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In this issue:

New Investment Incentives Law introduced in Greece

The Greek Parliament ratified a new Investment Incentives Law on 25 January 2011, which aims to foster private investment and encourage economic growth. The new law was published in the Government Gazette on 1 February 2011 (Law 3809/2011) and applies as from that date.

The new law provides for three types of benefits: a tax allowance, a cash grant and a financial lease subsidy. The tax allowance is effectively an exemption from income tax, while the cash grant involves the payment by the state of part of the investment expenditure. The finance leasing option involves a subsidy of a portion of lease payments relating to the acquisition of new equipment.

Eligibility

Entities that may benefit from the incentives are classified as large, medium, small and very small and must be in the form of a sole proprietorship, commercial company or partnership (i.e. an SA, LLC, general partnership or limited partnership) or an association. Entities in which the Greek state, public bodies or municipalities have a participation exceeding 49%, as well as public corporations and their more-than-49%-held subsidiaries, are not entitled to benefit from the incentives.

Investment in all but specific sectors qualifies for benefits. Examples of excluded sectors include the steel, coal, shipbuilding and synthetic fiber sectors, as well as financial and insurance services and certain advisory (including legal and accounting) services.

To qualify for the incentives, the investment must be at least EUR 1 million for large enterprises, EUR 500,000 for medium-sized enterprises, EUR 300,000 for small enterprises and EUR 200,000 for very small enterprises. The minimum participation for the general business investment plans (see below) is decreased by 50%.

The investor's participation cannot be less than 25% of the subsidized costs. For investments that enjoy the tax exemption, the investor should be able to cover at least 25% of the total costs by using debt or equity.

Categories of investment plans

Eligible investment plans are divided into three major categories:

- General business – Investment plans not falling within the scope of technological improvement or regional sustainability or those that are not characterized as "special investment plans." These plans can only benefit from the tax allowance.
- Technological improvement – Investment plans relating to the acquisition of hi-tech equipment and the implementation of new computerized procedures (e.g. quality control, accreditation, power saving, R&D, use of specialized scientific personnel). Both the cash grant and the leasing subsidy are available.
- Regional sustainability – Investment plans involving production activities that take advantage of specific regional characteristics and meet local needs with environmentally friendly technology. Both the cash grant and the leasing subsidy are available.

The government will be issuing a list of investments that fall under the technological improvement and regional sustainability categories.

Qualifying expenses, amount of incentives and disbursement

Expenses incurred on both tangible and intangible assets will qualify for the incentives.

Tangible assets – The construction, expansion and modernization of buildings (up to 40% of the total cost of the investment plan), the purchase of fixed assets directly related to a production unit (under certain conditions) and the purchase and installation of new modern equipment.

Intangible assets – Expenses for quality control systems, software and the acquisition of intellectual property rights and R&D expense and costs incurred on innovation projects up to 50% of the total budget of the investment plan.

Operating expenses, the cost of furniture and office equipment and expenses incurred on the purchase of land (in the case of a purchase of a building, the portion of expenses relating to the land) cannot be subsidized. In addition, no incentives are granted for expenses incurred for consultancy services, except for investment plans for new small and medium-sized enterprises for an amount not exceeding 5% of the total cost of the investment plan, up to EUR 50,000. While the exact wording of the law provides that only small and medium enterprises may benefit, conversations with the Ministry of Development seem to indicate that very small enterprises also will be able to benefit.

The percentage of the subsidy (which ranges from 15% to 50%) for each investment plan depends on the size of the enterprise and the region (prefecture) in which the investment is made. The country is divided into three zones on the basis of the level of development compared to the national average; higher incentives are granted for investments in eastern Macedonia, Thrace, Epirus and Western Greece.

