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Georgia to move to distributed profit tax system

Following protracted negotiations and discussions, the Georgia parliament adopted, and the president signed into law, amendments and an addendum to the country's tax code in May 2016, which will fundamentally reform the profit tax regime for Georgia companies and permanent establishments (PEs) of nonresident companies. The existing profit tax regime, under which companies are subject to tax on their annual taxable profits, will change to a system where tax will have to be paid only if corporate profits are distributed, similar to the system adopted by Estonia.

Georgia has been actively looking for ways to stimulate economic growth and attract more investment from foreign and local investors, and the government considered Estonia's 16 years of experience with a different corporate tax system to be a model of one of the ways to work toward these goals.

The new rules will be effective as from 1 January 2017, but will not apply to commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops until 1 January 2019.

Overview of new regime

The new profit tax system will apply only to Georgia resident companies and PEs of nonresident companies, and the tax base will comprise both actual and deemed profit distributions, including the following:

- Distributed profits;
- Expenses incurred or other payments not related to economic activities;
- Gratuitous supplies of goods/services and/or transfers of funds; and
- Representation expenses that exceed the maximum amount set out in the tax code.

Special rules will apply to profits arising from transactions related to oil and gas, under current agreements to carry out these activities that were concluded before 1 January 1998 in line with Georgia laws; these profits will be taxed according to the rules that applied before 1 January 2017.

The profit tax rate will remain unchanged at 15%; however, to calculate the taxable amount, the amount of a distribution subject to taxation will have to be divided by 0.85. In the case of a gratuitous supply of goods/services, the taxable amount will be determined based on the market value of the goods/services.

The tax reporting period will be a calendar month. Tax returns will have to be filed, and tax paid, no later than the 15th day of the month following the reporting calendar month.

In conjunction with the reform, certain tax rules will cease to apply to resident entities and PEs of nonresident entities as from 1 January 2017, including the tax depreciation rules, the thin capitalization rules and the tax loss carryforward rules.

Items subject to tax

Distributed profits: Amounts distributed to shareholders as dividends in a monetary or nonmonetary form will be considered to be taxable distributed profits. However, an allocation of dividends received from a foreign enterprise (with the exception of entities resident in a low-tax jurisdiction) will not be considered to be distributed profits.

Payments made to a nonresident enterprise, whether in a monetary or nonmonetary form, from profits earned from the activities of a PE will be treated as distributed profits of the PE. The profits attributable to a PE will be the profits that it would be possible for the PE to generate as an independent enterprise engaged in the same or similar activities, operating under the same or similar conditions.

The following items also will be treated as profit distributions:

- Transactions carried out with related parties (resident companies and PEs) that are not subject to profit tax under the Georgia tax code, if the value of the transaction as agreed between the parties is different from the market value and the interdependence of the parties affects the result of the transaction;

- Cross-border transactions with related parties, if the conditions established for such transactions do not comply with arm's length principles; and
- Transactions carried out with a party exempt from income/profit tax (except for a public organization, i.e. an organization established by, or under the control of, the central government or certain other government entities, etc.), if the value of the transaction is different from the market value.

Resident enterprises (but not Georgia PEs of nonresident enterprises) that distribute dividends on or after 1 January 2017 from net profits that were subject to tax during the period from 1 January 2008 to 1 January 2017 will have the right to offset the tax paid on the distribution against the profit tax paid in the prior reporting period. The profit tax credit should not exceed the tax paid on the profit distribution, as envisaged in the tax code.

Expenses incurred or other payments not related to economic activities: The new law provides a list of expenses that will not be considered to be related to economic activities and, therefore, will be treated as deemed profit distributions; the key categories of such expenses are the following:

- Undocumented expenses;
- Expenses that are not incurred for the purpose of deriving profit, income or compensation; and
- Interest payments on loans at a rate higher than the annual threshold rate defined by the Minister of Finance.

The new rules set forth other types of payments that are subject to profit tax as deemed profit distributions, and the key categories of such payments are the following:

- Payments made for the acquisition of a debt security issued by a person resident in a low-tax jurisdiction or by a person exempt from profit tax under the Georgia tax code;
- Payments of penalties/fines arising from contractual relationships or advance payments made to a person resident in a low-tax jurisdiction or to a person exempt from profit tax under the Georgia tax code (except a public organization);
- Capital contributions or payments for the right to participate in the equity of a nonresident or a person exempt from profit tax under the Georgia tax code;
- Issuance of loans or payments made for the acquisition of a claim toward a person resident in a low-tax jurisdiction or a person exempt from profit tax under the Georgia tax code; and
- Issuance of loans to a resident individual or a nonresident (including nonresident entities) or deposits of security for loans obtained by an individual or a nonresident from a third party, in which case the amount of the tax base will be defined by the amount of such loans.

(The rules in the last two bullets will not apply to commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops.)

Where actual payments are made in relation to an acquired debt security, equity participation or a claim transfer or, in the case of loans/advance payments, where a loan secured with a deposit is paid off or goods/services are delivered in exchange for the advance payments, the entity that was subject to tax on the deemed profit distribution is entitled to claim an offset and refund of the profit tax incurred in the reporting period of the deemed distribution.

The government will issue a decree listing the countries that will be deemed to be low-tax jurisdictions.

Gratuitous supplies of goods/services and/or transfers of funds: A supply of goods/services that is not made for the purpose of deriving profit, income or compensation will be considered to be a gratuitous supply that is subject to tax as a deemed profit distribution. A shortage of inventory or fixed assets also will be deemed to be a gratuitous supply of such goods at the time the shortage is identified.

The following are the main exceptions to the gratuitous supply of goods/services rules, which will not be subject to profit tax:

- Donations made to a charitable organization during a calendar year that do not exceed 10% of the net profit derived during the previous calendar year;
- Certain gratuitous transfers of goods or funds that already have been taxed at source; and
- Gratuitous supplies of goods/services or transfers of financial resources to the government, municipalities or legal entities under public law.

