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In this issue:

VAT reform pilot program to be launched in Shanghai on 1 January 2012

The Chinese State Council announced on 26 October 2011 that it will launch the much-anticipated pilot Value Added Tax (VAT) reform program on 1 January 2012. The pilot program initially will apply to transportation and modern service industries in Shanghai and will be rolled out nationwide when conditions permit.

Under China's current indirect tax system, VAT is levied on the supply of goods, the provision of repair, processing and replacement services, and on imports at the standard rates of 13% or 17%, while Business Tax is levied on the provision of other services and the transfer of intangibles and real property at rates of 3% or 5% (with a maximum 20% rate applying to the entertainment industry). The co-existence of the VAT and Business Tax systems has led to a number of issues, such as double (or multiple) taxation because of the availability of an input tax credit for VAT payers, while no such mechanism exists under the Business Tax system.

The aim of the pilot program is to resolve the double taxation issues under the prevailing system and to foster the development of specified modern service industries by gradually transitioning these industries from liability to Business Tax to liability to VAT. Although the authorities have not yet released detailed rules for the pilot program, the trial is considered a milestone for Chinese VAT reform and will have a significant impact on affected industries and companies in China.

Highlights of the pilot program

The framework of the pilot program, as approved by the State Council, is as follows:

- The taxation of specified sectors will transition to being subject to VAT rather than Business Tax;
- The pilot program initially will be implemented in the transportation sector and certain modern service industries in Shanghai. The program may be expanded nationwide for selected industries when conditions permit;
- Two new tax rates of 11% and 6% will be introduced, which will apply in conjunction with the current rates of 17% and 13%;

- During the pilot period, the VAT revenue (which is currently Business Tax revenue of the local governments) will be retained by the local governments;
- Business Tax incentives applicable to the pilot industries will be adapted to the VAT reform so that the incentives continue to apply; and
- VAT paid by taxpayers under the pilot program will be creditable provided all other requirements are met under the VAT rules.

Background

VAT reform in China has been the topic of discussion for several years. As noted above, the existing indirect tax system makes a distinction between the supply of goods and the provision of certain services, with different taxes (VAT/Business Tax) and rates applying.

Under the VAT system, VAT is levied on value added in the manufacturing/distribution chain and VAT incurred by suppliers in the chain can be credited (input VAT). By contrast, without the credit mechanism, Business Tax incurred by suppliers in the supply chain is irrecoverable for taxpayers, nor can business taxpayers recover any VAT costs embedded in goods and materials provided by suppliers. The different taxation mechanisms of the VAT and Business Tax systems and the fact that in some cases both VAT and Business Tax may be levied, create obvious issues and disparities.

The full reform of the indirect tax system primarily will expand the scope of VAT to include services subject to Business Tax to make the VAT system robust enough for the future and resolve the issues arising from the nonrecoverability of the Business Tax. However, due to the complexity and challenges of the reform, the pilot program is considered the best mechanism to undertake an initial assessment of the proposed changes and to understand the full impact of the changes. The reform is expected to be rolled out nationwide as conditions permit.

There has been speculation that the pilot program might be launched in targeted sectors (e.g. transportation and construction services) nationwide or in specified areas, such as Shanghai. Shanghai was ultimately selected because the state and local tax authorities in Shanghai have always been one organization rather than separate authorities as is the case in other cities, and the municipal government has the capacity and willingness to bear any possible reduction in tax revenue resulting from the reform. The Shanghai government has been actively encouraging the development of modern service industries since 2005 and considers the pilot program as an opportunity to help further grow this sector. In fact, the Shanghai tax authorities issued a circular in August 2010 (Circular 28) with regard to the Business Tax treatment on a net income basis for certain service sectors. This circular was viewed as preparation for the VAT reform because Business Tax is generally levied on a gross income basis.