The payment of the cash grant and finance lease subsidy will be determined by a presidential decree. An entity receiving the tax allowance is subject to the following restrictions:

- The enterprise may benefit from the incentive beginning in the accounting period in which a decision on the commencement and completion of the investment is published. During this accounting period, the relief may not exceed one-third of the total amount of the exemption granted;
- In the following accounting period, the maximum exemption from tax cannot exceed two-thirds of the total approved amount (including the above one-third);
- The remaining balance must be used by new enterprises within the 10 accounting periods following the period in which the investment plan was approved and within the following eight accounting periods for existing enterprises; and
- The amount of the enterprise's total earnings that are not subject to tax (pursuant to this incentive) shall be recorded in a special tax-free reserve.

Application procedure

A qualifying enterprise must submit an application in April or October, except for certain plans, such as large investment projects (i.e. an investment amount of at least EUR 50 million), which may be submitted at any time. After reviewing the application, the Minister of Economy and Finance and Competitiveness and Shipping will either grant or deny the incentives. The implementation of the investment plan generally will commence upon publication of the approving decision in the Government Gazette. Approved enterprises must meet specific requirements to continue to benefit from the incentives.

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Tax accounting implications of U.K. Budget 2011 changes

The U.K. Budget 2011 announced on 23 March 2011 introduces changes to the main rate of corporation tax which, when enacted, will affect companies with operations in the U.K. and will have an impact on both current and deferred tax calculations:

- A reduction in the rate of corporation tax from 28% to 26% as from 1 April 2011 (rather than to 27% as previously planned), with further annual reductions of 1% until the main rate reaches 23% on 1 April 2014.; and
- An increase in the rate of the supplementary charge for ring fence trades (affecting North Sea oil and gas) from 20% to 32%.

The reductions in the tax rate to 26% and 25% are expected to be included in Finance Bill 2011, which is expected to pass in July 2011. The move to 26%, however, has effect as from 1 April 2011 in accordance with the Provisional Collection of Taxes Act 1968 (PCTA 1968), as discussed below. The further rate changes discussed in the Budget (to 24% and 23%) are expected to be included in future Finance Bills.

Due to the methods being used to implement these changes, the impact on the deferred tax calculations of companies are expected to differ depending on whether a company reports under International Financial Reporting Standards (IFRS), US Generally Accepted Accounting Principles (US GAAP) or UK Generally Accepted Accounting Principles (UK GAAP). In summary:

- For reporting under IFRS or UK GAAP, tax rate changes are taken into account during the period in which the law is substantively enacted or enacted. The reduction in the rate of corporation tax to 26%, effective from 1 April 2011, was substantively enacted on 29 March 2011, following the last day of Budget debate. The further reduction to 25% will be substantively enacted when the Finance Bill 2011 passes the House of Commons. For the supplementary charge, this took place on Budget Day (23 March 2011).
- For reporting under US GAAP, tax rate changes are taken into account during the period that includes enactment. The current rate changes will not be considered enacted until Finance Bill 2011 has received Royal Assent.

U.K. law process

For a bill in the U.K. to become a law, it must pass through the House of Commons, the House of Lords and receive Royal Assent (Royal Assent is the Monarch’s agreement to make a bill into an Act of Parliament). A bill is enacted at the time Royal Assent has been received.

UK GAAP explains that a tax rate can be regarded as having been “substantively enacted” if it is included in either:

- A bill that has been passed by the House of Commons and is awaiting only passage through the House of Lords and Royal Assent; or
- A resolution having statutory effect that has been passed under the PCTA 1968. Such a resolution can be used to collect taxes at a new rate before the rate has been enacted.

Note that, although the House of Lords can pass a bill back to the House of Commons, it has no power to amend a bill that deals with public taxation. Therefore, once a bill has passed through the House of Commons, it should be substantively enacted for purposes of UK GAAP, and it is Deloitte's position that it also should be substantively enacted for IFRS reporting purposes.