Representation expenses: The maximum amount of representation costs incurred during the calendar year will be 1% of the income received during the previous year (1% of expenses incurred, if the expenses exceed the income); any excess costs will be subject to profit tax. The maximum amount of representation costs incurred in the year of incorporation will be 1% of expenses incurred by the end of the calendar year of incorporation.

Comments

According to an impact assessment carried out before the reform, the new system should promote investment and there should be a positive effect on Georgia's real GDP. The profits tax exemption for undistributed profits should mean that companies will have more of their own resources available for new investments, and less need for debt financing. In particular, this should have a positive impact on small and medium-sized companies, which usually have less access to debt financing.

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Polish GAAR and VAT anti-abuse rule now in effect

A general anti-avoidance rule (GAAR) and a VAT "abuse of law" rule (introduced by two new laws that amend the Polish Tax Ordinance Act and the Polish VAT Act, respectively) became effective on 15 July 2016. The new rules may have a significant impact on future activities of entities and individuals subject to Polish taxation, and the GAAR may apply to certain prior activities that result in tax benefits after 15 July 2016. The key measures of the new rules and their effect on the Polish tax ruling system are described below.

GAAR

The new GAAR is designed to prevent the creation and use of artificial legal arrangements, with little business justification, to avoid the payment of tax in Poland. Under the new rules, in the case of "tax avoidance" situations, the Polish tax authorities generally will have the power to disregard the form of a transaction/action and determine the tax consequences in a way that eliminates the effects of the tax benefits obtained (i.e. as if the "tax avoidance" was never in place).

Tax avoidance is considered to occur where a transaction/action is carried out primarily to obtain a tax benefit that, under the circumstances, is inconsistent with the subject and purpose of a provision in the tax legislation, and the transaction/action is carried out in an "artificial" manner.

The GAAR will apply only to transactions/actions from which the tax benefit (or the sum of tax benefits) obtained by a person after 15 July 2016 exceeds PLN 100,000 in a settlement period (the period in which a given tax is settled, e.g. an annual basis for corporate income tax purposes); the amount is calculated per transaction/action in the case of taxes that are not settled periodically. The GAAR will not apply, *inter alia*, to VAT (separate rules included in the VAT Act are discussed below) or in cases where the application of other provisions of tax legislation operates to counteract tax avoidance. Additionally, as explained below, a protective opinion indicating that the GAAR does not apply in a particular case may be available from the Minister of Finance (MOF).

Transactions carried out primarily to obtain a tax benefit: A transaction/action will be deemed to be carried out primarily to obtain a tax benefit if the other commercial or economic aims of the transaction/action, as indicated by the taxpayer, are deemed immaterial. A tax benefit will be deemed to be obtained in the following cases:

- The taxpayer is able to defer, reduce or eliminate its tax liability;
- The taxpayer creates or overstates a tax loss; or
- The taxpayer creates an overpayment of tax or a right to a refund, or increases the amount of an overpayment or refund.

The transaction/action to which the GAAR refers includes a set of related transactions/actions, carried out by the same or different entities.

Transactions carried out in an artificial manner: A transaction/action will be deemed to be carried out in an artificial manner if, under the same circumstances, it would not be carried out by a person that acts reasonably and is guided by lawful goals other than obtaining a tax benefit that is contrary to the subject and intention of the tax law. The new provisions provide a nonexhaustive list of factors that will be taken into account in assessing whether a transaction/action was carried out in an artificial way, including, for example, an unreasonable split of a transaction/action, or the involvement of intermediaries without commercial or economic justification.

"Protective opinion": A taxpayer may request a protective opinion from the MOF that the GAAR does not apply to a particular transaction/action that is being planned, has been initiated or already has been concluded, provided the transaction/action is not the subject of pending tax proceedings, etc. by the authorities. The MOF will issue a protective opinion if the circumstances described in the taxpayer's application indicate that the GAAR does not apply in the case; otherwise, the MOF will refuse to issue the opinion (in the latter case, the taxpayer may file a complaint with an administrative court (and also may appeal to the court if it disagrees with the MOF's reasoning as to why the GAAR does not apply)).

The deadline for issuing the opinion is six months from the receipt of the taxpayer's request, and the fee for submitting an application for the opinion is PLN 20,000.

VAT abuse of law rule

In the event of an abuse of law, activities subject to the VAT rules will lead to only those tax results that would have occurred in the absence of transactions/actions constituting an abuse of law.

An abuse of law is defined as carrying out an activity subject to VAT as part of a transaction/action that, despite meeting the formal requirements specified in the provisions of the VAT Act, basically was aimed at deriving tax benefits that are contrary to the intention of these provisions.

Impact of GAAR and VAT abuse of law rule on tax rulings

Some changes have been made to the tax ruling system in connection with the new anti-abuse rules. In general, tax rulings will not be issued for any existing or future transactions/actions where there is a "justifiable suspicion" that the GAAR may apply or there may be an abuse of law under the VAT Act.

Additionally, the Tax Ordinance provisions regarding the scope of protection resulting from a tax ruling will not apply if the facts of the case or future events that are the subject of a tax ruling also constitute a part of an activity that is the subject of a decision issued due to the application of the GAAR, or in relation to an abuse of law under the VAT Act. However, pursuant to the literal wording of the transition provisions, this rule is applicable only to tax rulings issued as from 15 July 2016.

Comments

It should be noted that the wording of the GAAR is rather vague and a number of definitions and statements are of a general nature – including, in particular, the definitions of "tax benefit" and "tax avoidance" – raising questions as to whether they are in conformity with certain constitutional principles in Poland.

Taking into consideration the items described above, the practical uncertainties related to the application of these provisions and the lack of experience of the tax authorities and tax courts with their interpretation, it is difficult to predict the extent to which the tax authorities will rely on the GAAR to question the tax treatment of certain transactions/actions. However, it is clear that, under the GAAR provisions, tax avoidance will be deemed to exist in cases where transactions are carried out without a sufficient business justification and in an artificial manner. It follows that, to assess whether transactions have the characteristics of tax avoidance, an evaluation of their business justification will be crucial.

