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Ukraine publishes new tax code

The Tax Code of Ukraine (TCU), which overhauls most of the country's tax rules and consolidates a variety of laws and regulations, was officially published 4 December 2010 after undergoing numerous drafts and changes. Although the TCU is generally effective as from 1 January 2011, the provisions relating to corporate income tax do not become effective until 1 April 2011.

The TCU is generally viewed as bringing the Ukrainian tax environment into a single codified document to better harmonize the interpretation of the rules. Although the TCU introduces some strict anti-avoidance provisions (limitations on certain deductions, the introduction of the concept of beneficial ownership, more transfer pricing methods), the general intent of the TCU is to reduce the overall tax burden, make the system more transparent and facilitate compliance. Despite certain reductions in tax rates and bringing tax accounting closer to financial accounting, we expect that, in practice, the overall tax and compliance burden on Ukrainian taxpayers will remain high.

Corporate income tax

Rate – The corporate income tax rate will drop from 25% to 23% on 1 April 2011, with the 23% rate applying until 31 December 2011. The rate will then be further reduced to 21% for 2012, 19% for 2013 and 16% as from 1 January 2014.

Tax base – A welcome change intended to harmonize the tax treatment of transactions with their economic substance, the TCU provides that income/expenses will be recognized primarily based on financial accounting principles. Other notable rules include:

- Dividend income is exempt unless it comes from non-controlled (i.e. less than 20%) nonresidents or from nonresidents with offshore status;
- Interest expenses may be capitalized for tax purposes if they are capitalized in financial accounting;
- Foreign exchange accounting will be based on financial accounting principles;
- Accounting and depreciation of all groups of depreciable fixed assets will be itemized (rather than using the group-based approach);
- Depreciable fixed assets will be pooled into 16 groups for tangible assets and six for intangible assets;
- The number of tax depreciation accrual methods has been increased to five, and they include the straight-line and the reducing balance methods, as well as accelerated depreciation (for certain groups of fixed assets). The other two methods are the cumulative and production methods;
- The opening tax basis of depreciable fixed assets as from 1 April 2011 will be determined based on inventory (accounting book value); and
- If the total accounting book value of fixed assets as of 1 April 2011 is less than the total tax basis of such fixed assets, the difference will be recognized as a separate item of a depreciable asset and will be depreciated based on the straight-line method over three years. Book revaluations made during 2010 will not be taken into account when comparing the tax basis to book value on 1 April 2011.

Deductions – Expenses related to the purchase of consulting, marketing and advertising services from a nonresident (except for purchases from a permanent establishment of a nonresident) will be deductible up to 4% of sales of the previous year. Expenses related to the purchase of such services from offshore nonresidents, however, will not be deductible.

The TCU considerably restricts the deductibility of royalty payments, with such payments nondeductible in the following cases:

- They are paid to a nonresident that is considered to be offshore (as defined);
- The recipient is resident in a jurisdiction that does not tax royalty income; or
- The recipient is not the beneficial owner of the royalties.

Royalties payable to a nonresident that do not fall foul of any of the above criteria are generally deductible to the extent they do not exceed 4% of the sales revenue of the year prior to that in which the royalties are payable. Under the general rules, royalties payable to a resident legal entity that is not a corporate income taxpayer are not deductible.

Dividends – Dividends paid by holding companies (within their accumulated dividend income), in-kind dividends that do not change the ownership structure, dividends paid to individuals and dividends paid by "fixed agricultural taxpayers," mutual funds and real estate fund managers will not be subject to an advance payment of corporate income tax. (Unless specifically exempt as per the above, dividends are subject to advance corporate income tax (advance corporate income tax is only due when dividends are paid)).

Tax incentives – The TCU provides for several tax incentives:

- 80% of corporate income earned within the customs territory of Ukraine from the sale of energy-saving equipment and materials of the taxpayer's own production, as specified by the Cabinet of Ministers of Ukraine, will be tax exempt;
- 50% of income derived from the implementation of energy-saving and energy-efficient projects by companies included in the State Register of Enterprises, Institutions and Organizations engaged in implementing energy-saving and energy-efficient projects will be exempt; and
- A zero corporate income tax rate will apply from 1 April 2011 to 1 January 2016 for newly established enterprises and certain existing companies whose total revenue for the reporting year does not exceed UAH 3 million (among other restrictions).

