available to reduce taxable income for income tax and inhabitant tax purposes.

Allowance	Income tax (JPY)	Inhabitant tax (JPY)
Basic deduction for taxpayer	380,000	330,000
Spouse – younger than 70 years	380,000 (*1)	330,000
Spouse – 70 years or older	480,000	380,000
Dependent - 16-18 years of age	380,000	330,000
Dependent - 19-22 years of age	630,000	450,000
Dependent - 23-69 years of age	380,000	330,000
Dependent – 70 years or older	480,000	380,000
Parent, 70 years old or older, of the taxpayer or his or her spouse living under the same roof	580,000	450,000

(*1) The amount of allowance for spouse varies based on the amount of income that the spouse earned after 2018 tax year.

B) Deductions

Some deductions are allowable such as medical expenses, social insurance premiums etc.

3.5 Taxation of dividends

In general, dividend income is included in the ordinary income and taxed at the tax rate for ordinary income. However, with regard to dividends from listed companies etc, under certain conditions, taxpayer can select a separate assessment taxation system or a final settlement by the withholding income tax.

See "section 3.2" for tax rates.

3.6 Taxation of capital gain

In general, capital gain income derived from the transfer of assets is included in the ordinary income and taxed at the tax rate for ordinary income. However, with regard to the transfer of the land, building and stock etc, a separate assessment taxation system is applied.

See "section 3.2" for tax rates.

3.7 Taxation of interest income

In general, interest income is included in the ordinary income and taxed at the rate for ordinary income. However, with regard to interest on bank deposit etc, a final settlement by the withholding income tax is applied.

3.8 Personal assessment and utilization of losses

In determining the amount of real estate income, business income, forestry income or capital gain(excluding capital gains on land etc. and stock) respectively, if one or more of these categories of income result in loss, the amount of loss may be deducted from other income .

3.9 Withholding tax

The employer is required to withhold income tax from salaries etc to the employee monthly. The employer must pay withholding income tax by the 10th of the following month.

3.10 Statutory obligation of employers

A) Withholding tax

See section 3.9.

B) Year-end adjustment

The employer (except for certain workers) is required to make year-end adjustments of withholding income tax on employment income.

C) Submit a report to the appropriate offices of municipalities

The employer is required to submit a report on the employee's income to the municipalities in which employee resides as at 1 January.

3.11 Filing requirement of tax return

Filing due dates

A final income tax return must be filed by 15 March of the following year.

Penalties

See section 2.12.

Application of holdover

An individual taxpayer whose income tax is more than a certain amount on his/her income tax return for the previous year is required to make a provisional tax payment by 2 installments (July and November). However, if the taxpayer expects his/her income will be reduced, the taxpayer can submit an application of a holdover of the provisional tax for the tax office's approval.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Japan Pension Service Authority

- To regulate and supervise the entire operation of Japanese National Pension Fund ("NPF") schemes and additional Employees' Pension Insurance ("EPI") schemes.

Japan Health Insurance Association

- To regulate and supervise the operation of Japanese Health and Medical Insurance Fund ("HMIF") schemes.

4.2 Basis of contribution

Japanese National Pension Fund ("NPF") and Employees' Pension Insurance ("EPI") system are both basic saving for retirement pension scheme. The former covers all Japanese adults over the age of 20. The latter is designed as an employment based system. Both NPF and EPI contributions are invested in independent funds supervised by the government officials. Both contributions can be withdrawn only until the qualified person or employee reach the age of 65 or under circumstances, including :

- early retirement at the age of 60 up to 64
- permanent departure from Japan (for foreigners who received a lump-sum refund)
- partial or total incapacity
- death (the family of the deceased can be qualified as a recipient of survivor's pension)

Japanese Health and Medical Insurance Fund ("HMIF") provides universal medical compensation scheme both domestically and internationally for Japanese employees. Self-employed person and retired person can be covered by the Provincial Medical Insurance Fund ("PMIF") run by the local government officials.

4.3 Contribution rate

Mandatory contribution for the EPI is calculated at 18.30% of the employee's relevant monthly income. Employees and their employer equally share the contribution for the EPI. Eventually, the mandatory contributions of every employee come down to 9.15% as of September 2017.

Mandatory contribution for the NPF is defined as a fixed amount each year. Monthly contribution is 16,490 JPY (in the year of 2017) each person.

Mandatory contribution for the HMIF is calculated at 9.69% up to 10.47% of employee's relevant monthly income. The rate defers from provincial competent authorities.

4.4 Exemption from tax

For the mandatory contributions made by an employee to each scheme, tax deduction can be claimed. The tax deduction can be applied as follows :

- Mandatory contributions can be subtracted from monthly taxable income in advance

GST/VAT

5.1 Basis of tax

The consumption tax is levied on the supply of goods and services in Japan.

The following transactions are taxable;

i) the supply of goods and services in Japan

ii) the sales or leases of an assets in Japan

iii) the removal of foreign goods from a bonded area (i.e. import of goods)

Certain transactions are not taxable, such as sales of land, securities etc.

Consumption tax on importation is imposed on any importer regardless of whether the importation is carried out for business purposes. Thus, individuals importing goods as consumers can be an import consumption taxpayer.

5.2 Rates of tax

Although the current consumption tax rate is 8%, it will be increased to 10% on 1 October 2019.

5.3 Registration

A certain business operator (there are some conditions; such as taxable sales of business year, etc) is a non-taxpayer status.

However, by submitting the notice on election for consumption taxpayer status, he can become a taxpayer.

5.4 Filing requirements

A taxpayer has to submit its consumption tax return and pay tax due within 2 months after the end of the taxable period.

The taxable period is generally the business year for a corporate taxpayer and the calendar year for an individual taxpayer. However, the taxpayer can select the taxable period on a quarterly or monthly basis rather than an annual basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign taxes levied on Japanese domestic corporation may be credited against Japanese corporation tax in order to avoid double taxation. The principle is the same in the case of individual.

6.2 List of double tax treaties signed

As of September 2017, Japan has concluded 68 tax treaties with following 80 countries/regions.

Australia	Bulgaria	Egypt
Austria	BVI	Fiji
Bahama	Canada	Finland
Bangladesh	Cayman	France
Belgium	Chile	Guernsey
Bermuda	China(RPC)	Germany
Brazil	Czechoslovakia(*1)	Hungary
Brunei Darussalam	Denmark	Hong Kong

ndia	New Zealand	South Korea
Indonesia	Norway	Spain
Ireland	Oman	Slovenia
Israel	Pakistan	Sri Lanka
Italy	Panama	Sweden
Jersey	Philippines	Switzerland
Kuwait	Poland	Taiwan
Latvia	Portugal	Thailand
Liechtenstein	Qatar	Turkey
Luxembourg	Romania	UAE
Macau	Samoa	UK
Malaysia	Vietnam	US
Man	Saudi Arabia	USSR(*2)
Mexico	Singapore	Vietnam
Netherlands	South Africa	Zambia

(*1) Covers Czech Republic and Slovakia

(*2) Covers Russia, Kazakhstan, Georgia, Kyrgyz, Tajikistan, Uzbekistan, Ukraine, Turkmenistan, Armenia, Moldova, Azerbaijan and Belarus

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is a kind of national tax incurred when certain documents are created for economic transactions, such as various kinds of contracts, receipts, and similar items. Stamp duty is paid by affixing a revenue stamp directly to the taxable document or contract.

7.2 Real property tax

1) Real estate acquisition tax

Real estate acquisition tax is generally levied at 4% of the appraised value of the real property. However, a reduced tax rate 3% is applied for land and residential building until March 2018.

2) Registration tax

When a transfer of ownership of real estate is made, registration tax is imposed.

For transfer of ownership of land by sales transaction, the tax rate is 1.5%, and 1.5% is applied until 31 March 2018.

For transfer of ownership of buildings by sales transaction, 2% is applied.

3) Fixed assets tax

Fixed assets tax is assessable on real property. The tax is levied at 1.4% of the assessed value of real estate.

In addition, city planning tax is assessable on the real property at 0.3% of the assessed value.

7.3 Estate duty

In Japan, estate duty means inheritance tax and gift tax.

The Japanese Inheritance Tax Law has two types of taxes, inheritance tax and gift tax.

Inheritance tax is levied on an individual who acquires property by

inheritance upon the death of the decedent.

Gift tax is levied on an individual who acquires property by gift (or economic benefit by deemed gift). Gift tax is a tax supplementary to inheritance tax.

Current tax rates of both taxes are progressive tax rates range from 10% to 55%.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: See section 2.2

Consumption tax, etc.: See section 5

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JAPAN

KOREA

GENERAL INFORMATION

1.1 Country/Region

Korea

1.2 Currency

Korea won (KRW)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

1. Industry overview

- Manufacturing grew 2.1 percent compared to electricity, machinery, and equipment
- The construction industry is increasing by 5.3 % in the construction of residential and non-residential buildings
- ervice industry such as retail, wholesale, food and lodging industry has reduced, but due to increase of real estate and rental housing service industry consequently increased by 0.2 %

2. GDP overview

- In the first quarter of 2017, gross national income (GNI) grew 2.7 % compared to Previous year
- The GDP deflator increased 2.0 % compared to Previous year

1.6 National tax authority

Name: Hometax

Website: www.hometax.go.kr

CORPORATE INCOME TAX

2.1 Basis of taxation

Corporation are subject to corporate income tax. Corporations includes non-profit corporation and for-profit corporation such as limited partnership, limited liability company, incorporated corporation, etc. However, for non-profit corporation income from non-profit businesses are not subject to corporate income tax.

2.2 Rates of tax

Current net income	Rate%
First 200 million won	10
More than 200 million to 20 billion	20
More than 20 billion	22

2.3 Year of assessment

Company can chose the following basis period:

- 1 Jan to 31 Dec
- 1 Mar to 31 Feb (next year)
- 1 Jan to 1 May (next year)

2.4 Profits deemed to be taxable

N/A

2.5 Taxation of dividends

15.4% for withholding tax (income tax 14%, local tax 1.4%)

2.6 Taxation of capital gains

N/A

2.7 Taxation of interest income

15.4% for withholding tax (income tax 14% , local tax 1.4%)

2.8 Utilization of tax losses

Unutilised tax losses can be carried forward and set off against income in the following year.

2.9 Key Tax incentives

1. Small and Medium Business Benefits

- Small and medium-sized enterprises other than metropolitan areas
- Small and medium-sized enterprises in metropolitan areas

Business size	Areas	Type of business	Reducted rate %
Small business	Metropolitan areas	Manufacturing etc	20
		Retail and wholesale	10
	Other than metropolitan areas	Manufacturing etc	30
		Retail and wholesale	10
Medium Business	Metropolitan areas	knowledge-based industry	10
	Other than metropolitan areas	Manufacturing etc	15
		Retail and wholesale	5

2. Overpopulation control area

		Other than overpopulation control area	Moved from Overpopulation control area
Corporate income tax	Reduced rate	50% for five years	100% for 3 years and 50% for next 2 years
	Condition	Established company before 31 Dec 2018	Start new business within 31 Dec 2017 after 2 years in overpopulation control area

2.10 Withholding tax

1. Stock dividend : 15.4%
2. Interest : 15.4%
3. Royalty : N/A

2.11 Transfer Pricing

Transaction with overseas related parties must be made or arm's length terms. The transfer pricing-related information must be disclosed when filing a corporate income tax return.

2.12 Filing requirements of tax return

Filing due date

Report within three months after the end of the business year

Penalties

1. Additional tax on undeclared tax
    - 20% on undeclared tax
    - 40% on irregularity undeclared tax
2. Additional tax on nonpayment

    Additional tax 0.03% Number of days of unpaid payment
3. Additional tax on regular evidence

    2% on regular evidence amount

Payment of profit tax and application of holdover

Due date

1. 31 Mar (Business term 1 Jan to 31 Dec)
2. 31 Jun (Business term 1 Mar to 28 Feb (next year))
3. 31 Sep (Business term 1 Jan to 1 May (next year))

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Any person having a domicile or having resided in Korea for 183 days or longer is subject to individual income tax on his/her worldwide income, i.e. Korean-sourced income and foreign-sourced income. A non-resident is liable to tax on income derived from sources within Korea.

3.2 Rates of tax

Taxable Income (KRW)	Rate (%)
Less than 12,000,000	6
12,000,000 - 45,999,999	15
46,000,000 – 87,999,999	24
88,000,000- 149,999,999	35
150,000,000 – 499,999,999	38
500,000,000 and above	40

3.3 Year of assessment

1 Jan to 31 Dec

3.4 Allowances and Deductions

1. Personal allowance
    i) 1.5 million for oneself
    ii) 1.5 million for spouse (if one year income is below one million won)
    iii) 1.5 million for lineal ascendant who is more than 60 years old (if one year income is below one million won)
    iv) 1.5million for descendant who is less than 20 years old (if one year income is below one million won)
2. National pension, public employee annuity, pension, etc can be deducted

3.5 Taxation of dividends

15.4% for withholding tax (income tax 14%, local tax 1.4%)

3.6 Taxation of capital gain

N/A

3.7 Taxation of interest income

15.4% for withholding tax (income tax 14% , local tax 1.4%)

3.8 Personal assessment and utilization of losses

Unutilised tax losses can be carried forward and set off against income in the following year.

3.9 Withholding tax

1. Stock dividend : 15.4%

2. Interest : 15.4%

3.10 Statutory obligation of employers

Employer should cover and provide insurance to employees:

- National Health Insurance Service
- National Pension Service
- Korea Workers' Compensation and Welfare Service

3.11 Filing requirement of tax return

Filing due dates

1) 31 May- individual business
2) 30 Jun- individual business
    - individual business income more than 500millions, service income more than 500 millions, manufacturing income more than billion , wholesale income more than 2 billion

Penalties

1. Additional tax on undeclared tax
    - 20% on undeclared tax
    - 40% on irregularity undeclared tax

2. Additional tax on understated income amount
    - 10% on unpaid tax
3) Additional tax on irregularity understated income amount
    - 40% on unpaid tax

Application of holdover

N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

1. Insurance Services:
    - National health insurance service
    - To regulate and supervise national health insurance
    - National pension service
    - To regulate and supervise national pension
    - Korea workers' compensation and welfare service
    - To regulate and supervise unemployment insurance and workers' compensation
2. Retirement contributions
    - Korea workers' compensation and welfare service
    - To regulate and supervise retirement benefits

4.2 Basis of contribution

Contribute is calculated as a percentage of the basic salary. Both employers and employees are required to contribute.

4.3 Contribution rate

1. Insurance services

National health insurance service

	Rate	Employee	Employer
Health Insurance	6.12%	3.06%	3.06%
Long-term Care Insurance	6.55%	50% (basis on Health Insurance)	50% (basis on Health Insurance)

National pension service

	Employee	Employer
Percentage on monthly salary	4.5%	4.5%

National pension service

	Employee	Employer
Unemployment allowances	0.65%	0.65%
Under 150 employee	–	0.25%
More than 150 employee	–	0.45%
Under 150~1,000 employee	–	0.65%
More than 1,000 employee	–	0.85%

Welfare service

Type of business	Rate	Type of business	Rate
Mining industry	7.1~32.3%	Forestry	9%
Manufacturing	0.7~4.2%	Fishing	3.6%
Electricity	1%	Agriculture	0.7%
Construction	3.9%	Other business	0.7~3.1%
Transport, storage, telecommunication	0.9%~2.8%	Finance and insurance	0.7%

2. Retirement contributions
    a. 3 month salary before retirement
    b. 1 year bonus before retirement 3/12
    c. unpaid annual vacation allowance 3/12
    d. (a+b+c) / number of days in three months before retirement

severance pay = d x 30days x (work day) / 365

4.4 Exemption from tax

Contributions to insurance services are deductible expenses.

GST/VAT

5.1 Basis of tax

Goods and services provided to customer

5.2 Rates of tax

10%

5.3 Registration

Every business person engaged in the business of supplying goods or services, whether or not for profit is required to register for VAT purpose.

5.4 Filing requirements

Every business person engaged in the supply of goods or services subject to VAT is required to file VAT returns on a quarterly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The tax deduction for foreign taxes is available to avoid international double taxation. This is to eliminate the double burden of taxing the same income twice in both domestic and foreign countries.

6.2 List of double tax treaties signed

Agreements signed and effective

Australia
Belarus
Bulgaria
Belgium
Brazil
Brunei
China
Chile
Czech Republic
Denmark
Egypt
Finland
France
Gabon
Georgia
Germany
Greece
Hong Kong
Hungary
India
Indonesia
Iran
Israel
Italy
Japan
Laos
Nepal
Norway
Netherlands,
New Zealand
Philippines
Poland
Republic of South Africa
Saudi Arabia
Serbia
Sri Lanka
Spain
Sweden
Switzerland
Ukraine

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Taxable document		Tax
1) Lien on ownership of real estate, craft, aircraft 2) Monetary loan for finance and insurance agency 3) Contract, Power of Attorney (POA) that is written according to the law 4) Deed of transfer for mining right, intangible property right, fishery right, copyright, neighboring copyright, right to a trade name 5) Rights to use utilization		• ~50million won : exemption • 50million won to 100 million : 70,000 won • 100 million to billion : 150,000 won • Over 100 million : 350,000 won
The ownership of a movable property which requires registration by law		3,000 Won
Continuous recurring transaction certificate	Letter of credit card membership application	1,000 Won
	Wired , wireless telephone membership application	1,000 Won
	Letter of credit card affiliation application	300 Won
Voucher , Prepaid card		10,000 : 50 won 10,000 to 50,000 : 200 Won 50,000 to 100,000 : 400 Won Over 100,000 : 800 Won
Share certificate, bond, investment certificate, beneficiary certificate, corporate bill		400 won
installment savings, bankbook , bond transaction with repurchase agreements , insurance policy		100 won
Facility rental agreement		10,000 won
Certificate of obligation guarantee	Certificate of bond security	10,000 won
	Certificate of the trust guarantee funds, Korea Technology Credit Guarantee Fund Act	1,000 won
	Certificate of guaranty insurance policy, Marine and agriculture and forestry , housing finance credit guarantee	200 won

7.2 Real property tax

Taxable Goods	Standard of assessment	Rate
Housing	Under 60 million won	0.1%
	Under 150 million	0.15% of 60,000 Won + more than 60 million won excess amount
	Under 300 million	0.25% of 190,500 Won + more than 150 million won excess amount
	More than 300 million	0.4%of 570,000 Won + more than 300 million won excess amount
Summer house	High-class amusement place	4%
Building	Factory in overpopulation control area	4%
	Factory building in urban and residential areas	4%
	Building other than the above	1.25%
	High quality vessel	0.5%
	Vessel	2.5%
Vessel	Aircraft	0.3%
Aircraft		0.3%

7.3 Estate duty

Succession of inheritance

1) Direct descendant and spouse

2) Lineal ascendant and spouse(If no.1 above do not exist)

3) Brothers and sisters(If no.1 and no.2 above do not exist)

Standard of assessment	Rate
Under 100 million	Standard of assessment 10 %
Under 500 million	Standard of assessment 20 % - 10 million
Under billion	Standard of assessment 30 % - 60 million
Under 3 billion	Standard of assessment 40 % - 160 million
More than 3 billion	Standard of assessment 50 % - 460 million

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.: N/A

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MACAU

GENERAL INFORMATION

1.1 Country/Region

Macau

1.2 Currency

Macau Pataca (MOP)

1.3 Principal business entities

- Limited company by share (SA)
- Private limited company by quotas
- Partnership
- Sole proprietorship
- Branch of a foreign corporation

1.4 Foreign exchange control

No control

1.5 Current economy climate (Industry overview/ encouraged business development)

Macau has shifted from a light industrial-based economy, which placed great emphasis on the garment sector, to a service and tourist economy that focuses on the gaming and tourism sectors. In 2017, gambling activities contributed to over half of Macau's Gross Domestic Product and gaming taxes accounted for over 90% of the government's revenue.

1.6 National tax authority

Name: Financial Services Bureau

Website: www.dsf.gov.mo/

CORPORATE INCOME TAX

2.1 Basis of taxation

Individuals and corporations, regardless of the residence or location of their domicile or head offices, once they carry on commercial or industrial activities in Macau, are subject to COMPLEMENTARY TAX on profits earned in or derived from Macau. Complementary tax is similar to the business profits tax as commonly seen in other places which is charged on the tax adjusted profits obtained from commercial or industrial activities.

Taxpayers liable to Complementary Tax are divided into two groups, A and B. Group A taxpayer is an individual or a collective body with complete and appropriate accounting records. Meanwhile, any collective body with capital not less than MOP1,000,000 or on yearly average taxable profit for the last three years of over MOP500,000 will also be classified as a Group A taxpayer. All group A taxpayer has to submit annual tax compliance audit return certified by a Macao registered accountant. Any other taxpayers not fulfilling such criteria are regarded as Group B taxpayers.

Macao Offshore company is fully exempted from Complementary Tax, and Business Tax.

2.2 Rates of tax

Exemption allowance for Complementary Tax assessment in 2016/17 is MOP600,000. The taxable profit over MOP600,000 will be taxed at 12%.

2.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

2.4 Profits deemed to be taxable

In the case of Group A, annual financial statements are required to be compliance checked and signed by taxpayers and accountants or auditors registered with the Macau Finance Services Bureau while Group B filings are reported by taxpayers without accountant certification.

The reporting of Complementary Tax of Group A taxpayers' profits is similar to other places. Basically, a taxpayers 'accounting profit should be calculated based on generally accepted accounting principles. Then this accounting profit is subject to adjustments due to the specific requirements or provisions as stated in the Regulation of Complementary Tax and other related statutes. Usually, the tax adjustments include deduction of the nontaxable income and adding back nondeductible expenses from the accounting profit. Since Macau is a Civil Law jurisdiction, all adjustments should follow strictly the statutes which set out in detail what items are taxable, nontaxable, deductible or nondeductible. This is different from the common law approach in which, for example, the deductibility of a certain expenses is often dependent on allowed percentages.

On the other hand, Group B taxpayers will be taxed on estimated profits deemed or adjusted by the Finance Services Bureau based on the type of industry that the particular taxpayer is in, the performance of the industry and taxpayer in recent years and other relevant factors. Well-documented procedures for re-assessment, objection, and appeal are available in case the taxpayer does not concur with the initial estimated assessment.

Macao offshore company can be exempted from all Macao profit tax providing a valid offshore operating permit can be granted from Macao authority. But all such Macao offshore company has to be pre-approved by Macao Investment and Promotion Institution. Such company has to actually operating in Macao territory and file annual statutorial audit report.

2.5 Taxation of dividends

It is no tax if the dividend was paid out of profit after taxation.

2.6 Taxation of capital gains

No special capital gain tax but it has to be included as income item except rental income generated from properties investment.

2.7 Taxation of interest income

It is treated as normal income item.

2.8 Utilization of tax losses

For Group A taxpayers, any net loss incurred in any year of assessment can be deducted from the taxable profit of the one or more subsequent years but limited to a maximum of three years. For other taxpayers, any net loss can only be deducted from the current year of operation, no carried forward is allowed.

2.9 Key Tax incentives

Macao government allow profit tax exemption for assessed profit under MOP600,000 for the year of 2017.

2.10 Withholding tax

Not applicable

2.11 Transfer Pricing

Not applicable

2.12 Filing requirements of tax return

Filing due dates

All taxpayers are required to submit complementary tax returns in respect of the preceding fiscal year within prescribed periods. The tax filing period for Group A taxpayers is between April and June while Group B taxpayers file between February and March each year

Penalties

1. Absence of or inaccuracy in the declarations which the taxpayers are obliged to submit according to the terms of this regulation, as well as the verified omissions in them, will result in a fine of MOP100 to MOP10,000.
2. If the absence, inaccuracy or omission is verified to be deliberate, a fine of MOP1,000 to MOP20,000 will result.

Payment of profit tax and application of holdover

Profit tax is payable on September and November of coming year. No hold over is allowed.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal tax in Macau is named as Professional Tax. It is applied to the income derived from services rendered for others or for individual professional.

According to the Regulations, taxpayers subject to professional tax are classified into two groups.

Group 1 taxpayers are those who render work for others. They are further classified into two types, namely employees and casual workers. The former perform intellectual work and are paid monthly, while the latter perform physical and handicraft work and are paid on a daily basis.

Group 2 taxpayers are those who are self-employed and exercise professional activities. They are obliged to issue tax receipts on the date of collection for all amounts received from their clients under the titles of remuneration, provisions, prepayments or any others. Their respective tax numbers should also been mentioned in that receipt which was pre-printed by the Macau Finance Services Bureau.

3.2 Rates of tax

Sliding scale tax rates is shown as follows:

From	To	Tax Rate
0.00	144,000.00	0%
144,000.01	164,000.00	7%
164,000.01	184,000.00	8%
184,000.01	224,000.00	9%
224,000.01	304,000.00	10%
304,000.01	424,000.00	11%
Above 424,000.00		12%

3.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

3.4 Allowances and Deductions

1/4 of the total gross amount of income can be allowed as deductibles.

3.5 Taxation of dividends

Not applicable

3.6 Taxation of capital gain

Not applicable

3.7 Taxation of interest income

Not applicable

3.8 Personal assessment and utilization of losses

As for Group 1 taxpayers, professional tax is collected on a Pay as You Earn ("PAYE") basis where employers are required to deduct the tax from their payments to employees at source. Professional tax collected is then payable to the tax authority by the employer on a quarterly basis. By the end of February each year, employers are also obliged to lodge the annual professional tax returns M3/M4 with the tax authority in respect of the preceding year for all of their employees.

Group 2 taxpayers are primarily self-employed professionals. Those with appropriate accounting books and records are required to submit their personal tax returns not later than 15 April

each year. Taxpayers without appropriate accounting books and records are required to submit their personal tax returns annually by the end of February each year for tax calculation according to the official tax receipt pre-printed by Macau Government.

3.9 Withholding tax

All professional tax payable money shall be withheld by employer and submitted to Finance Services Bureau by seasons.

3.10 Statutory obligation of employers

All employees shall be registered under professional tax within 15 days of services commenced. Any withheld professional salary tax shall be reimbursed to the Finance Services Bureau tax each seasons due on Apr, Jul, Oct and Jan each year.

3.11 Filing requirement of tax return

Filing due dates

End of February

Penalties

1. The absence of or inaccuracy in the declaration of tax return, as well as omissions verified in them will result in a line of MOP500 to MOP5,000.
2. In case such absences, inaccuracies or omissions are made deliberately, the fine will be from MOP1,000 to MOP10,000.

Application of holdover

n/a

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Fundo de Segurança Social do Governo da RAEM (Social Security Funds)

4.2 Basis of contribution

After the employment relationship is established between employer and employee, the Social Security Fund System is mandated to set up within 15 days.

4.3 Contribution rate

MOP90 per month(MOP60 by employers, MOP30by employees) for resident employees;

MOP200 per month (fully by employers) for non-resident employees

4.4 Exemption from tax

No exemption

GST/VAT

5.1 Basis of tax

Not applicable

5.2 Rates of tax

Not applicable

5.3 Registration

Not applicable

5.4 Filing requirements

Not applicable

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Not applicable

6.2 List of double tax treaties signed

1. China
2. Portugal
3. The Republic of Mozambique
4. Belgium
5. The Republic of Cape Verde

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Currently there are 43 items subject to stamp duty including transfers of property ownership, advertisements, private contracts, capital registration of companies and amusement entrance tickets. The rates of such duties vary from 0.1% to 10%.