Taxpayers should carefully review the existence and documentation of the business justification with respect to current and future, as well as past, transactions/actions resulting in tax benefits being obtained after the entry into force of the GAAR regulations (i.e. the GAAR may be invoked with respect to transactions/actions carried out before 15 July 2016 that result in tax benefits after this date; there is no similar provision for the VAT abuse of law rule).

Additionally, taking into consideration the impact of the GAAR/VAT abuse of law rule on tax rulings, taxpayers should review tax rulings obtained in the past, to confirm whether, and to what extent, the legal protection resulting from the rulings will be available with respect to executed or planned transactions. Finally, it is important to carefully monitor practice developments in the application of the new rules by the tax authorities and courts and, on this basis, to further assess how to differentiate between permitted tax planning and tax avoidance that may be considered an abuse of law.

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Australia:
ATO identifies concerns with offshore PE and debt capital arrangements

The Australian Taxation Office (ATO) issued two "taxpayer alerts" on 10 August 2016 that summarize tax issues the ATO has under risk assessment. One of the alerts concerns arrangements where expenses are attributed to an offshore permanent establishment (PE) of a subsidiary of an Australian income tax-consolidated group that has entered into transactions with another member of the group. The other alert deals with funding arrangements where the ATO has concerns that some taxpayers are incorrectly adopting a treatment under the thin capitalization rules that leads to claims for higher debt deductions.

PE alert

The arrangement identified by the ATO involves an amount being paid by one member of the tax-consolidated group to another member (e.g. for services, loans, intangibles, etc.). For Australian tax purposes, the transaction is effectively ignored under the "single entity rule" applicable to tax-consolidated groups. However, the expense is attributed to an offshore PE of the group, and therefore is deductible in the foreign jurisdiction in computing the profits attributable to that PE. Under the foreign branch exemption rule, the profits attributable to a foreign PE generally should be exempt in Australia. The result of the arrangement, if effective, is a deduction in the foreign jurisdiction and no income recognition in Australia. The ATO has expressed a number of concerns, including the risk of over-allocation of profit to the foreign PE and that the Australian group is incorrectly claiming deductions in Australia for expenses that relate to the foreign PE. The ATO also noted that the general anti-avoidance rule may apply.

The ATO is further developing its technical position in response to the facts and circumstances of each particular arrangement and, in the meantime, is actively pursuing compliance activities and reviewing such arrangements.

Thin capitalization

The thin capitalization alert deals with financing arrangements involving an instrument that is a debt interest for tax purposes, but that is classified (wholly or in part) as equity for accounting purposes.

The thin capitalization rules provide a safe harbor that broadly requires a comparison between debt and assets. It, therefore, is necessary to calculate the amount of debt, as defined under the thin capitalization rules. The ATO is concerned that, in computing the debt amount for purposes of the thin capitalization rules, taxpayers are excluding amounts that are treated as equity for accounting purposes. As a result, the amount of debt for thin capitalization purposes is arguably understated.

The ATO view is that the entire financing amount should be taken into account, and it supports its position on a number of bases including, if required, a potential application of the general anti-avoidance rule. If the ATO view prevails, this could result in a disallowance of interest deductions, together with interest and penalties (up to 90% of the primary tax amount).

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Chile: Electronic portal opened for taxpayers to elect into new tax regimes

Chile's tax authorities have opened an online portal on their website, through which taxpayers subject to first category income tax (FCIT) in Chile may opt for one of the new dual income tax regimes that will apply as from 1 January 2017 (for prior coverage, see Chile tax alert, 21 July 2016). Paper-based elections also will be available, but they have not yet been enabled.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-chile-21-july-2016.pdf

Under the existing income tax rules, business income derived by an enterprise in Chile is subject to a 24% FCIT, but such income also is subject to income tax on a cash basis when distributed to the shareholders, at rates that vary depending on whether the shareholder is a resident or a nonresident. Nonresident shareholders are subject to a 35% withholding tax on dividends. The tax paid by the enterprise may be used as a credit against the liability of the shareholders, resulting in an overall income tax rate of 35% on distributed profits for nonresident shareholders.

As from 2017, taxpayers subject to the FCIT that are required to determine their effective taxable income based on their full accounting records will be subject to one of the following tax regimes:

- The fully integrated regime, under which partners/shareholders will be taxed on their share of the profits that are accrued annually by the Chilean entity. The combined income tax rate under this regime will be 35%.
- The partially integrated regime, under which shareholders will be taxed when profits are distributed. The combined income tax rate under this regime generally will be 44.45%, although foreign partners/shareholders that are resident in a country that has a tax treaty in force with Chile will be entitled to a full tax credit and, thus, may benefit from a combined rate of 35%. Under a transition measure, partners/shareholders resident in a country that has signed a tax treaty with Chile that is not yet in force may benefit from the combined rate of 35% until 31 December 2019.

Only certain taxpayers are eligible to opt between the new regimes. The following entities may opt for the fully integrated regime:

- Sole proprietorships and single-member limited liability companies (LLCs);
- Companies other than stock corporations (e.g. LLCs) and joint tenancies owned exclusively by persons subject to final taxes (i.e. individuals resident in Chile and/or individuals or legal entities that are not resident in Chile);
- Companies limited by shares owned exclusively by Chilean resident individuals or foreign investors; and
- Branches and permanent establishments (PEs) of foreign companies in Chile.

(If a company limited by shares opts for the fully integrated regime, in addition to the requirement to be owned exclusively by Chilean resident individuals or foreign investors, the company may not include express provisions in its bylaws allowing the transfer of shares to Chilean resident shareholders other than individuals without the unanimous consent of all owners.)

Stock corporations and companies organized as a special form of joint stock company will have to use the partially integrated regime, as will companies in which at least one of the owners, members, partners or shareholders is not a taxpayer subject to final taxes.

Eligible taxpayers that have commenced activities before 1 June 2016 must make the election into their preferred regime before 1 January 2017. Companies other than single-member LLCs will need to execute a public deed containing the unanimous consent of all shareholders/partners before the election is made, to document the decision. In the case of sole proprietorships, single-member LLCs, joint tenancies and branches and PEs of foreign companies, a declaration signed by all owners will be sufficient.