Transfer pricing – The TCU expands the list of available transfer pricing methods (comparative uncontrolled price (price of similar goods/services), net profit, profit appropriation, cost plus, resale price methods) to closely mirror the methods in the OECD Transfer Pricing Guidelines. As from 1 January 2013, the methods apply to transactions with related parties and transactions with nonresidents and other taxpayers that do not pay corporate income tax based on the general rules, with detailed guidance on the methodologies to be issued at a future date.

Beneficial ownership – Importantly, the TCU introduces the concept of "beneficial ownership" for cross-border payments and to qualify for reduced rates of withholding tax under Ukraine's tax treaties. A legal entity or individual acting in the capacity of an agent or nominee (nominee owner) or recognized as an intermediary will not be considered the beneficial owner of income even if the entity/individual is legally entitled to receive such income. A Ukrainian taxpayer's right to deduct certain outbound payments to a nonresident also will be limited if the nonresident is not the beneficial owner of the income.

Tax administration – The penalties for failure to comply with the tax rules relating to the withholding and payment of tax, missed payment deadlines and self-identified errors on amended returns are reduced. The tax authorities are permitted to carry out an unscheduled field audit where the taxpayer files an amended tax return within the period of the statute of limitations (generally three years), but where the period was closed by an audit of the authorities. The tax authorities may not apply indirect methods for calculating a taxpayer's tax liability.

The TCU introduces a new concept, the "factual tax audit." A factual tax inspection will be carried out at the taxpayer's business premises and is designed to ensure compliance with various rules, including those governing petty cash transactions, the use of licenses, trade patents, certificates (including registration certificates), manufacturing and the circulation of excisable goods. Such an inspection cannot last more than 10 days.

Personal income tax

General – The new personal income tax rules generally took effect 1 January 2011. A new progressive tax rate was introduced, with a 15% rate applicable to income not exceeding 10 times the minimum monthly salary (currently UAH 941) and 17% on income exceeding this amount. Certain individuals (e.g. miners), however, continue to benefit from a 10% rate. Ukrainian-source income earned by nonresidents also is taxed at 15% or 17%, rather than 30%.

The rate on dividends (the TCU does not specify that the rule applies only to tax residents) increased from 5% to 15% and, as from 1 January 2015, the rate on interest on deposits and current accounts will be 5%.

Income from the sale of movable and immovable property – The tax rate on income derived from the sale of movable and immovable property depends on the number of sales transactions carried out during the year and the value of the property. The tax rates are as follows:

- 0% on the first sale of immovable property within a year, provided the taxpayer owned the property for not less than three years, and 5% on all other sales;
- 1% on the first sale of certain transport vehicles (e.g. passenger cars) within a year and 5% on the resale of movable property, including a second and subsequent sale of transport vehicles; and
- 15% on the sale (or 17% on the exchange) of immovable property by a nonresident individual.

Tax administration – The TCU sets 1 May of the year following the reporting year as the due date for submitting an individual income tax return. An individual is required to file a return and pay personal income tax if monthly earned income from one or more sources exceeds 10 minimum monthly salaries.

Unified tax regime

Until special rules governing the taxation of small businesses are introduced in the TCU, the existing unified tax regime will remain in effect. Under the unified tax regime, which is available to certain small entrepreneurs, the taxpayer pays a "unified" tax of up to UAH 200 per month. This rate remains unchanged.

The TCU, however, provides that expenses incurred by a corporate taxpayer in favor of a unified taxpayer (except those providing IT services) are not deductible. However, because the corporate income tax rate is declining and becoming closer to the personal income tax rate, the tax effect of arbitrage accomplished by making payments to unified taxpayers is reduced.

Value added tax

The new VAT rules generally took effect on 1 January 2011, but the reduction in the standard rate from 20% to 17% will not apply until 1 January 2014.