PCTA 1968 enables certain changes (such as the change in the corporation tax rate) to have statutory effect for a limited period. Under PCTA, if the House of Commons approves a Budget Resolution that contains certain specified wording, the resolution has statutory effect until the following 5 August (by which time the Finance Bill generally will have become law). Such a resolution, "Budget Resolution 5," proposing to reduce the corporation tax rate to 26% from 1 April 2011 was passed on 29 March 2011 and, therefore, has statutory effect as from that date. This is the date the rate change is considered "substantively enacted" for UK GAAP and IFRS reporting purposes.

The further rate reduction to 25% as from 1 April 2012 is expected to be included in Finance Bill 2011 but, since it was not included in Budget Resolution 5, it will not be considered substantively enacted until Finance Bill 2011 passes the House of Commons.

IFRS analysis

- Current and deferred tax assets and liabilities are measured at tax rates (or tax rules) that are enacted or substantively enacted at the balance sheet date (IAS 12 para 46-49).
- Budget Resolution 5 reduces the main rate of corporation tax to 26% from 1 April 2011. The Resolution contains a declaration that it is expedient in the public interest that the resolution should have statutory effect under the provisions of PCTA 1968. Therefore, as noted above, this provision is considered to be substantively enacted on 29 March 2011.
- The reduction in the main rate of corporation tax to 25% will not be taken into account until Finance Bill 2011 has been passed by the House of Commons, which is expected to take place in July 2011.
- Year-end reporting – For entities with a year ending after 31 March, a portion of the current year earnings will be taxed at 26%. For entities with a year ending after 29 March, closing deferred tax balances should be calculated at 26%, with the impact being reflected in profit or loss, except to the extent the tax arises from a transaction or event that is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity (IAS 12.60).
- Interim accounting –
  - Interim reporting date before the date of substantive enactment – An entity that has an interim reporting date that falls before 29 March calculates its tax charge based on the expected forecast average annual effective tax rate, without taking into account the impact of the rate change on that forecast rate. The company should not anticipate the change in tax rates in calculating its expected forecast average annual effective tax rate. Deferred taxes are not adjusted.
  - Interim reporting date after the date of substantive enactment – The company should reflect the change in tax rate in calculating its forecast average annual effective tax rate. The "catch-up" effect of the rate change on the opening deferred tax balances should be treated as a discrete item in the interim period.

UK GAAP analysis

- Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the balance sheet date (FRS 19 para 37).
- Budget Resolution 5 reduces the main rate of corporation tax to 26% as from 1 April 2011. The Resolution contains a declaration that it is expedient in the public interest that the resolution should have statutory effect under the provisions of PCTA 1968. Thus, as noted above, this provision is substantively enacted on 29 March 2011.
- The reduction in the main rate of corporation tax to 25% will not be taken into account until Finance Bill 2011 has been passed by the House of Commons, which is expected to take place in July 2011.
- The "substantively enacted" provisions relate to the measurement of current and deferred tax liabilities and assets.

US GAAP analysis

- Current and deferred tax assets and liabilities are measured at tax rates that are fully enacted (rather than substantively enacted) as of the balance sheet date (ASC 740-10-25-47).
- Both reductions in the main rate of corporation tax rate to 26% and 25% will, therefore, not be taken into account until Finance Bill 2011 is enacted (i.e. when the Bill receives Royal Asset).
- Since Finance Bill 2011 is not expected to be enacted until July 2011, there should be no impact of these tax rate changes reflected in the interim or year-end balance sheets prior to the date of enactment. Where their impact will be significant, however, disclosures may be required in reports issued prior to enactment.

Conclusion

As a result of differences between the accounting standards regarding when rate changes are taken into account, the U.K. rate change will impact current and deferred taxes in different periods, depending on whether the filer is reporting under IFRS, UK GAAP or US GAAP. It also will be important to monitor the disclosure requirements under all standards.

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Brazil:
Luxembourg removed from "grey list"

Pursuant to a review request from the Luxembourg authorities, the Brazilian Federal Revenue Department published an executive act on 28 March 2011 removing Luxembourg holding companies from its list of privileged tax regimes.