Certain default presumptions will apply to eligible taxpayers that do not make an election during 2016. Sole proprietorships, single-member LLCs, joint tenancies and qualifying companies (other than stock corporations) that are owned exclusively by Chilean resident individuals will be taxed under the fully integrated regime, unless they expressly opt into the partially integrated regime. In contrast, companies limited by shares and branches and PEs in Chile will be taxed under the partially integrated regime, unless they expressly opt into the fully integrated regime.

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India:
PAN requirements relaxed, fast-track procedure announced

India's Central Board of Direct Taxes (CBDT) issued guidance on 24 June 2016 that relaxes the rules requiring nonresident taxpayers to obtain a permanent account number (PAN) (an Indian tax identification number allowing the holder to receive a reduced withholding tax rate on certain types of India-source income). This was followed by an announcement on 22 July that a fast-track procedure will be introduced for Indian and nonresident companies and individuals to obtain a PAN. The new rules apply as from the date of issuance.

Previously, nonresidents deriving India-source income subject to Indian withholding tax were required to obtain a PAN. Under the Income Tax Act, 1961 (ITA), a foreign recipient that failed to furnish its PAN to the payer of India-source income would be subject to a withholding tax rate specified in the ITA or a rate of 20%, whichever was higher. The government announced in the 2016 budget that the PAN requirement would be eliminated for certain foreign companies, subject to any conditions that might be prescribed by the government.

The June guidance abolishes the PAN requirement with respect to payments of interest, royalties and technical service fees, as well as payments on the transfer of a capital asset, provided the nonresident (whether a company or an individual) furnishes the following information to the payer:

- Name, email and phone number;
- Address in the country or territory of residence;
- Certificate of residence issued by the government of that country; and
- Tax identification number in the country of residence or, if a tax identification number is not available, a unique number used to identify the nonresident outside of India.

It should be noted that a nonresident claiming benefits under one of India's tax treaties still is required to submit a declaration with prescribed information (Form 10F) to the payer of India-source income. Additionally, under Indian tax law, a nonresident deriving income from India is required to file a tax return and a PAN still may be needed for filing purposes, since the exemption from the filing obligation is available only for limited sources of income.

In cases where a PAN is required, the fast-track procedure will allow resident and nonresident companies and individuals to request a PAN electronically, and the PAN will be issued within one business day of the date the taxpayer uploads the relevant supporting documents.

The relaxation of the PAN requirement is a welcome development because it will provide more certainty regarding the levy of withholding tax, and it will reduce the administrative burden for foreign recipients of India-source income that otherwise would be required to apply for a PAN to benefit from a lower withholding tax rate. The June guidance also will provide relief to Indian payers where the tax was borne by them and, therefore, had to be grossed up. The fast-track PAN mechanism will allow a PAN to be obtained in less time. While the online application mechanism for the fast-track PAN has not yet been launched, this is expected in the near future.

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Luxembourg:
Changes to investment vehicles and company law approved

The Luxembourg parliament voted to approve a law to introduce a new alternative investment fund vehicle, the Reserved Alternative Investment Fund (RAIF), on 14 July 2016. Additionally, on 13 July 2016, the parliament approved a law to modernize the law on commercial companies (the Company Law). The RAIF law has entered into force, and the Company Law will enter into force three days after publication in the official gazette. These laws should enhance the tax and legal framework for investors seeking to structure their investments through Luxembourg.

RAIF vehicle

The new RAIF regime significantly expands the options for private equity, real estate and hedge fund managers in Luxembourg.

The regime aims to provide all the existing benefits associated with the specialized investment fund (SIF) or *Société d'investissement à capital variable* (SICAR) regimes, with an efficient regulatory structure. One of the key benefits of the RAIF regime for fund managers is the absence of overlapping regulations at the product and manager levels, which offers increased go-to-market capabilities compared to offshore fund regimes or other existing onshore fund regimes.

A main objective of the new regime is to offer a tax-neutral vehicle to investors, allowing fund managers to accommodate various investments and/or investors' tax needs or constraints.

The applicable tax regime depends solely on how the fund is set up, i.e. whether it is similar to a SIF or a SICAR:

- A RAIF vehicle relying on the SIF tax regime will be exempt from corporate income tax, municipal business tax and net worth tax. There will be no withholding taxes on any distributions, and no nonresident tax on "speculative" capital gains (gains that, under certain conditions, are subject to taxation in Luxembourg upon the sale of a participation and to which no tax treaty is applicable) for investors. A one basis point subscription tax, with exemptions available that are similar to those for a SIF, will be applied.
- If a RAIF invests in risk capital benefits, then, like a SICAR, it may be subject to corporate income tax and municipal business tax, although not to net worth tax (except for the minimum net worth tax). However, any income from transferable securities or income from temporary investments (investments made for less than 12 months) will be exempt. There will be no withholding taxes on any distributions, and no nonresident tax on speculative capital gains for investors.

In both cases, it is possible to set up the fund as a tax-transparent vehicle, whether this is as a mutual fund in the case of a RAIF-SIF, or as a partnership for a RAIF-SIF or a RAIF-SICAR.

VAT generally is also a factor when deciding upon the location of a fund, especially in comparison to offshore funds. The fees paid in consideration for the management of the fund vehicle, in principle, are eligible for the Luxembourg VAT exemption, whether the RAIF opts for the SIF or the SICAR tax regime.

Company Law

The modernization of the Company Law will confirm existing practices, recognize the contractual freedom of shareholders and provide legal certainty regarding third parties. The public limited company (SA) and private limited liability company (Sàrl) regimes will be modified in some areas, and a new form of company will be introduced.

For an SA, the modernization aims to relax the regime involving shares without voting rights, to preserve the rights of shareholders seeking to hold only economic rights in a company. In addition, SAs will be able to issue shares below par value, or even with unequal values.

The rules relating to the functioning of a Sàrl also will be subject to important structural modifications, which will cause a Sàrl to begin to resemble an SA in certain aspects. Such changes include, among others, an increase of the maximum number of shareholders from 40 to 100, confirmation of the ability to issue tracking shares and an option to include an authorized share capital clause allowing the board of managers to increase the share capital, subject to certain limitations. Additionally, a Sàrl will be able to issue both redeemable and profit shares, with or without voting rights. The issuance of profit shares will provide greater flexibility for investors.