However, the 2017tax relief measures regarding stamp duty is shown as follows:

1. Exemption of stamp duty on insurance contracts and banking service charges;
2. Exemption of stamp duty on all admissions of performance, exhibition or any kind of entertainment.
3. Exemption of stamp duty on putting up or placement of advertisements, signboards and publicity materials.

7.2 Real property tax

Property tax is levied on revenues from urban properties through leasing or self-accommodation. Taxpayers may be the registered owners or tenants physically occupying the properties. Taxes are generally levied on two categories. The first category refers to leased properties from which the owner receives rental income and the tax rate is 10%. The second category covers those properties not rented to a third party, ie where the owner occupies the property for self usage. The tax rate for this category is 6% on the deemed rental value of the property.

For the 2017 tax relief measures, a standard deduction of property tax for MOP 3,500 is levied on each unit.

7.3 Estate duty

Not applicable

7.4 Net wealth/net worth tax

Not applicable

7.5 Others

Business tax: Not applicable

Consumption tax, etc.:

Charged on fuel and lubricants, tobacco, alcohol. The tax on some alcoholic drinks is levied ad valorem according to the CIF/ Macau value; the remainder is specified by the Government.

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MALAYSIA

GENERAL INFORMATION

1.1 Country/Region

Malaysia

1.2 Currency

Ringgit Malaysia (RM) which is divided into 100 sen (cent).

1.3 Principal business entities

There are generally three types of business entities operating in Malaysia:

(i) Sole Proprietorship and Partnership

Sole proprietorships are basically one-owner businesses whereas partnerships are business concerns consisting of not less than 2 and not more than 20 partners. Registration must be formalised at the Companies Commission of Malaysia (CCM). Owner of sole proprietorship and partners in partnership business entities are bounded by unlimited liability. Sole proprietorship and partnership are regulated under the Registration of Business Act 1956 in Peninsular Malaysia; Trade Licensing Ordinance 1948 in Sabah; and, Business Name Ordinance and Businesses, Professions and Trades Ordinance in Sarawak. The Partnership Act 1961 applies to all partnerships unless a formal agreement has been drawn up setting out the rights or obligations of the partners.

(ii) Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is an alternative business vehicle to carry out business which combines the characteristics of a company and a conventional partnership. LLP provides limited liability status to its partners and offers the flexibility of internal business regulation and arrangement through an agreement between the partners. LLP is governed by Limited Liability Partnership Act 2012. It provides the flexibility of controlling the business operation in accordance with the partnership agreement whilst enjoying the limited liability status as compared to a company which is subject to strict compliance requirements under the Companies Act 2016 in most of its affairs.

(iii) Company

A "Sdn Bhd" is an abbreviation for a private limited company which prohibits any invitation to the public to subscribe to any of its shares. Minimum member in a private limited company is 1 and maximum is 50. A "BHD" is an abbreviation for a public limited company where its shares can be offered to the public for a fixed period. Both private limited company and public limited company are regulated under the Companies Act 2016.

1.4 Foreign exchange control

The ringgit exchange rate operates on a managed-float regime against a trade-weighted basket of currencies. Malaysia maintains a liberal foreign exchange administration (FEA) policy which are mainly prudential measures to support the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position.

1.5 Current economy climate (Industry overview/ encouraged business development)

Malaysia is a highly open, upper-middle income economy.

Malaysia was one of 13 countries identified by the Commission on Growth and Development of World Bank in its Growth Report to have recorded average growth of more than 7 percent per year for 25 years or more. Economic growth was inclusive, as Malaysia also succeeded in nearly eradicating poverty.

From an economy dominated by the production of raw natural resources, such as tin and rubber, even as recently as the 1970s, Malaysia today has a diversified economy and has became a leading exporter of electrical appliances, electronic parts and components, palm oil, and natural gas. After the Asian financial crisis of 1997-1998, Malaysia continued to post solid growth rates, averaging 5.5 percent per year from 2000-2008. Malaysia was hit by the Global Financial Crisis in 2009 but recovered rapidly, posting growth rates averaging 5.7 percent since 2010.

Malaysia's near-term economic outlook remains broadly favorable, reflecting a well-diversified economy, despite some risks.

The government has implemented a series of reforms and remains committed to fiscal consolidation, with the fiscal deficit target set at 3 percent of GDP in the coming year.

In order to keep pace with our rapidly growing neighbours, the Malaysian government has adopted a Foreign Direct Investment (FDI)-friendly stance. The Malaysian Investment Development Authority's (MIDA) i-incentive portal offers various incentives to foreign investors. These include tax incentives and non-tax incentives such as grants and 'soft loans'.

Digital Free Trade Area

The Malaysian Digital Economy Corporation (MDEC) defined year 2017 as 'the year of the Internet Economy', indicating e-commerce will grow rapidly in Malaysia from year 2017 onwards. Malaysia and Alibaba Group launched the Digital Free Trade Zone (DFTZ), which is the first digital free trade zone outside of China. With the launch of DFTZ, Malaysia will serve as a regional e-fulfilment centre and become the regional hub for Small and Medium Enterprises (SMEs), online marketplaces and monobrands. Malaysia Airports Holdings Berhad (MAHB) will work with Cainiao Network, the logistics arm of e-commerce giant Alibaba Group to develop a regional e-commerce and logistics hub in the KLIA Aeropolis, the planned integrated airport city, as part of the DFTZ.

New Companies Act

On 31st January 2017 the Companies Act 2016 came into force and applies to all companies in Malaysia, including foreign-owned. The new regulation has been introduced in order to reduce the costs of doing business, increase the flexibility of managing affairs of companies and further protect key stakeholders of companies registered in Malaysia. There are no changes specifically aimed at foreign firms in the new Companies Act 2016. However, the changes made further strengthen the regulatory environment in Malaysia and increase the attractiveness of the market to potential entrants.

Five Key Economic Corridors

The Malaysian government has earmarked RM 2.1 billion of funds for infrastructural development in five key economic corridors: Iskandar Malaysia (IM), Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE).

The most prominent of these projects is Iskandar Malaysia, located at the tip of the Malaysian peninsular in close proximity to Singapore. The aim is to build a 'strong and sustainable metropolis of international standing' with an expected population of three million by 2025. The total cost of the project, funded by a combination of private enterprises and government organizations, is expected to reach RM 485 billion. The development of this metropolis offers opportunities to foreign firms in a range of industries, from construction to smart city solutions, and also an alternative, less costly location to Singapore for firms looking to operate in this region.

TN50

The 2050 National Transformation or Transformasi Nasional 2050 (TN50) is a new 30-years transformation plan for Malaysia. It is a new vision for Malaysia, announced by the Prime Minister of Malaysia during the 2017 Budget. TN50 aims to transform Malaysia into a nation of caliber with a new mindset. TN50 will span three decades, and the youths of all races will form the core of this new transformation plan.

TN50 will be the roadmap, after Vision 2020 that will transform the country's economy, citizen well-being, environment, technology, social interaction, governance and public administration.

1.6 National tax authority

Name: Inland Revenue Board of Malaysia "IRB"

Website: www.hasil.gov.my

CORPORATE INCOME TAX

2.1 Basis of taxation

Income is taxable on modified territorial basis. Generally, any income accruing in or derived from Malaysia is taxable locally notwithstanding the fact that the income may not have been received in Malaysia. However, a foreign source income received will be exempted from income tax with the exception of resident companies carrying out a business of sea/ air transport, banking or insurance which are assessable on a world income scope.

2.2 Rates of tax

	2016	2017-2018
Corporate income tax rates:		
• Resident company with paid up capital of RM2.5 million or less		
- On first RM500,000	19%	18%
- Subsequent Balance	24%	20% - 24%*
• Resident company with paid up capital more than RM2.5 million	24%	20% - 24%*
• Non-resident company	24%	24%

* Reduction in the income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment (%)	Percentage point reduction (%)	Income tax rate after reduction (%)
Less than 5.00	0	24
5.00 to 9.99	1	23
10.00 to 14.99	2	22
15.00 to 19.99	3	21
20.00 and above	4	20

2.3 Year of assessment

Each tax year or year of assessment begins on 1 January and ends on 31 December. However, for companies, the basis period will be the financial year of the company which not necessary be the calendar year.

2.4 Profits deemed to be taxable

Certain Income deemed to be derived from Malaysia

Gross income in respect of :

1. interest or royalty,
2. special classes of income (e.g. technical assistance, rent of moveable property, etc) shall be deemed to be derived from Malaysia,
3. Other income such as commission, guarantee fee, agency fees and etc:
   a. if responsibility for payment lies with the government or state government; or
   b. if responsibility for payment lies with a person who is resident for that basis year; or
   c. if the payment of the above or other payments is charged as an outgoing or expense in the accounts of a business carried on in Malaysia.

2.5 Taxation of dividends

Malaysia adopted a single-tier tax system. Under this system, corporate income is taxed at corporate level and this is a final tax. Companies may declare single tier exempt dividend that would be exempt from tax in the hands of their shareholders.

2.6 Taxation of capital gains

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

2.7 Taxation of interest income

With effect from Year of assessment (Y/A) 2004, companies, trusts and co-operatives will have their interest income to be assessed in accordance with their financial year-end, which may b 31 December or non 31 December year-end. The interest income would be assessed under S.4(a) of the Act as business income if:

a. it is received from trading debts;

b. it is received in the ordinary course of business, which includes adventure in the nature of trade;

c. it is earned by specialised industries like bank or insurance company.

2.8 Utilization of tax losses & capital allowances

A company is entitled to carry forward business losses incurred in one assessment year for deduction against its statutory income in any of the following years. Unabsorbed business losses cannot be set off against future income from sources other than business sources.

Capital allowances in respect of one business cannot be set off against the profits of another business. Thus, if a business ceases permanently any unabsorbed allowances in relation to that business will be lost forever. Where the allowances claimed and due cannot be fully set off against income in any year of assessment, they are carried forward for set-off against future profits from the same business source.

However, with effect from Y/A 2006, any unabsorbed losses and capital allowances will only be allowed to be carried forward and set off against future income where the IRB is satisfied that more than 50% of the shareholders of the company on the last day of the basis period are the same as on the first day of the basis period in which such losses and capital allowances are to be utilised.

Ministry of Finance had on 7 December 2007 issued a notification that the guidelines have been revised and it provides that carry forward of unabsorbed losses and capital allowances of a company with a substantial change in ownership is permitted as long as the company is not a dormant company. The revised guidelines took effect from Y/A 2006.

Group relief is available to all locally incorporated resident c ompanies having paid up capital in respect of ordinary shares of more than RM2.5million at the beginning of the basis period for that YA and at least 70% of the paid-up capital in respect of ordinary shares of the surrendering company is directly or indirectly owned by the claimant company and vice-versa; or 70%of the paid up capital in respect of both surrendering and claimant company are owned by another company.

The amount of relief is limited to 70% of current year adjusted loss to be offset against the total income of another company within the same group.

2.9 Key Tax incentives

A variety of tax incentives are available to various industries (i.e. manufacturing, IT services, biotechnology, Islamic finance, energy conservation, agriculture, tourism, research and development (R&D), education and health care, green technology, waste recycling and other sectors). Main incentives available include Pioneer Status of tax holidays up to 10 years; Investment Tax Allowances (i.e. 100% allowance on capital investments made up to 10 years);

Accelerated Capital Allowances; Double Deductions; Reinvestment Allowances (i.e. 60% allowance on capital investments made in connection with approved projects); Automation Allowance and others.

2.10 Withholding tax

Non-residents are subject to the following withholding tax:-

Payment Type	WT Rate %
Royalties	10
Rental of moveable properties	10
Technical or management service fees	10
Interest	15
Public entertainer	15
Contract Payment on:-	
- account of contractor	10
- account of employee	3
Other income such as commission, guarantee fee, agency fees and etc.	10

Where the recipient is a resident of a country which has a double tax treaty with Malaysia, the above withholding tax rates may be reduced.

* Income derived by non-resident shall be deemed to be derived from Malaysia and subject to withholding tax where the services were performed in Malaysia.

2.11 Transfer Pricing

Income Tax (TP) Rules 2012 and TP Guidelines 2012 were issued on 11 May 2012 and 20 July 2012 respectively but are deemed to be effective retrospectively from 1 Jan 2009. The TP Rules cover the application of Section 140A whereas the Guidelines help to explain the administrative aspects of it. The TP Guidelines are applicable on business with gross income exceeding RM25 million and the total amount of related party transactions exceeding RM15 million. As for persons providing financial assistance exceeding RM50 million, they would be required to comply with it too.

A penalty of 35% of the tax understated will be imposed if there is no contemporaneous TP documentation. Where TP documentation is prepared but not in accordance with the guidelines, a 25% penalty of the tax understated will be imposed.

The Ministry of Finance has informed the professional bodies that the implementation of the Thin Capitalisation Rules is replaced by Earning Stripping Rules effective from 1 January 2019.

2.12 Filing requirements of tax return

Filing due dates

Companies are placed on self-assessment from the Y/A 2001. Under self-assessment, a company is required to submit only the tax return (Form C) within 7 months after closing the company's year-end.

With effect from Y/A 2014, a company shall file its tax return by electronic filing and has to be based on accounts audited by a professional accountant.

Penalties

a. Failure to submit a tax return

Upon conviction, the taxpayer will be liable to a fine ranging from RM200 to RM20,000 or face imprisonment for a term not exceeding 6 months or both. If no prosecution is initiated, a penalty equal to treble the amount of tax payable (before any set-off, repayment or relief) maybe imposed. In practice, the IRB is imposing penalties ranging from 20% to 35% of the tax payable for late filing of tax returns.

b. Failure to remit tax payable

A penalty equivalent to 10% on the balance of tax payable and if the tax is still not paid after 60 days, a further 5% penalty will be imposed.

c. Under-estimation of Tax

If the difference between the actual tax payable and the estimated tax payable (if the revised estimate is not furnished) or the revised estimated tax payable is more than 30% of the actual tax payable, a 10% increase in tax will be imposed on the difference.

d. Instalment payment for tax estimate

If a company fails to pay the monthly instalment on the tax estimate by the stipulated deadline, a late payment penalty of 10% will be imposed on the balance of tax instalment not paid.

Penalties at various rates apply for failure to comply with various sections of the tax laws. There can be imprisonment and fine or both upon conviction.

Payment of profit tax and application of holdover

Under the Self-Assessment System (SAS), every company is required to determine and submit in a prescribed form (Form CP204) an estimate of its tax payable (ETP) for a year of assessment (Y/A), 30 days before the beginning of the basis period. However, when a company first commences operations, the ETP must be submitted to the IRB within 3 months from the date of commencement of its business. The ETP submitted for a particular year cannot be less than 85% of the estimate/revised ETP for the immediate preceding Y/A.

A company is still required to submit the Form CP204 within the stipulated deadline even if it expects its ETP is to be Nil. With effect from Y/A 2008, where a SME first commences operations in a Y/A, the SME is not required to furnish an ETP or make instalment payments for a period of 2 years beginning from the Y/A in which the SME commences operations.

With effect from Y/A 2011, where a company first commences operations in a year of assessment and the basis period for that year of assessment is less than 6 months, that company is not required to furnish an ETP or make instalment payments for that year of assessment.

SMEs are defined as companies incorporated in Malaysia and tax resident with a paid-up capital in respect of ordinary shares of RM2.5million and below at the beginning of the basis period for the relevant years of assessment. However, effective YA 2009, SMEs are redefined to exclude those which are directly or indirectly controlled by another company with a paid up capital of more than RM2.5 million or vice versa or both companies are directly or indirectly owned by another company. In order to further assist our SMEs, the government allows them to be waived from paying the tax instalments at the beginning of both years of assessment.

A SME which is exempted from furnishing an ETP mentioned above is advised to submit Form CP204 notifying the IRB of its SME status without having to state the amount of ETP for that particular year of assessment to avoid any penalty for under-estimation of tax or penalty for non-submission being wrongly imposed by the IRB.

All companies must file the tax return Form C and pay the balance of tax payable within 7 months from the end of the accounting period from Y/A 2003 onwards.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income derived from Malaysia is subject to the Malaysian income tax whereas income derived from foreign sources outside Malaysia is not taxable. Resident individuals are taxed at progressive rates ranging from 0% to 26% (Y/A2013 to 2014), 0% to 25% (Y/A 2015), and 0% to 28% (Y/A 2016 onwards) after deducting personal reliefs. Non-residents are taxed at a flat rate of 26%(Y/A2013 to 2014) , 25%(Y/A 2015) and 28% (Y/A 2016 onwards). Basically, an individual is considered a tax resident if he/she is in Malaysia for 182 days or more in a calendar year. However, there are also 3 other qualifying conditions.

3.2 Rates of tax

Income tax rates for resident individuals, clubs and trade associations or similar institutions, estates (domiciled in Malaysia), Hindu joint family.

Chargeable income (RM)		Y/A 2015		Y/A 2016 to Y/A 2017		Y/A 2018 onwards	
		tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)
On the first	2,500	0	0	0	0	0	0
On the next	2,500	0	0	0	0	0	0
	5,000		0		0		0
On the next	5,000	1	50	1	50	1	50
	10,000		50		50		50
On the next	10,000	1	100	1	100	1	100
	20,000		150		150		150
On the next	15,000	5	750	5	750	3	450
	35,000		900		900		600
On the next	15,000	10	1,500	10	1,500	8	1,200
	50,000		2,400		2,400		1,800
On the next	20,000	16	3,200	16	3,200	14	2,800
	70,000		5,600		5,600		4,600
On the next	30,000	21	6,300	21	6,300	21	6,300
	100,000		11,900		11,900		10,900
On the next	50,000	24	12,000	24	12,000	24	12,000
	150,000		23,900		23,900		22,900
On the next	100,000	24	24,000	24	24,000	24	24,000
	250,000		47,900		47,900		46,900
On the next	150,000	24.5	36,750	24.5	36,750	24.5	36,750
	400,000		84,650		84,650		83,650
On the next	200,000	25	50,000	25	50,000	25	50,000
	600,000		134,650		134,650		133,650
On the next	400,000	25	100,000	26	104,000	26	104,000
	1,000,000		234,650		238,650		237,650
Exceeding	1,000,000	25		28		28	

3.3 Year of assessment

The tax years starts on 1 Jan and ends on 31 December of every year.

3.4 Allowances and Deductions

In the case of an individual resident for the basis year for a year of assessment, there shall be allowed for that year of assessment personal deductions/reliefs. For e.g.:-

(a) RM 9,000 for that individual in respect of himself and dependent relatives

(b) RM 5,000 for parents medical treatment, special needs or care expenses

(c) Child reliefs:

i. RM2,000 per child (below 18 years old)

ii RM8,000 per child (over 18 years old)

- local (Diploma and above)
- Overseas (Degree and above)

(d) Lifestyle: W.e.f. YA2017, RM2,500 for purchase of reading materials, sports equipment, computer/smartphone or tablet, subscription of broadband internet and gymnasium membership fee.

3.5 Taxation of dividends

With effect from 1 January 2008, company is effectively placed on single tier dividend system. Any dividend paid out under single tier dividend system will be tax-exempt in the hand of shareholders.

3.6 Taxation of capital gain

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

3.7 Taxation of interest income

Interest is assessable to tax under S.4(c) of the Act if interest falls within investment income. The basis of assessment for interest income in relation to non-companies, trusts, or co-operative societies is on current calendar year basis. Any person receiving interest income will be subject to tax in Malaysia if the interest income is derived from Malaysia. With effect from 30 August 2008, interest received from moneys deposited in all approved institutions is exempted from tax.

3.8 Personal assessment and utilization of losses

Where allowable expenses exceed gross income of a source, adjusted income is deemed to be nil. The deficit is known as "adjusted loss". The Act permits only adjusted loss from business source to be set off against "aggregate income". For non-business income, adjusted loss would be a permanent loss.

"Aggregate income" shall consist of the aggregate of income from business (reduced by unabsorbed business loss brought forward) and income from other sources such as interest, rental income.

Where the adjusted business loss cannot be fully utilized in the current basis year at the "aggregate income" level, the balance (known as unabsorbed business loss) can be carried forward to the next Y/A to be set off against the aggregate statutory income from business source(s) only. The business source(s) need not be the same as the business source(s) that had incurred the loss.

3.9 Withholding tax

An employer is not obliged to withhold salaries tax from the remuneration paid to employees except for the compliance of Monthly Tax Deduction (MTD) Scheme. In certain circumstances, however, an employer may be required to withhold payments from an employee who is about to leave Malaysia. Non-resident individuals are subject to withholding tax in respect of payments mentioned under the withholding tax section above (Corporate Income Tax).

3.10 Statutory obligation of employers

The Inland Revenue Board imposes the following obligations on employers, the major ones are:

1. Commencement of Employment

An employer who commences to employ an individual likely to be chargeable to tax is required to notify the IRB by completing Form CP22 within 1 month from date of commencement of employment. An individual who first arrives in Malaysia and is chargeable to tax have to notify the IRB within 2 months from date of arrival.

2. Cessation of Employment

An employer is required to notify the IRB of the cessation of employment of an employee by the completion of Form CP22A unless the employee is on the Monthly Tax Deduction (MTD) Scheme or whose income is below the minimum amount for the MTD Scheme, and the employee is not retiring from employment permanently. The due date is not less than 1 month before the date of cessation.

3. Departure from Malaysia for a Period Exceeding 3 months

An employer is required to notify the IRB of departure of an employee from Malaysia for a period of more than 3 months by the completion of Form CP21 not less than 1 month before the expected date of departure.

4. Moneys to be withheld on Cessation of Employment and Departure from Malaysia

Employers are required to withhold payment of any moneys payable to employees who have ceased or about to cease to be employed, or who are about to leave Malaysia for a period exceeding 3 months for 90 days or until tax clearance is received, whichever is earlier.

5. Filing of Return by Employer

Under S. 83(1) and 83(1A) of the Income Tax Act 1967, every employer must furnish the Return of its employees' employment income no later than 31 March for each year. In addition, the employer must also prepare and deliver to his employee the statement of remuneration on or before the last day of February for each year.

6. Deductions from Remuneration

Employers must remit to the IRB the tax deducted from employees' remuneration:

- As directed by IRB
- Under the monthly tax deduction (MTD) Scheme

By the 15th day of the following month.

3.11 Filing requirement of tax return

Filing due dates

Every Individual must file a tax return by 30 April of the following year unless that individual has business income. The tax filing deadline for a person carrying on a business, such as sole proprietor, partnership, club, association and Hindu joint family, is 30 June of the following year.

Effective Y/A 2014, taxpayers who are under employment may not need to file their personal tax returns, rendering the amount of monthly tax deduction as the final tax.

Penalties

a. Failure to submit a Tax Return

b. Failure to remit tax payable

c. Under-declaration of income or excessive claim on deductions or expenses

Please refer to the penalties rates mentioned under item 2.12 for the above said offences. Penalties at various rates apply for failure to comply with various sections of the tax laws. There can be imprisonment and fine or both upon con viction.

Application of holdover

Nil

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

a. Social Security Organisation (SOSCO)

b. Employees Provident Fund (EPF)

4.2 Basis of contribution

a. Social Security Organisation (SOSCO)

Under these schemes, employees are given coverage against job-related injury and disability, workplace accidents, occupational diseases and death. Among the many functions undertaken by SOCSO is registering employer/employees, collection of employers/employee contributions, processing and disbursing claims made by salaried employees and their dependents. In addition SOCSO also provides physical and vocational rehabilitation benefits to claimants and promotes occupational safety and health awareness.

b. Employees Provident Fund (EPF)

The EPF is a social security institution formed which provides retirement benefits for members through management of their savings. The age for withdrawing one's retirement savings is at 55 years.

4.3 Contribution rate

a. Social Security Organisation (SOSCO)

Employers and employees are required to make social security contributions to the SOSCO. Generally, an employer contributes 1%-1.73% of an employee's remuneration.

b. Employees Provident Fund (EPF)

A contribution constitutes the amount of money credited to members' individual accounts in the EPF. The amount is calculated based on the monthly wages of an employee. For employees who receive wages/salary of RM5,000 and below, the portion of employee's contribution is 11% of their monthly salary while the employer contributes 13%. For employees who receive wages/salary exceeding RM5,000 the employee's contribution of 11% remains, while the employer's contribution is 12%.

4.4 Exemption from tax

With effect from Y/A 2012, the relief of RM6,000 is applicable to contributions made for life Insurance premium and/ or approved scheme (EPF) other than a private retirement scheme.

GST/VAT

5.1 Basis of tax

GST is implemented in Malaysia effective 1 April 2015.

Goods and Services Tax (GST) shall be levied and charged on the taxable supply of goods and services made in the course of furtherance of business in Malaysia by a taxable person. GST is also charged on the importation of goods and services. A taxable supply is a supply which is standard rated or zero rated. Exempt and out of scope supplies are not taxable supplies. GST is to be levied and charged on the value of the supply. Supplies are classified as follows:

Standard-rated supplies are goods and services that are charged GST with a standard rate. (e.g. sales of commercial properties, medical equipment, textiles and furniture)

Zero-rated supplies are taxable supplies that are subject to a zero rate. Businesses are eligible to claim input tax credit in acquiring these supplies, and charge GST at zero rate to the consumer (e.g. basic food items, supply of treated water and first 300 units of electricity to domestic consumers.

Exempt supplies are non-taxable supplies that are not subject to GST. Businesses are not eligible to claim input tax credit in acquiring these supplies, and cannot charge output tax to the consumer (e.g. domestic transportation of passengers for mass public transport, toll highway, private education and private health services, and residential properties).

Out of scope supply is a supply which is not within the ambit or boundary of GST. Thus, GST is not applicable on such supply (e.g. non business supply, supply of goods made outside Malaysia, business below threshold, supply by Federal Government, State Governments, and local authority; and, statutory body in respect of regulatory and enforcement functions).

5.2 Rates of tax

It is levied at a standard rate of 6%

5.3 Registration

Mandatory Registration

A person is required to be registered for GST if he makes taxable supplies exceeds RM500,000, determined in the following methods:

(i) Historical method – based on the value of the taxable

supplies in any month plus the value of the taxable supplies for the 11 months immediately before that month.

(ii) Future method – based on the value of taxable supplies in any month plus the expected value of taxable supplies for the 11 months immediately after that month.

Voluntary Registration

A person can apply for voluntary registration even though the value of his taxable supplies does not exceed the prescribed threshold (RM500,000). A person can be registered if he intends to make any taxable supplies provided he can satisfy the conditions and remain registered for a period of not less than 2 years.

5.4 Filing requirements

The GST return is required to be submitted not later than the last day of the month following the end of the taxable period.

Any tax due in respect of a taxable period becomes payable not later than the last day of the month on which the taxable person is required to furnish the GST return.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be credited against Malaysian tax on the same profits (limited to 50% of foreign tax in the absence of a tax treaty), but the credit is limited to the amount of Malaysian tax payable on the foreign income.

6.2 List of double tax treaties signed

EFFECTIVE DOUBLE TAXATION AGREEMENTS

Albania	Ireland	Romania
Argentina	Italy	Russia
Australia	Japan	San Marino
Austria	Jordan	Saudi Arabia
Bahrain	Kazakhstan	Seychelles
Bangladesh	South Korea	Singapore
Belgium	Kuwait	South Africa
Bosnia and Herzegovina	Kyrgyz Republic	Spain
Brunei	Laos	Slovak Republic
Canada	Lebanon	Sri Lanka
Chile	Luxembourg	Sudan
China	Malta	Sweden
Croatia	Mauritius	Switzerland
Czech Republic	Mongolia	Syria
Denmark	Morocco	Thailand
Egypt	Myanmar	Turkey
Fiji	Namibia	Turkmenistan
Finland	Netherlands	United Arab
France	New Zealand	Emirates
Germany	Norway	United Kingdom
Hong Kong	Pakistan	Uzbekistan
Hungary	Papua New Guinea	Venezuela
India	Philippines	Vietnam
Indonesia	Poland	Zimbabwe
Iran	Qatar	

(i) There is no withholding tax on dividends paid by Malaysia companies.