The Brazilian government had published guidance on 7 June 2010 (Normative Instruction No. 1,037/2010) that expanded the list of jurisdictions considered tax havens (black list) and introduced a new (grey) list of regimes designated as privileged tax regimes. The latter list includes regimes in Denmark, Luxembourg, Malta, Netherlands, Spain, Switzerland, the U.S and Uruguay. "Luxembourg holding companies" were on the grey list, which created constraints on the use of holding structures in Brazil. Inclusion on the list primarily has consequences with respect to the application of the Brazilian transfer pricing documentation and thin capitalization rules (see below).

A subsequently issued Normative Instruction introduced a procedure under which countries that are deemed to be low tax jurisdictions or privileged tax regimes for Brazilian tax purposes may request that their inclusion on the list be reviewed by the Brazilian government. Several countries have taken advantage of the review option. While requests from Denmark, the Netherlands, Spain and Switzerland apparently remain pending with the Brazilian authorities (with some temporary suspensions from the effects of being included on the list (see below)), Luxembourg is the first jurisdiction to actually be removed from the list altogether.

Luxembourg requested removal from the grey list because the 1929 holding regime was abolished at the end of 2010, so there is no justification for a specific reference to Luxembourg holding companies. Going forward, no holding company regime in Luxembourg will be considered harmful by the Brazilian tax authorities, thus creating a possibility for tax structuring opportunities between the two countries.

Status of other regimes

The following table summarizes the current situation for affected jurisdictions/tax regimes:

Tax havens (black list)		
Country/Tax regime	Treaty with Brazil	Status
Switzerland	No	Effects of list suspended. Final application pending
Privileged tax regimes (grey list)		
Denmark (holding companies)	Yes	Substantial economic activity safe harbor test applies
Hungary (offshore Kft)	Yes	Still considered a privileged regime
Iceland (international trading companies)	No	Still considered a privileged regime
Luxembourg (holding companies)	Yes	Removed from grey list
Malta (international trading companies)	No	Still considered a privileged regime
Netherlands (holding companies)	Yes	Effects of list suspended. Final application pending
Uruguay (SAFIS – offshore companies)	No	Applicable until 31 December 2010 (SAFIS were abolished after that date, the Brazilian government has not issued any formal statement on these companies)
Spain (ETVEs – holding companies)	Yes	Effects of list suspended. Final application pending
U.S. (limited liability companies with no U.S. taxpayer/resident shareholder)	No	Still considered a privileged regime

Tax consequences of inclusion on lists

The tax consequences of inclusion on the black and grey lists can be summarized as follows:

Subject	Unrelated party	Related party	Tax haven (Black list)	Tax privileged regime (Grey list)
Transfer pricing	No	Yes	Yes, even with unrelated parties	Yes, even with unrelated parties
Thin capitalization	No	2:1 debt-to-net equity ratio	0.3:1 debt-to-net equity ratio	0.3:1 debt-to-net equity ratio
Withholding tax on outbound payments	15%	15%	25%	15%
Nonresident capital gains taxation	15%	15%	25%	15%

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China:
Recent developments on taxation of QFIIs

The Chinese taxation of qualified foreign institutional investors (QFIIs) has always been a concern to practitioners. Particularly at issue is whether capital gains derived by QFIIs should be taxed in China and, if so, how such gains should be taxed.

According to current tax regulations and practice, capital gains derived by a QFII in China are exempt from Business Tax (BT). The Enterprise Income Tax (EIT) implications, however, are not as clear because the QFII scheme was first introduced at the end of 2002 and the EIT law did not come into effect until 2008.

Under the Foreign Enterprise Income Tax (FEIT) regime that applied until 2008, capital gains derived by a foreign investor without an establishment in China from the sale of an equity interest in a Chinese enterprise were subject to a 10% withholding tax under domestic law unless such gains were exempt under an applicable tax treaty. By contrast, gains derived by a foreign investor (without an establishment in China) from the sale of B-shares or overseas-listed shares of a Chinese enterprise (e.g. H-shares) were exempt from FEIT.