A new form of company (*société par actions simplifiée* (SAS)) also will be introduced in the amended Company Law, which will mainly be based on the same rules that govern the SA, but will offer greater contractual freedom.

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Mexico:
SAT considering new procedure for maquiladora APAs

Mexico's Tax Administration Service (SAT) has proposed implementing a new procedure that should expedite the conclusion of advance pricing agreements (APAs) for maquiladoras.

The 2014 tax reform limited the ways in which a Mexican entity operating under the maquiladora regime can demonstrate that it is in compliance with the arm's length principle under Mexico's transfer pricing rules. Prior to the reform, a maquiladora could elect one of four options to show compliance, but, as from 2014, a maquiladora may only elect the "safe harbor method" or obtain an APA with the SAT (for prior coverage, see Mexico tax alert, 12 December 2013).
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-mexico-121213.pdf

The Tax Committee of the National Council for the Exporting Manufacturing Industry (INDEX, the body that represents the maquiladora industry) has been conferring with the transfer pricing officials in the SAT, and recently issued a bulletin reporting on the outcome of meetings relating to issues involving the conclusion of APAs. To obtain an APA, a maquiladora must reach an agreement with the transfer pricing officials on the functions, assets used and risks assumed by the maquiladora; the transfer pricing method applied; the third-party comparables that are used, etc. The process is complicated and typically protracted, leaving the applicant maquiladora in a state of uncertainty as to whether it is in compliance with the transfer pricing rules.

The bulletin explains that the SAT is proposing to implement a procedure that would expedite the conclusion of APAs, by classifying entities based on how factors of production are used (work force or operating assets) and by determining an annual profit margin based on a method that would apply depending on the classification of the applicant entity.

If the SAT implements the proposed procedure, a maquiladora would be able to opt to apply the procedure by submitting a follow-up request to its original APA request and waiting for the SAT to issue a resolution based on the above factors. If a maquiladora does not opt to apply the procedure, the maquiladora would have to wait for a decision on the original APA application.

The following points should be noted with respect to the proposed procedure:

- The procedure would facilitate the issuance of APA requests only to the extent that the procedure provides reasonable and similar results to those of the original APA request.
- The INDEX and the SAT have discussed comparables that would be relevant for the most representative maquiladora industries that typically use a high level of operating assets: (i) automobiles and auto parts; (ii) electronics; and (iii) other assets (e.g. plastics, textiles, etc.).
- Several issues still need to be resolved between the INDEX and the SAT, but these should be addressed in upcoming meetings.

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South Africa:
New tax treaty with Lesotho in effect

The new tax treaty between South Africa and Lesotho, signed on 18 September 2014 to replace the 1995 treaty between the two countries, entered into force on 27 May 2016 and applies as from 26 June 2016 for withholding tax purposes. With regard to "other tax matters," the date from which the treaty will apply depends on whether the taxpayer is an individual or a person other than an individual (i.e. a company).

The treaty provisions regarding other tax matters will enter into effect for years of assessment commencing on or after 26 June 2016. For individuals, these provisions will enter into effect in South Africa as from 1 March 2017, since years of assessment for individuals run from 1 March to 28/29 February in South Africa. For companies, the treaty provisions regarding other tax matters will enter into effect for the company's year of assessment commencing on or after 26 June 2016 (e.g. for June year ends, the provisions would be effective for the first time for years of assessment starting on 1 July 2016 and ending on 30 June 2017).

Some of the more important changes made in the new treaty are highlighted below.

Residence

The 1995 treaty contains a "tiebreaker" clause, under which the residence of persons other than individuals is determined by the place of effective management of the person. However, the new treaty provides that, in cases where a person other than an individual is a resident of both contracting states under the terms of the treaty, residence will be determined by mutual agreement between the competent authorities of the two countries.

Permanent establishment (PE)

The PE definition in the 1995 treaty includes the furnishing of services (including consultancy services) by an enterprise, through its employees in the contracting state, if the activities exceed a period or periods of six months within any 12-month period. The new treaty will reduce this period, and provides that the furnishing of services (including consultancy services) in the contracting state will be deemed to create a PE if the activities exceed a period or periods of 90 days in any 12-month period commencing or ending in the fiscal year concerned.

Withholding taxes

The new treaty provides for a reduced withholding tax rate of 10% for dividends paid to a company that holds at least 10% of the capital of the payer company; otherwise, the rate is 15% (under the 1995 treaty, the 15% rate generally applied to dividends). Similarly, the branch profits tax rate has been reduced from 15% to 10% under the new treaty. The withholding tax rates on interest and royalties have been maintained at 10%.

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Taiwan:
CFC, POEM rules introduced

On 12 July 2016, Taiwan's Legislative Yuan approved anti-avoidance rules proposed by the Executive Yuan in April 2016 that would introduce controlled foreign company (CFC) rules and a "place of effective management" (POEM) test for the determination of a corporation's tax residence (for prior coverage, see *World Tax Advisor*, 24 June 2016). The new rules will be included in Taiwan's Income Tax Act. In a separate development, on 21 July, the Executive Yuan approved draft amendments to the Income Basic Tax Act that include rules relating to CFCs owned or controlled by individuals.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160624_ib.html

Despite the approval by the Legislative Yuan, the date on which the corporate anti-avoidance rules will take effect depends on the following:

- The implementation date of the tax agreement between China and Taiwan signed on 25 August 2015 (for prior coverage, see *World Tax Advisor*, 25 September 2015);
  URL: http://newsletters.usdbriefs.com/2015/Tax/WTA/150925_10.html
- The implementation date of the OECD Common Reporting and Due Diligence Standard in Taiwan; and
- The announcement and effective date of enforcement and implementation rules for the anti-avoidance rules.

The head of the Ministry of Finance has announced that, in any event, the CFC and POEM rules will not take effect in 2017, but in 2018 at the earliest. The draft CFC amendments applying to individuals require approval by the Legislative Yuan to take effect.