(ii) To claim the DTA rate, the Certificate of Tax Residence from the country of residence is required.

(iii) Where the rate provided in the ITA 1967 is lower than the DTA rate, the lower rate shall apply.

GAZETTED DOUBLE TAXATION AGREEMENTS (NOT YET ENTERED INTO FORCE)

1. Turkey (EOI Protocol)	21 Apr 2010	5. Kuwait (EOI Protocol)	26 Aug 2010
2. Belgium (Protocol)	24 May 2010	6. Poland	8 Jul 2013
3. Senegal	25 May 2010	7. Indonesia (EOI Protocol)	19 Jul 2012
4. Seychelles (EOI Protocol)	26 Aug 2010		

CONCLUDED DOUBLE TAXATION AGREEMENTS

1. Oman	13 Apr 2000	6. Denmark (New Agreement)	13 Dec 2012
2. Yemen	28 Aug 2006	7. Barbados	8 Feb 2013
3. Canada (New Agreement)	12 Jan 2010	8. Fiji	11 Dec 2014
4.South Korea	13 Jan 2011	9. Belarus	13 Mar 2015
5.Ukraine	18 Oct 2012	10. Tajikistan	6 May 2016

LIMITED AGREEMENTS

- United States of America
  - * The withholding tax rate on interest, royalties, fees for technical services and section 4(f) income is as provided in the ITA 1967.
  - * Section 4(f) income refers to gains and profits not specifically provide for under section 4 of the ITA 1967. Such income include commissions and guarantee fees.

INCOME TAX EXEMPTION ORDER

- Taiwan

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is chargeable on certain instruments or documents. The rate of duty varies according to the nature of the instruments/ documents and transacted values. Exemption of stamp duty is given on certain instruments and documents. The following are rates of stamp duty for some more common instruments and documents.

Conveyance, assignment or transfer

	Value RM	Rate	Duty Payable RM
i. Properties			
On the first	100,000	RM100 or part thereof	1,000
On the next	400,000	RM100 or part thereof	8,000
	500,000		9,000
In excess of	500,000	RM3 per RM100 or part thereof	
ii. stock, shares or marketa ble securities		RM3 per RM1,000 or part thereof	

7.2 Real property gains tax

Real Property Gains Tax (RPGT) is charged on gains arising from the disposal of real property, and any interest, option, or other right in or over such land. RPGT is also charged on the disposal of shares in real property company (RPC). A RPC is a controlled

company holding real property or shares in another RPC of which the defined value is not less than 75% of the value of its total tangible assets.

Rate of Real Property Gains Tax Table

	01.04.07-31.12.09 (exemption Period) %	w.e.f 01.01.10 %	w.e.f 01.01.12 %	w.e.f 01.01.13 %	w.e.f 01.01.14 %
Disposal within 2 years after date of acquisition	NIL	5	10	15	30
Disposal in the 3rd year after date of acquisition	NIL	5	5	10	30
Disposal in the 4th year after date of acquisition	NIL	5	5	10	20/30#
Disposal in the 5th year after date of acquisition	NIL	5	5	10	15/30#
Disposal in the 6th year after date of acquisition or thereafter	NIL	NIL	NIL	NIL	5*/NIL

All RPGT rates are applicable to both companies and persons other than companies.

* is applicable to disposal by companies and individuals who are not Malaysia citizens or permanent resident.

\# is applicable to disposal by individuals who are not Malaysia citizens or permanent resident.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.: Please refer to the GST mentioned under item 5

POINT OF CONTACT

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MALAYSIA

MALTA

GENERAL INFORMATION

1.1 Country/Region

Malta

1.2 Currency

Euro - €

1.3 Principal business entities

- Government entities
- Private Companies
- Partnerships
- Gaming Companies
- Funds
- SE Companies – Societas Europaea

1.4 Foreign exchange control

No foreign exchange controls

1.5 Current economy climate (Industry overview/ encouraged business development)

Malta is the smallest country within the EU, with an area of 316 Sq Km and a population of 436,000. The island is located in the Mediterranean sea, between Sicily and North Africa.

In 2016, Malta was the fastest growing economy within the EU with 6.7% growth in GDP in nominal terms, had an unemployment rate set at 4.8% and with more 7,500 new jobs created in the private sector. The main contributing industries to the economy are iGaming, Financial Services, Tourism, Shipping and Real Estate.

Due to its Geographical location, friendly business environment and a country where English is well spoken, (together with other languages) Malta is well equipped to attract new Investment. Furthermore it has an excellent telecommunications infrastructure and direct flight service to various cities in Europe.

Complementing this business environment, Malta has a robust Banking system, a well-regulated Financial sector and Gaming sector, as well as a business friendly tax regime. The financial sector is regulated by the Malta Financial Services Authority, while the Banking Sector is regulated by the Central Bank of Malta. The Gaming sector is regulated by the Malta Gaming Authority. It is pertinent to point out that Malta was the first EU country to regulate on line Gaming in 2004.

The Government introduced incentives to boost the economy and innovation through tax credits and other measures. They apply to various industries and businesses, and eligible for such incentives are micro enterprises, companies that intend to introduce e-commerce, call centers and manufacturing companies and more.

Malta Joined the European Union in May 2004 and adopted the Euro currency in January 2008.

1.6 National tax authority

Name: Malta Inland Revenue Department (IRD)

Website: https://ird.gov.mt

CORPORATE INCOME TAX

2.1 Basis of taxation

The tax regime of Malta is based on the domiciliation and residency concept. Malta adopts the full imputation tax system and therefore any income tax paid by the company is credited in full to the shareholder upon distribution of profits, thus eliminating the risk of double taxation of corporate profits, giving rise to any source of income being taxed only once.

A company is considered to be resident in Malta if its management and control is exercised in Malta.

2.2 Rates of tax

The corporation tax for all limited liability companies is a flat rate of 35%, which is reduced to 5% in relation to trading income and 10% in relation to passive income, when such profits are distributed as dividends. Rental income may be subject to a tax charge of 15% on Gross income, instead of 35% on profit.

2.3 Year of assessmen

By default the financial year covers the period from 1 January to 31 December. However companies may opt to have a different tax period, with year-end being any month of the year (e.g. 1 April to 31 March).

2.4 Profits deemed to be taxable

- Trading profits
- Rental Income
- Interest income
- Royalties

2.5 Taxation of dividends

No tax is imposed on the shareholder upon distribution of dividends. Therefore the shareholder receives a dividend net of tax, without the need to declare such income.

Holding companies that derive dividend income or capital gain from a 'participating holding', may apply for a participation exemption. A participating holding is a company which holds shares in a non-resident company, provided that:

i) has a least 10% of the equity shares in the non-resident company; or

ii) is an equity shareholder in the non-resident company and is entitled to either sit on the Board or appoint a person on the Board of that subsidiary as a director; or

iii) is an equity shareholder which invests a minimum in the non-resident company of €1,165,000 (or the equivalent in a foreign currency) and such investment is held for a minimum uninterrupted period of 183 days; or

iv) holds the shares in the non-resident company for the furtherance of its own business and the holding is not held as trading stock for the purpose of a trade.

2.6 Taxation of capital gains

Capital gains are regulated by the Capital Gains Rules. Capital Gains are taxed at 35% and are also subject to a tax refund, except in cases involving immovable property in Malta. Any capital gains earned from the sale of immovable property outside Malta, are eligible for the tax refund of 6/7.

2.7 Taxation of interest income

Interest income from banks can be taxed either at 15% final and withholding, without the option for a refund or at 35% and applying a tax refund of 5/7 on tax paid, with an effective tax charge of 10%.

2.8 Utilization of tax losses

Any losses incurred by a company are carried forward to the following year. This applies to both trading losses and capital losses. Whereas Trading losses can be deducted against any income, capital losses can only be deducted against capital gains.

Group relief: Companies within the same group may utilise the group relief provision, that is losses incurred by a company within a group can be transferred to another profitable company within the same group, thus reducing the taxable profits of the group. The condition is that such surrender of losses must be carried out within a year from the financial year end and that the involved companies are owned to more than 50% by the same shareholder/s.

2.9 Key Tax incentives

Main Incentive

The major incentive is that income remitted to Malta may be effectively taxed from 0-5%.

Other Incentives

There are various incentives in Malta through tax credits. They may be aimed at specific industries or policies. Some of the tax advantages are the following:

Micro and small businesses:
A business with less than 30 employees can claim a tax credit of 40% on the wage bill and capital expenditure, up to a maximum of €40,000.

Other tax credits are directed towards specific sectors and in this case the tax payer would be able to claim up to 30% of the wage bill, if it trades in the following sectors:

Manufacturing, Call Centre, Biotechnology, Information Technology, Pharmaceuticals, Provision of Health Care Services, Provision of Tertiary Education, Cultural Restoration, Industrial Packaging, Hotel & Accommodation, Freeport & Logistics Operations and Eco Innovation, Waste Treatment and Environmental Solutions.

There are also other tax credits and grants aimed at business that intend to invest in alternative energy.

Foreign income from a branch or subsidiary may be taxed at 18.75% through the Flat Rate Foreign Tax Credit (FRFTC) provision and can also claim the tax refund.

Holding Companies

Holding companies that meet certain criteria as explained above, shall not be taxed on dividends received in Malta.

Incentives for employees

In sectors related to Gaming, Financial Services and Aviation, the certain employees can opt to have their salary taxed at a Flat Rate of 15%, instead of the normal rates of tax. Certain conditions must to be met.

Employees that work abroad, overseas employment, can opt to pay tax at 15% flat rate.

Yachts & Pleasure Crafts

Yachts and crafts registered in Malta through a Maltese Company can benefit from the effective tax of 5% on the income generated from chartering or leasing of the same vessel. Furthermore, if through a lease, no tax is charged on the gain earned upon the sale of the vessel from the lessor to the lessee. Such transaction is considered of a capital nature.

2.10 Withholding tax

No Tax is withheld upon distribution of dividends. Tax is withheld on wages paid to non-residents.

2.11 Transfer Pricing

Related party transactions should be at an 'arm's length principle'.

2.12 Filing requirements of tax return

Filing due dates

9 month after year end. Depending on certain conditions, tax can be paid within 18 months after year end.

Penalties

€50 for late submission

Payment of profit tax and application of holdover

For companies carrying on business in Malta, tax must be paid within 9 months after year end and 3 provisional tax payments must be made in each (April, August and December) based on estimated income of the previous year. If it is estimated that a lower tax shall be paid during the current year than that estimated by the commissioner, a Provisional Tax reduction form can be raised.

For companies owned by non-residents and carrying business outside Malta, such provisional taxes do not apply.

Application of holdover: Not applicable in Malta

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal tax is based on the concept of residence and domiciliation. Therefore, a Maltese resident who is also domiciled in Malta is taxed on his worldwide income. A person who is either resident or domiciled in Malta, but not both, is taxed only on income that arises in Malta or income which is remitted to Malta.

An individual is considered to be resident for tax purposes, if that person spends more than 183 days in Malta within a period of one calendar year.

Any person who is either resident, but not domiciled (under one of the residence programs) is not liable to tax on capital gains earned outside Malta, and so can be easily remitted to Malta.

3.2 Rates of tax

There are 4 types of tax bands in Malta, namely:

Single Rates, Married Rates, Parent Rates and non-Resident Rates. Parent rates are applicable to parents who have children under the age of 16 or over 16, but are furthering their studies on a full time basis. Rates are as follows:

Chargeable Income (€)			
From	To	Rate	Subtract (€)
Single Rates			
0	9,100	0%	0
9,101	14,500	15%	1,365
14,501	19,500	25%	2,815
19,501	60,000	25%	2,725
60,001	and over	35%	8,725
Married Rates			
0	12,700	0%	0
12,701	21,200	15%	1,905
21,201	28,700	25%	4,025
28,701	60,000	25%	3,905
60,001	and over	35%	9,905
Parent Rates			
0	10,500	0%	0
10,501	15,800	15%	1,575
15,801	21,200	25%	3,155
21,201	60,000	25%	3,050
60,001	and over	35%	9,050
Tax Rates for non residents			
Chargeable Income (€)			
From	To	Rate	Subtract (€)
0	700	0%	0
701	3,100	20%	140
3,101	7,800	30%	450
7,801	and over	35%	840

3.3 Year of assessment

The tax year of each individual covers the year from 1 January to 31 December

3.4 Allowances and Deductions

The following allowances and deductions are available:

- 20% maintenance allowance on rental income – whether incurred or not.
- Exemption from tax on gain from a participating Local Dividends – that have been subject to tax.
- Gain on the disposal of a participating exemption.
- Any capital remitted to Malta, by a resident without domiciliation [under one of the resident programs] is exempt from tax.

The following deductions are permissible:

- Social Security and Maternity Fund contributions.
- Rent and interest.
- Donations to approved institutions.
- Capital allowances.
- Any other expenditure incurred for the generation of the income.

3.5 Taxation of dividends

Dividends paid to shareholders are not taxed further as they are taxed at company level.

3.6 Taxation of capital gain

Capital gains are taxed at the normal tax rates, 35% flat rate for companies and at the normal personal tax rates for individuals. Upon distribution of capital gains, from company level to the shareholder, whether personal or company shareholder, the 6/7 tax refund would still apply. Therefore such gains are taxed at the effective rate of 5%.

3.7 Taxation of interest income

Interest income can be taxed at 15% at source, no further taxes.

3.8 Personal assessment and utilization of losses

Any losses incurred in a particular year when carrying out a trade or profession may be utilized against trading profits generated the following years.

3.9 Withholding tax

A client may opt to have interest taxed at source at 15%.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates

30 June of the year following the basis year

Penalties

€50 for late submission

Application of holdove

Not applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Department of Social Security.

4.2 Basis of contribution

Social Security Contributions [SSC] are mandatory and required for free health care and retirement pensions. SSC is payable by both the employee and the employer.

The employer needs to make other contributions, based on the employees' salaries to the Maternity Fund.

4.3 Contribution rate

- Social Security Contributions 10% on salary up to a maximum of €43.85 per week. Same applies to employer, with minimum contribution being €16.98 per week.
- Maternity Fund: 0.3% based on weekly wage, with a minimum contribution €0.50 per employee up to a maximum of €1.25 per week.

4.4 Exemption from tax

The contributions incurred by the employer are tax deductible.

GST/VAT

5.1 Basis of tax

All eligible business activities must be registered with the Value Added Tax Department.

Where companies carry on exempt activities but intend to carry a secondary activity which falls under the VAT act as taxable, must register for VAT.

Such a company may claim VAT on goods and services acquired, but has to adopt the partial attribution provision.

5.2 Rates of tax

The following VAT rates are currently applicable:

- Zero rated – 0%
- Reduced rate – 5%
- Reduced rate - 7%
- Standard rate – 18%
- For pleasure yachts, VAT rate varies from 5.4 % to 18%

The following activities are outside the scope of VAT:

- Letting of immovable property, subject to certain conditions
- Banking, financial and insurance services
- Medical care services
- Betting and lottery tickets

5.3 Registration

Registration is compulsory when the turnover (subject to VAT) of the business is expected to exceed €12,000 per year.

5.4 Filing requirements

VAT returns must be submitted quarterly and the payment for the VAT must be made on the 15th day of the second month after the end of the particular quarter.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Unilateral tax credit is granted for taxes suffered abroad or according to the Double Tax Treaty in place.

6.2 List of double tax treaties signed

Treaties signed and effective:

1 Albania
2 Australia
3 Austria
4 Bahrain
5 Barbados
6 Belgium
7 Bulgaria
8 Canada
9 China
10 Croatia
11 Cyprus
12 Czech Republic
13 Denmark
14 Egypt
15 Estonia
16 Finland
17 France
18 Georgia
19 Germany
20 Greece
21 Guernsey
22 Hong Kong
23 Hungary
24 Iceland
25 India
26 Ireland
27 Isle of Man
28 Israel
29 Italy
30 Jersey
31 Jordan
32 Kuwait
33 Latvia
34 Lebanon
35 Libya
36 Liechtenstein
37 Lithuania
38 Luxembourg
39 Malaysia
40 Mauritius
41 Mexico
42 Moldova
43 Montenegro
44 Morocco
45 Netherlands
46 Norway
47 Pakistan
48 Poland
49 Portugal
50 Qatar
51 Romania
52 Russia
53 San Marino
54 Saudi Arabia
55 Serbia
56 Singapore
57 Slovakia
58 Slovenia
59 South Africa
60 South Korea
61 Spain
62 Sweden
63 Switzerland
64 Syria
65 Tunisia
66 Turkey
67 United Arab Emirates
68 United Kingdom
69 United States
70 Uruguay

Treaties signed and not effective:

1. Andorra
2. Azerbaijan
3. Curacao
4. Ukraine

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty (Document duty) is payable on transfer of shares and transfer of immovable property. Stamp duty on transfer of property is 5% on the value of the property transferred and that of shares is 2% where the company does not hold any immovable property and 5% where the company in which the shares have been transferred holds immovable property.

In some cases, stamp duty is not charged if the company is owned by persons who are either non-residents or not domiciled in Malta or both and does not carry out business in Malta, given that the company does not hold any immovable property.

7.2 Real property tax

Tax on immovable property is levied at 8%, final and withholding on the selling price. For non- residents, real property tax may be reduced to 5%. Tax on immovable property situated outside Malta is calculated at the rate of 35% on the gain for companies and a tax refund of 6/7 is applicable.

7.3 Estate duty

There are no inheritance or estate taxes on shares held in a Malta company.

7.4 Net wealth/net worth tax

No Wealth tax is charged.

7.5 Others

Business tax: Not Applicable

Consumption tax, etc.: Not Applicable

POINT OF CONTACT

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MAURITIUS

GENERAL INFORMATION

1.1 Country/Region

Mauritius

1.2 Currency

Rupees (Rs)(MUR) which is divided into 100 cents

1.3 Principal business entities

- Public company
- Private company
- Partnership
- Limited liability partnership
- Foundation
- Trust
- Societe

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

Conducive to foreign investment

No exchange control

Low tax jurisdiction

Encourage clean global business

Mauritius is conveniently located allowing for the conduct of business in the Far East in the morning, Europe during the early afternoon and the USA, later in the day.

Well regulated legislative framework, highly skilled professional, international standard banking sector and the continuous expansion of the double taxation treaty network have led to the success of the Mauritian global business sector.

The island offers great opportunities to plan investment through the use of the Mauritian global business vehicles.

The treaties provide attractive concessions for tax planning opportunities:

- Elimination of double taxation through tax credit
- Reduction in withholding taxes on dividends, interests and royalties
- Exemption from capital gains

African Perspective

Africa is becoming increasingly attractive as an investment destination. Mauritius currently has tax treaties with Botswana, Lesotho, Madagascar, Mozambique, Namibia, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Tunisia, Uganda, Zambia and Zimbabwe and is in negotiation with other states.

There are special advantages for investment in Africa through Mauritius:

- Capital gains tax minimization and minimization of withholding tax on dividend through the use of DTA
- Free repatriation of investment capital and returns & Guarantee against expropriation under the Investment Promotion and Protection Agreements (IPPAs)
- No exchange control restrictions
- Access to foreign currency loans and advances

IPPAs signed by Mauritius with 15 African member states offer the right incentive and guarantee to investors targeting investment into Africa.

Mauritius is a member of:

- the South African Development Community (SADC),
- the Common Market for Eastern and Southern Africa (COMESA) and
- the Indian Ocean Rim association for the regional Cooperation (IOR-ARC)
- Being a signatory to major African conventions Mauritius is the best offshore financial service centre for establishing any Fund or Investment Holding Company.

Asian Perspective

With DTAs in place with the 2 largest emerging countries namely India and China, the Mauritian global business platform is being widely used for:

- Structured Trade Finance between Asia, Africa and Middle-East
- Investment into India

1.6 National tax authority

Name: Mauritius Revenue Authority (MRA)

Website: www.mra.mu

CORPORATE INCOME TAX

2.1 Basis of taxation

Self assessment system subject to review by the MRA

Bodies of persons subject to corporate tax are

- Companies
- Trusts
- Trustees of Unit Trust Schemes
- Non-resident Sociétés (Partnerships)

Trusts, Trustees of Unit Trust Schemes and Non-resident Sociétés are treated as companies for tax purposes.

2.2 Rates of tax

Domestic companies are taxed at 15%

Corporate holding a Global Business License (GBL) 1 licence pays tax at 15% but is entitled to a tax rebate of 80% thus reducing the tax rate to 3%.

Companies engaged in the export of goods will be taxed at the rate of 3% on that part of the chargeable income that relates to exports. The formula is Gross income from export of goods divided by gross income from all activities multiplied by Chargeable Income.

Freeport companies are tax free.

Corporate social responsibility: -

- 2% on chargeable income of domestic companies
- 2% of adjusted net profit for income tax (excluding exempt income) for societies

(it is to be noted that 50% (75% as from 01 Jan 2019) of the CSR liability is to be remitted through the MRA.)

Where the normal tax payable for an income year by a company is less than 7.5% of its book profit, the company should pay either 7.5% of its book profit or 10% of dividends declared in respect of that year, whichever is lesser. This is not applicable for GBL companies.

2.3 Year of assessment

Each tax year or year of assessment begins on 1 July and ends on 30 June

2.4 Profits deemed to be taxable

All income received except for gains on securities/disposal of assets

2.5 Taxation of dividends

Dividends received from a domestic company is not subject to tax;

Dividends received from overseas corporation are taxable.

Exempt dividends are as follows:-

- Dividends paid by a company resident in Mauritius
- Dividends paid by a co-operative society resident in Mauritius
- Dividends paid by a company holding a GBL 2

2.6 Taxation of capital gains

No capital gains tax

2.7 Taxation of interest income

Domestic company 15%

GBL 1 and GBL 2 exempt

2.8 Utilization of tax losses

Losses are carried forward and set off against the income derived in the following 5 income years

2.9 Key Tax incentives

Freeport companies are tax exempt except for income derived from operations on local market which is taxed at 15%
GBL 2 are tax exempt
GBL 1 are taxed at 3% after foreign tax credit

Small Companies may benefit from an 8 year Tax Holiday if they operate in specific manufacturing activities, registered after 01 July 2015 and are registered with the Small and Medium Enterprise Development Authority.

There are a number of specific tax incentives allowed under separate legislation for companies engaged in the development of Smart Cities.

2.10 Withholding tax

As per prevailing DTAs

Deduction of tax at source (TDS) is an advance payment of taxes and would be offset against the income tax liability of the payee. The tax to be withheld by any person, other than an Individual is as per table below:

Amount or sum made available to the payee by way of -

	Rate of tax (%)
Interest payable by any person, other than by a bank or non-bank deposit taking institution, under the Banking Act, to a non-resident	15
Royalties payable to	
A resident	10
A non-resident	15
Rent	5
Payments to contractors and sub contractors	0.75
Payments to providers of services (architect, engineer, land surveyor, project manager in the construction industry, property valuer, quantity surveyor, attorney/solicitor, barrister, medical service provider, legal consultant)	3
Payment made by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts, other than payments to contractors and sub-contractors and payments to providers of services specified in the Fifth Schedule	
(a) for the procurement of goods and services under a single contract, where the payment exceeds 300 000 rupees	1
(b) for the procurement of goods under a contract, where the payment exceeds 100 000 rupees	1
(c) for the procurement of services under a contract, where the payment exceeds 30 000 rupees	3
Payment made to the owner of an immovable property or his agent	5
Payments made to a non resident for any services in Mauritius	10

The Tax withheld shall be remitted to the Director General of the MRA within 20 days from the end of the month in which the deduction was made.

TDS retention is not required where the TDS to be deducted is below MUR500.

2.11 Transfer Pricing

No transfer pricing

2.12 Filing requirements of tax return

Filing due dates

Every company, whether or not it is a taxpayer, is required to file its annual return not later than six months from the end of the month in which its accounting year ends.

Besides the annual return, companies are also required to file, under the Advance Payment System (APS), quarterly APS statements and to pay tax in accordance thereof (if turnover of preceding year exceeds MUR 10 Million or if it has a chargeable income).

All companies deriving gross income and exempt income exceeding Rs 30 million have the legal obligation to file annual returns and pay tax electronically. Failure to file electronic returns carries a penalty of 20 per cent of the tax payable (maximum Rs 100 000) or Rs 5 000 where no tax liability is declared in the return.

The payer shall issue a statement of income tax deduction in respect of the preceding income year, to the payee by 15th August every year showing the total gross payment made to the payee and the tax deducted there from.

Penalties

Late submission of return – a penalty of Rs 2,000 per month or part of the month up to a maximum of Rs 20,000

Late payment of tax – a penalty of 5% of the amount of tax excluding any penalty and interest at the rate of 1% per month or part of the month during which the tax remains unpaid

Payment of profit tax and application of holdover

Taxpayers are expected to compute their own tax liability based on the tax laws, guidelines and rulings issued by the MRA. The MRA carries out tax audit to check the returns of companies.

The due dates for the payment of corporate tax are six months from the end of the month in which its accounting year ends.

Every taxpayer who has paid corporate tax in an income year, has to file an APS (Advance Payment System) statement and pay a provisional tax for the following year of assessment. The provisional tax payable is estimated by the assessable profits of the preceding year of assessment.

All companies that had a chargeable income or paid tax under "Alternative Minimum Tax" (AMT) in respect of the preceding accounting year should file an APS Statement.

Companies that had tax losses carried forward in respect of the preceding year and did not pay tax under AMT in respect of that year of assessment may opt not to file an APS Statement.

The chargeable income of a company in respect of an APS quarter may, at the option of the company, be computed in accordance with either Method A or Method B if applicable:

Method A: The chargeable income is deemed to be 25% of the chargeable income of the company for the accounting year ending on the date immediately preceding the commencement of that quarter.

Method B: The chargeable income is the difference between the gross income and the allowable deductions for that quarter including any loss brought forward from the previous quarter of the accounting year immediately preceding that quarter. Where the company opts for Method B and the calculated value is negative, the value should be entered as zero. The company will then deduct that loss in the APS Statement of the next quarter of the accounting year

The income tax payable in respect of an APS Quarter is calculated, at the option of the company, at the rate of :

(i) 15% on the chargeable income arrived at under either Method A or Method B; or

(ii) 25% of the tax paid as Alternative Minimum Tax (AMT) in respect of the preceding accounting year.

The amount of TDS to which the company has been subject in respect of payments received during the current quarter should be deducted from the tax payable for that quarter

Under the current regime companies are required to file quarterly APS Statements and to pay tax, if any, in accordance thereof except where the company's gross income did not exceed MUR 10 Million or did not have chargeable income.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All emoluments are subject to tax, except those specified in law to be exempt income.

Emoluments means any advantage in money or in money's worth.