Since the introduction of the unified EIT law as from 1 January 2008, a nonresident (without an establishment in China) deriving China-source capital gains is taxed at 10% unless the income is exempt under an applicable treaty. Since QFIIs that do not have an establishment in China generally would be viewed as nonresident taxpayers, technically speaking, capital gains derived from the sale of their investments should be subject to the 10% withholding tax.

In practice, however, the tax filing method/procedure is not clear and we have not seen an example of any local tax authorities attempting to collect withholding tax on capital gains from QFIIs. Therefore, most QFIIs have struggled with whether or not to recognize a PRC tax provision on capital gains, and, if not, what measures could be adopted to protect themselves against tax exposure if the PRC tax authorities decide to collect the tax in the future.

The tax treatment of capital gains recently became somewhat clearer when one of the largest QFIIs was subject to withholding tax upon the repatriation of its investment proceeds from China.

At the end of 2010, the Beijing State Tax Bureau collected about RMB 399 million in income tax from the European branch of Lehman Brothers, which had held a QFII license in China since 6 July 2004. According to news reports, tax was imposed on the capital gains derived by the QFII in the amount of RMB 3.99 billion when the QFII had finally received approval to liquidate and remit all of its funds out of China. Although the news reports did not disclose whether the gains had accumulated since the QFII license was granted, or how the taxable gains were determined, it is likely that the capital gains realized by the QFII since its inception were subject to PRC income tax without any exemption. Based on this news, it seems clear that a QFII will be subject to PRC income tax on capital gains.

Unanswered questions

Although the Chinese tax authorities have successfully collected capital gains tax on gains derived by a QFII, there are still many uncertainties as to how this single incident would apply to other QFIIs, in particular, the following:

- How income tax on capital gains will be determined and collected, including whether collection will be on a periodic basis (i.e. annually), when profits are repatriated or when a QFII is liquidated;
- Whether capital gains realized before 2008 will be exempt from FEIT;
- Whether losses can be used to offset gains; and
- Whether treaty relief will apply to QFIIs (i.e. to the QFII itself or whether a look-through approach will be taken).

Based on discussions with the State Administration of Taxation, we understand that implementation rules on the income tax treatment of capital gains derived by QFIIs could be issued in the near future, and the rules may be applied on a retroactive basis.

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Germany:
BFH rules on application of GAAR in connection with sale/acquisition of shares

A recently published decision of the German Federal Tax Court (BFH) addresses the application of the general anti-abuse rule (GAAR) in connection with the sale and acquisition of shares in corporations.

The case involved several individuals who had sold their 14.29% interest in a GmbH to other shareholders of the same GmbH. On the same day, the sellers also purchased shares representing the same shareholding percentages they had held before the sale. By mutually selling and buying the shares, the shareholders aimed to realize tax deductible capital losses. The tax authorities and the local tax court viewed the transactions as abusive and disallowed deductions for the tax losses due to the application of the GAAR.

The BFH disagreed and confirmed the taxpayer's position. According to the BFH, the taxpayers were free to sell their GmbH shares whenever and to whomever they wished. Since the use of the tax losses is in line with the German Income Tax Act and no restriction on the utilization of tax losses applied, the tax losses incurred on the sale of the shares had to be allowed. The mutual sale and acquisition of GmbH shares was not held to fall under the GAAR because a capital gain or loss derived from a later sale of the newly acquired shares would be based on the lower acquisition costs of those shares.

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Indonesia:
Regulation on branch profits tax revised

Indonesia's Ministry of Finance issued a regulation on 24 January 2011 (PMK-14) that revises the branch profits tax rules. The new rules expand the exemption from the branch profits tax and provide guidance on how to qualify for the exemption.

Indonesia imposes a 20% branch profits tax on the after-tax profits of a permanent establishment (PE) in the country. PMK-14 confirms that the tax base for branch profits tax purposes for a PE that receives or earns income subject to final tax is the taxable income (income per bookkeeping after fiscal adjustments) less the amount of final income tax.