CFC rules

Under existing rules, Taiwan companies are taxed only when they receive dividends from their offshore subsidiaries; i.e. earnings derived from foreign subsidiaries do not have to be included in Taiwan income until dividends are received by the Taiwan parent company.

The CFC rules will require a Taiwan company to include currently in its taxable income its pro rata share of the taxable profits of its CFC. The CFC rules will be triggered where a Taiwan company, alone or with related parties, directly or indirectly owns more than 50% of the shares of a foreign entity or is capable of having a "significant impact" on a foreign entity. The rules will not apply, however, if the foreign entity has active operating activities or if the income it earns each year is below the relevant standard set out by the Ministry of Finance.

The draft rules for individuals parallel the rules applying to companies and would apply where a Taiwan individual, who together with his/her spouse and second degree relatives, holds more than 10% of a CFC. In such a case, the CFC income would have to be included in the calculation of the alternative minimum tax liability in proportion to the individual's shareholding percentage in the CFC.

POEM rule

An enterprise currently is considered a Taiwan resident only if its head office is located in Taiwan. Under the POEM rule, a foreign entity that has its place of effective management in Taiwan will be deemed to be a Taiwan resident and, thus, will be subject to tax on its worldwide income and also will be required to comply with other Taiwan tax rules. In other words, the rules will require foreign companies that carry out all of their management functions in Taiwan to pay tax and file returns as domestic business entities.

Comments

Even though the CFC and POEM rules will not become effective until at least 2018, potentially affected taxpayers should begin to evaluate the possible impact of the rules.

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United States:
Update on jurisdictions treated as if they have an IGA in effect

The Internal Revenue Service (IRS) has published guidance informing financial institutions that, on 1 January 2017, the US treasury department will update the intergovernmental agreement (IGA) list to remove certain jurisdictions that have failed to bring an IGA to implement the US Foreign Account Tax Compliance Act (FATCA) into force. The announcement states that these jurisdictions will no longer be treated as having an IGA in effect, but clarifies that a jurisdiction will not cease to be treated as having an IGA in effect until at least 60 days after the jurisdiction's status on the IGA list is updated.

Foreign financial institutions (FFIs) in jurisdictions that cease to be considered as having an IGA in effect will not be able to rely on the IGA and, unless they qualify for an exception under the FATCA regulations, will have to enter into FFI agreements to comply with their FATCA obligations, including reporting information to the IRS and withholding.

The treasury department may evaluate whether a jurisdiction will continue to be treated as having an IGA in force based on two factors:

- Whether the jurisdiction has submitted, by 31 December 2016, a detailed explanation of why the IGA is not yet in force and a plan (including dates) intended to be followed to sign the IGA and/or bring it into force; and
- Whether the explanation and plan provided, along with the jurisdiction's past conduct with regard to IGA discussions, indicate a resolve to bring the IGA into force.

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In brief

Argentina: A law introducing a voluntary disclosure regime and a tax amnesty that will allow Argentine residents to declare unreported assets and pay tax at special rates, as well as reduced interest and penalties, was published in the official gazette on 22 July 2016 (for prior coverage, see *World Tax Advisor*, 10 June 2016). The regime will be available until 31 March 2017, although the special tax rate will be increased as from 1 January 2017. In addition to introducing the voluntary disclosure regime and tax amnesty, the law includes the following measures: (1) abolition of the 10% withholding tax levied on dividends paid to nonresidents, effective as from 23 July 2016; (2) abolition of the minimum presumed income tax for tax years beginning on or after 1 January 2019; and (3) a reduction of the personal assets tax on shareholders from 0.50% to 0.25% as from fiscal year 2016.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160610_2.html

China: The Ministry of Finance and the State Administration of Taxation issued guidance on 30 June 2016 that clarifies and expands the scope of financial transactions that are subject to VAT-exempt treatment, so that most major inter-financial institution transactions are covered. The guidance applies retroactively from 1 May 2016.

European Union: The CJEU issued a decision on 13 July 2016, concluding that Portugal's domestic withholding tax rules relating to interest are contrary to EU law (for prior coverage, see *World Tax Advisor*, 25 March 2016). Portugal levies a 25% withholding tax on the gross amount of interest paid to EU financial institutions (unless the rate is reduced under an applicable tax treaty), but only a 21% rate on the *net* interest amount paid to resident financial institutions. The CJEU ruled that the different treatment of residents and nonresidents violates the freedom to provide services, and that it cannot be justified.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160325_ib.html

European Union: The European Council approved changes to the EU VAT directive on 27 June 2016 that aim to harmonize and provide more certainty on the VAT treatment of vouchers. The directive defines single-purpose and multi-purpose vouchers and sets rules to determine the taxable value of transactions in both cases. EU member states have until 31 December 2018 to transpose the directive into national law; the new provisions will apply to vouchers issued after that date.

Greece: The parliament passed a new development law on 16 June 2016 that aims to generate private investment by providing incentives to the private sector that will be in the form of different types of state aid. The state aid will be available to any investor, as long as the entity executing the investment plan is established in Greece.

India: The upper house of parliament approved the indirect tax reform on 3 August 2016, by passing the constitution amendment bill to facilitate the rollout of goods and services tax (GST) on 1 April 2017. The GST will be imposed nationwide on the supply of goods and/or services. Some changes have been made to the bill, including elimination of the 1% additional tax levy on the interstate supply of goods, an amendment to the dispute resolution mechanism and a clarification that the Indian states will receive full compensation for the loss of revenue due to the introduction of GST for a period of up to five years. The Finance Ministry released a draft model GST law on 14 June 2016 that would form the framework for the law expected to be adopted by the central and state governments. The constitutional amendment still must be ratified by at least 15 of the 29 Indian state legislatures and the president needs to give his assent to bring the amendments into force.

Mexico: The president has enacted a law creating special economic zones (SEZs) that will offer tax, customs duty and administrative and regulatory benefits to companies setting up in the zones. The SEZ law, which became effective on 2 June 2016, aims to stimulate growth, reduce poverty, facilitate the supply of basic services and attract investment to economically underdeveloped areas in the southern states of the country.