Comments

Reform of the VAT system has been long expected, and the problems arising from the co-existence of VAT and Business Tax systems can be eliminated by bringing items subject to Business Tax within the scope of VAT. Although it is widely anticipated that this may reduce the tax burden of affected companies, the actual extent of the reduction will remain unclear until the authorities issue detailed rules on the pilot program.

While the launch of the pilot program is welcome, taxpayers are more eager to know the detailed implementation rules and the practical details to allow for the launch on 1 January 2012. We have been informed that the State Administration of Taxation and Ministry of Finance are working with the Shanghai Tax Bureau and Shanghai Finance Bureau on such rules and they are expected to be issued at the beginning of December.

According to the framework approved by the State Council, it is hoped that the detailed rules can address some of the more pressing issues:

- Definition of modern service industries for the pilot program – The types of services that qualify as "modern services" have not been defined. There is speculation that the modern service industries that are encouraged by the Shanghai local government initially will be selected for the pilot program, e.g. mainly manufacturing-related services, such as logistics and warehousing services, operating and financial leasing services (related to movable goods instead of immovable property), as well as IT services, design, advertising services, testing, R&D services (including technology development and technology transfers), advance technology outsourcing services and attest

services provided by qualified law firms, accounting firms and appraisal firms. Construction and finance services are likely to be excluded from the pilot program.

- Applicability of the new tax rates – As mentioned above, in addition to the existing standard VAT rates of 17% and 13%, two new rates of 11% and 6% will be introduced in the pilot program. It appears that the 11% rate will apply to the transportation industry and the 6% rate to selected modern service industries.
- Incentives – Clarification is awaited on any measures to ensure that existing Business Tax incentives continue after the transition to VAT, e.g. a tax exemption or a refund.
- Transition rules – Clarification is awaited on any transitional arrangements to allow Business Tax payers to gradually transfer to the status of VAT payers.
- Tax treatment of services provided overseas – It has not yet been determined whether services rendered overseas by a company based in Shanghai will be tax-exempt, zero-rated or taxed.
- Clarification on input VAT deductions, especially for services sourced in other areas in China or overseas – We have been informed that special VAT invoices will continue to be used as the official vouchers for a taxpayer to claim an input VAT credit and affected companies established in Shanghai will be permitted to issue such invoices under the pilot program, which can be used to claim an input VAT credit. For services sourced from other areas in China (i.e. outside of Shanghai) by a company based in Shanghai, it is possible that a portion, if not all, of the purchase tax (i.e. Business Tax) paid by suppliers in those areas could be treated as deductible for VAT purposes in Shanghai. For services sourced from overseas suppliers by a company based in Shanghai, there is a possibility that the VAT withheld by a purchaser established in Shanghai could be claimed back as input VAT.
- VAT collection and management requirements – The current VAT collection and management mechanisms, such as special VAT invoices, "golden tax" systems, the classification of general VAT payers versus small-scale VAT payers for management purposes, etc., likely will remain unchanged under the pilot program, although the criteria of a general VAT payer/small-scale VAT payer may be adjusted to accommodate the needs of the pilot program.

Conclusion

All companies established in Shanghai – particularly those in the targeted sectors – will be affected by the upcoming pilot program. With the launch just two months away, companies should begin now to prepare for new rules and requirements, as well as changes to their internal systems that may be needed as a result of the reform. Companies should:

- Closely monitor the development and issuance of the detailed rules and seek clarification and confirmation from the authorities, where possible;
- Estimate the possible impact of the pilot program on the actual tax burden, especially in cases where the new VAT rates are higher than the current Business Tax rates;
- Evaluate the cash flow effects;
- Provide sufficient flexibility when drafting tax clauses in commercial contracts and seek modifications to existing clauses where necessary and feasible;
- Check and confirm whether existing IT and accounting systems are appropriate and flexible enough for the tax conversion and make any necessary adjustments;
- Ensure that responsible personnel are knowledgeable about the pilot program;
- Communicate with customers and overseas headquarters; and
- Consult with tax professionals, where necessary.