Registration – The registration threshold of UAH 300,000 remains unchanged; however, taxpayers may no longer be de-registered as VAT payers if they do not report any VAT-able sales within the last 12 months (but do make VATable purchases).

Reorganized entities – Reorganization of a VAT payer (by way of a merger, acquisition, transformation, separation or spin-off) does not require recognition of a deemed sale of inventory and intangibles (or any VAT input adjustment) on the balance sheet of the VAT payer as of the date of the reorganization.

Place of supply – The TCU contains conflicting provisions on certain types of services, including consulting, engineering, legal, etc., and services related to software development, delivery and testing, including other similar services, providing under one section that the place of supply of such services is the place of the purchaser's registration while, under another section, providing that the above services are not subject to VAT.

VAT refund – The procedure for calculating refundable VAT amounts generally is unchanged, although clarifications are provided with regard to the inclusion of VAT amounts paid to the government and imported services. A portion of the refundable VAT amount may be set off against future tax liabilities. The state's liability for failure to timely refund VAT is 120% of the interest rate set by the National Bank of Ukraine. Additionally, an automated VAT refund procedure is introduced for qualifying VAT payers.

Unified State Register of VAT invoices – VAT invoices exceeding UAH 1 million (from 1 January 2011) or UAH 10,000 (from 1 January 2012) must be registered with the Unified State Register. Purchasers are prohibited from recognizing input VAT without a VAT invoice, while sellers are still obliged to recognize VAT output. Any discrepancy between the information in a VAT invoice and the Unified State Register constitutes grounds for an unscheduled tax audit of both the seller and the purchaser.

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Austria:
Stamp duty on loan and credit facilities abolished

The Austrian parliament passed a tax bill on 23 December 2010 (published in the federal gazette on 30 December 2010) that abolishes stamp duty on loans and credit facilities entered into after 31 December 2010, even if the loan or credit facility is set out in a stamp duty relevant deed. Based on the wording of the law, stamp duty relevant deeds drawn up after 31 December 2010, but referring to loans or credit facilities entered into before that date, also should no longer be subject to Austrian stamp duty.

The stamp duty on loans and credit facilities has created challenges for Austrian taxpayers and their advisors when new funding has been needed or existing funding had to be replaced. For example, in M&A transactions, debt restructuring and acquisition funding, stamp duty of 0.8%/1.5% was levied on the underlying loan/credit amounts, posing a significant potential cost burden. This burden could double if stamp duty was not timely paid and the failure was discovered by the tax inspector during audit.

Planning designed to manage this potential tax leakage also came at significant cost; the stamp duty law frequently required complex structuring routes and very careful wording of all underlying transaction documents. Moreover, parties to the funding documents were required to keep a tight watch on the planning tools throughout the entire term of the loan and beyond to ensure that stamp duty was not inadvertently triggered after implementation. Consequently, a high volume of compliance work often had to be shouldered post implementation, with little room left in follow-up transactions or debt restructurings to successfully address stamp duty on existing loan/credit facilities.

The government has, at long last, realized that the disadvantages to the stamp duty levied on loans and credit facilities (in terms of effects not only on taxpayers but on the Austrian economy as a whole) cannot be justified by the tax revenue the duty generates.

In addition to eliminating stamp duty on loans and credit facilities entered into after 31 December 2010, there will be no stamp duty on accompanying security instruments such as sureties, assignments or mortgages that, on a stand-alone basis, are transactions subject to the duty. This change should enhance the attractiveness of Austria as a hub for intercompany financing and similar activities. The exemption for security instruments, however, does not cover bills of exchange (e.g. promissory notes), which should continue to be used with care. Further, it should be noted that, because the stamp duty law was not abolished in its entirety, certain legal transactions remain subject to the duty, e.g. assignments, sureties and mortgages *that are not granted as security for loans/credits*; lease agreements; settlements; and, as noted above, bills of exchange. Taxpayers must continue to rely on timely tax planning tools for these transactions.