Russia: The law that will require foreign businesses supplying electronic services to private customers in Russia to register for VAT purposes in Russia and charge VAT (15.25% where the service fees are VAT-inclusive and 18% where the fees are VAT-exclusive) was published in Russia's official gazette on 6 July 2016 and will apply as from 1 January 2017 (for prior coverage, see *World Tax Advisor*, 22 January 2016).
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160122_1.html

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BEPS corner

In each issue that provides updates on developments in the OECD's BEPS initiative, *World Tax Advisor* includes a "BEPS corner" covering these developments.

Austria: Legislation has been announced that is based on the approach to transfer pricing documentation under action 13 of the BEPS project. See global transfer pricing alert, 15 August 2016.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-030-15-august-2016.pdf

Belgium: Legislation has been introduced implementing CbC reporting requirements under action 13 of the BEPS project. See global transfer pricing alert, 4 August 2016.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-027-4-august-2016.pdf

Canada: The Department of Finance has released draft legislation to implement CbC reporting requirements for large multinational enterprises. See global transfer pricing alert, 5 August 2016.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-028-5-august-2016.pdf

Chile: See the "tax treaty round up" item in this issue.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160819_tr.html

Luxembourg: The parliament has issued a draft tax law that would introduce CbC reporting obligations and transpose the EU directive regarding the mandatory automatic exchange of information into domestic law. See global transfer pricing alert, 8 August 2016.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-029-8-august-2016.pdf

OECD: The OECD published a discussion draft on 28 July 2016 on approaches to addressing BEPS involving interest in the banking and insurance sectors under action 4 of the BEPS action plan. The report on action 4 released on 5 October 2015 sets out a common approach to BEPS involving interest and payments economically equivalent to interest (for prior coverage, see OECD tax alert, 6 October 2015). This included a "fixed ratio rule" that limits an entity's net interest deductions to a set percentage of its tax EBITDA, and a "group ratio rule" to allow an entity to claim higher net interest deductions, based on a relevant financial ratio of its worldwide group. The draft does not change any of the conclusions agreed in final report, but provides a more detailed consideration of the BEPS risks

posed by banks and insurance companies and those posed by entities in a group with a bank or insurance company. Comments are due by 8 September 2016.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-oecd-6-october-2015.pdf

OECD: In a report prepared in advance of the meeting of the G-20 finance ministers in Chengdu, China on 24-26 July 2016, the OECD presented a list of criteria to identify jurisdictions that would be deemed to be noncooperative from a tax transparency perspective. To avoid inclusion on the blacklist, a jurisdiction will need to satisfy at least two of the following three criteria: (1) have at least a "largely compliant" rating with respect to the exchange of information on request standard; (2) commit to implement the OECD common reporting standard and begin exchanges by 2018 at the latest; and (3) participate in the multilateral convention on mutual administrative assistance in tax matters or a sufficiently broad information exchange network that provides for the exchange of information upon request and the automatic exchange of information. The G20 had asked the OECD in April 2016 to develop objective criteria to identify noncooperative jurisdictions with respect to tax transparency. The G20 endorsed the OECD proposals during the Chengdu meeting.

United Kingdom: The UK tax authorities (HMRC) issued a clarification on 4 August 2016 that partnerships are included as reporting entities for purposes of the UK CbC reporting regulations. HMRC referred to the OECD update published on 29 June 2016, which makes it clear that partnerships are within scope (for prior coverage, see global transfer pricing alert, 1 July 2016). The UK government will propose amendments to the regulations in autumn 2016 to include partnerships. The regulations will be applicable to periods beginning on or after 1 January 2016, in line with the OECD recommendations and previous government commitments.
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-023-1-july-2016.pdf

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Tax treaty round up

At the end of each month, *World Tax Advisor* provides an update on recent tax treaty developments, with a focus on items that directly affect the withholding tax rates of the key jurisdictions covered by the Deloitte International Tax Source (DITS). Additional coverage may include stated negotiating priorities and other important tax treaty trends.
URL: http://www.dits.deloitte.com?id=us:em:na:wta:eng:tax

Unless otherwise noted, the developments discussed below are not yet in force.

Brazil: The tax authorities issued a ruling on 17 June 2016 on the withholding tax treatment of software licensing fees under the royalties article in the Brazil-France tax treaty. That article provides for a 10% withholding tax on royalties paid for copyright licenses related to film, television and radio shows, as well as copyright licenses related to literary, artistic and scientific works; the rate is 25% for royalties relating to the use of commercial or industrial trademarks; and 15% in all other cases. The tax authorities' ruling provides that software licensing falls within the scope of the copyright definition and, therefore, payments for software licensing will be subject to a maximum rate of 10%. The authorities reached a similar conclusion in June with respect to the Brazil-Finland tax treaty. The withholding tax rate in the absence of a tax treaty would be 15%.

Chile: On 12 July 2016, Congress approved the 2015 tax treaties with Argentina and China. The treaties include new wording influenced by the BEPS initiative, in particular, in relation to entitlement to treaty benefits and the definition of a permanent establishment. The treaties will enter into force after Chile is notified of the completion of legislative approval procedures in the treaty partner country, and generally will apply in respect of taxes on income obtained and amounts paid or credited on or after the first day of January of the year following the year the treaty enters into force.

Cyprus-Jersey: When in effect, the treaty signed on 11 July 2016 provides that dividends, interest and royalties will be taxable only in the state of residence of the recipient.

Czech Republic-Iran: The 2015 treaty entered into force on 4 August 2016 and will apply as from 1 January 2017. When in effect, the treaty provides for a 5% withholding tax rate on dividends. A 0% rate will apply to interest paid in connection with the sale of merchandise or equipment on credit, and to interest paid on bank loans; otherwise, the rate will be 5%. An 8% rate will apply to royalties.

Germany-Costa Rica: The 2014 treaty entered into force on 10 August 2016 and will apply as from 1 January 2017. When in effect, the treaty provides for a 5% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate will be 15%. A 0% rate will apply to interest paid in connection with the sale of commercial or scientific equipment on credit, paid in connection with the sale of goods by an enterprise to another enterprise on credit or paid on a loan granted by a bank; otherwise, the rate will be 5%. The rate on royalties will be 10%.