Companies that are not included in the pilot program also should keep current on the program and estimate the potential impact on their business.

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China:
SAT clarifies Business Tax treatment of asset restructuring transactions

China's State Administration of Taxation (SAT) issued guidance on 26 September 2011 (Bulletin [2011] No. 51) that clarifies the Business Tax treatment of asset restructuring transactions. The SAT previously issued guidance (Bulletin [2011] No. 13) on the VAT treatment of such transactions on 18 February 2011.

Business Tax is a turnover tax imposed on activities involving immovable property and intangible goods and services that are not subject to VAT at rates ranging from 3% to 20%.

Highlights of Bulletin 51

According to Bulletin 51, the transfer of all or part of the tangible assets of an enterprise, along with associated receivables, debt and workforce to other units and/or individuals in an asset restructuring transaction via a merger, division, sale or asset exchange, does not fall within the scope of the Business Tax. The transfer of immovable property and land use rights in the course of such transactions also fall outside the scope of Business Tax.

The structure of Bulletin 51 is identical to that of Bulletin 13 in that:

- The right not to charge Business Tax is possible only if the transfer involves a combination of tangible assets and associated receivables, debt and workforce of the enterprise;
- Both a partial and a full transfer of tangible assets in an asset restructuring are outside the scope of Business Tax;
- Although effective from 1 October 2011, Bulletin 51 is applicable for asset restructurings that commenced before that date, but where the tax has not yet been settled; and
- All previous guidance on the same topic is abolished.

Comments

Tangible assets transferred in an asset restructuring transaction normally include both goods and immovable property. Bulletin 13 was limited to the VAT treatment of asset restructuring transactions, but was silent on the Business Tax treatment (e.g. transfer of immovable property). Bulletin 51 now clarifies that no indirect taxes (neither VAT nor Business Tax) are due on qualified asset restructuring transactions.

Unlike VAT, Business Tax is not recoverable and will become a cost to the business. Therefore, the Business Tax exemption can result in an immediate tax savings and a cash flow benefit to all types of companies (i.e. general VAT payers, as well as small-scale VAT payers and non-VAT payers).

Like Bulletin 13, Bulletin 51 does not define certain key terms, such as "asset restructuring," "merger/division, sale and asset exchange" and "associated receivables, debt and workforce of the enterprise." Until the SAT issues additional guidance on these items, the local tax authorities will have discretion to interpret the terms as they see fit.

Bulletin 51 only clarifies the Business Tax treatment of a transfer of immovable property and land use rights as part of a restructuring transaction – it does not address the Business Tax treatment of a transfer of other intangible assets. Thus, the Business Tax treatment of such intangible assets remains unclear. Affected companies should continue to monitor developments, particularly any further clarification issued by the SAT.

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Curaçao:
Tax reform enacted

The Curaçao Parliament approved legislation on 15 September 2011 as part of the island's tax reform process for the period 2011-2014. The reform aims to broaden the tax base, shift from a reliance on direct to indirect taxes and moderately increase overall tax revenue.

The reform stems, in part, from the 2010 dissolution of the Netherlands Antilles that resulted in Curaçao becoming an autonomous country within the Kingdom of the Netherlands. Although the overall tax regime broadly remains the same as that of the former Netherlands Antilles, certain areas were specifically amended to improve the investment climate and boost international competitiveness. (Sint Maarten still has not announced any changes in its tax regime as a consequence of the dissolution of the former Netherlands Antilles.)

The changes discussed below will generally become effective on 1 January 2012.

Corporate income tax

Rate – The corporate income tax rate of 34.5% will be reduced to 27.5% and, although no draft legislation has been presented, the government intends to further reduce the rate to 15% for 2013 and 2014.