- Resident individuals are subject to Income Tax in Mauritius on income except on exempt Income which is derived from Mauritius.
- Income derived by a resident individual from outside Mauritius is taxable in Mauritius on money remitted to Mauritius.
- A resident individual is defined as one who has his domicile in Mauritius, but does not include an individual who is only here for temporary purpose nor does it include an individual who is not present in Mauritius for more than 183 days in the relevant income – year or for more than 270 days over 3 consecutive fiscal years
- Non Residents will only be subject to Income Tax on Income other than exempt income, derived from or accruing in Mauritius

3.1A Property, Work permits, Occupational Permits

Individuals, who are not Mauritius Citizens, may be granted an occupational permit or an Investor's permit to reside, work and invest in Mauritius. The following are the main features:

- An occupational permit may be granted to a professional bringing in expertise if his monthly salary exceeds MUR 60,000.
- An Investor's Permit may be granted for investments in excess of USD 100,000 (or equivalent) provided that the Company generates an annual turnover of at least MUR 4,000,000 per annum for each investor listed.
- Spouses/Children may be granted residence permits without the right to work in Mauritius.
- Holders of Investment or Occupational permits may acquire property in a building containing at least 3 floors. They cannot acquire outright rights over land unless permission is granted by the Prime Minister's Office.

3.2 Rates of tax

15% on chargeable income after deduction of personal allowance. As from 01 July 2017, If Total Income exceeds MUR 3,500,000, the excess will be taxed at an additional 5%. It is to be noted that Total Income includes dividends, so the Dividends in that case would be taxed at 5%.

3.3 Year of assessment

Financial year – 1 July to 30 June

3.4 Allowances and Deductions

An individual is entitled to the Income Exemption Threshold which corresponds to the category he falls in as below :

Category Description

1. Category A individual with no dependent – Rs 300,000
2. Category B individual with 1 dependent – Rs 410,000
3. Category C individual with 2 dependents – Rs 475,000
4. Category D individual with 3 dependents – Rs 520,000
5. Category E individual with 4 or more dependents – Rs 550,000
6. Category F Retired person with no dependent – Rs 350,000
7. Category G Retired person with 1 dependent - Rs 460,000

In order to qualify for Category F and G deduction above, the retired person should have attained the age of 60 before 1 July of the current income year and should derive solely pension from employment (i.e. excluding any business, trade / profession or other income).

"Dependent" means either:

- A spouse;
- An unmarried child under the age of 18; or
- An unmarried child over the age of 18 and who is pursuing full-time course at an educational institution or a training institution or who cannot earn a living because of a physical or mental disability

Relief for medical/health insurance premium

A taxpayer is entitled to claim a deduction in respect of premium paid for medical or health insurance policy contracted for himself and his dependents as follows:-

Category of income taxpayer	Up to MUR
A (no dependent)	15,000
B (1 dependent)	15,000 for self + 15,000 for dependent
C (2 dependents)	15,000 for self + 15,000 for first dependent + 10,000 for second dependent
D (3 dependents)	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 third dependent
E (retired person with no dependent)	15,000
F (retired person having one dependent)	15,000 for self + 15,000 for dependent

3.5 Taxation of dividends

Exempt if received from a Mauritian company or a Mauritian Co-operative society.

3.6 Taxation of capital gain

No capital gains tax.

3.7 Taxation of interest income

Interest payable on a balance maintained in a bank by an individual who is not resident in Mauritius is exempt interest.

Interest payable to a non-resident, not carrying on any business in Mauritius, by a corporation holding a GBL1, GBL2 or a Bank holding a banking license under the Banking Act 2004 is also exempt.

Other interests are taxed at 15%.

3.8 Personal assessment and utilization of losses

Losses carried forward can only be offset against business income.

3.9 Withholding tax

Every employer is required to withhold tax from the emoluments of his employees at the time the emoluments are received by or made available to the employees. This is called PAYE (Pay As You Earn).

The amount of tax to be withheld from the emoluments of each pay period is calculated on a cumulative basis by cumulating both the emoluments and the Income Exemption Threshold pertaining to the current and previous pay periods in the income year concerned.

Workers receiving their pay daily after each day's work are excluded from the operation of the PAYE system.

3.10 Statutory obligation of employers

The tax withheld from the emoluments of the employees in the preceding month must be remitted to the Mauritius Revenue Authority (MRA) within 20 days from the end of the month in which the deduction was made.

Every employer has to file a return of employees with the Mauritius Revenue Authority at latest by 15 August of the year following the end of the income year.

3.11 Filing requirement of tax return

Filing due dates

A return of Income should be submitted to the Director General-MRA by every person wh o:

1. has a Chargeable Income
2. has been allotted a Tax Account Number

Other conditions apply.

Due Date for submission of Return and for payment is 30 September following the Income Year ending 30 June.

A Current Payment System (CPS) Statement of Income should be submitted to the Director General, MRA by every individual deriving business income (Including Income from Profession, Vocation or Occupation) and rental Income in a CPS quarter where the gross income falling under CPS exceeds Rs 4 million per annum.

The Current Payment System(CPS) for self employed people is on a quarterly basis.

In respect of CPS quarter	Due date for submission of CPS Statement and payment of tax
01 July to 30 September	2 days, excluding Saturdays and public holidays, before the end of December
01 October to 31 December	31 March
01 January to 31 March	2 days, excluding Saturdays and public holidays, before the end of June

There is no need to submit CPS for the 4th quarter, since the taxpayer is required to submit an Annual Return on 31 March.

Penalties

Late/Non-Submission of return

Rs2,000 per month or part of the month up to a maximum of Rs 20,000.

Late/Non-Payment of tax

Late payment of tax carries a penalty of 5% of the amount of tax unpaid and interest at the rate of 1% per month.

Submission of return of employees

In case of late submission, a penalty of Rs 5,000 per month or part of a month up to a maximum of Rs 20,000 is applicable.

Application of holdover

TDS 5% on rent.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Pension Fund.

4.2 Basis of contribution

Contribution is calculated as a percentage of the basic salary. Presently the maximum ceiling is Rs 16,655.

For employees who are above 60 but below 65 years or who have not reached the effective retirement age, normal contribution is made.

For employees who are above 65 years, only the employer contributes to the National Pension Fund and levy.

4.3 Contribution rate

	Employee	Employer
National Pension Fund	3%	6%
National Solidarity Fund	1%	2.5%
Levy	0%	1.5%

4.4 Exemption from tax

Contributions made by the employees to the National Pension Fund are not a deductible expense for tax purpose.

The first Rs 1,500,000 of the aggregate amount received as lump sum by way of commutation of pension, death, gratuity, retiring allowance and severance allowance, received in an income year is exempt from tax.

GST/VAT

5.1 Basis of tax

VAT is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him. VAT is also payable on the importation of goods into Mauritius, irrespective of whether the importer is a taxable person or not.

5.2 Rates of tax

Exempt

Zero-rated

Taxable – 15%

5.3 Registration

Compulsory registration if turnover of taxable supplies exceeds Rs 4.0 million.

Compulsory registration are required for certain trade/profession.

5.4 Filing requirements

If turnover is less than Rs 10.0 million – quarterly return to be filed at latest on the 20th of the month following the end of the quarter.

If turnover exceeds Rs 10.0 million monthly return to be filed at latest on the 20th of the month following the end of the preceding month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The Income Tax (Foreign Tax Credit) Regulations 1996

Where there is a double tax agreement,credit shall be allowed for foreign tax on the foreign source income of a resident of Mauritius against Mauritius tax computed by reference to the same income

6.2 List of double tax treaties signed

Mauritius has concluded 43 tax treaties and is party to a series of treaties under negotiation. The treaties currently in force are:

- Australia (partial)
- Barbados
- Belgium
- Botswana
- Congo
- Croatia
- Cyprus
- Egypt
- Democratic Socialist Republic of Sri Lanka
- France
- Germany
- Guernesey
- India
- Italy
- Kuwait
- Lesotho

- Luxembourg
- Madagascar
- Malaysia
- Malta
- Monaco
- Mozambique
- Namibia
- Nepal
- Oman
- Pakistan
- People's Republic of Bangladesh
- People's Republic of China
- Rwanda
- Senegal
- Seychelles
- Singapore
- South Africa
- State of Qatar
- Swaziland
- Sweden
- Thailand
- Tunisia
- Uganda
- United Arab Emirates
- United Kingdom
- Zambia
- Zimbabwe

8 treaties await ratification: Cape Verde, Gabon, Ghana, Jersey, Kenya, Morocco, Nigeria and Russia

4 treaties await signature: Ivory Coast, Gambia, Malawi and Gibraltar

19 treaties are being negotiated: Algeria, Burkina Faso Canada, Czech Republic, Greece, Hong Kong, Lesotho (New), Montenegro, North Sudan, Portugal, Republic of Iran, Saudi Arabia, Spain, St. Kitts & Nevis, Tanzania, Vietnam, Yemen, Zambia (New) and Mali

Tax Information Exchange Agreements (TIEAs)

In Force

Australia

Austria

Denmark

Faroe Islands

Finland

Norway

States of Guernsey

Iceland

United States of America

Signed:

Greenland and Korea

Await signature:

Argentina, Greece, and Isle of Man

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

In accordance with land, duties and registration Act

7.2 Real property tax

Land transfer tax - 5%

Registration duty – 5%

Exemption for first time buyer if cost of bare land does not exceed Rs 1.0 million and building Rs 4.0 million

7.3 Estate duty

No estate duty

7.4 Net wealth/net worth tax

None

7.5 Others

Business tax

Corporate social responsibility – 2% on chargeable income of domestic companies

Environment protection fee for hotels

Solidarity levy for mobile operators and bank

Consumption tax, etc.

Pet tax

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NEPAL

GENERAL INFORMATION

1.1 Country/Region

Nepal

1.2 Currency

Nepalese Rupees (NPR)

1.3 Principal business entities

- Public Company
- Private Company
- Sole Proprietorship
- Partnership
- Branch of Foreign Company
- Foreign Permanent Establishment

1.4 Foreign exchange control

Regulated by Nepal Rastra Bank (NRB) through Foreign Exchange Regulation Act, 1962

1.5 Current economy climate (Industry overview/ encouraged business development)

Nepal is strategically located between two large and rapidly growing economies China and India, with easy access to markets of more than 2.6 billion people. It has large pool of capable workers (out of total population of 28.17 million, 61% are of working age i.e.15-65 years) and has relatively low cost of labor.

Nepal is ranked 2nd after Bhutan among south Asian countries in the "Ease of Doing Business Report 2016" by the World Bank Group. Foreign investors are allowed 100% ownership of a company in a majority of sectors. Repatriation of capital and profits are allowed by law.

Various bilateral investment protection and double tax avoidance arrangements are in place. Nepal has signed Bilateral Investment Promotion and Protection Agreement (BIPPA) with India, Finland, Germany, Mauritius, UK, and France.

Compared to other countries in South Asia, Nepal offers the lowest tax burden in the region. Some of the reasons for comparatively high ROI in Nepal include:

- Huge investment potential in tourism, hydro-power, agriculture, and mine and mineral sectors
- Abundance of natural resources
- Income tax exemption on profits from exports and interest income on foreign loans
- Customs, excise duties, and VAT levied on raw materials and auxiliary raw materials of export-oriented industries is reimbursed to the exporter on the basis of the amount of exports within 60 days of application.

Nepal has open boarder access to India. Nepal has duty free access to China for around 8,000 products. Nepal has duty free access to US market for 66 types of garment items for 10 years starting from 2016.

1.6 National tax authority

Name: Inland Revenue Department (IRD)

Website: www.ird.gov.np

CORPORATE INCOME TAX

2.1 Basis of taxation

Generally, income of a person is taxed on two principles. One is 'Residence Based' and the other one is 'Source Based'. Any income derived by a person who is resident of Nepal is taxed in Nepal. In other words, if a person is resident in Nepal his global income is taxable in Nepal. On the other hand, the income of a non-resident person is taxable in Nepal if it has source of income in Nepal. In other words, the income of non-resident is taxable in Nepal if it has source in Nepal. Broadly, there are four categories of Income in Nepal. They are, Income from Employment, Income from Business, Income from Investment and Income from Win fall Gains.

2.2 Rates of tax

Normal Rate of Tax is 25%. However some entities operating in banking and general insurance business, dealing in petroleum products, producing cigarettes, cigars, liquors and other related products are subject to 30% tax rate. Similarly, 20% tax rate is applicable to certain special industries.

2.3 Year of assessment

Mid-July to Mid-July

2.4 Profits deemed to be taxable

Any profits derived by a person from trade, business or profession is taxable in Nepal.

2.5 Taxation of dividends

Dividend payment is subject to withholding tax at the rate of 5%

2.6 Taxation of capital gains

1. In case of individual, withholding tax on capital gain exceeding NPR 3 million

   - Disposal of land or land & building owned for more than 5 years up to 10 years - 2.5%
   - Disposal of land or land & building owned for less than 5 years - 5%

In case of Others, normal rate of tax is applicable.

2. Withholding tax on capital gain on sale of shares is as follows;

   Sale by resident Natural Person (Individual)

   - Listed Company: 5%
   - Unlisted Company: 10%

   Sale by Other Person

   - Listed Company: 10%
   - Unlisted Company: 15%

Sale to the person other than Natural Person, normal tax rate will be applicable and withholding tax paid will be allowed to set off from the tax liability.

2.7 Taxation of interest income

Interest income derived by a resident bank or financial institution from other resident bank or financial institution is not taxable. Any natural person deriving interest income from deposits, debentures, government bonds is subject to 5% withholding tax provided such interest is sourced in Nepal and is not related to business operation.

2.8 Utilization of tax losses

- Normal loss of business/investment: Up to next 7 years
- For specific industries (industries dealing in petroleum products, (BOOT, pls in full) projects, Electricity/Power generation, transmission and others) – 12 years
- Loss can be carried back in case of long term contract obtained from international bidding.

2.9 Key Tax incentives

General Deduction

- Any expenses incurred by a person in connection with generation of income from business or investment during an Income Year is allowed as deduction

Interest Expense

- Any interest incurred by a person from the money borrowed in connection with generation of income from business or investment during an Income Year is allowed as deduction

Cost of Trading Stock

- The cost of trading stock calculated either on first-in-first out basis or weighted average cost basis is allowed as deduction

Repair and Maintenance Expense

- Repair and Maintenance Expense of depreciable asset, owned and used by the person, incurred in connection with generation of income from business or investment during an Income Year subject to maximum of 7% of depreciation base at the closing of the year is allowed as deduction. The limit is not applicable to Airline Company if it is within the parameter of Civil Aviation Authority. Further, the amount or part thereof, which is in excess of limit, can be added to the depreciation basis prevailing in the beginning of subsequent Income Year, of the pool to which it relates

Pollution Control Cost

- Pollution Control Cost incurred in connection with conducting the business during an Income Year subject to maximum of 50% of adjustable taxable income from all business conducted by the person is allowed as deduction. The amount or part thereof, which is in excess of limit, can be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently

Research and Development Cost

- Research and Development Cost incurred in connection with conducting the business during an Income Year subject to maximum of 50% of adjustable taxable income from all business conducted by the person is allowed as deduction. The amount or part thereof, which is in excess of limit, can be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently

Depreciation Allowance

- Depreciation of depreciable asset, owned and used by the person, in connection with generation of income from business or investment during an Income Year is allowed as deduction

2.10 Withholding tax

Payment Subject to Withholding	Withholding Tax Rate (%)	Final Withholding - Yes or No
Interest, Natural Resource, Royalty, Commission, Service Fee, commission payment by a resident person having source in Nepal	15	No
Resident employment company making payment to non-resident	5	Yes
Lease of aircraft payment	10	No
• Service payment to a resident person registered under VAT • Payment of more than 50KNPR under a contract or agreement	1.5	No
Rent payment having source in Nepal	10	Yes
Dividend, Gain from Investment Insurance	5	Yes
Win fall Gain	25	Yes
Payment of service payment to a non-resident company	15	Yes
Payment of repair & maintenance and other contract or agreement of aircraft payment to a non-resident company	5	Yes
Payment of re-insurance to a non-resident	1.5%	Yes
Other payment to non-resident	As per written information by IRD	Yes

NEPAL

2.11 Transfer Pricing

'Transfer Pricing' means any arrangement, among the related parties or group of related companies/entities/persons or any enterprises while dealing in international transaction and any foreign branch of such enterprises or any foreign permanent establishment, with the objective to reduce tax liability. Any arrangement among the related parties with the objective of reducing tax incidence or planning of the transaction in such a way that the price of asset or service shifted to another related party resulting into tax liability, is 'Transfer Pricing'.

If there is any arrangement between the associate persons, the department or the offices may distribute, apportion or allocate the amount to be included or deducted in calculating income between the persons as is necessary to reflect the taxable income or tax payable that would have arisen for them if the arrangement had been conducted at arm's length.

'Arrangement' means any arrangement or provision of any agreement, any deal in business among each other, promise, transaction, understanding, or any other provision, directly or indirectly, by a person himself or through more than one persons. 'Arm's length' means any purchase or sale of asset or service or business transaction or business deal among unrelated persons in market value. 'Market Value' means value on any transaction for the asset or service among unrelated person under general business transactions. In other words, 'market value' means any value as determined by market under normal circumstances among the unrelated parties for the purchase/sale of asset or service.

2.12 Filing requirements of tax return

Filing due dates

Income Tax Return

Within three months from the end of Income Year. If application is made to Tax Office for extension, IRD may extend such notice for maximum of three months

Advance Tax Return

Based on estimated tax liability

Within in Mid-January (Poush end) of Income Year (First Installment) – 40% of Tax Liability

Within in April-April (Chaitra end) of Income Year (Second Installment) – 70% of Tax Liability

Within in Mid-July (Ashad end) of Income Year (third Installment) – 100% of Tax Liability

Penalties

Penalties may be imposed for failure to submit Income Tax Return on time. Further, other penalties like submitting incomplete information, keeping incomplete records etc are also applicable.

Payment of profit tax and application of holdover

Interest at the rate of 15% is chargeable on delayed payment of taxes. Further, if the amount of advance tax paid is outstanding by 90%, the interest 15% on unpaid tax.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A resident person in case of Natural Person means an individual whose normal place of abode is in Nepal, who is present in Nepal for 183 days or more in 365 consecutive days, or who is an employee of Nepal Government posted abroad at any time during the Income Year.

The following payments made by the employer to the individual is considered as income from employment of such individual

- Payments of salary, wages, leave pay, overtime pay, fees, commissions, prizes, gifts, bonuses, and other facilities;
- Payments of any personal allowance including any cost of living, subsistence, rent, entertainment and transportation allowance;
- Payments providing any discharge or reimbursement of costs incurred by the individual or an associate of the individual;
- Payments for the individual's agreement to any conditions of employment;
- Payments for redundancy or loss or termination of the employment;
- Retirement contributions including those paid by the employer to a retirement fund in respect of employee and retirement payments;
- Other payments made in respect of employment

3.2 Rates of tax

Income of an individual resident is taxed on progressive rate as follows

Income Level (NPR)	Tax Rate
Up to 400,000*	1% Social Tax
Next 100,000	15%
More than 500,000 but up to 2,500,000	25%
More than 2,500,000	35%

*Assumed as couple, otherwise NPR 350,000

3.3 Year of assessment

Mid-July to Mid-July

3.4 Allowances and Deductions

The following amounts are deductibles.

(a) Contribution to Retirement Payment up to maximum of NPR 300,000

(b) Donation up to maximum of NPR 100,000

(c) Insurance premium up to NPR 20,000

(d) Remote area allowance up to maximum of NPR 50,000

Further, medical tax credit up to maximum of NPR 750 is allowed and remaining can be carried forward. Additionally, 10% tax rebate is allowed to female individual.

3.5 Taxation of dividends

Withholding tax at the rate of 5% on dividend payment is applicable.

3.6 Taxation of capital gain

1. In case of individual, withholding tax on capital gain exceeding NPR 3 million
   - Disposal of land or land & building owned for more than 5 years up to 10 years - 2.5%
   - Disposal of land or land & building owned for less than 5 years - 5%
2. Withholding tax on capital gain on sale of shares is as follows;

   In case of sale by resident Natural Person (Individual)
   - Listed Company: 5%
   - Unlisted Company: 10%

3.7 Taxation of interest income

Final withholding tax at the rate of 5% is applicable.

3.8 Personal assessment and utilization of losses

An individual natural person may elect himself as single or couple for the purpose of tax assessment. Further, if he has sole proprietorship only, he may be assessed as individual. Expense related to sole proprietorship business can be claimed and the balance amount of income is taxable as per applicable tax rates. A business loss of sole proprietorship can be set off with the business income of such sole proprietorship.

3.9 Withholding tax

An employer is obliged to withhold tax for the remuneration paid to an individual at the applicable rates. The employer is also obliged to withhold tax for the remuneration paid to a non-resident person.

3.10 Statutory obligation of employers

An employer is obliged to withhold and deposit tax on behalf of individual employees to the tax authority with 25 days from the end of Nepalese Calendar month.

3.11 Filing requirement of tax return

Filing due dates

In case of an individual having income from employment is not required to file Income Tax Return. However, if such individual has more than NPR 4 million in an Income Year he has to submit his Income Tax Return. The due date of filing Income Tax Return is within three months from the end of Income Year and the department may extend further three months' time to submit such return of income.

Penalties

Penalties shall be imposed if an individual fails to submit income tax return on time.

Application of holdover

N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Employees Provident Fund (EPF), Nepal

4.2 Basis of contribution

To regulate and supervise the fund contributed of employees of various organization.

4.3 Contribution rate

Employer and employees each are required to make contribution to EPF scheme. The contribution is 10% employee's of income.

4.4 Exemption from tax

A maximum of NPR 300,000 is allowed as deduction from taxable income.

GST/VAT

5.1 Basis of tax

VAT is charged on supply of goods or services. Goods or services imported into or exported out of country are also subject to VAT. There are some goods or services which are of basic necessities, are exempted from VAT and some goods or services like export of services are subject to zero rate.

5.2 Dates of tax

13% single rate

5.3 Registration

Transaction related to supply of goods in excess of NPR 5 million, supply of services in excess of NPR 2 million and supply of goods & services in excess of NPR 2 million are required to register under VAT

5.4 Filing requirements

Every registered person required to submit VAT return within 25 days from the end of Nepalese Calendar month. Further, separate record of purchase register, sales register and VAT accounts are to be kept.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

In case that a resident person has paid overseas income tax on its taxable income derived from sources outside Nepal, the income tax paid overseas can be creditable against its Nepal Tax payable. However, the creditable amount of overseas income tax cannot exceed the amount of income tax otherwise payable in Nepal in respect of non-Nepal sourced income

6.2 List of double tax treaties signed

Nepal has signed Double Taxation Avoidance Agreement with Austria, China, India, Korea, Mauritius, Norway, Pakistan, Qatar, Sri Lanka and Thailand.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

N/A

7.2 Real property tax

In case of individual, withholding tax on capital gain exceeding NPR 3 million

- Disposal of land or land & building owned for more than 5 years up to 10 years - 2.5%
- Disposal of land or land & building owned for less than 5 years - 5%

In case of Others, as per normal rate of tax is applicable.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.

1. Health Service Tax: 5% of health service invoices of all entities providing health services except for those provided by Government of Nepal and Community Hospitals shall be charged.
2. Education Service Fee: 1% on monthly fee and admission fee (Applicable to private sector schools providing more than higher level secondary education).
3. Telecommunication Service Charge: To be charged from customer 11% of the collected amount.
4. Telephone Ownership Fee: Rs. 1,000 per connection in case of postpaid and 2% of value of SIM and Recharge Card
5. Infrastructure Tax: Rs. 5 per liter for import of petrol, diesel and aviation fuel.
6. Road Repair and Improvement Fee: Rs. 4 per liter in petrol and Rs. 2 per liter in Petrol
7. Pollution Control Fee: Re. 0.50 per liter in petrol and diesel
8. Casino Royalty: Annual License Fee for Casino – Rs. 30 million. Annual License Fee for Casino using only modern equipment and machines – Rs. 7.5 milion

POINT OF CONTACT

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PAKISTAN

GENERAL INFORMATION

1.1 Country/Region

Pakistan

1.2 Currency

Pakistani Rupee (PKR)

1.3 Principal business entities

- Public (Listed) company
- Public (Unlisted) company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership
- Not for Profits Associations
- Housing Societies
- Trust

1.4 Foreign exchange control

No exchange control subject to reporting to State Bank of Pakistan

1.5 Current economy climate (Industry overview/ encouraged business development)

Pakistan is a country of more than 205 million people as per the 6th population and housing census 2017 conducted by Pakistan Bureau of Statistics. With such a huge market and a continuous improvement in security and economic conditions, Pakistan is a prime target for foreign investments. The China Pakistan Economic Corridor (CPEC) agreement is expected to bring investments of approximately 46 billion United States dollars (USD) for construction of 3,000 km land-route joining Kashgar, China with Gawadar Port in Pakistan, developing 1,200 km of new rail lines, enhancement of 3,100 of rail lines, development of 21 new power generation projects, development of 40 industrial parks and economic zones, laying gas pipelines, and many more infrastructure projects. The new route will enable China to import important supplies such as oil from the Middle-East and Africa in just 10 days. Work on several projects has already started and is currently in progress. This will generate over 3 million jobs, impacting the lives of over 20 million people. All these investments in the country's infrastructure have created a huge demand for steel, cement, and other infrastructure related products.

As Pakistan's middle class continues to grow, the country is fast moving towards becoming one of the most mobile-savvy countries in the world. The number of mobile phone users by the end of January 2017 was around 137 million which is 66.8% of the total population. This trend will continue to increase as smart phones are becoming cheaper and affordable. There is a large and a growing demographic of millennials who were born to the internet. They are tech-savvy, tech-conscious and according to a survey, 80% of millennials spend a minimum of two hours online, daily. It is important to highlight that under the Finance Act 2017 the concept of 'start-up' and 'online marketplace' has been introduced for the first time where tax exemptions, subject to certain requirements, have been granted. This presents an attractive opportunity for foreign investors to explore and invest in the country's tech sector.

Some long-term challenges still remain which include power generation, improving governance and tax collection, reducing the fiscal and current account deficits, and reducing dependence on foreign donors.

1.6 National tax authority

Name: Federal Board of Revenue (FBR)

Official website: www.fbr.gov.pk/

CORPORATE INCOME TAX

2.1 Basis of taxation

Any company incorporated or formed under any law in force in Pakistan or any company controlled or managed from within the Pakistan shall be treated to as resident company for the purpose of tax laws and subject to tax on income derived from within the Pakistan as well as foreign sourced income. However, credit for any income tax paid on foreign sourced income shall be allowed to the company.

2.2 Rates of tax

Companies are subject to a 31% flat rate of tax (which will reduce to 30% for tax year 2018 and onwards) on taxable income, while for banking companies the tax rate is 35% for tax year 2017.

2.3 Year of assessment

For the purpose of taxation, tax year shall be period of twelve months ending on 30th day of June. However, if the Company has compelling need to adopt tax year other than above, the Company may have special tax year after approval from competent authority.

2.4 Profits deemed to be taxable

The income assessable to tax for a company includes:

- any business profits and gains of any business carried out at any time of the year
- any income derived by any trade, profession or similar association from sale of goods or provision of service

- any income derived from the hire or lease of tangible movable property
- any management fee derived by a company
- profit on debt
- rent from sublease of rent and building
- income from lease of any building together with plant and machinery
- ground rent
- royalty
- any amount received or fair market value of any benefit received in connection with provision use or exploitation of property

2.5 Taxation of dividends

Dividend income is subject to Withholding Tax (WHT) of 12.5% or a lower tax treaty rate. The rate is 20% for non-filers (individuals not filing tax return).

The deduction at source shall be the final discharge of tax liability on dividend income, except for non-filers, who are eligible to claim a refund of 5% upon filing of an income tax return.

Stock dividends declared by resident companies are taxable as bonus shares at the rate of 5%.