PMK-14 also provides that the branch profits tax will not be imposed if the PE reinvests its after-tax profits in an equity participation in a newly established or existing Indonesian company; or for the purchase of fixed or intangible assets to be used by the PE to conduct business or carry out its activities. (Under the previous rules, the exemption was only available where the after-tax profits were reinvested in an equity participation in a newly established Indonesian company.) However, the following requirements also must be met:

- Where the profits are reinvested in a new company, the new company must actively commence business activities in accordance with its deed of establishment within one year from the date of incorporation and the PE cannot transfer its participation within a two-year period from the start of commercial production.

- Where the profits are reinvested in an existing company, the company must have active business operations in Indonesia and the PE cannot transfer its participation within a three-year period from the date it acquired the equity participation.
- Where the profits are reinvested in the acquisition of fixed or intangible assets, the PE may not transfer the assets within three years from the date of acquisition.

Further, the reinvestment should be made at the latest by the end of the fiscal year following the fiscal year in which the PE earned the income. The PE must submit a written notification to the head of the Indonesian tax office where the PE is registered as an attachment to its annual corporate income tax return for the period in which reinvestment takes place. This notification must include the amount of after-tax profits for the fiscal year concerned, the form of the reinvestment (e.g. participation, asset acquisition, etc.), the fiscal year of the reinvestment, specific reinvestment actions and/or when commercial production begins for a newly established company.

If any of the above requirements fail to be met, the after-tax profits of the PE will become subject to branch profits tax and penalties in accordance with the prevailing tax regulations may be imposed.

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Poland:
VAT reverse charge applies to supplies by non-Polish entities

A change in the Polish VAT Act may affect existing supply chains involving foreign entities registered for VAT in Poland. As from 1 April 2011, any supply of goods or services (with limited exceptions for, e.g., real estate related services) made by an entity that is not seated or that does not have a fixed establishment for VAT purposes in Poland (i.e. a non-Polish entity) to Polish business customers will be subject to a mandatory application of the reverse charge mechanism. Previously, the reverse charge applied only as an exception to the general rule that the supplier should account for VAT.

Under the reverse charge, VAT on goods or services provided in Poland by a foreign company must be accounted for by the recipient of the supply, rather than the foreign supplier. Liability for VAT in this case is shifted from the supplier to the recipient. The foreign supplier will not include VAT on the customer’s invoice (although the invoice will need to specify that the reverse charge applies). The customer must calculate and report the VAT on its purchase. For businesses subject to VAT, this generally will not have a cash flow effect because the VAT can be recovered at the same time (in the same VAT return, similar to intra-Community acquisitions). This may not be the case for businesses that are exempt from VAT (e.g. financial institutions), which would be required to bear the cost of the VAT.

Until now, when the reverse charge option was exercised, the non-Polish supplier did not charge VAT and the recipient accounted for, and claimed back (if so entitled), VAT at the same time. The new rule, however, provides that a non-Polish entity cannot choose to charge Polish VAT on supplies to Polish customers   instead, VAT has to be self-assessed by the customer. Moreover if a supplier does charge Polish VAT, the purchaser still must self-assess Polish VAT and the VAT charged by the non-Polish supplier will be unrecoverable for the Polish customer.

Depending on the business structure, the new rule may have an impact on the tax effectiveness of an existing supply chain. In particular, there may be a negative cash flow effect for foreign entities if they find themselves in a VAT refund position. Specifically, under the new rules, they may incur VAT on their purchases in Poland that will no longer be offset with the output VAT on supplies (which will instead be self-charged by the purchaser). To reclaim the excess of input VAT, the foreign entity will need to apply for a direct VAT refund using its Polish bank account (if registered for VAT) or request a refund based on the EU Directive. It can take between 60 days (25 if certain conditions are satisfied) and six to eight months to obtain a VAT refund and VAT refund claims are likely to trigger VAT audits (both for the refund applicant and its suppliers).