Participation exemption – Benefits under the participation exemption will be reduced in certain cases. The participation exemption applies if:

- A resident company owns at least 5% of the shares of another company (whether resident or nonresident); or
- A resident company holds a participation of less than 5%, but the value of the participation exceeds ANG 875,000 (USD 500,000).

If the participation exemption applies, dividends, stock dividends, bonus shares, hidden profit distributions and capital gains (including currency gains) realized on the disposal of (part of) a participation in a Curaçao corporate entity are fully exempt from corporate income tax. The participation exemption currently is reduced to 70%, however, if:

- The subsidiary is not subject to a nominal profit tax rate of at least 10% ("subject to tax" test); and
- More than 50% of the subsidiary's assets consist of passive investments ("asset" test).

Because the current 70% exemption under the new corporate income tax rate of 27.5% would result in an effective tax rate below 10% (potentially triggering anti-avoidance legislation in other tax jurisdictions), the exemption will be reduced to 63%, for an effective tax rate of 10.175%.

Transparent limited liability company – A public limited liability company (NV) or private limited liability company (BV) will be able to request to become a "transparent limited liability company" that is disregarded for Curaçao tax purposes, with all of its income and assets allocated to its shareholders. Consequently, the shareholders may be subject to profit tax or personal income tax. If transparent status is granted, the company will not be eligible for benefits under a tax treaty.

Transparency will be granted only upon application, which must be submitted by or on behalf of the company's board of directors and must contain a written power of attorney from each shareholder. The Inspector of Taxes has two months from the date an application is submitted to determine whether transparency status will be granted; if no decision is made, the request will be deemed to be granted.

Private foundations – Curaçao private foundations currently are not subject to tax on income unless they carry out active business operations. This tax-exempt status can make foundations less attractive for use in organizational structures involving certain jurisdictions (e.g. jurisdictions that may impose a subject-to-tax requirement). To make these vehicles more flexible, the reform measures include a provision that will allow a private foundation to opt to be treated as an entity subject to corporate income tax at a rate of 10%. Opting into taxable status also will allow a foundation to benefit from the participation exemption.

Turnover tax

To finance the reduction of the corporate income tax rate from 34.5% to 27.5%, the turnover tax rate has been increased from 5% to 6% and the tax base broadened. Specifically, the definition of "entrepreneur" will include a person that "conducts a business or a profession [or] exploits an asset … to gain income from that asset." The new definition means that individuals and private foundations that exploit real estate will become subject to turnover tax unless the relevant activities involve the rental of certain residential housing.

The definition of "entrepreneur" has been amended as an anti-abuse measure to levy turnover tax on real estate income. The Turnover Tax Ordinance currently provides that no turnover tax is due on rental income derived from real estate or other assets to the extent the activities qualify as a passive investment (under existing case law, the passive holding of real estate often lacks entrepreneurship and, therefore, no turnover tax is due on the rent). The amended definition will ensure that the exploitation of an asset will be qualified as a business and, therefore, will become subject to turnover tax. While the renting of residential housing suitable for permanent housing is specifically exempt from turnover tax, residential houses that are rented as holiday homes are not.

In addition, services carried out by nonresident entrepreneurs for entrepreneurs resident in Curaçao also will be deemed to be performed in Curaçao, bringing the services within the turnover tax net, and leveling the playing field for domestic entrepreneurs. The turnover tax will be collected from the local entrepreneur for whom the services are carried out (i.e. the domestic recipient will act as the withholding agent).

Personal income tax

Rates – The changes to the Personal Income Tax Act under the reform are limited to tax rate changes resulting from the abolition of the island surcharge of 30%. The maximum personal income tax rate will drop to 49% (from the current 49.4% rate, resulting from the top 38% rate and 30% surcharge), with a further reduction to 35% anticipated by 2014.