2.6 Taxation of capital gains

Capital gains on sale of shares of public companies or modaraba certificates are exempt from tax if the holding period is more than 4 years provided that the date of acquisition is before July 1, 2013. Capital gains on shares and modaraba are taxed at a rate of 7.5% if held for less than 4 years and more than 2 years in case if the acquisition date is on or after July 1, 2013. If the holding period is less than 2 years and more than 1 year the applicable tax rate is 12.5%, and if held for less than 1 year the applicable tax rate is 15%. However, the rates for persons non-filers are 0%, 11%, 16%, and 18%, respectively, for various holding period of shares and modaraba. Gains on shares acquired after 1 July 2016 are taxable at the rate of 15% for filers and 20% for non-filers, irrespective of period of retention.

Capital gains on sale of immovable property (on which depreciation is not allowed) is taxed at the rate of 10% if disposed of within 1 year and 5% if disposed of within 2 years. In case of the holding period is more than 2 years, the gain is not taxable.

Capital gains on statutory depreciable assets (other than immovable property) are chargeable to tax as normal business income in the year of sale.

Capital loss can be set off against capital gains only. Loss on disposal of capital asset will not be allowed where gain on disposal of such asset would be exempt. Unabsorbed capital loss can be carried forward for adjustment against capital gains for 6 years.

2.7 Taxation of interest income

Interest income derived by any company shall be taxable as "Income from other source" taxable at rate of corporate tax rate. However interest income derived by a company where the business is to derive such income shall be chargeable under business income.

2.8 Utilization of tax losses

- For the purpose of taxation, all classes of income have classified into the following five categories:
  - Income from salary
  - Income from property
  - Income from business
  - Capital gain
  - Income from other sources
- Business loss incurred by the Company can be set off against taxable income of the company for the year excluding income from salary and income from property. **[Statute of limitation - Six years]**
- Capital loss and business loss if not wholly setoff can be carried forward for the period of tax year to be adjusted against respective income only.
- **Depreciation, initial allowance and amortization of intangibles** – For indefinite period and to be taken as last deduction.

2.9 Key Tax incentives

Where a company establishes an industrial undertaking before 30 June 2019, through at least 70% share capital issued for cash consideration, the company shall be eligible for tax credit in proportion to the investment made through share capital for the period of 5 years.

Profits derived by a company from the export of computer software, or IT services, are exempt from tax through 30 June 2019.

Where a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to 20% of the tax payable shall be allowed for the tax year in which the said company is enlisted and for the following 3 tax years, provided that the tax credit for the last two years shall be 10% of the tax payable.

Profits derived from an electric power generation project set up in Pakistan are exempt from tax.

2.10 Withholding tax

To expunge tax evasion and leakage, the tax laws have been designed as such to impose withholding tax on almost every single transaction being undertaken in Pakistan. This involves, withholding taxes on salary, utilities, banking transactions, transfer and registration of property and motor vehicles, imports and exports, payment for goods and service, property rental and even on educational payments. The rate of withholding taxes varies on transactional basis and in some cases varies on progressive basis.

2.11 Transfer Pricing

The Commissioner of tax is empowered to reclassify any transaction, entered between associates under tax avoidance scheme, to reflect the income that the company would have realized in an arm's length transaction.

2.12 Filing requirements of tax return

Filing due dates

Companies with tax year end between 1 January and 30 June are

liable to file their return of income by 31 December. Companies with tax year end on any other dates are liable to file their return of income by 30 September.

Penalties

Penalty may be imposed for failure to file return of income on due date. The penalty imposed shall be calculated at 0.1% of tax chargeable for each day of default with minimum penalty of Rs. 20,000 and maximum penalty of 50% of tax chargeable.

Payment of profit tax and application of holdover

Companies are required to pay advance tax in four quarterly installments calculated on the basis of last assessed tax and turnover for the ongoing tax year. In case the tax paid as above is less than 90% of tax chargeable, the amount under paid shall be chargeable to default surcharge at the rate of 12%.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual shall be a resident individual for a tax year if the individual

a) present in Pakistan for a period of one hundred and eighty-three days or more in the tax year;

b) is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

Individual income tax shall be classified under the following categories:

1. Salary
2. Income from property
3. Income from business
4. Capital gains
5. Income from other sources

3.2 Rates of tax

Rates for salaried individuals range from 2% to 30%, and from 7% to 35% for nonsalaried individuals.

3.3 Year of assessment

The tax year of each individual covers the year from 1st of July to 30th of June

3.4 Allowances and Deductions

An individual resident is allowed for the following personal relief:

(a) Zakat
(b) Workers welfare fund
(c) Workers participation fund
(d) Deductible allowance on profit on debt
(e) Deductible allowance for educational expenses

3.5 Taxation of dividends

Dividend income is subject to tax at 12.5% for filers and 15% for non-filers.

3.6 Taxation of capital gain

Capital gains on sale, exchange, or transfer of movable capital assets is taxable.

Capital gains on the sale of shares of Pakistani public listed companies (which includes modaraba certificates), are exempt if the instrument is acquired before July 1, 2013. Capital gains on shares acquired after July 1, 2013 are taxable at rates varying from 0% to 16% depending on the date of acquisition and period of holding. Gains on shares acquired after 1 July 2016 are taxable at the rate of 15% for filers and 20% for non-filers, irrespective of period of holding.

Capital gains and investment income earned abroad (outside Pakistan) are not taxable in the case of non-residents.

3.7 Taxation of interest income

Income from interest is taxed 10%.

3.8 Personal assessment and utilization of tax losses

Losses can be offset against profits in the same year, However, remaining losses can be carried back or forward.

3.9 Withholding tax

Please refer to the withholding tax mentioned under section 2.10.

3.10 Statutory obligation of employers

Employers have the obligation to withhold salary tax on a monthly basis. The salary tax has to be declared and paid monthly.

3.11 Filing requirement of tax return

Filing due dates

Individual return (Salaried)	31 August
Individual return (Other than salaried)	30 September

Penalties

Penalties may be imposed for failure to submit tax return by due date for non-filing of return.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Provident Fund Schemes Authority

4.2 Basis of contribution

Employers and employees make the contribution as a percentage of employee's remuneration.

4.3 Contribution rate

Employers and employees each are required to make mandatory contributions to a Provident Fund. It is 10% of the employee's relevant income.

4.4 Exemption from tax

The contributions made by an employee and employer are exempt.

GST/VAT

5.1 Basis of tax

Sales tax (VAT) is levied at a standard rate of 17% on the value of the goods, unless specifically exempt. Sales tax is borne by the end consumer.

Significant exemptions are as follows:

- Live animals and live poultry
- Live plants
- Vegetables, pulses, edible fruits (excluding imported fruits), certain spices, sugar cane, etc
- Milk preparations
- Newspapers, journals, periodicals, and books
- Agricultural produce not subject to any process

5.2 Rates of tax

Standard rate is 17%.

Rate on Services rendered in Sindh Province : 13%

Rate on Services rendered in Baluchistan Province : 15%

Rate on Services rendered in Punjab Province : 16%

Rate on Services rendered in KPK Province : 15%

5.3 Registration

The following sectors are required to be registered for sales tax and charge sales tax on their supplies/services:

- Manufacturers
- Importers
- Service providers
- Distributors, wholesalers & retailers.

Sales tax is chargeable on all locally produced and imported goods except computer software, poultry feeds, medicines and unprocessed agricultural produce of Pakistan.

5.4 Filing requirements

Sales tax returns and payments must be made on a monthly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Any foreign-source salary received by a resident individual is exempt from tax in Pakistan if the individual has paid foreign income tax in respect of that salary.

Where a resident taxpayer derives foreign source income chargeable to tax in respect of which the taxpayer has paid foreign income tax, the taxpayer shall be allowed a tax credit of an amount equal to the lesser of –

(a) the foreign income tax paid; or

(b) the Pakistan tax payable in respect of the income.

6.2 List of double tax treaties signed

Pakistan has signed comprehensive double tax agreements/ arrangement on income with more than 60 countries which aim to eliminate double taxation of income or gains arising in one territory and paid to residents of another territory.

Agreements signed and effective

- Brunei Darussalam
- Czech Republic
- Nepal
- Ukraine
- Kyrgyz Republic
- Spain
- Serbia
- Yemen
- Vietnam
- USA
- Uzbekistan
- United Arab Emirates
- United Kingdom
- Turkmenistan
- Tunisia
- Turkey
- Tajikistan
- Thailand.
- Saudi Arabia
- Syria
- Switzerland
- Sweden
- Sri Lanka
- Singapore
- Romania
- Qatar
- Portugal
- Poland
- Philippines
- Oman
- Norway
- Nigeria
- Netherlands
- Morocco
- Mauritius
- Malta
- Malaysia
- Lebanon
- Libya
- Korea
- Kazakhstan
- Kuwait
- Jordan
- Japan
- Italy
- Ireland
- Iran
- Indonesia
- Hungary
- Germany
- France
- Finland
- Egypt
- Denmark
- China
- South Africa
- Canada
- Bosnia & Herzegovina
- Belarus
- Belgium
- Bangladesh
- Bahrain
- Azerbaijan
- Austria

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty in Pakistan is a fee imposed by provincial governments on all property-related transactions, and it varies from province to province. However, it is usually a certain percentage of the value of property. Stamp duty is paid during the registration of the property when the title of ownership is transferred from the seller to the buyer.

7.2 Real property tax

Property taxes are levied on both buildings (commercial and residential building) and land by the provincial governments of Pakistan. The Excise and Taxation Departments of the provincial governments release Valuation Tables every year, which provide

certain figures based on different measures for each province, and sometimes for different cities within a province.

POINT OF CONTACT

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RUSSIA

GENERAL INFORMATION

1.1 Country/Region

Russia

1.2 Currency

Russian ruble (RUR)

1.3 Principal business entities

- Joint Stock Company
- Public Joint Stock Company
- Limited liability company
- Branch of a foreign corporation
- Private entrepreneur
- Federal or municipal company

1.4 Foreign exchange control

Currency restrictions in Russia play an important role as the economy continues to develop. They are primarily designed to support economic security, achieve sustainable economic growth, control inflation, and ultimately strengthen the country's international position. Major currency restrictions are listed below:

- With some exceptions, payments in foreign currency between residents are prohibited.
- Residents are required to notify tax authorities of opening foreign bank accounts and crediting funds to such accounts is limited.
- Residents, except individuals and certain other categories of residents, are required to provide to tax authorities updates on the status of their foreign bank accounts.
- Residents, with a limited number of exceptions, are required to ensure that payments due to them from non-residents are credited to the residents' bank accounts opened with authorized Russian banks, and that funds paid to non-residents for goods and services that have not been provided to residents are credited back to their bank accounts with authorized Russian banks.
- For some transactions with non-residents, citizens and companies are required to prepare and submit to banks, the so-called "transaction passport".
- Payments between non-residents in Russia can be made only through accounts with authorized Russian banks.

In spite of the fact that the ruble is still an unconvertible currency, the Russian authorities take successive steps to remove the restrictions and controls on foreign exchange transactions.

1.5 Current economy climate (Industry overview/ encouraged business development)

The investment attractiveness of the Russian market has grown. In 2017, foreign investors improved their expectations from the Russian economy in the short and medium term. 73% (against 60% in 2016) of large business leaders identified the potential of the Russian market as high. World Bank studies recorded a twofold increase in the desire to invest in the Russian economy.

The result of investment activity could be better under more favorable conditions. The inflow of investments is constrained by the following factors:

- the price of oil on the world market
- sanctions of Western countries to the Russian economy
- sanctions of Russia in relation to the countries of the West

Financial conditions in Russia are assessed as acceptable, although there are suggestions for reducing bank interest rates and restrictions on access to credit.

1.6 National tax authority

Name: Federal tax service of Russia ("FNS")

Official website: http://eng.nalog.ru/

CORPORATE INCOME TAX

2.1 Basis of taxation

"Tax Code of the Russian Federation" is called "profits tax". Taxable profit of Russian companies is determined as gross income earned less tax-deductible expenses incurred. Taxable profit of foreign organizations is defined as income received through a permanent establishment reduced by expenses incurred by the foreign organization in relation to the permanent establishment's activities and certain types of income received from other sources in Russia.

Taxable profit is normally determined on an accrual basis. Taxpayers are allowed to use the cash basis method only if their quarterly sales proceeds (excluding VAT) do not exceed RUB 1 million (approximately US$ 17,240) on average for the prior 4 quarters.

2.2 Rates of tax

The profits tax rate is 20%. This rate is split into two components payable to different budgets: Federal budget 3%; Regional budget 17%. The regional authorities may reduce their component of the tax rate down to 12.5%, making the lowest possible total tax rate 15.5%. Some regions have effectively adopted a reduced tax rate for certain categories of taxpayers under certain conditions (e.g., Leningrad region, Vologda Region, Kaluga Region, Krasnoyarsk Territory, Khanty-Mansisk region, etc.).

Different rates apply for specific types of income such as dividends.

2.3 Year of assessment

From 1 January to 31 December.

2.4 Profits deemed to be taxable

The tax code provides a list of income which is not taken into account in determining the tax base.

Generally, taxable profits are determined based on assessable income deducting allowable expenses paid or accrued during the year.

2.5 Taxation of dividends

Dividends received by Russian companies are subject to a 13% tax rate. In order to prevent double taxation of dividends, the tax base on domestic dividends paid is determined as the difference between dividends paid to Russian organizations by the taxpayer and dividends received from Russian organizations; i.e., further distribution of dividends received by Russian organizations from other Russian organizations to their own Russian investors is not taxable.

2.6 Taxation of capital gains/losses

Gains on the sale of capital assets are taxed at the standard profits tax rate. Capital gains are computed as gross proceeds less net tax book value (for depreciable assets) or acquisition cost (for other assets and property rights). Incidental costs of disposal are also deductible. Capital losses on the disposal of assets and property rights are deductible. For depreciable assets, the deduction should be taken evenly over the residual useful life of the property.

2.7 Taxation of interest income

Interest expense deductibility is subject to arm's length and thin capitalization tests.

Thus, interest on any type of loan taken to finance business-related expenses (current or capital expenses) is in principle fully tax-deductible provided the interest charged is at an arm's length rate, i.e., does not deviate more than 20% from the interest charged for comparable loans as defined by the Tax Code.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal income tax in Russia has a quite low flat rate and doesn't depend on income amount. This makes Russia a good place for highly-qualified specialists. Russian tax residents and non-residents are differently taxed in Russia. An individual is considered a Russian tax resident on a specific date if he/she is physically present in Russia for 183 or more days during a period of 12 consecutive months preceding the specific date. Final tax liabilities for a reporting calendar year are determined based on a tax residence status for this year. In particular, if an individual spent at least 183 calendar days in Russia in the reporting year, he/she is considered as a tax resident with regard to the entire reporting year. If the individual leaves Russia for less than six months for medical treatment and/or educational purposes, such days out of Russia can also be counted as Russian days. For the purpose of calculation of days of presence in Russia, both days of arrival and departure should be taken into account.

3.2 Rates of tax

Detailed rates for different types of residents and non-residents income are presented in a table below.

Income type	Tax rate for residents	Tax rate for non-residents
Dividend income from Russian companies	13%	15%
Dividend income from foreign companies	13%	n/a
Prizes received during advertising events	35%	35%
Deemed income resulting from loans received from organizations and individual entrepreneurs at a preferential interest rate (e.g., at a rate below 2 percent per annum for non-rouble loans)	35%	35%
All other income if non-resident employed in Russia under a "highly qualified specialist"	n/a	13%
interest on bonds with mortgage coverage issued before 1 January 2007, as well as on income of the founders of trust management of mortgage coverage received on the basis of the acquisition of mortgage certificates of participation issued by the mortgage manager before 1 January	9%	
Other types of income	13%	30%

3.3 Year of assessment

From 1 January to 31 December of the following year.

3.4 Allowances and Deductions

Generally, individuals are allowed to deduct the following when calculating the taxable base:

- Property related allowance
- Social allowance
- Professional deductions
- Standard allowance

3.5 Taxation of dividends

All dividends received by residents are subject to personal income tax at the rate of 13 percent. Dividends received by non-residents from Russian legal entities are taxed at the rate of 15 percent.

Special rules are established for taxation of dividends paid by Russian organizations to foreign nominal shareholders. If the ultimate shareholder is not disclosed, the tax should be withheld at a rate of 30 percent.

3.6 Taxation of capital gain

Losses and gains from sales of listed securities within one calendar year can be netted subject to certain limits. Losses from sales of listed securities can be carried forward to next years (up to 10 years).

3.7 Taxation of interest income

Interest (coupon income) received by residents is subject to personal income tax at the rate of 13 percent. Interest income received by non-residents from a Russian legal entity, Russian individual entrepreneur, or from a foreign legal entity in connection with activities of its division(s) in Russia are taxed at the rate of 30 percent.

Interest on deposits in Russian banks is tax-exempt within established limits (e.g., up to 9 percent of annual interest rate for deposits in foreign currencies). Interest exceeding the limits is taxable at a rate of 35 percent in the hands of tax residents (30 percent in the hands of tax non-residents).

3.8 Personal assessment and utilization of tax losses

As a general rule, the losses of the current year are not carried over to the following tax periods.

3.9 Withholding tax

Tax agents which pay income (exceptions apply to some types of income) to individuals are required to withhold income tax and remit it to the Russian finance authorities. Tax agents include individual entrepreneurs, Russian legal entities, and Representative offices/ Branches of foreign legal entities registered in Russia. Individuals who receive remuneration from outside Russia are personally responsible for income tax compliance and pay tax from such income on a self-assessment basis.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Pension Fund of Russian Federation, Fund of Medical & Social security of Russian Federation.

4.2 Basis of contribution

The base for calculation of payroll tax is earnings of each individual. It's calculated on cumulative basis starting from the beginning of the year. Payroll taxes are accrued on top of earnings. It means these taxes are not withheld from person's salary. The obligation to pay tax is on enterprise.

4.3 Contribution rate

Current payroll tax rate in Russia is 30%. However, it is not a flat rate and it's regressive and depends on cumulative earnings of individual. It is a complex tax which consist of payments to pension fund (22%), payments to social security fund (2.9%) and payments to medical fund (5.1%). For each part of tax there are some exceptions and special rates for certain categories of individuals.

For some types of taxpayers, the marginal tax rate is 14%.

Cumulative earnings of individual starting from the beginning of year	Pension fund tax rate	Social security fund tax rate	Medical fund tax rate
Up to 624,000 RUR (approx. $18,000)	22% Up to 796,000 RUR (approx. $ 13,706)	29% Up to 718,000 RUR (approx. $ 12,363)	5.1%
Over 624,000 RUR (approx. $18,000)	10%	0%	5.1%

4.4 Exemptions and additional charges

Revenues and expenses that are not included in the base for insurance contributions basically coincide with the excluded income and expenses for the personal income tax.

GST/VAT

5.1 Basis of tax

1. The following transactions are recognized as the taxable object:
   - The sale of goods (works, services) in the territory of the Russian Federation, including the sale of collateral and the transfer of goods (the results of work performed, the provision of services) under an agreement to grant compensation or novation, as well as the transfer of property rights.
   - The transfer in the territory of the Russian Federation of goods (works, services) for own needs, the costs of which are not deductible (including through depreciation charges) when calculating the corporate income tax.
   - Performance of construction and installation works for own consumption.
   - The import of goods into the territory of the Russian Federation and other territories under its jurisdiction.
2. The following transactions are not recognized as an object of taxation:
   - Transfer of residential houses, kindergartens, clubs, sanatoriums and other socio-cultural and housing and communal facilities, as well as roads, electrical networks, substations, gas networks, water intake facilities and other similar facilities to public authorities and the body at no charge - to local governments (or by decision of the said bodies, to specialized organizations that implement the use or operation of these facilities for their purpose).
   - The transfer of property of state and municipal enterprises, bought out in the order of privatization.
   - Performance of works (rendering services) by bodies that are part of the system of public authorities and local self-government bodies within the framework of the exclusive powers assigned to them in a certain field of activity in the event that the compulsory performance of these works (provision of services) is established by the legislation of the Russian Federation, legislation of the subjects of the Russian Federation, acts of local self-government bodies.

     i. Performance of works (rendering services) by state institutions, as well as budget and autonomous institutions within the framework of a state (municipal) assignment, the source of financial security is a subsidy from the corresponding budget of the budgetary system of the Russian Federation.

     ii. Provision of services for granting the right of passage of vehicles on public federal paid public roads (paid sections of such highways) carried out in accordance with the agreement on trust management of motor roads, the founder of which

is the Russian Federation, with the exception of services, The payment for which remains at the disposal of the concessionaire in accordance with the concession agreement.

- Transfer on a no-cost basis, rendering services for the transfer to the gratuitous use of fixed assets to state authorities and administrations and local self-government bodies, as well as state and municipal institutions, state and municipal unitary enterprises.
- Operations for the sale of land plots (shares in them).
- Transfer of property rights of the organization to its successor (successors).
- The transfer of funds or real estate to the formation or replenishment of the target capital of a non-profit organization.
    i. Transfer of immovable property in case of disbanding of the target capital of a non-commercial organization, cancellation of the donation or otherwise, return of such property transferred for replenishment of the target capital of a non-profit organization.
- Transfer to the educational and scientific non-profit organizations for the implementation of the statutory activities of state property not attributable to state enterprises and institutions that make up the state treasury of the Russian Federation, the treasury of the republic within the Russian Federation, the treasury of the territory, region, city of federal significance, autonomous region, as well as municipal property not assigned to municipal enterprises and established which constitutes the municipal treasury of the corresponding urban, rural or other municipal formation.
- Provision of services for transferring non-profit organizations for gratuitous use for the implementation of the statutory activities of state property not assigned to state enterprises and institutions that make up the state treasury of the Russian Federation, treasury of the republic within the Russian Federation, treasury of the territory, region, city of the federal value, autonomous region, autonomous okrug, as well as municipal property not assigned to municipal enterprises and establishments, which is municipal corresponding coffers urban, rural or other settlement muni-tsipalnogo formation.
- Performance of works (rendering services) within the framework of additional measures aimed at reducing tensions in the labor market of the subjects of the Russian Federation, implemented in accordance with the decisions of the Government of the Russian Federation.
- Operations for the sale (transfer) of state or municipal property in the territory of the Russian Federation that are not assigned to state enterprises and institutions and constitute the state treasury of the Russian Federation, the treasury of the republic within the Russian Federation, the treasury of the province, the region, the city of federal significance, the autonomous region, the autonomous okrug, as well as municipal property not assigned to municipal enterprises and institutions and constituting the municipality treasury correspondingly city, rural settlement or other municipal formation.
- The implementation of an autonomous non-profit organization set up in accordance with the Federal Law "On the Protection of the Interests of Individuals with Deposits in Banks and Separate Structural Subdivisions of Banks Registered and (or) Operating in the Territory of the Republic of Crimea and in the Territory of the City" federal significance of Sevastopol ", property and property rights and provision of services by this organization to represent the interests of depositors.
- Operations for the sale of property and (or) property rights of debtors recognized as insolvent (bankrupt) in accordance with the legislation of the Russian Federation.

5.2 Rates of tax

VAT is levied at a general rate of 18% on taxable supplies, which include the majority of domestic sales of goods and services. Certain basic food products, children's goods, certain medical products, medicines, drugs, newspapers, and magazines are subject to a reduced rate of 10%. Exported goods and some other specified supplies (e.g., sales to diplomatic missions) are subject to VAT at a zero rate. Supplies to the Commonwealth of Independent States (CIS) member states are treated as exports.

5.3 Registration

Taxpayers for VAT purposes are organizations, private entrepreneurs, and persons who are deemed to be taxpayers of VAT in connection with the conveyance of goods across the customs border of Russia.

Taxpayers cannot elect to register separately for VAT purposes. Tax registration is for the purposes of all corporate taxes.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Where there is a double tax agreement, foreign tax paid may be credited against profits tax on the same profits, but the credit is limited to Russian tax payable on the same income.

6.2 List of double tax treaties signed

Albania	Finland	Macedonia
Algeria	France	Malaysia
Arabia	Greece	Mali
Argentina	Germany	Malta
Armenia	Hong Kong	Moldova
Australia	Hungary	Mongolia
Austria	Iceland	Morocco
Azerbaijan	India	Namibia
Belarus	Indonesia	Netherlands
Bulgaria	Iran	New Zealand
Belgium	Ireland	Norway
Botswana	Israel	Philippines
Brazil	Italy	Poland
Canada	Japan	Portugal
Chile	Kazakhstan	Qatar
China	Korea	Romania
Croatia	Kuwait	Saudi
Cuba	Kyrgyzstan	Singapore
Cyprus	Latvia	Slovakia
Czech Republic	Lebanon	Slovenia
Denmark	Lithuania	South Africa
Egyp	Luxembourg	Spain

Sri Lanka
Sweden
Switzerland
Syria
Tajikistan
Thailand
The DPRK
The United Mexican
Turkey
Turkmenistan
U.A.E
Ukraine
United Kingdom
United States
Uzbekistan
Venezuela
Vietnam
Yugoslavia (Serbia and Montenegro)

OTHER SIGNIFICANT TAXES

7.1 Special tax regimes

Special tax regime is a system of special rules of taxation which can be applied for some categories of companies permanently or temporary according to Tax Code of Russian Federation. Management of companies usually has a choice whether to apply these rules or use a standard system of taxation. If the company apply special rules of taxation, automatically it receives exemption from some taxes, which are mandatory in a context of standard tax system (for example exemption from income tax, VAT or property tax).

There are 5 special tax regimes in Russia. They are: simplified taxation system, unified agricultural tax, unified imputed earnings tax, patent tax system and production sharing agreements.

First regime is called simplified taxation system. It can be applied by small and medium enterprises in order to stimulate it's growth and development. Tax rules of this regime is much softer then standard tax system, but there are lots of restrictions and criteria which company should maintain in order to use it.

Here is brief overview of this regime.

1. Company gets full exemption of VAT, income tax, payroll taxes, transport tax, excise duty, land tax.
2. Company pays only 6% tax from all its revenues or 15% tax from profit, the management should decide which one is better for the company. If the company choose to pay 15% from profit then minimal mandatory tax cannot be less than 1% or revenue. This 1% tax should be paid even if company generate loss.
3. In order to apply for it, company's revenue for last 12 month should be less then 150 million rubles (2.6 million dollars approximately). There are lots of other restrictions. Most significant are: organization should have less than 100 employees, net book value of fixed assets should be less than 100 million rubles, organization should be 75% controlled by physical persons (25% can belong to other organizations). Therefore such organization cannot be a subsidiary, but can be an associate of foreign corporation.

Second tax regime is called unified agricultural tax. It can be used by organizations in case they produce or process grain, milk or other agricultural production. Company size or capital structure is not sharply defined, main restrictions concerning number of employees (less than 300) and revenue structure (70% of revenue should be generated from sale of own agricultural produce). The term 'own agricultural produce' means that it should be produced as a result of biotransformation of assets controlled by company, but not purchased and resold.

Here is brief overview of this regime.

1. Company gets full exemption of VAT, income tax, property tax.
2. Company pays only 6% tax from all its profits. In case of loss company can accumulate it for tax purposes and subtract from future profits in 10 years.
3. Company can be a subsidiary of foreign enterprise.

Third and fourth tax regimes (unified imputed earnings tax and patent tax system) are for small business enterprises of certain kind of business activity. These include taxi drivers, professional teachers, cleaning services, guide services etc. Such businesses get exemption of all taxes but pay a tax from maximal potential income so called 'imputed earnings' which is defined statistically. Patent tax system and unified imputed earnings tax principally differs by types of business activity and ways of calculating the 'imputed earnings'. Tax rate is also different: 6% of the 'imputed earnings' in a patent system and 15% of it in a unified imputed earnings tax regime.