Hong Kong-Romania: The 2015 agreement entered into force on 29 July 2016 and will apply as from 1 January 2017. When in effect, the agreement provides for a 3% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 15% of the capital of the payer company; otherwise, the rate will be 5%. A 0% rate will apply to interest if, and as long as, Hong Kong does not levy withholding tax on interest under its domestic legislation; otherwise, the rate will be 3%. The rate on royalties will be 3%.

Hong Kong-Russia: The 2016 agreement entered into force on 29 July 2016 and will apply as from 1 January 2017 in Russia and as from 1 April 2017 in Hong Kong. When in effect, the agreement provides for a 5% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 15% of the capital of the payer company; otherwise, the rate will be 10%. The rate on interest will be 0% and that on royalties, 3%.

Hungary-Turkmenistan: When in effect, the treaty signed on 1 June 2016 provides for a 5% withholding tax rate on dividends paid to a company (other than a partnership that is not liable to tax) that holds directly at least 25% of the capital of the payer company; otherwise, the rate will be 15%. A 10% rate will apply to interest and royalties.

India-Mauritius: The protocol to the existing tax treaty, signed on 10 May 2016, entered into force on 19 July 2016 and will apply as from varying dates (for prior coverage, see *World Tax Advisor*, 27 May 2016).
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160527_1.html

Ireland-Ethiopia: The 2014 treaty entered into force on 12 August 2016 and will apply as from 1 January 2017 in Ireland and as from 8 July 2017 in Ethiopia. When in effect, the treaty provides for a 5% withholding tax rate on dividends, interest and royalties.

Korea (ROK)-Georgia: When in effect, the treaty signed on 31 March 2016 provides for a 5% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate will be 10%. A 0% rate will apply to interest paid in connection with the sale of merchandise or industrial, commercial or scientific equipment on credit, and to interest paid to a pension fund (provided the interest is not derived from a business carried on, directly or indirectly, by the fund); otherwise, the rate will be 10%. A 10% rate will apply to royalties.

Panama: On 15 July 2016, the government announced its commitment to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The convention is an agreement designed to promote international cooperation for better functioning of domestic tax laws and that provides for all forms of administrative cooperation in the assessment and collection of taxes between signatory countries. Panama’s ratification of the convention will represent a significant step in implementing the country’s commitment to tax transparency and the effective exchange of information.

Saudi Arabia-Macedonia: The 2015 treaty entered into force on 1 May 2016 and will apply as from 1 January 2017. When in effect, the treaty provides for a 5% withholding tax rate on dividends and interest, and a 10% rate on royalties.

South Africa-Lesotho: See the article in this issue.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160819_8.html

United Kingdom-Senegal: The 2015 treaty entered into force on 30 March 2016 and applies in the UK as from 6 April 2016 for withholding tax purposes. The treaty will apply as from 1 January 2017 in Senegal. The treaty provides for a 5% withholding tax rate on dividends paid to a company that holds directly at least 25% of the capital of the payer company; an 8% rate applies to dividends paid to a pension scheme; a 15% rate applies to dividends paid out of income (including gains) derived directly or indirectly from certain immovable property by an investment vehicle that distributes most of this income annually and whose income from such property is exempt from tax; otherwise, the rate is 10%. A 10% rate applies to interest. A 10% rate applies to royalties paid for the use of, or the right to use, a copyright of literary, artistic or scientific work (including cinematograph films), a patent, trademark, design or model, plan, secret formula or process or for information concerning industrial, commercial or scientific experience; a 10% rate also applies to payments for the use of, or the right to use, industrial, commercial or scientific equipment, but the tax is levied on only 60% of the gross amount.

Uruguay-Vietnam: The 2013 treaty entered into force on 26 July 2016 and will apply as from 1 January 2017. When in effect, the treaty provides for a 5% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 70% of the capital of the payer company; otherwise, the rate will be 10%. The rate on interest and royalties will be 10%.

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Austria
Austria's Transfer Pricing Documentation Act officially published
The Austrian Transfer Pricing Documentation Act, published in the federal law gazette on 1 August 2016, is based on the three-tiered standardized approach to transfer pricing documentation under action 13 of the OECD's BEPS project.
Issue date: 15 August 2016
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-030-15-august-2016.pdf

Belgium
Belgium finalizes mandatory transfer pricing reporting requirements
Belgium's Program Law of 1 July 2016, introducing legislation implementing action 13 of the OECD's BEPS project, was published in the official journal on 4 July 2016.
Issue date: 4 August 2016
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-027-4-august-2016.pdf

Canada
Canada releases draft legislation on country-by-country reporting
On 29 July 2016, Canada's Department of Finance released draft legislation to implement certain measures announced in the 2016 federal budget, including country-by-country reporting requirements for large multinational enterprises.
Issue date: 5 August 2016
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-028-5-august-2016.pdf

Chile
New regulation opens opportunities for foreign investors
Chile's Superintendence of Securities and Insurance issued a regulation on 27 July 2016 that clarifies the definition of "institutional investor" for purposes of the rules governing regulated investment funds and allows qualifying foreign investors, foreign funds and collective investment vehicles to benefit from institutional investor status.
Issue date: 28 July 2016
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-chile-28-july-2016.pdf

Extensive guidance issued on new tax regimes
On 14 July 2016, Chile's tax authorities issued a public ruling containing extensive guidance on the new dual income tax regimes that will apply as from 1 January 2017. The ruling revokes previous rulings and reflects changes introduced in a February 2016 law designed to simplify and clarify the 2014 tax reform.
Issue date: 21 July 2016
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-chile-21-july-2016.pdf

Luxembourg

Luxembourg issues draft law on country-by-country reporting

On 2 August 2016, Luxembourg's parliament issued a draft tax law that would introduce country-by-country reporting obligations and transpose the EU directive regarding the mandatory automatic exchange of information into domestic law.

Issue date: 8 August 2016

URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-16-029-8-august-2016.pdf