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Barbados:
Budget 2011 tax proposals

The 2011 budget presented by the Barbados Minister of Finance and Economic Affairs on 22 November 2010 contains changes that will affect both companies and individuals. Unless otherwise noted, the proposals are intended to take effect as from 1 December 2010. While the proposals still must be officially enacted into law, they usually take effect as from the dates announced by the minister. The following are the most important tax proposals:

- Introduction of a tax credit equal to 10% of wage costs of businesses that increase profits and their workforce by at least 10% over the next three years, beginning in income year 2011. The higher employment must be maintained for at least three years, and the tax credit may be carried forward for three years if it cannot be utilized in the year the expenditure is incurred;
- Introduction of a productivity and innovation tax credit to qualifying businesses that incur expenditure on (1) process innovation that results in the development of a new manufacturing process or improved products and services; (2) organizational innovation that establishes a new venture for improved productivity; or (3) service innovation that results in the development of new services for local or international markets. The credit will allow for 25% of qualifying expenditure to be deducted by the taxpayer in the year the expenditure was incurred. The tax credit can be carried forward for three years if it cannot be utilized in the year the expenditure is incurred;
- Abolition of the environmental levy;
- Increase in the VAT rate from 15% to 17.5% for an 18-month period (with the rate increase reviewed at the end of one year) and an increase in the VAT registration threshold from BBD 60,000 to BBD 80,000 per annum.
- Increase in the excise tax on gasoline by 50% to BBD 0.5358 per litre;
- Abolition of the tax-free travel and entertainment allowances for individuals as from income year 2011;
- Increase in the National Insurance Scheme (NIS) insurable earnings limit from a maximum of BBD 3,900 to BBD 4,090 monthly as from 1 January 2011;
- Abolition of the personal allowance for investing in mutual funds and credit unions with effect from income year 2011; and

- Extension for one year of the Waiver of Interest and Penalty Program, which provides a waiver of 50% of interest and penalties in certain circumstances. The program will apply to VAT, income tax and the NIS.

Comments

While the introduction of the tax credit for increases in the workforce will reduce the tax payable for qualifying businesses and should encourage businesses to become more competitive, it is unclear how the credit will be administered. The same is true for the productivity and innovation tax credit. A policy for the latter would be better implemented against the backdrop of a robust corporate governance regime to identify clear and measurable benchmarks and milestones. Further, it is unclear whether International Business Companies in Barbados benefiting from special taxation regimes will be able to benefit from this tax credit.

The increase in the VAT registration threshold will reduce the tax burden on small and medium- sized enterprises that currently fall within this threshold – they will no longer be required to account for VAT.

Because the environmental levy is usually imposed on imports, the removal of this levy could make imports less expensive as compared to similar locally produced goods. Local businesses will need to pay attention to this situation as the price advantage of locally produced goods could be eroded.

The elimination of the tax-free travel and entertainment allowances will affect employees directly, but also could impact business costs because employees may request higher wages to offset the loss of the allowance. With regard to the international business sector, where the salaries of expatriate employees are normally tax equalized with those in their home countries, it is anticipated that employers will need to offer salary increases to compensate for the effect of the elimination of these tax-free allowances.

The changes affecting individuals (i.e. abolition of the allowances, increase in NIS insurable limit and increase in the VAT rate) will increase the tax burden and have an impact on disposable income. Taxpayers historically have taken advantage of the allowance for mutual fund investments to minimize their taxes and thus increase savings. Abolition of the allowance will not only affect individuals – it also will affect credit union institutions, especially smaller ones that may be looking to build their asset base. Further, it is unclear whether the proposal to eliminate the allowance will result in any withholding tax penalties if an individual decides to redeem existing investments within the five-year holding period required to benefit from the allowance.

The anticipated increase in revenue from the VAT rate hike could be affected by the fact that the purchasing power of individuals will be reduced. VAT is a consumption tax and, therefore, increases in the rate will increase prices of goods and services and reduce consumer demand.