Last tax regime is called product sharing agreements (PSA). This tax regime can be applied only by foreign companies which business activity is exploration and development of mineral recourses in Russia. In order to apply for this tax regime the foreign company should conclude special agreement with a government of Russian Federation, which suppose incorporation of new business entity jointly controlled by Russian government from one side and foreign investor – from the other. Such business entity will receive a lot of tax preferences. Exact tax rates, tax base calculation methods and exemptions are usually described exactly in the agreement.

7.2 Property tax

Taxpayers

Property tax is paid by the following taxpayers: Russian organizations, foreign organizations carrying out activities in Russia through a permanent establishment or owning immovable property in Russia.

Tax rates

The assets tax rate is determined by the regional authorities but cannot exceed 2.2%.

Certain regions provide full exemptions from assets tax to taxpayers performing certain investment projects.

Tax base

For Russian and foreign organizations carrying out activities in Russia through a permanent establishment, assets tax is levied on movable and immovable property, which is recorded as fixed assets in their accounts maintained under Russian accounting principles. The tax base is the average annual value of the assets, calculated on the basis of the net book value of the fixed assets period by period (three months, six months, nine months, and calendar year).

Tax exemptions

Certain assets are excluded from the tax base, in particular land plots and other natural resource sites, certain historical and cultural monuments, public railway tracks, federal public roads, pipelines and electricity lines.

7.3 Other taxes

Excise tax

Excise tax is payable on domestic sales of certain goods produced

in Russia and on imports thereof. The list of goods subject to excise includes alcohol, beer, tobacco, cars, motorcycles, petrol, diesel fuel, motor oil and straight-run petrol. The rates are ordinarily established in rubles per unit or in perce ntages of value and vary significantly. Imported alcohol and tobacco are cleared through customs only if these goods bear excise stamps. With some exceptions, export sales are exempt from excise tax. Excise tax is deductible for profits tax purposes.

Transport tax

Transport tax applies to both legal entities and physical persons who register vehicles. For most types of vehicles, tax rates vary from RUB 2,5 to RUB 200 (US$0.043 to US$3.47) per horsepower of the engine capacity of the vehicle. Regional authorities are entitled to increase or decrease the tax rates, but not more than fivefold.

Mineral extraction tax

Tax rates for oil and gas represent fixed duty rates based on physical volume or quantity, but are subject to variation in line with changes in world prices. Other minerals are subject to tax based on the value of extracted commercial minerals.

Other taxes

Other taxes payable by companies include personal income tax, social contributions (see section, water tax, gambling tax, pollution tax, land tax, and various licensing fees.

7.4 Future tax changes 2018/19

The Ministry of Finance recently published a draft "The main directions of the tax policy for 2017 and the planning period of 2018 and 2019". The main aspects of this document are as follows:

1.1. Stimulating the activities of small and medium businesses

1.2. Improving the taxation system for oil production

1.3. Exemption from taxation of coupon yield on bonds

1.4. Improving non-tax payments

2. Improvement of corporate income tax
3. Questions of the consolidated group of taxpayers
4. Improvement of transfer pricing
5. Improvement of personal income tax (Personal Income Tax) and insurance premiums for compulsory state social insurance
6. Improvement of the taxation procedure with value added tax
7. Execution of excise taxation
8. Execution of taxation of natural resources
9. Execution of property taxes
10. Issues of state duty
11. Solving problems in the field of international taxation
12. Improvement of tax administration

12.1. Increase penalty size

12.2. Improving the conditions for timely fulfillment of the obligation to pay taxes, fees, insurance premiums

13. Optimization of existing tax incentives for regional and local taxes, as well as for federal taxes in the part credited to regional and local budgets

POINT OF CONTACT

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GENERAL INFORMATION

1.1 Country/Region

Singapore

1.2 Currency

Singapore Dollars ("SGD")

1.3 Principal business entities

a) Public company

b) Private company

c) Partnership

d) Sole proprietorship

e) Branch of a foreign corporation

1.4 Foreign exchange control

No foreign exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

Singapore's longer term economic strategies and policies are constantly re-evaluated to adapt to changing challenges and priorities over time. There are focused measures have implemented to develop Singapore as a world-class financial centre, such as liberalising the domestic banking and insurance industries to greater foreign participation. Simultaneously, Singapore adopting a more open and consultative approach in the supervision and development of the financial sector and has shifted the emphasis from regulation to risk-focused supervision.

The Singapore overall economy shrank by 1.3% quarter-on-quarter seasonally adjusted annualised rate in first Quarter 2017. It was due to a pullback in the trade-related sectors and weighed down by a decline in pharmaceuticals production and oil-related wholesale trade. However, growth in the resilient domestic-oriented cluster was resilient providing some countervailing support.

Barring the materialisation of downside risks, Singapore's gross domestic product (GDP) growth in 2017 could be stronger than the 2% recorded in 2016. The growth of the Singapore economy is expected to remain on a steady and modest growth path, with GDP projected to expand by 1% to 3% in 2017, to accommodate the risks from uncertainties in the global economy.

1.6 National tax authority

Name: Inland Revenue Authority of Singapore ("IRAS")

Website: www.iras.gov.sg

CORPORATE INCOME TAX

2.1 Basis of taxation

The tax is assessed on territorial basis. Singapore tax resident companies are subject to tax on income accruing in, derived from Singapore and on income derived from sources outside Singapore that is received or deemed to have been received in Singapore.

2.2 Rates of tax

The Singapore headline corporate tax rate is 17%

2.3 Year of assessment

The basis period for any Year of Assessment ("YA") is the financial year ended preceding the YA.

2.4 Profits deemed to be taxable

Section 12(1) of Singapore Income Tax stipulates that where a non-resident person carries on a trade or business of which only part of the operations is carried on in Singapore, the gains or profits of the trade or business shall be deemed to be derived from Singapore to the extent to which such gains or profits are not directly attributable to that part of the operations carried on outside Singapore.

Non-resident shipping and air transport

(2) Where a non-resident person carries on —

(a) the business of ship-owner or charterer; or

(b)the business of air transport,

and any ship or aircraft owned or chartered by him calls at a port, aerodrome or airport in Singapore, his full profits arising from the carriage of passengers, mails, livestock or goods shipped, or loaded into an aircraft, in Singapore shall be deemed to accrue in Singapore.

(2A) Subsection (2) shall not apply to passengers, mails, livestock or goods which are brought to Singapore solely for transhipment, or for transfer from one aircraft to another or from an aircraft to a ship or from a ship to an aircraft.

Cable or wireless undertakings

(3) Where a non-resident person carries on in Singapore the business of transmitting messages by cable or by any form of wireless apparatus, his full profits arising from the transmission in Singapore of any such messages, whether originating in Singapore or elsewhere, to places outside Singapore shall be deemed to accrue in Singapore.

Employment exercised in Singapore

(4) The gains or profits from any employment exercised in Singapore shall be deemed to be derived from Singapore

whether the gains or profits from such employment are received in Singapore or not.

Employment exercised outside Singapore on behalf of Government

(5) The gains or profits from any employment exercised outside Singapore on behalf of the Government by any individual in the discharge of governmental functions shall be deemed to be derived from Singapore except where such individual is not a citizen or a resident of Singapore.

Interest, etc.

(6) There shall be deemed to be derived from Singapore —

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is —

(i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore; or(ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

(6A) Subsection (6) shall not apply to any payment for —

(a) any arrangement, management or service relating to any loan or indebtedness, where such arrangement, management or service is performed outside Singapore for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a non-resident person who —

(i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

(ii) in any event —

(A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

(B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the arrangement, management or service is not performed through that business carried on in Singapore or that permanent establishment; and

(b) any guarantee relating to any loan or indebtedness, where the guarantee is provided for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a guarantor who is a non-resident person who —

(i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

(ii) in any event —

(A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

(B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the giving of the guarantee is not effectively connected with that business carried on in Singapore or that permanent establishment.

Royalties, etc.

(7) There shall be deemed to be derived from Singapore —

(a) royalty or other payments in one lump sum or otherwise for the use of or the right to use any movable property;

(b) any payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;

(c) any payment for the management or assistance in the management of any trade, business or profession; or

(d) rent or other payments under any agreement or arrangement for the use of any movable property, which are borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore) or which are deductible against any income accruing in or derived from Singapore.

(7A) Subsection (7) shall not apply to any payment for —

(a) the rendering of assistance or service in connection with the application or use of scientific, technical, industrial or commercial knowledge or information, where such rendering of assistance or service is performed outside Singapore for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a non-resident person who —

(i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

(ii) in any event —

(A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

(B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the rendering of assistance or service is not performed through that business carried on in Singapore or that permanent establishment; and

(b) the management or assistance in the management of any trade, business or profession, where such management or assistance is performed outside Singapore for or on behalf of a person resident in

Singapore or a permanent establishment in Singapore by a non-resident person who –

(i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

(ii) in any event –

(A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

(B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the management or assistance is not performed through that business carried on in Singapore or that permanent establishment.

Commission or other payment of licensed international market agent

(8) There shall be deemed to be derived from Singapore any commission or other payment paid to a licensed international market agent for organising or conducting a casino marketing arrangement with a casino operator in Singapore which is –

(a) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore; or

(b) deductible against any income accruing in or derived from Singapore.

(9) In this section, "casino marketing arrangement", "casino operator" and "international market agent" have the same meanings as in the Casino Control Act (Cap. 33A).

2.5 Taxation of dividends

Dividends are not taxable if they are: -

a) Foreign dividends received in Singapore on or after 1 Jan 2004. This excludes foreign income received through partnerships in Singapore.

b) Income distributions from unit trusts and real estate investment trust ("REIT"), that are authorized under Section 286 of the Securities and Futures Act (excludes distributions out of franked dividends) on or after 1 Jan 2004.

c) One-tier exempt dividends from companies under the one-tier corporate system.

Under the one-tier corporate tax system, tax paid by a company on its chargeable income is the final tax. All dividends paid by a company are exempt from tax in the hands of the shareholders.

2.6 Taxation of capital gains

No taxation on capital gains.

2.7 Taxation of interest income

Interest income is taxed as separate source income under Section 10(1) (d) of Singapore Income Tax Act.

2.8 Utilization of tax losses

Unutilised losses can be carried forward to offset against any taxable income for future years until they are fully utilized provided that at least 50% of the paid up share capital of a company are held by the same shareholders at the relevant dates as follows (known as shareholding test):

The last day of the year in which loss was incurred and the first day of the year of assessment in which the loss would be deductible against any income.

2.9 Key Tax incentives

Applying for Singapore Tax incentives for Companies

Tax incentives for companies are provided in the Singapore Income Tax Act ("SITA") and Economic Expansion Incentives Act (EEIA).

The following key tax incentives are available:-

Governing Legislation	Types of incentives	Statutory Board
1. SITA – Section 13F	Exemption of international shipping profits	Maritime and Port Authority of Singapore ("MPA")
2. SITA – Section 13H	Exemption of income of venture company	Spring Singapore
3. SITA – Section 13S	Exemption of income of shipping investment enterprise	MPA
4. SITA – Section 14B	Further deduction for expenses relating to approved trade fairs, trade exhibitions, trade missions or to maintenance of overseas trade office	International Enterprise Singapore ("IE Singapore")
5. SITA – Section 14E	Further deduction for expenditure on research and development project	Singapore Economic Development Board ("EDB")
6. SITA – Section 43C	Exemption and concessionary rate of tax for insurance and reinsurance business	Monetary Authority of Singapore ("MAS")
7. SITA – Section 43G	Concessionary Rate of Tax ("CRT") for Finance and Treasury Centre	EDB
8. SITA – Section 43P	CRT for global trading company and qualifying company	IE Singapore
9. SITA – Section 43Q	CRT for financial sector incentive company	MAS
10. SITA – Section 43W	CRT for shipping investment manager	MPA
11. SITA – Section 43ZA	CRT for container investment enterprise	MPA
12. SITA – Section 43ZB	CRT for container investment manager	MPA
13. SITA – Section 43ZE	CRT for ship broking and forward freight agreement trading	MPA
14. EEIA – Part II	Pioneer Industries	EDB
15. EEIA – Part III	Pioneer Service Companies	EDB
16. EEIA – Part IIIB	Development and Expansion Incentive	EDB
17. EEIA – Part X	Investment Allowances	EDB

2.10 Withholding tax

Nature of Payments that are Subject to Withholding Tax

Under Section 45/45A/45B/45F of Singapore Income Tax Act, there are specific payments paid or payable to non-tax residents that would require to be withheld tax as follows: -

a) Interest, commission, fee in connection with any loan or indebtedness

SINGAPORE

b) Royalty or other payments for the use of or the right to use any movable property

c) Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information

d) Payments of management fees

e) Rent or other payments for the use of any movable property

f) Payments for the purchase of real property from a non-resident property trader

g) Structured products (exclude payments qualify for tax exemption under Section 13(1)(zj) of Singapore Income Tax Act

h) Distribution of real estate investment trust (REIT)

A percentage of that payment for the above specific payments must be withheld and accounted to IRAS by the 15th of the second month from the date of payment to non-tax residents.

Nature of Payments that are Exempt from Withholding Tax

The following types of payments do not attract withholding tax when paid to non-resident:-

a) Dividend Payments

b) Payments to Singapore Branches of Non-Resident Companies (on or after 21 February 2014)

c) Payments Made by Banks, Finance Companies and certain Approved Entities

d) Payment for the Charter of Ships

e) Payments for Satellite Capacity

f) Payments for the Use of International Submarine Cable Capacity, including payments for Indefeasible Rights of Use (IRUs)

The exemption does not apply to payments which are: -

1. Treated as income earned by any trade or business carried on or exercised by a non-resident person in Singapore; or

2. Effectively connected with a permanent establishment in Singapore.

2.11 Transfer Pricing

IRAS endorses the arm's length principal as the standard to guide transfer pricing. It is an internationally accepted standard adopted for transfer pricing between related parties. When the pricing of related party transactions is not at arm's length and results in a reduced profits for the Singapore tax payer, the Comptroller of Income Tax may adjust and levied tax on the profit of the Singapore tax payer in accordance with Section 34D of Singapore Income Tax Act.

The arm's length principal requires that transfer prices between related parties are equivalent to prices that unrelated parties would be charged in the similar circumstances. It involves identifying situations or transactions undertaken by unrelated parties that are comparable to the situations or transactions between related parties. This is commonly known as "comparability analysis". IRAS recommends that tax payers adopt the following 3-step approach to apply the arm's length principle in their related party transactions:-

Step 1: Conduct a comparability analysis

Step 2: Identify the appropriate transfer pricing method and tested party

Step 3: Determine the arm's length results

2.12 Filing requirements of tax return

Filing due dates

Form C / C-S (Paper file): By 30 Nov of each year

Form C / C-S (E-file): By 15 Dec of each year

Penalties

a) IRAS may issue an estimated Notice of Assessment (tax payable based on IRAS's estimate has to be paid within 30 days)

b) Impose a penalty for late filing of tax return

c) Summon the company / Director to Court

d) Take legal actions (Penalty may be twice the tax payable)

If the company, without reasonable excuse, has a tax return that is outstanding for two years of assessment or more, it will upon conviction in court have to pay a penalty that is twice the amount of tax that IRAS may assess for that year of Assessment and a fine up to $1,000.

Payment of profit tax and application of holdover

All companies have to submit their ECI within three months from the end of their financial year end.

Subsequently, if the ECI is more than the actual chargeable income reported in the final income tax form (Form C), the excess tax paid earlier will be refunded automatically. However, if the ECI is less than the actual chargeable income reported, the additional tax must be paid within 30 days from the date of the Notice of Assessment.

Where there is a significant difference between the ECI provided and the chargeable income reported in the Form C, IRAS may require the company to provide an explanation.

Companies may be waived from filing an ECI, subject to fulfilment of certain criteria.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All income earned in or derived from Singapore is chargeable to income tax. Generally, overseas income received in Singapore on or after 1 January 2014 is not taxable.

In general, income earned may come from different sources: -

a) Employment income

b) Trade, Business, Profession or Vocation

c) Property or Investments

d) Other sources (e.g. annuities, royalties, winnings or estate or trust income)

Income tax rates depend on an individual's tax residency status. The tax payer will be treated as a tax resident for a particular year of assessment (YA) if they are:-

a) Singapore Citizen or Singapore Permanent Resident who resides in Singapore except for temporary absences

b) Foreigner who has stayed / worked in Singapore (excludes director of a company) for 183 days or more in the previous year. i.e. the year before YA

If otherwise, they will be treated as a non-resident of Singapore for tax purposes.

Singapore's personal income tax rates for resident tax payers are progressive. This means that higher income earners pay a proportionately higher tax, with the current highest personal income tax rate of 22% for income above $320,000 per annum after deducting personal reliefs which individuals entitled.

In YA 2017, all personal tax residents will be given a personal income tax rebate of 20% of tax payable, capped at $500 per tax resident payer.

3.2 Rates of tax

TAX RATES FOR RESIDENTS :-

Chargeable income	Rate (%)	Gross tax payable
First $20,000	0	0
Next $10,000	2	$200
First $30,000	–	$200
Next $10,000	3.50	$350
First $40,000	–	$550
Next $40,000	7	$2,800
First $80,000	–	$3,350
Next $40,000	11.5	$4,600
First $120,000	–	$7,950
Next $40,000	15	$6,000
First $160,000	–	$13,950
Next $40,000	18	$7,200
First $200,000	–	$21,150
Next $40,000	19	$7,600
First $240,000	–	$28,750
Next $40,000	19.5	$7,800
First $280,000	–	$36,550
Next $40,000	20	$8,000
First $320,000	–	$44,550
Above $320,000	22	

TAX RATES FOR NON-RESIDENTS :-

Taxes on Employment income

The employment income of non-resident is taxed at flat rate of 15% or the progressive resident tax rates (see the table above), whichever is a higher tax amount.

Taxes on Director's fees, Consultant fees and All Other income

As from YA 2017, the tax rates for non-resident individuals (except certain reduced final withholding tax rates) has been raised from 20% to 22%. This is to maintain parity between the tax rates of non-resident individuals and the top marginal tax rates of resident individuals.

3.3 Year of assessment

The basis period for any Year of Assessment ("YA") is the year preceding the YA.

3.4 Allowances and Deductions

TYPE OF RELIEF	QUANTUM
Earned Income Relief i) Below 55 years old ii) 55 to 59 years old iii) 60 years old and above	 $1,000 $6,000 $8,000
Spouse Relief	$2,000
Handicapped Spouse Relief	$5,500
Qualified Child Relief	$4,000 per child
Handicapped Qualified Child Relief	$7,500 per child
Handicapped Brother/Sister Relief	$5,500 per sibling or sibling-in-law
Parent Relief i) Staying with parents ii) Not staying with parents	 $9,000 per dependant $5,500 per dependant
Handicapped Parent Relief i) Staying with parents ii) Not staying with parents	 $14,000 per dependant $10,000 per dependant
Course Fees Relief	Capped at $5,500 each year
Life Insurance Relief	Maximum of $5,000 capped at the lower of insurance premiums paid in the preceding year or 7% of capital sum assured on death.
Foreign Maid Levy Relief	Twice the levy paid in the previous years on one foreign maid (subject to maximum of $6,360 or $1,440 provided that the Ministry of Manpower had approved an individual's application for levy concession).
Supplementary Retirement Scheme ("SRS") Tax Relief	The SRS contribution cap is $15,300 for Singapore Citizens and Singapore Permanent Residents; and, $35,700 for foreigners.

For YA 2017, a Personal Tax Rebate of 20% of tax payable, up to a maximum of $500 is granted to tax residents.

With effect from YA 2018, the total amount of personal income tax reliefs which individual taxpayers can claim is subject to an overall cap of $80,000.

3.5 Taxation of dividends

No taxation on dividends.

3.6 Taxation of capital gain

No taxation on capital gains.

3.7 Taxation of interest income

Interest received on or after 1 Jan 2005 from any deposit with approved banks or licensed finance companies in Singapore are tax exempt. However, individual tax payers are required to declare interest income from deposits with non-approved banks or finance companies which are not licensed in Singapore, pawnshops, loans to companies and persons.

3.8 Personal assessment and utilization of losses

Business income is income derived from carrying on a trade, a business, a profession, or a vocation. Business income is taxable in the sole-proprietor's or self-employed person's name. Therefore a sole-proprietor or self-employed person who receives this income has to prepare statement of accounts and report the income in his individual tax return. The business income will be added to all other personal income and the total is subject to personal income tax rates.

Business losses can be offset against other income

If trade losses are incurred after deducting the allowable expenses against the gross profit, the trade losses and capital allowances claimed can be used to offset against other income such as employment, interest, rental income and income from other business in the same year.

Carrying business loss forward

If the other income is not sufficient to utilise the trade loss, the unabsorbed trade losses to subsequent years to offset against the income until the trade losses are fully utilized.

3.9 Withholding tax

See section 2.10.

3.10 Statutory obligation of employers

Employers are required by law to contribute to the Central Provident Fund ("CPF"). Under the scheme, employers are to ensure that CPF contributions are paid monthly for its employees at the rates set out in the Central Provident Fund Act (Cap. 36). The contributions payable should be based on the employee's actual wages earned for the month. The employer is entitled to recover a percentage of that contribution from the employee through deductions from the employee's wages.

CPF contributions are also payable for the following employees:

a) Company Directors

b) Part-time/Casual Employees

c) Operationally Ready National Servicemen on in-camp training. Under the Enlistment Act, employers have to pay the CPF contributions on the wages given by the employer and makeup pay from Ministry of Defence. The employee's share of contributions can be recovered from the employee's wages

d) Family members of the business owner, if they are receiving wages for work done for the proprietor

e) Employees concurrently employed by another employer

f) Singapore Permanent Residents (SPRs)

Employers have a grace period of 14 days to make payment of CPF contributions after the end of the month for which CPF contributions are due.

Recovery of the employee's share of CPF contribution

Employers are entitled to recover the employee's share when the contributions are paid for that month. If an employer fails to recover the money by then, and the error was not due to negligence, he can still do so provided:

a) The employer has paid the CPF contributions to the Board, and

b) The employer has either forwarded the employee's written consent to the Board, or obtained the Board's written permission on the matter.

Recovery of the employee's share of CPF contributions must be done within six months of the time the contributions should have been recovered.

Employee Tax Forms

An employer must prepare Form IR8A and Appendix 8A, Appendix 8B or Form IR8S (where applicable) for all employees (who are employed in Singapore) by 1st Mar each year in accordance with Section 68(2) of the Income Tax Act.

Auto-Inclusion Scheme for Employment Income

Employers who have 9 or more employees for the entire year ending 31 December 2017 or who received the "Notice to File Employment Income of Employees Electronically" must submit their employees' income information to IRAS electronically by 1st Mar each year.

IRAS encourages all employers to join the Auto-Inclusion Scheme (AIS) for Employment Income. Under this scheme, employers submit their employees' income information to IRAS electronically. The employment income information will be shown on the employees' electronic tax return and automatically included in their income tax assessments.

Record keeping

From YA 2008 onwards, employers are required to keep proper records of all employees' income and deductions submitted to IRAS for 5 years.

Tax Clearance for non-citizen foreign employee

Tax Clearance is a process of ensuring that non-citizen foreign employee pays all his taxes when he ceases employment in Singapore or plans to leave Singapore for more than three months. Tax clearance obligations apply to all work pass holders. Employers are obliged to notify IRAS and seek tax clearance for the affected foreign employees.

Foreigners may have left Singapore by the time tax is assessed on their income and payment is due. For this reason, employers have a legal obligation to inform the Comptroller of Income Tax using Form IR21 (notification by employer of an employee's cessation of employment or departure from Singapore) at least one month in advance before the non-citizen employee leaves Singapore. The employer will have to withhold payment of monies due to the employee until the employer has received the "Tax Clearance" from the Comptroller of Income Tax.

3.11 Filing requirement of tax return

Filing due dates

Payment of CPF contributions

CPF contributions are due at the end of each month. However, employers have a grace period of 14 days to pay CPF contributions after the end of the month.

E-submission of employees' income

The Compulsory deadline: 1 March each year.

Tax Clearance for non-citizen foreign employee

Employers must seek tax clearance by filing Form IR21 at least one month before the non-citizen employee:

a) Ceases to work in Singapore; or

b) is on overseas posting; or

c) leaves Singapore for any period exceeding three months.

Penalties

Employers Default on CPF contributions

If the employers fail to pay CPF Contributions correctly and promptly, they may be taken to court. Upon conviction, the court will impose fines and order employers to pay the arrears and interest charges.

First time offenders, who are convicted of a late payment offence may be fined up to $2,500 for each offence. Repeated offenders may be fined up to $10,000 for each offence. Employers who have recovered the employees' share of contributions and failed to pay the contributions to the CPF Board, may be fined $10,000 for each offence or jailed 7 years, or both.

Failure to file Tax Clearance for non-citizen foreign employee

a) Impose a composition fee and pay composition fee within 14 days from the date of Notification letter

b) Summon the employer to attend Court

Application of holdover

Not applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Central Provident Fund Board ("CPF")

4.2 Basis of contribution

The CPF is a comprehensive social security savings plan that has provided many working Singaporeans with a sense of security and confidence in their old age.

The overall scope and benefits of the CPF encompass the Retirement, Healthcare, Home Ownership , Family Protection and Asset Enhancement. Working Singaporeans and their employers make monthly contributions to the CPF and these contributions go into three accounts:-

a) Ordinary Account - the savings can be used to buy a home, pay for CPF insurance, investment and education.

b) Special Account - for old age and investment in retirement-related financial products.

c) Medisave Account - the savings can be used for hospitalization expenses and approved medical insurance.

4.3 Contribution rate

From 1 January 2016:

Employee Age (Years)	Employer	Employee
50 and below	17%	20%
Above 50-55	17%	20%
Above 55-60	13%	13%
Above 60-65	9%	7.5%
Above 65	7.5%	5%

4.4 Exemption from tax

'CPF relief' is a relief to encourage individuals to save for their retirement.

As a self-employed person, individuals will enjoy tax deductions on mandatory and voluntary CPF contributions.

For contributions made in YA 2017, individual can claim tax relief of up to 37% of yearly net trade income not exceeding the prevailing CPF Annual Limit of $37,740. In addition, if Medisave balance is below the Medisave Contribution Ceiling, individual can enjoy further tax relief by making voluntary contributions to Medisave Account provided the total contribution for the year does not exceed the CPF Annual Limit.

If the individual is also an employee and the combined mandatory CPF contributions as an employee and as a self-employed are less than $37,740, the individual may claim tax relief for voluntary CPF contributions. However, the total claim for mandatory and voluntary CPF contributions must not be more than $37,740.

GST/VAT

5.1 Basis of tax

Goods and Services Tax ("GST") is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as on domestic consumption. In other countries, GST is known as the Value-Added Tax ("VAT"). It is paid whenever customers buy goods or services from GST registered businesses.

Taxable supplies

a) Standard-rated supplies refer to taxable supplies of goods and services supplied in Singapore (e.g. sale of goods in supermarket) and GST is charged at 7%.

b) Zero-rated supplies refer to export of goods and international services (e.g. provision of international transportation services or sale of goods to overseas customer where the good is shipped to an overseas address) and GST is charged at 0%.