Key issues

Affected companies should review their supply chains and consider, in particular, the following issues:

- Whether it will be necessary to maintain Polish VAT registration in light of the nature of all transactions carried out in Poland (registration still will be required in some cases, e.g. due to intra-Community acquisitions of goods or intra-Community supplies or exports from Poland);
- Whether the obligation not to charge VAT on sales in Poland immediately triggers an obligation to deregister or whether it is possible to keep the registration and continue reclaiming VAT through a VAT return (e.g. for cash flow efficacy);
- The most effective way to reclaim input VAT incurred on business operations in Poland, taking into account the above timelines and potential complications;
- Whether the IT/accounting systems must be adjusted; and
- Whether the Polish VAT files are ready for an audit by the Polish tax authorities. Many foreign businesses registered for VAT will have been in a "to pay" position before the mandatory application of the reverse charge, but now may be in a VAT refund position, significantly increasing the likelihood of frequent audits.

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In brief

Algeria – The tax authorities have extended the deadline for submission of the corporate income tax return for 2010 from the original due date of 30 April 2011 to 30 June 2011. However, it should be noted that the deadline for holding the annual general meeting (30 June) and for submitting the annual statutory financial statements to the commercial registry 30 days after the general meeting have not been changed.

Estonia – As from 1 January 2011, European Sales Lists (ESLs) in Estonia must be submitted on a monthly rather than a quarterly basis. Further, only intra-Community supplies of services that are subject to the reverse charge mechanism must be declared based on the main place of supply rule. The due date for filing the ESL return is unchanged, i.e. the 20th day of the month following the reporting period. Because Estonia introduced the Euro on 1 January 2011, the ESL must be completed in Euros.

Germany – The Federal Tax Court (BFH) has published three landmark decisions on the relationship between the VAT treatment of the withdrawal/sale of goods/investments and the recovery of input VAT. In all three cases, the BFH emphasizes that input VAT may be claimed if the business uses the goods or services supplied to it for particular output transactions. The output transactions must be carried out by a business for consideration, the transactions must either be taxable or zero rated (i.e. VAT exempt with an input VAT credit) and there must be a direct link between the transactions (indirectly pursued purposes are irrelevant).

United Kingdom – The Treasury has published a consultation document on options to support a "rebalancing" of the Northern Ireland economy, including devolving the power to vary the corporation tax rate for profits in Northern Ireland. In addition to the pros and cons of a separate corporation tax rate, other possibilities looked at include changes to R&D tax credits, the annual investment allowance, training credits and another national insurance holiday. Comments are invited by 24 June.

United States   The Internal Revenue Service (IRS) released Notice 2011-29 on 30 March 2011, addressing for foreign tax credit purposes Puerto Rico's recently enacted excise tax on a controlled group member's acquisition from another group member of certain personal property manufactured or produced in Puerto Rico and certain services performed in Puerto Rico. The IRS states in the notice that it will not challenge a taxpayer's position that the excise tax is a tax "in lieu" of an income tax under Internal Revenue Code section 903 while additional guidance on the issue is pending. Such future guidance will apply to excise tax paid or accrued after the date the guidance is issued.

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Brazil
Financial transactions tax increased on short-term loans and credit card debt
The government has issued two decrees that increase the tax on financial transactions. The rate increases affect short-term overseas loans and bond issues, as well as overseas consumer credit card purchases. [Issued: 30 March 2011]
URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/900ebafe69a0f210VgnVCM3000001c56f00aRCRD.htm?id=us_email_Tax_WTA_040111
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Norway
Government proposes new rules on tax-exempt cross-border restructuring
The Ministry of Finance has issued a legislative proposal that recommends a number of changes to the rules governing the tax treatment of cross-border restructurings. The proposal would liberalize existing rules and significantly increase the opportunity for tax-exempt cross-border restructuring. [Issued: 31 March 2011]
URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/b0b8e83a92c0f210VgnVCM2000001b56f00aRCRD.htm?id=us_email_Tax_WTA_040111
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