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Brazil:
Tax incentives available for projects associated with 2014 World Cup

A Brazilian law published on 21 December 2010 (Law No. 12,350) provides for a wide range of tax incentives for projects associated with the 2014 FIFA World Cup. The incentives include tax exemptions on specific transactions entered into by the *Federation Internationale de Football Association* (FIFA), its confederations and associations and commercial partners, and the Brazilian broadcaster and service providers contracted by FIFA, with respect to projects associated with the 2013 Confederations Cup and the 2014 World Cup and related events (e.g. workshops, seminars, cultural activities, etc.). (See global tax alert in this issue of the *World Tax Advisor* for additional tax measures by Brazil in anticipation of the 2014 World Cup.)

The tax exemptions will apply in respect of the following taxes (but will not be available for ticket sales and vacation packages):

- Corporate income taxes and local turnover taxes;
- Withholding tax and other Brazilian taxes on remittances abroad;
- Withholding tax on payments made to individuals;
- Custom duties and VAT due upon the import of products; and
- VAT and other taxes on domestic transactions.

The Brazilian tax authorities will be issuing further guidance on the application of, and qualification for, the incentives. Further, an ongoing list of the companies contracted by FIFA that may be eligible to benefit from the incentives will be issued, at least, on a quarterly basis.

Law No. 12,350 also provides for the "Recopa" incentive (former "Recom"), which provides special tax benefits to companies engaged in construction, overhauling, modernization and renovation projects in stadiums that will be used in the official matches of the 2013 Confederations Cup and the 2014 World Cup. Under the Recopa incentive regime, an exemption will be available for certain levies on the import of goods and services, and on the domestic acquisition of goods and services that ultimately will be used in projects to be approved by the Brazilian tax authorities and the Ministry of Sports.

The exemptions will apply to operations that take place between 1 January 2011 and 31 December 2015.

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Greece:
Tax hike on sale of listed shares postponed

Greece's Ministry of Finance issued a circular on 3 January 2011 (Circular 1004/2011) that postpones the application of a new capital gains tax regime on the sale of shares listed on the Athens stock exchange or other recognized foreign exchanges and acquired as from 1 January 2011.

Law 3842/2010, published in the Government Gazette on 23 April 2010, introduced a capital gains tax on the sale of listed shares acquired as from 1 January 2011, with rates of 0%, 10% or 20% applying depending on how long the shares are held; the 0% rate will apply where the shares are held for more than 12 months, the 10% rate applies where the shares are held for three to 12 months and the 20% applies where the holding period is less than three months. The government was to issue a ministerial decision detailing the rules for application of the new regime. However, because that decision has not been issued, the circular provides that the new rules do not apply yet and, further, that the 1.5% (or 0.15%) transaction tax (that was only to apply to shares acquired through 31 December 2010) will be levied on proceeds from the disposition of shares acquired even after 1 January 2011.

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Saudi Arabia:
Tax authorities clarify procedure for refund of withholding tax

Saudi Arabia's Department of Zakat and Income Tax (DZIT) has provided explanatory comments on the practical application of the procedures to claim a refund of withholding tax on payments made to nonresidents. A DZIT circular issued in May 2010 (Circular No. 19/3228) set out the applicable rules, but left several issues (e.g. the effective date, whether the procedures apply to government entities and continuing payments, delayed refunds) outstanding.

The procedures set out in Circular No. 19/3228 apply to corporations and entities resident in Saudi Arabia that make payments to nonresidents that are subject to withholding tax under Saudi tax law, even if the country in which the nonresident is resident has concluded a tax treaty with Saudi Arabia. According to the circular, a Saudi resident making a payment to a nonresident must withhold tax at the rate specified in Saudi Arabian tax law and remit that amount to the DZIT. If a tax treaty provides for an exemption or a lower rate of withholding tax, the payer must submit a letter to the DZIT requesting a refund of the overpaid amount and must include specific documents with the letter.

Effective date

According to the DZIT, the circular did not include any new instructions, but simply represents a confirmation of existing procedures that must be followed with respect to the withholding of tax, since the DZIT is the body responsible for determining whether treaty benefits are available. The DZIT also clarified that, where tax was withheld according to treaty rates before the circular was issued, and the DZIT concludes, after a review of the taxpayer's annual withholding tax form, that the amount withheld and/or the source was incorrect or that the nonresident does not qualify for benefits under the treaty, the resident payer will be required to settle any outstanding tax liability and pay any applicable penalties.