Non-taxable supplies

c) Exempt supplies refer to sale and lease of residential properties and financial services (e.g. income from sale of shares and interest) and GST is not applicable.

d) Out-of-scope supplies refer to third country sales (e.g. sale of goods from China to India where the goods do not enter Singapore and goods in transit) and GST is not applicable.

5.2 Rates of tax

It is charged and accounted for at a standard rate of 7%.

5.3 Registration

Compulsory Registration

A business is liable to register for GST if the value of taxable supplies exceeded S$1 million in the past 12 months or currently making taxable supplies and expect the value of taxable supplies to exceed S$1 million in the next 12 months. They are required to apply of GST registration within 30 days from the date the businesses' liability arose.

Voluntary Registration

Businesses or traders making taxable supplies below S$1 million or have not started making taxable supplies. If annual taxable turnover is below the threshold of S$1 million or have not started making taxable supplies but expect the taxable turnover to exceed $1 million in the next 12 months, they can apply for voluntary registration.

Exemption from Registration

Businesses can apply to the Comptroller of GST for exemption from registration if they make or intend to make wholly or mainly zero-rated supplies even if the turnover exceeds S$1 million. If after being so exempted, there is a major change in the nature of the supplies made by the business, they are required to inform the Comptroller of GST.

5.4 Filing requirement

Both GST returns and payment are due one month after the end of the accounting period covered by the return. If a business is on General Interbank Recurring Order (Giro) plan for GST payment, they are allowed to make payment over a certain number of interest-free instalments. They have to ensure that there are sufficient funds in their designated bank account for the monthly scheduled Giro deduction to avoid the imposition of late payment penalties.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign income earned by a Singapore company may be subject to taxation twice – once in the foreign country, and a second time when the foreign income is remitted into Singapore. Foreign tax credit is granted by allowing Singapore company to claim a credit for the tax paid in the foreign country against the Singapore tax that is payable on the same income.

The foreign tax credit is commonly known as Double Tax Relief ("DTR") under Avoidance of Double Tax Agreement concluded between Singapore and various foreign countries to relieve the burden of double taxation.

6.2 List of double tax treaties signed

CONCLUDED COMPREHENSIVE TAX TREATIES WITH 82 COUNTIRES

Albania	Demark	Isle of Man
Australia	Ecuador	Israel
Austria	Egyp	Italy
Bahrain	Estoni	Japan
Bangladesh	Fij	Jersey
Barbados	Finland	Kazakhstan
Belarus	France	Kore
Belgium	Georgia	Kuwai Laos
Brunei	Germany	Latvia
Bulgaria	Guernsey	Libya
Canada	Hungary	Liechtenstein
China	India	Lithuania
Cyprus	Indonesia	Luxembourg
Czech Republic	Ireland	Malaysia
Malta	Philippines	Spain
Mauritius	Poland	Sri Lanka
Mexico	Portugal	Swede
Mongolia	Qatar	Switzerland
Morocco	Romania	Taiwan
Myanmar	Russian Federation	Thailand
Netherlands	Rwanda	Turkey
New Zealand	San Marino	Ukraine
Norway	Saudi Arabia	United Arab Emirates
Republic of Oman	Seychelles	United Kingdom
Pakista	Slovak Republic	Uruguay
Panama	Slovenia	Uzbekistan
Papua New Guinea	South Africa	Vietna

LIMITED TAX TREATIES WITH 8 COUNTIRES

Bahrain	Oman
Brazil	Saudi Arabia
Chile	United Arab Emirates
Hong Kong	United States of America

EXCHANGE OF INFORMATION ARRANGEMENTS WITH 1 COUNTRY

Bermuda

AGREEMENTS WHICH ARE SIGNED BUT NOT RATIFIED WITH 5 COUNTRIES

Cambodia	Latvia
Ethiopia	Sri Lanka
Ghana	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp Duty is a tax on documents relating to immovable properties, stocks or shares.

Lease / Tenancy Agreements

These are documents that are prepared and signed when renting a property. Stamp Duty is calculated on the actual rent or market rent whichever is higher. The person who leases or rents the property (lessee or tenant) is responsible for paying Stamp Duty.

Acceptance to Option to Purchase / Sale & Purchase Agreements

These are documents that are prepared and signed when buying or selling property. Stamp Duty is payable on the actual price or market price whichever is higher. The buyer is responsible for paying Buyer's Stamp Duty. Where Seller's Stamp Duty is applicable, the seller is responsible for paying Seller's Stamp Duty.

Mortgages

These are documents that are prepared and signed when obtaining a loan from banks for property purchase. Stamp Duty is payable on the loan amount. The person who obtains the loan (mortgagor) is responsible for paying the Stamp Duty on the mortgage document.

Share Transfer Documents

These are documents that are prepared and signed when buying or selling shares. Stamp Duty is payable on the actual price or net asset value of the shares whichever is higher. The person who

buys the shares (transferee) is responsible for paying Stamp Duty on the Share Transfer document.

7.2 Real property tax

Property tax rates on owner-occupied and non-owner occupied residential properties are applied on progressive scale. All other properties continue to be taxed at 10% of the Annual Value ("AV").

The AV is the estimated annual rent of property if it were to be rented out, excluding the furniture, furnishings and maintenance fees. It is determined after analyzing the rents of similar or comparable properties. The basis of determining the AV is the same whether the property is rented out, owner-occupied or left vacant.

The amount of Property tax is calculated by multiplying the AV of the property with the relevant property tax rates.

Residential properties	Non-Residential properties
Owner-Occupier Tax Rates for range from 0% to 16% Non-Owner Occupier Tax Rates for range from 10% to 20%. The tax rates depend on the AV bands	Non-residential properties such as commercial and industrial buildings and land are taxed at 10%

7.3 Estate duty

Estate duty has been removed for deaths on and after 15 Feb 2008.

7.4 Net wealth/net worth tax

N.A

7.5 Others

Business tax: N.A

Consumption tax, etc.: N.A

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SINGAPORE

TAIWAN

GENERAL INFORMATION

1.1 Country/Region

Taiwan

1.2 Currency

New Taiwan Dollar (NTD)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

Taiwan now is looking forward to active year in 2014 due to the Cross-Strait Agreement on Trade in Services (CSATS) with mainland China. The purpose of this Agreement is to reduce restrictions on trade in services, expand the scope of market and business for service suppliers, and enhance cooperation in trade in services between the two Parties.

The CSATS offers service suppliers in the two Parties better access to each other's service market. It will also enhance the transparency of trade rules in services and help service suppliers of both sides to do business. Additionally, it marks one of the major steps for Taiwan to join regional economic integration and sign trade agreements with trading partners. With this expanded scope of areas open, we optimistically expect to attract more overseas companies for listing in Taiwan and more global investments into Taiwan capital market.

1.6 National tax authority

Name: National Taxation Bureau

Official website: www.ntbna.gov.tw

CORPORATE INCOME TAX

2.1 Basis of taxation

All profit-seeking business in Taiwan are subject to profit-seeking enterprise income tax.

For any companies having its head office located within Taiwan, total worldwide income derived within and outside Taiwan shall be subject to profit-seeking enterprise income tax. However, if the enterprise already paid any income tax on its foreign source income abroad in accordance with the tax laws of source country, such foreign income tax will be credited against total profit enterprise income tax.

For any profit-seeking enterprise having its head office located outside Taiwan but having income derived from sources in Taiwan, profit-seeking enterprise income tax shall be levied on its profit-seeking enterprise income derived within Taiwan.

2.2 Rates of tax

The corporate income tax rate is 17% and the threshold for subjecting a company to corporate income tax is NTD 120,000.

A resident company's earnings generated in a year and remaining undistributed by the end of the following year are subject to a 10% surtax.

In addition, resident and non-resident companies with a fixed place of business or a business agent in Taiwan are subject to alternative minimum tax. The alternative minimum tax rate is12%.

2.3 Year of assessment

The tax year starts on 1 January and ends on 31 December of every year. In certain circumstances, a substituted accounting period may be adopted.

2.4 Profits deemed to be taxable

The incomes from sources in Taiwan are as followed:

1. Dividends distributed by companies incorporated and registered in accordance with the Company Act of Taiwan and by foreign companies authorized by the government of Taiwan to operate within Taiwan;
2. Profits distributed by profit-seeking enterprises organized in the form of a cooperative or a partnership within Taiwan;
3. Remuneration for services rendered within Taiwan;
4. Interest obtained from governments of various levels of Taiwan, from juristic persons within Taiwan and from individuals residing in Taiwan;
5. Rental obtained from lease of properties situated within Taiwan;
6. Royalty obtained from patents, trademarks, copyrights, secret formulas and franchises by virtue of their being made available for use by other persons within Taiwan;
7. Profits from the transaction of properties within Taiwan;
8. Profits from operation of industry, commerce, agriculture, forestry, fishery, animal husbandry, mining, and metallurgy enterprises within Taiwan;and
9. Awards or grants obtained from participating in various skill contests, games, or lotteries, etc. within Taiwan.

2.5 Taxation of dividends

Dividends paid to residents are subject to normal corporate income taxes in the same manner as ordinary income.

Dividends paid to non-residents are subject to withholding tax.

2.6 Taxation of capital gains

Capital gains are taxable as ordinary income while capital losses are tax-deductible.

2.7 Taxation of interest income

Interest paid to residents is subject to normal corporate income taxes in the same manner as ordinary income.

Interest paid to non-residents is subject to withholding tax.

2.8 Utilization of tax losses

Past Losses are not allowed to be carried back. Losses are allowed to be carried forward for 10 years following the year of losses.

2.9 Key Tax incentives

Exempt income

1. Income earned by a profit-seeking enterprise from the sale of land, or by a profit-seeking enterprise from the transactions of sale of property for the purpose of stockpiling war materials in accordance with the regulations established by the government.
2. Business income obtained from the operation inside Taiwan by a foreign enterprise engaged in international transportation; provided that reciprocal treatment is accorded by the foreign country concerned to an international transport enterprise of Taiwan operating in its territory.
3. Royalty paid to a foreign enterprise for the use of its patent rights, trademarks, and/or various kinds of special licensed rights in order to introduce new production technology or products, improve product quality, or reduce production cost under the approval of the competent authority as a special case, as well as remuneration paid to a foreign enterprise for its technical services rendered in construction of a factory for an important productive enterprise determined and approved as such by the competent authority.
4. Interest derived from loans offered to the government of the Republic of China or legal entities within the territory of the Republic of China by foreign government or international financial institutions for economic development, and interest derived from the financing facilities offered to their branch offices and other financial institutions within the territory of the Republic of China by foreign financial institutions.
5. Interest derived from loans extended to legal entities within the territory of the Republic of China by foreign financial institutions for financing important economic construction projects under the approval of the Ministry of Finance.
6. Interest derived from favorable-interest export loans offered to or guaranteed for the legal entities within the territory of the Republic of China by foreign governmental institutions and foreign financial institutions which are specialized in offering export loans or guarantees.

2.10 Withholding tax

Type of income	Type of income Resident	Non-resident companies (%)
Dividends	· Profit-seeking enterprise with its head office located in Taiwan: NA · Profit-seeking enterprise with its head office located outside Taiwan: 20%	20%
Professional fees	10%	20% (royalties not exceeding NTD 5,000 each is not subject to withholding)
Interest	10%	- 20% · Interest derived from short-term commercial papers, securitized instruments, government/ corporate/financial institution bonds, or conditional transactions: 15%
Royalties	10%	20%
Rentals	10%	20%

TAIWAN

2.11 Transfer Pricing

Taiwan's transfer pricing regime adheres to the "arm's length principle" and is based on US Internal Revenue and OECD transfer pricing guidelines.

Entities are required to maintain supporting documentation for the transfer pricing and provide this to the tax authority upon request. Taiwan's Advance Pricing Agreement (APA) regime allows enterprises based on certain criteria to negotiate with the tax authority for an APA. An APA application should be made in the prescribed form before year-end of the first accounting period for the controlled transactions which are to be covered in the APA.

Generally, an APA is valid for three to five years. Where an enterprise's business nature has not materially changed, a one-time maximum five-year extension can be requested. However, there is no rollback provision in the APA program.

2.12 Filing requirements of tax return

Filing due dates

The tax filing deadline is 31 May of the following year.

Penalties

Where a taxpayer failed to file annual income return within the period but has subsequently filed it in accordance with the provisions, the collection authority shall, after determining the amount of its income and the amount of tax payable through investigation, levy a delinquent reporting surcharge in an amount equal to 10% of the tax determined as payable. The amount of delinquent reporting surcharge shall not exceed NTD 30,000 but shall not be less than NTD 1,500.

Where a taxpayer further fails to file an annual income tax return within the time limit, and the amount of taxable income and the

amount of tax payable have been determined by the collection authority based on the available data or the profit standard of the same trade, the collection authority shall levy a delinquent reporting surcharge in an amount equal to 20% of the tax determined as payable. The amount of delinquent reporting surcharge shall not exceed NTD 90,000 but shall not be less than NTD 4,500.

Application of holdover

NA

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

For any individual having income derived from Taiwan is subject to Taiwan income tax whereas income derived from foreign sources outside Taiwan is not taxable.

Basically, an individual is considered a tax resident if he/she has domicile and resides at all times within Taiwan, or has no domicile but resides within Taiwan for 183 days or more in a calendar year.

3.2 Rates of tax

Resident individuals are taxed at progressive rates ranging from 0% to 45%.

Tax rate (%)	Tax scope (%)
5	0 – 520,000
12	520,001 – 1,700,000
20	1,700,001 – 2,350,000
30	2,350,001 – 4,400,000
40	4,400,001 – 10,000,000
45	> 10,000,001

Non-residents are taxed at a flat rate ranging from 15% to 20%.

3.3 Year of assessment

The tax year starts on 1 January and ends on 31 December of every year.

3.4 Allowances and Deductions

a) Allowances

The government prescribes the allowable personal exemptions on an annual basis. Personal exemptions increase by 50% if the taxpayer, his/her spouse and dependent are 70 years of age or older. For the 2016 individual income tax return, the personal exemption is NTD 85,000 and for that of 2017, NTD 88,000 respectively, for each of the taxpayer, his/her spouse and each dependent, or NTD 127,500 and NTD 132,000, respectively, for those who are 70 years of age or older.

b) Deductions

A taxpayer may select either the standard deduction or itemized deductions and may, in addition thereto, declare special deductions. If the amount of total deductions on an itemized basis exceeds the amount of the standard deduction, a taxpayer may choose to claim the itemized deductions rather than standard deduction.

3.5 Taxation of dividends

Resident individual shareholders are assessable on distributions. Distributions from company are entitled to a tax credit (Imputation Credit Account) for the tax paid by the company on its income.

For non-residents, the distribution would be subject to withholding tax.

3.6 Taxation of capital gain

Resident and non-resident individuals both are assessable on net capital gains from disposal of assets.

Net capital gains derived by resident individuals from assets held for at least one year are eligible for a 50% exemption. Non-residents are not eligible for a 50% exemption.

3.7 Taxation of interest income

Interest derived by resident individuals is assessable income.

Interest derived by non-resident individuals is subject to withholding tax.

3.8 Personal assessment and utilization of tax losses

NA

3.9 Withholding tax

Type of income	Resident	Non-resident
Dividends	Not applicable	20%
Salaries	· Monthly salaries and wages are withheld either one of the following methods: (1) 5% (2) Based on the salary withholding schedule · Salaries that are not paid monthly or salaries for part-time job: 5% · No withholding tax to be applied on the amount of each payment made by the withholding agent which is less than the standard withholding tax amount in accordance with the salary withholding tax table applied to the taxpayer who does not claim any personal exemption on spouse and dependent.	· 18% · Monthly salaries which are under 1.5 times of the basic salary as assessed by the Executive Yuan: 6%
Professional fees	10%	20% (royalties not exceeding NTD 5,000 each is not subject to withholding)
Interests	10%	· 20% · Interest derived from short-term commercial papers, securitized instruments, government/ corporate/financial institution bonds, or conditional transactions: 15%
Royalties	10%	20%
Rentals	10%	20%
Contest awards or grants or lottery winnings	· 10% · No withholding tax on government-sponsored lottery winning less than or equal to NTD2,000 per winning; withholding tax is 20% on such winning over NTD 2,000 per winning.	· 20% · No withholding tax on government-sponsored lottery winning less than or equal to NTD2,000 per winning; withholding tax is 20% on such winning over NTD 2,000 per winning.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates

The tax filing deadline is 31 May of the following year.

Penalties

Penalties may be imposed for failure to submit tax return on time.

Application of holdover

NA

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Bureau of Labor Insurance

4.2 Basis of contribution

The employer contributes certain amount of a worker's monthly wage into an individual pension account governed by the Bureau of Labor Insurance. Ownership of this pension account belongs to the worker. Upon reaching 60 years of age, a worker may apply directly to the Bureau of Labor Insurance to receive the dividends and principal that have accumulated over the years.

4.3 Contribution rate

6% or more of a worker's monthly wage

4.4 Exemption from tax

In addition to the mandatory employers' contribution, workers may contribute voluntarily additional sums, maximum 6% of their monthly wages to their pension accounts. For those who contribute beyond the required amount, the extra contributions may be tax deducted from their total annual income.

GST/VAT

5.1 Basis of tax

Value-added or special business tax shall be levied on the sale of goods or services within Taiwan and on the import of goods.

- * special business tax is imposed on financial institutions, special vendors of food and beverages, and small businesses.
- * Value-added business tax is applied to all the remaining goods and services.

5.2 Rates of tax

Taxpayers	Tax rate (Note 1)
Financial institutions	2% or 5%
Special vendors of food and beverages	15% or 25%
Small businesses	0.1% or 1%
Others	5% (Note 2)

Note 1 : Certain goods and services are exempt from business tax (e.g. the sale of land) .

Note 2 : For goods and services provided in connection with exports, value-added business tax is reduced to 0%.

5.3 Registration

A business entity, whether or not it has sales, shall file a bimonthly tax return on a prescribed form for its sales amount and tax payable or overpaid of the preceding two months together with tax deduction and other appropriate documents with the competent tax authority prior to the fifteenth day of the following period.

5.4 Filing requirements

Value-added or special business tax is filed to National Taxation Bureau on a bimonthly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

For any profit-seeking enterprise having its head office within Taiwan, provided, that in case income tax has been paid on the income derived outside of Taiwan in accordance with the tax law of the source country of that income, such tax paid may, upon presentation by the taxpayer of evidence of tax payment issued by the tax office of said source country for the same business year and attested by a Chinese embassy or consulate or other organizations recognized by the Government of Taiwan in the said local, be deducted from the amount of tax payable by the taxpayer at the time of filing final returns on the total profit-seeking enterprise income, to the extent that such deduction shall not exceed the amount of tax which, computed at the applicable domestic tax rate, is increased in consequence of inclusion of its income derived from abroad.

6.2 List of double tax treaties signed

As of 31 December 2016, Taiwan has signed comprehensive double tax agreements/arrangement on income with the following jurisdictions:

Agreements signed and effective

- Singapore (1982/01/01)
- Indonesia (1996/01/12)
- South Africa (1996/09/12)
- Australia (1996/10/11)
- New Zealand (1997/12/05)
- Vietnam (1998/05/06)
- Gambia (1998/11/04)
- Swaziland (1999/02/09)
- Malaysia (1999/02/26)
- Macedonia (1999/06/09)
- The Netherlands (2001/05/16)
- UK (2002/12/23)
- Senegal (2004/09/10)
- Sweden (2004/11/24)
- Belgium(2005/12/14)
- Denmark (2005/12/23)
- Israel (2009/12/24)
- Paraquay (2010/06/03)
- Hungary (2010/12/29)
- France (2011/01/01)
- India (2011/08/12)
- Slovakia (2011/09/24)
- Switzerland (2011/12/13)
- Germany (2012/11/07)
- Thailand (2012/12/19)
- Kiribati (2014/06/23)
- Austria (2014/12/20)
- Luxembourg (2014/12/31)
- Italy (2015/12/31)
- Japan (2016/06/13)
- Canada (2016/12/23)

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

a) Types of documents subject to the levy of stamp tax include:

- Receipts for monetary payments: referring to documents, books or records drawn upon the receipt of money, such as receipts, slips, releases, bank books, payment records and the like issued to identify monetary payment, but excluding monetary receipts for commercial invoices or commercial invoices for monetary receipts.
- Deeds for sale of movables: Referring to deeds receipts issued for sale of movables.
- Contracting agreements: Referring to agreements executed for the completion of a specifically ordered task, e.g. construction contracts, printing contracts, OEM contracts and the like.
- Contracts for the sale, transfer and partition of real estate: Referring to pledge of lien on real estate, or deeds or contracts for sale, exchange, gratuitous transfer, or partition of real estate to be submitted to government agencies for registration.

b) The stamp tax rates or amounts are as follows:

- Monetary receipts: Tax stamps at 0.4% of the amount received to be affixed by the person drawing up the receipt. Receipts for deposit of bid bonds: Tax stamps at 0.1% of the money deposited by the bidder to be affixed by the person drawing up the receipt.
- Contracting agreements: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.
- Contracts for the sale, transfer, or partition of real estate: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.
- Contracts for the sale of movables: Tax stamps at NTD 4 per piece, to be affixed by the person executing the contract or drawing up the receipt.

7.2 Real property tax

The prevailing land tax system includes:

- Land value tax – generally imposed at 1% of the assessed and publicly announced land value, with the highest tax rate at 5.5%
- Agricultural land tax – currently suspended
- Land value increment tax – levied on the current assessed land value increment from the transfer of land at rates of 20% to 40%

7.3 Estate duty

Estate taxes are levied on the worldwide assets of Taiwanese nationals who regularly reside in Taiwan. On the other hand, Taiwanese nationals who regularly reside outside territory of Taiwan, and those who are not Taiwanese nationals are subject to estate tax to the extent of assets within territory of Taiwan.

The meaning of aforementioned "regularly reside in Taiwan" refers to those who have domicile in territory of Taiwan within 2 years before the inheritance event, or those who do not have domicile in territory of Taiwan within 2 years before the inheritance event, but have residence within territory of Taiwan, and stay in territory of Taiwan for over 365 days within 2 years before the inheritance event.

Estate tax is calculated at 10% based on the fair market value of taxable assets on the date of death, less exemptions and deductions. For inheritance events, an exemption of NTD 12,000,000 per estate tax return for each taxpayer, and deductions regulated by Estate and Gift Tax Act are allowed.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: Please refer to Section 5.

Consumption tax, etc.: N/A

POINT OF CONTACT

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UAE

GENERAL INFORMATION

1.1 Country/Region

United Arab Emirates (U.A.E.)

1.2 Currency

AED - UAE DIRHAM

1.3 Principal business entities

As per the prevailing rules and regulations of Department of Economic Development, Free Zone Authorities and Offshore Authorities, all business entities are required to register with the respective Authority and have a license to operate in UAE. Business entities are also required to register with Federal Tax Authority, Ministry of Finance for the Custom, Excise and VAT (Value Added Tax) . The following types of business entities are available in UAE:-

1. Public Joint Stock Company
2. Private Joint Stock Company
3. Limited Liability Company
4. Limited Partnership
5. Partnership
6. Sole Proprietorship
7. Branch of Local and Foreign Company
8. Commercial Representative office

1.4 Foreign exchange control

CENRAL BANK OF UAE

1.5 Current economy climate (Industry overview/ encouraged business development)

UAE is a major business hub of the Middle East. UAE business and economy mainly depend on oil & gas, international trade, real estate, heavy infrastructure and tourism. UAE is preparing for the World Expo 2020 which is witnessed by the upward movement in the real estate and heavy infrastructure sector.

UAE has introduced Excise Tax from 1 October 2017. Businesses have also welcomed the introduction of Value Added Tax of 5% largely covering all the products and services effective from 1 January 2018.

1.6 National tax authority

Name: Federal Tax Authority

Website: www.tax.gov.ae

CORPORATE INCOME TAX

2.1 Basis of taxation

NOT APPLICABLE

2.2 Rates of tax

NOT APPLICABLE

2.3 Year of assessment

NOT APPLICABLE

2.4 Profits deemed to be taxable

NOT APPLICABLE

2.5 Taxation of dividends

NOT APPLICABLE

2.6 Taxation of capital gains

NOT APPLICABLE

2.7 Taxation of interest income

NOT APPLICABLE

2.8 Utilization of tax losses

NOT APPLICABLE

2.9 Key Tax incentives

NOT APPLICABLE

2.10 Withholding tax

NOT APPLICABLE

2.11 Transfer Pricing

NOT APPLICABLE

2.12 Filing requirements of tax return

Filing due dates

NOT APPLICABLE

Penalties

NOT APPLICABLE

Payment of profit tax and application of holdover

NOT APPLICABLE

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

NOT APPLICABLE

3.2 Rates of tax

NOT APPLICABLE

3.3 Year of assessment

NOT APPLICABLE

3.4 Allowances and Deductions

NOT APPLICABLE

3.5 Taxation of dividends

NOT APPLICABLE

3.6 Taxation of capital gain

NOT APPLICABLE

3.7 Taxation of interest income

NOT APPLICABLE

3.8 Personal assessment and utilization of losses

NOT APPLICABLE

3.9 Withholding tax

NOT APPLICABLE

3.10 Statutory obligation of employers

NOT APPLICABLE

3.11 Filing requirement of tax return

Filing due dates

NOT APPLICABLE

Penalties

NOT APPLICABLE

Application of holdover

NOT APPLICABLE

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

NOT APPLICABLE

4.2 Basis of contribution

NOT APPLICABLE

4.3 Contribution rate

NOT APPLICABLE

4.4 Exemption from tax

NOT APPLICABLE

GST/VAT

5.1 Basis of tax

Value added tax is applicable on every stage of value addition to the supply in the state.

5.2 Rates of tax

VAT is a transaction-based tax and imposed on the import and supply of goods and services at each stage of production and distribution including deemed supply. UAE Federal Tax Authority and Ministry of Finance have implemented VAT from 1t January 2018 with effective rate of 5% standard rate, zero rate and with exemption to some specific industries.

5.3 Registration

Federal Tax Authority (FTA)

5.4 Filing requirements

Monthly or quarterly filing of VAT return within 28 days from the end of the tax period. Many companies will be even filing their very first VAT returns for 4 or 5 months period as extended by Federal Tax Authority. The due VAT payment must also be paid within the stipulated filing deadlines.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

No foreign tax credit

6.2 List of double tax treaties signed

The Ministry of Finance (MOF) plays a significant role in strengthening the UAE's investments worldwide. This is achieved by providing real safeguard measures for the country's interests to promote growth and expansion and ensure protection against any non-commercial risks that may impact performance.

UAE has singed DTAA agreement with 76 countries and 18 countries are under ratification till January 2016. More detailed information can be found on the below ministry of finance website link: -

https://www.mof.gov.ae/En/strategicPartnership/taxAgreement/Pages/DoubleTaxtion.aspx

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Purchase and sale of residential and commercial properties are regulated by the Land Department (Real Estate Regulatory Authority) with imposition of 4% registration charges.

7.2 Real property tax

NOT APPLICABLE

7.3 Estate duty

NOT APPLICABLE

7.4 Net wealth/net worth tax

NOT APPLICABLE

7.5 Others

Business tax

NOT APPLICABLE

Consumption tax, etc.

Excise tax has been introduced and implemented from 1 October 2017. Excise tax covers import and production of very limited products like tobacco and energy drinks. The Excise tax rate is 100% on tobacco, tobacco products & energy drinks whereas on aerated drinks the rate of Excise tax is 50%.