Amounts withheld by government entities

Governmental entities that withhold tax at source are treated like any other taxpayer and, therefore, are required to comply with the general rules and procedures applicable to withholding and the refund of excess amounts withheld.

Continuing payments

If amounts are paid on a regular and ongoing basis to the same nonresident for the same services, it is sufficient to follow the procedures only once when paying withholding tax on the first installment.

Other

- Saudi domestic law will prevail regardless of whether the withholding tax is deducted from the payment to the nonresident or borne by the resident.
- If the refund is not issued in a timely manner, the taxpayer is entitled to 1% of the amount to be refunded for each 30 days of delay as per the provisions of Saudi tax law.
- When issuing a refund, the DZIT will prepare a bank draft/bank transfer in favor of the party whose tax has been withheld.

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Zimbabwe:
2011 budget presented

The Zimbabwe Minister of Finance presented the 2011 National Budget and Estimates of Expenditure to Parliament on 25 November 2011. The tax highlights discussed below, along with the proposed effective dates, still must be ratified by Parliament before they are finalized.

Tax-free bonus or performance award

The tax-free bonus or performance award accruing to an employee or agent in respect of his/her employment or agency will be increased from USD 400 to USD 500 in any one year of assessment. Effective date: 1 November 2010.

Interest

Interest earned on any "Diaspora Bond" issued by the Commercial Bank of Zimbabwe (CBZ) will be exempt from income tax. Effective date: 1 November 2010.

Tax-free threshold

The tax-free threshold for personal income will be increased from USD 175 per month to USD 225 per month. Effective date: 1 January 2011.

Tax on foreign dividends

Dividend income obtained from a company incorporated outside Zimbabwe will be taxed at 20%. This was inadvertently omitted from the previous Finance Act. Effective date: 1 January 2011.

Royalties

The mining royalty on gold will be increased from 4% to 4.5% and that on platinum will increase from 4% to 5%. Effective date: 1 January 2011.

Small-scale miners

The presumptive tax payable by small-scale miners will be reduced from 5% to 2% of the purchase price of precious metals or precious stones sold through licensed buyers. Effective date: 1 January 2011.

Collection agents

Any tax compliant local authority (a local authority that in not in arrears to the Zimbabwe Revenue Authorities (ZIMRA) for any amount of PAYE or VAT) will be able to, upon written request, enter into a collection contract with ZIMRA, which will essentially make them agents for the collection of certain specified presumptive taxes. Effective date: 1 January 2011.

Petroleum Importers Levy

A new levy will be introduced on petroleum imports. The levy will be payable at a rate of USD 0.04 per liter of petroleum product. The levy will be paid at the port of entry on every petroleum importer who transports petroleum products by road from the port of Beira in Mozambique and the Msasa Fuel Terminal in Harare, or the port of entry at Beitbridge to any off-loading point in Bulawayo. It appears that the levy will not be payable where imports are brought through other ports of entry not specified or into destinations not specified. A petroleum importer is defined as "a company or other person holding a procurement license to import petroleum products into Zimbabwe." Failure to pay the levy can give rise to a civil penalty of USD 30 per day (for a maximum 181 days). It appears that the levy is aimed at encouraging the use of the Beira Corridor pipeline and the National Railways of Zimbabwe for transport. Effective date: 1 January 2011.

Value added tax

In certain cases, input tax payable on the importation of specified capital goods may be delayed for up to 90 days and VAT is payable by the 20th day of the month following (previously 15th day). Effective date: 1 January 2011.

Administration

Several changes will be made to the Revenue Authority Act that clarify the role and terms of the ZIMRA board and the scope of authority of the Commissioner General. Clarifications and changes also will be made to penalty provisions.

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In brief

Korea – The Korea-U.S. Trade Agreement, announced on 3 December 2010, promises to be the largest U.S. trade accord since NAFTA. If approved by the South Korean legislature and the U.S. Congress, the accord will lift 95% of each nation's tariffs on industrial goods.

Philippines – The Philippines Department of Finance has instructed the Bureau of Customs (BOC) and the Bureau of Internal Revenue (BIR) to conduct joint audits for importer-taxpayers beginning on 1 January 2011. The BIR-BOC joint audit is one of the initiatives being taken to increase the collection efficiency of both revenue agencies. With the BOC and BIR represented on the audit team, the authorities are taking coordinated steps to ensure that any discrepancies in the values of imports reported by importer-taxpayers are identified.

Thailand – Royal Decree No. 509, issued on 14 December 2010, sets new criteria for a foreign company without a permanent establishment in Thailand to benefit from an exemption from withholding tax on interest on bonds issued by the government, the Bank of Thailand or a state enterprise. The decree provides that the exemption is available only in respect of bonds acquired (and issued) before 13 October 2010. Interest on bonds acquired on or after 13 October is subject to the standard 15% withholding tax.

United States – The government enacted 17 December 2010 legislation extending for two years (retroactive for 2010 out through 2011 for calendar year-end foreign corporations) expired favorable provisions related to controlled foreign corporations (CFCs). For income that would otherwise be taxable under the subpart F regime, (1) the active financing exception generally excludes qualified banking or financing income of an eligible CFC; and (2) the look-through rule generally excludes certain dividends, interest, rents and royalties received or accrued by one CFC of a U.S. multinational enterprise from a related CFC.

United States – The government enacted 2 January 2011 a revenue raiser (section 5000C) that imposes an excise tax on certain foreign providers on non-treaty protected goods and services to the U.S. government equal to 2% of the "specified Federal procurement payment" received. The rule further provides that the withholding of tax on nonresident aliens and foreign corporations must be increased by the amount of tax imposed by section 5000C on such payment. The provisions apply to payments received pursuant to contracts entered into on and after 2 January 2011.

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Australia

Investment certainty to be provided for nonresident funds investing into Australia

The government has issued a press release announcing that it would introduce amendments to the income tax laws to provide certainty of tax treatment for some foreign-managed funds that have invested into the country.
[Issued: 20 December 2010]

URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/6704f6533a30d210VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_011411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_Australia_201210.pdf?id=us_email_Tax_WTA_011411

Brazil

Incentives for long-term financing introduced and IOF rates revised

The government has issued new rules designed to facilitate inbound investment and long-term financing in light of the 2014 Football World Cup, which will be hosted by Brazil. [Issue: 6 January 2011]

URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/2fc3666ffdc5d210VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_011411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_Brazil_060111.pdf?id=us_email_Tax_WTA_011411

Mexico

Amended maquila decree restricts income and flat tax benefits

Changes made to the IMMEX Decree impose new limits on the income tax and flat tax benefits available to maquiladoras. The amendments restrict companies' ability to qualify for maquila status unless certain requirements are met.
[Issued: 31 December 2010]

URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/c8ad0ac202d3d210VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_011411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_Mexico_311210.pdf?id=us_email_Tax_WTA_011411

Spain

Treaty with Costa Rica in effect

The newly applicable Spain-Costa Rica income tax treaty is Costa Rica's only treaty in force, making Spain an attractive jurisdiction to channel investments into the country. [Issued: 10 January 2011]

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URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_Spain_100111.pdf?id=us_email_Tax_WTA_011411

Taiwan

New tax agreement with France in effect

The newly finalized tax agreement between Taiwan and France has entered into force and applies to income derived on or after 1 January 2011. [Issued: 4 January 2011]

URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/95cb9c72b125d210VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_011411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_taiwan_040111.pdf?id=us_email_Tax_WTA_011411

Treaty with Hungary in effect

The 2010 tax treaty has entered into force and applies to income derived on or after 1 January 2011. [Issued: 3 January 2011]

URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/cc24fadd5305d210VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_011411

URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_Taiwan_030111.pdf?id=us_email_Tax_WTA_011411

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