POINT OF CONTACT

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UNITED KINGDOM

GENERAL INFORMATION

1.1 Country/Region

United Kingdom

1.2 Currency

Pound Sterling

1.3 Principal business entities

- Public Limited Companies
- Private Limited Companies
- Sole Traders
- Partnerships
- Limited Liability Partnerships (LLPs)

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

In 2016 Britain and Germany were the fastest growing economies in the G7 (Canada, France, Germany, Italy, Japan, UK & USA). The British economy remained resilient during 2017 with steady growth in the first quarter of 2017. The GDP grew by 1.5% to the third quarter of 2017, and, according to the Office for National Statistics, during the year the number of people in work has increased to a record high of 74.8%, the highest since record begins.

The UK government announced that, in anticipation of leaving the EU in 2019, the government has set aside additional funds to support growth and establish UK as a world leader in new technologies and expand the National Productivity Fund to support innovation.

The 2015 Budget speech announced a reduction of corporation tax rates over the forthcoming years, aiming to get corporation tax to 15%, although only 17% is confirmed for 2020. A 2017 survey revealed that the average corporation tax rates across the EU are 22.09% and across the world 23.63%. The UK corporation tax rates are therefore relatively low compared to other advanced economies. Following the announcement of the UK leaving the EU, the Chancellor has said that UK needs to become a "super–competitive economy" with low business taxes and a global focus post Brexit. Reduction of corporation tax rates encourages business, local and overseas to invest in the UK and ensure that the UK economy remains steady.

1.6 National tax authority

Name: Her Majesty's Revenue and Customs (HMRC)

Website: www.gov.uk/government/organisations/HM-Revenue-Customs

CORPORATE INCOME TAX

2.1 Basis of taxation

A business liable to corporation tax (CT) in the UK pays this at a pre-determined rate expressed as a percentage. Businesses liable to CT include limited companies, unlimited companies and certain unincorporated entities such as members' clubs and political associations. Other types of organisations which pay CT in UK are foreign-based companies with a permanent establishment (PE) or branch in the UK or if the central management and control is exercised in the UK.

UK resident companies

Companies which are resident in the UK are liable to tax on their worldwide income and gains subject to certain elections to exempt profits of an overseas PE.

Companies resident in Northern Ireland (NI)

The UK government continues to consult on the prospect of small and medium-sized enterprises ("SMEs") with trading activity in Northern Ireland paying reduced rates of CT.

Non-UK resident companies

Companies which are tax resident abroad, but are trading through a PE in the UK are subject to CT on any trading profits, UK property income and chargeable gains arising from the PE in the UK. From April 2020, property income received by non-UK resident companies and gains arising on disposal of UK property will be chargeable to CT instead of income tax (IT) and capital gains tax (CGT).

Non-UK resident companies dealing or developing land

From 5 July 2016, non-UK resident companies are subject to CT on the trading profits from dealing with or developing land even if there is no PE.

2.2 Rates of tax

CT rates ending on 31 March	2017	2018	2019	2020
UK Resident companies	20%	19%	19%	17%
UK non-resident companies	20%	19%	19%	17%
Northern Ireland SMEs with trading activity	20%	19%	12.5%	12.5%

2.3 Year of assessment

Companies are liable to CT for each chargeable accounting period which cannot exceed 12 months and for which the company prepares a set of accounts i.e. from 1 April to 31 March. The year of assessment is split into two periods for calculating the tax, if the year straddles the company tax year e.g. if a company has

an accounting year ended 31 December 2018 there will be three months at the 2018 tax rate and nine months at the 2019 rate.

2.4 Profits deemed to be taxable

Typical sources of taxable profits or income include: -

- Trading profits (or losses arising) from each trade carried on in the UK
- Investment income such as bank, building society or other interest, and any profits from non-trading loan relationships
- Annual payments not otherwise charged to CT and from which IT has not been deducted or paid
- Non-exempt dividends or distributions from non-UK resident companies
- Income from which IT has been deducted
- Income from property business
- Non-trading gains on chargeable intangible fixed assets

2.5 Taxation of dividends

Dividends received by a UK resident company and a non-UK resident company trading through a PE are exempt unless the dividends are received from countries with a very low tax regime and with whom there is no Double Taxation Agreement in place which contains a non-discrimination clause.

2.6 Taxation of capital gains

Capital gains on the disposal of an asset is calculated by reference to the sales proceeds less the cost of acquiring and improving the asset, less an inflation linked indexation allowance. This allowance is available on the original cost and any capital improvements on the asset. The resulting net gain is charged to CT. The inflation indexation allowance is frozen from 1 January 2018 and no relief will be available for gains accruing past that date.

2.7 Taxation of interest income

Taxed in similar way to profits and at the same tax rates.

2.8 Utilisation of tax losses

The UK CT treatment of losses depends on when the losses arise.

Trading losses arising on or after 1 April 2017

Losses arising on or after 1 April 2017 can be used against other profits of both companies and other companies in the group. Such losses are subject to a 50% restriction if profits are in excess of £5 million. Losses below this amount will be given a greater degree of flexibility in terms of relieving provisions. This restriction applies to most losses, except capital losses and is does just apply to trading losses.

If an entity makes a loss from certain types of activity such as trading activities and property business, the loss can be set against the other gains or profits arising in the same accounting period. The loss can also be carried back or carried forward as below.

Trading loss prior to 1 April 2017

Losses arising prior to 1 April 2017 not used in full can be carried forward automatically but only to be offset against trading profits from the same trade.

Losses that arise in an accounting period which straddles 1 April 2017 must be apportioned accordingly.

Groups and trading losses

A group of companies is defined as one or more companies who are owned more than 75% by another. Certain losses can be offset against trading profits of another member of the group, provided that there is a qualifying group relationship.

Terminal losses

Loss relief is available when a business ceases trading. It can be carried back and set against the previous three years trading profits.

First Year Tax Credits

Loss making companies can surrender losses attributable to enhanced capital allowances on designated energy-saving or environmental-beneficial plant and machinery in exchange for cash payment known as a first-year tax credit from the Government.

Capital losses

Losses on the disposal of a capital asset can only be offset against capital gains of the same year. Any excess losses are carried forward and set against future chargeable gains.

Property income losses

Losses incurred on renting out commercial or residential premises must be set against property profits in the same accounting period and cannot be carried back. These losses can be carried forward as long as the property rental business continues to be carried out and offset against total profits of a later accounting year. They can also be relieved using group relief.

2.9 Key Tax incentives

- Capital Allowances on assets used in the business such as equipment, machinery or cars, vans and lorries. These assets are known as plant and machinery.
- Annual Investment allowance(AIA) £200,000 from 1 January 2016 - deduct the full cost of the asset (not available for cars), if the asset qualifies.
- First Year Allowance in addition to AIA for certain qualifying assets such as environmentally friendly assets – 100% of cost deducted in first year.
- Written Down Allowance – 18% allowance for qualifying capital assets not falling in the categories above on reducing balance basis.
- Special rate pool allowance – 8% allowance for certain types of asset such as cars with high CO_2 emissions on reducing balance basis.
- Research & Development (R & D) relief is an enhanced tax deduction for qualifying expenditure available to companies engaging in "Qualifying Activity" for R&D.
- SMEs obtain tax relief at an additional 130% of qualifying expenditure. Losses can be surrendered for a repayable credit of up to 14.5% of the qualifying and enhanced expenditure.
- Large companies, and companies who are performing Qualifying R&D as subcontractors, or with the assistance of Government Grants, receive a taxable, "Above The Line"

(ATL) credit of 11% of Qualifying expenditure, which is reflected in their accounts and repayable to the company after tax has been accounted for. From 1 January 2018, the ATL credit has increased to 12%.

- The Patent Box enables companies to pay a lower 10% rate of CT in relation to qualifying patent income.
- Similar reliefs are available for Creative Industries (Film/ Animation/TV/Video Games/Theatre/Orchestra). The relief is a further 100% of qualifying expenditure. Losses created as a result can be surrendered for a credit of 25% of the qualifying expenditure.
- Disincorporation Relief allows a company to transfer certain types of assets to its individual shareholders without the company incurring a Corporation charge on the disposal of the assets.
- Enterprise Management Incentive – a tax efficient way of awarding shares to employees at heavily discounted values and enabling the employee to benefit from a 10% rate of CGT when selling.

2.10 Withholding tax

Generally, there is no withholding tax with the exception of a 20% withholding on certain interest payments, patents and royalties.

2.11 Transfer Priing

Applies to transactions between connected UK entities or a UK entity and a foreign entity, to increase taxable profit or reduce a tax loss, based on the internationally recognised 'arm's length principle' i.e. profits that would have arisen had the parties were not connected.

An exemption is available to small and medium entities provided that the qualifying criteria is met. The criteria are as follows:

- Small company is regarded as small if it has less than 50 employees and turnover or balance sheet value of less than EURO 10mill.
- Medium size is if it has less than 250 employees and turnover of less than EURO 50 mill or balance sheet value of less than EURO 43 mill.
- The overseas entity is not in a jurisdiction which has
  a. a low tax regime; and
  b. the UK does not have a treaty agreement which includes a non-discrimination clause.

2.12 Filing requirements of tax return & accounts

Filing due dates

Corporation Tax Return (CT600) is due 12 months after the end of the accounting period.

Penalties

If the return is not submitted by the due date, there is an Initial flat rate penalty of £100. If the return is outstanding for 3 months after the deadline there is another penalty of £100. Further penalty of 10% of the estimated (by HMRC) unpaid tax is levied, if the return is outstanding for 6 months after the deadline. If the return is 12 months late, then further penalty of 10% of the unpaid tax is charged.

If the return is late three consecutive years, the £100 penalties are increased to £500 each.

Payment of tax

Due 9 months plus 1 day after the end of the accounting period. "Large" companies (usually with profits over £1.5 million) are required to pay CT in 4 instalments over 15 months.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Most individuals in the UK are subject to tax on all of their income which either arises in the UK, or is available for their enjoyment or benefit here. Typically, this list includes individuals who are self-employed, directors, employees who receive taxable benefits and remuneration, rental income, pensions income which originates in the UK. The Scottish Parliament is responsible for setting tax rates and allowances in Scotland. If an individual is either not resident or non-domiciled in the UK the tax treatment of overseas income varies and a summary comparison is shown below: -

	Taxable?		
	* UKR	** UKRND	*** NUKR
UK employment income	✓	✓	✓
UK self-employment income	✓	✓	N/A
UK dividends	✓	✓	X
UK interest	✓	✓	X
UK rental profits	✓	✓	✓
UK pension income	✓	✓	****✓
Overseas income generally	✓	*****✓	X
* UK Resident			
** UK Resident but non-domiciled			
*** Non-UK Resident			
**** May be exempt under the treaty			
***** May not be taxed under the remittance basis if income not brought to UK			

Non-domiciled individuals can choose to be taxed on either the remittance or the arising basis. Under the arising basis, an individual is taxed on their worldwide income as it arises. However, if the individual is not UK domiciled they can elect to be taxed on their foreign income only when is remitted to the UK. A remittance basis charge (RBC) of £30,000 is payable, if the taxpayer has been in the UK for 7 out of past 9 tax years. The charge increases to £60,000 if the taxpayer has been in the UK for 12 out of the past 14 years. With effect from 6 April 2017, certain returning former UK domiciled individuals and individuals who have been resident in the UK for 15 out of the last 20 years cannot elect to use the remittance basis of taxation and they are treated as UK domiciled for income, capital gains and inheritance tax purposes.

3.2 Rates of tax

IT is charged at basic rate of 20% on taxable income of up to £34,500 (basic rate threshold) for 2018/19. Taxable income from £34,501 to £150,000 falls into the higher rate tax band and is charged at a rate of 40%. Taxable income exceeding £150,001 is charged at the additional rate of tax at 45%.

	UK Taxpayer rates	
	Y/E 2017/18	Y/E 2018/19
£0 - £11,500*	0%	
£0 - £11,850*		0%
£11,501- £45,000	20%	
£11,851 -£46,350		20%
£45,001 - £150,000	40%	
£46,351 - £150,000		40%
Over £150,000	45%	45%

*Assumes person is in receipt of the Standard Personal Allowance

	Scottish Taxpayers rates	
	Y/E 2017/18	Y/E 2018/19
£0 - £11,850*	0%	
£13,850 - £24,000		19%
£11,501- £45,000	20%	
£24,000 - £43,400		21%
£45,001 - £150,000	40%	
£43,430 - £150,00		41%
Over £150,000	45%	46%

*Assumes person is in receipt of the Standard Personal Allowance

3.3 Year of assessment

A tax year runs from 6 April to 5 April of the following year

3.4 Allowances and Deductions

Allowances

- Personal Allowance (PA) of £11,500 for 2017/18 and £11,850 for 2018/19
- PA is withdrawn by £1 for every £2 of income over £100,000.
- Savings Allowance of £1,000 (basic rate taxpayers), £500 (higher rate taxpayers)
- Married Couple Allowance (MCA) for people born before 6 April 1935 is a flat rate tax deduction of 10% multiplied by £8,445/£8,695 reducing the liability by a maximum of £844.00 for 2017/18 and £869.50 for 2018/19. It is also restricted if annual income exceeds £27,700. There is a minimum tax relief of £336 for 2018/19.
- Marriage Allowance entitles married couples to transfer 10% of their PA to the spouse with lower earnings, unless the higher earner has income above £45,000 (2017/18) or £46,350 (2018/19).
- Rent-a-room allowance of £7,500 for 2017/18 and 2018/19 subject to qualifying conditions.
- Interest paid on certain qualifying loans can be deducted from taxable income.

Additional tax relief is available if individuals contribute to a pension scheme or make charitable gifts under the gift aid scheme.

3.5 Taxation of dividends

Dividend rates	2017/18	2018/19
First £5,000/£2,000	0%	0%
Basic rate	7.50%	7.50%
Higher rate	32.50%	32.50%
Additional rate	38.10%	38.10%

Any dividend income received over £5,000 (2017/18) and £2,000(2018/19) is taxed at the individual's marginal rate as shown above.

3.6 Taxation of capital gain

An annual exemption of £11,300 for 2017/18 and £11,700 for 2018/19. Capital gain tax (CGT) rates depend on the nature of the asset being sold and the total annual income of the person chargeable to CGT. Basic rate tax payers (BTP) are subject to 10%, increasing to 20% if the capital gain extends into the next tax band - higher rate tax payer (HRTP). There is also a premium rate for gains on residential property, as below.

Tax payer	Rates of CGT tax Residential	Residential Property	Other Gains	Entrepreneur's Relief
Basic	18%	✓		
Higher	28%	✓		
Basic	10%		✓	
Higher	20%		✓	
Flat rate	10%			✓

3.7 Taxation of interest income

Taxed at 20% if basic rate, thereafter 40% or 45%

3.8 Personal assessment and utilisation of losses

Individuals are required to self-assess if they have meet certain HMRC criteria, or if HMRC send a notification to complete a tax return. Individuals self-assess by submitting a personal tax return by 31 January following the end of the tax year which runs from 6 April to 5 April. A return can be filed by paper up to 31 October following the end of the tax year.

By aggregating the non-saving and investment income and deducting allowable payments, reliefs and expenses, the net adjusted income, and capital gains are taxed at the appropriate rates for the relevant tax year.

Income and capital losses can be used in the following ways:

- Trading losses are set against income or capital gains of the same year
- Trading losses are set against income of the previous year trading and property losses are carried forward against profits from the same trade
- Capital losses are set against gains of the same year
- Capital losses brought forward are set against gains above the annual exemption
- Unused capital losses are carried forward automatically.

3.9 Withholding tax

Withholding Tax

If you pay an individual or a group of individuals who are making an appearance or performing in front of an audience and this individual or a group are non-UK residents or are both UK and non-UK residents, a Withholding Tax deduction must be made provided the payment is in excess of the tax free personal allowance.

PAYE

Withholding tax is not collected if the payments are taxed via the Pay as You Earn regime.

An Employer has an obligation to deduct tax from wages paid to employees. The tax is remitted to HMRC on a monthly basis generally by 22nd following the end of the tax month (unless it is paid by cheque where the deadline is 19th).

3.10 Statutory obligation of employers

Employers report the payment made to employees monthly online in real time. The minimum hourly rate for wages must be at a rate equal to the National Minimum Wage rate. They also report new starter and leaver's details to HMRC together with the wages in real time.

Employers must provide an annual Certificate of Earnings - P60 form - to each employee by 31 May following the end of the tax year.

Employers have to provide a workplace pension to eligible employees. They also have an obligation to notify and enroll these employees and pay a certain % of their wage to their pension pot.

Employers must submit an annual tax return form reporting benefits provided to employees which are not included on the payroll, also called P11D.

Irregular or small taxable benefits can be reported under a PAYE Settlement Agreement (PSA Agreement). This is an annual payment to cover the tax due on the benefits. The agreement requires approval by HMRC. If it is not approved then the benefits are reported under the P11D procedure. This is a very expensive option but is helpful if the employer wishes to provide benefits without the staff having to pay tax on the benefits received.

3.11 Filing requirement of tax return

Filing due dates

Employer's P11D form	
Due date	06-Jul
Employer's PSA Agreement	
Calculation submitted for approval	31-Jul
Payment due date	31-Oct
Individual Tax Return	
Postal filing	31-Oct
Electronic filing deadline	31-Jan
Issue date	06-Apr

An extension of three months is granted if the notice to file a tax return is issued past the normal submission deadline. Penalties

Late filing penalties

An initial penalty of £100 is charged for failure to submit a tax return. If the return is outstanding for 3 months, then a daily penalty of £10 per day is charged for up to 90 days or £900. A further fine of £300 or 5% of tax owing whichever is greater is imposed, if the tax return is outstanding for 6 months. Another penalty is levied of £300 or 5% of tax owing whichever is greater if the return is 12 months late.

Late payment of tax owing

Late payment penalty of 5% on the tax owing is charged if the payment is 30 days late and a further 5% if the payment is 6 months late and another 5% if the payment is 12 months late.

In addition, late interest is charged at the official rate on the amount owing.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organisation

UK regulatory organisation is HMRC

4.2 Basis of contribution

Employers and employees pay National Insurance (NI) on earnings; employers also pay NI on certain benefits provided to employees.

Self-employed people pay Class 2 NI which is a fixed amount per year paid annually by 31 January following the end of the tax year. They also pay Class 4 NI which is a fixed percentage of NI on their net profits above a threshold. The 2018/19 threshold is £8,424 and 2017/18 threshold is £8,164.

Individuals may also pay Class 3 NI voluntarily at a fixed rate to fill in gaps in their NI record if they have not paid enough NI in a particular year.

Employers with annual wage bills (on earnings liable to Class 1 NI) in excess of £3,000,000 also pay Apprenticeship Levy at 0.5% on the total bill, subject to a levy allowance of £15,000.

4.3 Contribution rate

Employers benefit from an Employer's Allowance of £3,000 which reduces their NI liability, subject to qualifying criteria.

Employees and employers are required to make NI contributions.

Class 1 Primary
Employees pay 12% on earnings between £162 per week and £892 per week, and 2% on earnings above £892 per week.

Class 1 Secondary
Employers pay 13.8% on earning above £162.

Class 1A
Employers pay 13.8% benefits provided to employees

Class1B
Employers pay 13.8% on benefits provided to employees, but reported on OSA agreement

Class 2
Self-employed people pay a fixed £2.95 per week or £153.40 per annum

Class 4
Self-employed people pay 9% on profits between £8,424 and £46,350 and 2% on profits above £46,350.

Class 3 Voluntary
The rates are progressively changing year on year. The rate for 2018/19 tax year is £14.65 per week.

There are special rates for certain industries such as fishing, etc.

4.4 Exemption from tax

People who have reached state pension age do not pay NI.

The NI small profits threshold for class 2 contributions for the 2017/18 & 2018/19 tax years is £6,025 and £6,205 respectively. Employed individuals with earnings between £6,205 and £8,424 (2018/19) do not pay NI, but get some of the benefits of paying.

GST/VAT

5.1 Basis of tax

Value Added Tax (VAT) is tax payable on goods and services provided by businesses in the UK and European Economic Area (EEA). Services and goods provided to countries outside the EU are out of the scope for VAT. VAT is collected on behalf of HMRC by businesses.

5.2 Rates of tax

VAT rates since 2011 have not changed and are as follows:

- standard rate at 20% which is payable on most goods and services
- reduced rate at 5% which payable on certain goods and services such as children's car seats and home energy
- zero rate at 0% which is the rate on most food and children clothing
- exempt from VAT such as postage and land and property transactions
- However, Land and Property transactions can be brought within the scope of VAT by means of opting to tax

5.3 Registration

The compulsory VAT registration threshold for 2018/19 is £85,000, same as in 2017/18 Businesses can register voluntarily as long as they meet certain conditions. The VAT deregistration threshold for 2017/18 tax year is £83,000.

There are VAT schemes available to small businesses to simplify the VAT administration including:

- Flat rate scheme which calculates VAT due as a percentage of turnover rather than paying the difference between VAT collected and paid;
- VAT cash accounting scheme allows businesses to account for VAT based on cash receipts and payments as a tax point instead of the normal VAT invoice/receipt date as a tax point for VAT purposes.
- Annual accounting scheme allows businesses to pay VAT on installments or three quarterly payments and complete a single, annual VAT return to work out the final balance due or owe to HMRC.
- Various Retail schemes are used to simplify VAT for businesses depending on their turnover i.e. turnover less than £1m, between £1m and £130m or higher.
- VAT margin scheme is available to businesses that deal with second-hand goods, works of art, antiques and special tour operator's scheme.

5.4 Filing requirements

VAT return reporting period is normally every 3 months. The submission deadline is one month and 7 days following the end of the reporting period. VAT returns are submitted and VAT is paid electronically to HMRC.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign Tax Credit relief is available

- If tax has been deducted in the UK and another country and there is a double taxation agreement (DTA) in place between UK and that other country OR
- If no DTA in place, unilateral relief limited to the UK tax due on the same income.

6.2 List of double tax treaties signed

UK has bilateral, comprehensive double taxation conventions with the following jurisdictions:

Albania
Algeria
Antigua and Barbuda
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
British Virgin Islands
Brunei
Bulgaria
Burma
Cameroon
Canada
Cayman Islands
Chile
China
Colombia
Croatia
Cyprus
Czechia
Denmark
Egypt
Estonia
Ethiopia
Falkland Islands
Fiji
Faroes
France
Finland
Gambia
Georgia
Germany
Ghana
Greece
Grenada
Guernsey
Guyana
Hong Kong
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Isle of Man
Ivory Coast
Jamaica
Japan
Jordan
Jersey
Kazakhstan
Kenya
Kiribati
Kosovo
Kuwait
Kyrgyzstan
Latvia
Lebanon
Lesotho
Libya
Liechtenstein
Lithuania
Luxembourg
Macedonia
Malawi
Malaysia
Malta

Mauritius
Mexico
Moldova
Mongolia
Montenegro
Morocco
Montserrat
Namibia
Netherlands
New Zealand
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Romania
Russia
Saint Kitts and Nevis
Saudi Arabia
Senegal
Serbia
Sierra Leone
Singapore
Slovakia
Slovenia
Solomon Islands
South Africa
South Korea
Spain
Sri Lanka
Sudan
Swaziland
Sweden
Switzerland
Taiwan
Tajikistan
Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
Uruguay
Uzbekistan
USA
USSR
Venezuela
Vietnam
Zaire
Zambia

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Acquisition tax

Stamp Duty Land Tax (SDLT) is due on the acquisition of a property or land over £125,000 for residential properties and £150,000 for non-residential properties and includes the following:

- Freehold property
- New or existing Leasehold
- Property through Shared ownership scheme
- Transfer of land or property in exchange for payment i.e. take out a new mortgage or buy share in a house

The tax due is payable within 30 days of completion and the transaction is reported to HMRC on a SDLT return.

Scotland has a different tax system for taxing the acquisition of property – Land & Buildings Transaction Tax ("LBTT"). The rates for this differ from SDLT and care should be taken when transacting property in Scotland that the correct rates are used.

Rates of Tax 2018/19		
	Residential property	Second Residential Property
Up to £125,000	0%	3%
£125,000 - £250,000	2%	5%
£250,000 - £925,000	5%	8%
£925,000 - £1.5million	10%	13%
Above £1.5million	12%	15%

An additional 3% is added to each of the above rates, if the purchase is a second property.

However, if the purchase is to replace a main residence and the main home is not sold prior to the purchase of a new property, the additional tax of 3% is payable. Subsequently, if the main residence is sold within 36 months of the purchase of the new property, a refund can be claimed for the extra 3% within 3 months of the sale or within 12 months of the filing date of the return, whichever comes later.

Commercial and mixed use		
	2018/19	2017/18
Up to £150,000	0%	0%
£150,000 - £250,000	2%	2%
Above £250,000	5%	5%

An SDLT return is required for most transactions under £150,000. Certain SDLT reliefs are available for purchase of multiple dwellings, transfer of property between group companies etc. and the relief is claimed on the SDLT return even if there is no tax to pay.

Relief is available where property is transferred from a partnership to a limited company where the ownership remains consistent between the transferring partners and the company shareholders.

7.2 Real property tax

Income Tax

Rental income from UK Real Estate is taxable at the normal IT rates after deduction of allowable expenses. The income is charged irrespective of the tax residency status of the owner and UK real estate is always taxed in the UK.

Tax on disposal

Since 6 April 2015, a realised gain on the disposal of UK Real Estate by a non-UK resident is subject to CGT. No CGT was payable on disposals prior to that date. The CGT is charged at 18 % (BRT) and 28 % (HRTP).

7.3 Estate duty

Estate duty tax (Inheritance tax)

Inheritance Tax is tax on the estate which may include money, possessions and property. Inheritance Tax is due if the value of the estate is more than the current threshold of £325,000 and the estate is not left to a spouse or civil partner or charity. If the estate is worth less than the threshold, then any unused amount can be added to your spouse, partner 's threshold when they die.

If the estate contains your main residence, the threshold is increased by up to £175,000, provided your estate does not exceed £2 million.

Rates of tax

The rate of tax charged on the value above the threshold is 40%. A reduced rate of tax is available if 10% of the estate value is left to a charity.

Exemptions and reliefs

Gifts of £3,000 or less are covered by an annual exemption which is £3,000. Small gifts of up to £250 are also exempt. Gifts made out of normal income are also exempt.

Any gifts not covered by the annual exemption may be taxed depending on when the gift was made and may be subject to a reduced inheritance tax (IHT) under the taper relief rules.

Business Property relief reduces the value of the business assets and therefore IHT due on the business or share of the business in the estate. Business relief is either 50% or 100% reduction of tax on the business assets and it applies to business assets passed on during life time and/or as part of a will. A similar relief applies for Agricultural property.

Any non-chargeable gifts made more than seven years before the donor's death is exempt from tax on death.

Chargeable gifts (i.e. gifts to trusts) are charged at half the IHT rate (i.e. 20%) to the extent that they exceed the Nil Rate Band (NRB).

7.4 Net wealth/net worth tax

There is no wealth tax in the UK.

7.5 Others

Business tax

Business rates are imposed on non- domestic properties which pay business rates calculated by the local government. Business rates are calculated on the ratable value. There are reliefs for businesses and sometimes their application is automatic, but in other cases, the business has to apply for the relief.

Vacant buildings do not pay business rates for the first three months, but after that the full rate applies unless the building has a specific status which may allow further exemption.

Certain properties are exempt from paying business rates such as agricultural land and building, building use for training and welfare of disable people, and church halls.

Consumption tax, etc.

In the UK this is covered by value added tax (VAT) – see above

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