Tax amnesty – A tax amnesty has been introduced for persons who are willing to disclose previously undeclared income. Taxpayers who have not accounted for all of their income in their personal income tax returns run the risk that an additional tax assessment will be imposed. The additional assessment may be increased with penalties as high as 100% of the amount of the additional personal income tax to be paid. Under the reform measures, individuals who are willing to disclose previously undeclared income by filing a supplementary income tax return can avoid the above penalties provided the declaration is made within one year of the voluntary disclosure rules coming into effect (i.e. by 31 December 2012). Moreover, income accounted for under the tax amnesty will be taxed at the following rates (rather than the normal 2012 income tax rates of up to 49%):

- 10% if the income is declared during the first and second quarter of 2012;
- 20% if income is declared in the third quarter of 2012; and
- 25% if income is declared in the fourth quarter of 2012.

Income not declared under the voluntary disclosure rules will be subject to normal rules and provisions, including the 100% penalty and potential criminal charges.

Miscellaneous

Trusts – Curaçao plans to enact a Trust Ordinance that will make it possible to establish a trust under a trustee's authority for beneficiaries or for a particular cause. When this legislation becomes final, trusts will be able to elect to be subject to a corporate income tax rate of 10% (as is the case for private foundations under the reform measures).

Currency – While the Netherlands Antillean Guilder will remain in place for 2011, the government intends to replace it with the Dutch Caribbean Guilder.

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Denmark:
Plans announced to curb tax avoidance by multinational enterprises

In a press release dated 29 October 2011, the Danish government announced plans to introduce measures to curb the avoidance of Danish taxation, particularly by multinational enterprises. The proposal was prompted by an analysis prepared by the government indicating that 40% to 50% of Danish companies do not pay corporate tax in any given year. If approved, the measures are expected to boost tax revenue by DKK 625 million in 2013.

The following measures are proposed:

- Increased transparency and publicity about cash tax payments by Danish companies will be introduced.
- The tax authorities will receive additional resources in 2012 and 2013 to strengthen the auditing of multinational enterprises and certain other high-risk areas.
- The indefinite loss carryforward rules will be restricted.
- The basic limit of DKK 21.3 million (2011) under the interest cap rules will no longer be subject to upward adjustments (net financing expenses below the threshold of DKK 21.3 are not subject to the interest cap rules, and the limit currently is usually adjusted upwards each year).
- The rules on foreign tax credits for withholding taxes on royalties will be amended to take into account costs incurred in prior years, resulting in a reduction of the maximum level of the foreign tax credit.
- Companies that have incurred losses for several years and companies that have transactions with companies that are resident in countries outside the EU/EEA with which Denmark has not concluded a tax treaty will be required to obtain an auditor's certificate. The auditor will need to certify whether he/she has found evidence that proves that the company's controlled transactions do not comply with the arm's length principle.
- The transfer pricing penalty for noncompliance with the documentation rules will be fixed at DKK 250,000, plus an amount equal to 10% of any adjustment (the penalty is currently equal to 200% of the costs saved by not preparing the documentation, plus 10% of any adjustment).
- Companies that are subject to Danish joint taxation will be jointly and severally liable for corporate taxes and withholding taxes.

Details of the new rules have not yet been published, but the government expects to publish a bill in the spring of 2012, which should be enacted before summer 2012.

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European Union:
German rollover relief provision challenged

According to a press release dated 29 September 2011, the European Commission has initiated the second step of the infringement procedure against Germany in an effort to require Germany to amend its legislation on rollover relief for certain assets. According to the Commission, the rules are incompatible with the freedom of establishment provisions in the Treaty on the Functioning of the European Union (TFEU, which replaced the former EC Treaty) and the EEA Treaty.

Under the challenged rules, a taxpayer can avoid the taxation of capital gains derived from the sale of land, buildings and inland navigation vessels ("qualifying assets"), *inter alia*, if the asset sold formed part of a domestic permanent establishment for at least six years before the alienation, the gains are used to reinvest in an asset that also belongs to a

domestic permanent establishment of the taxpayer and the reinvestment is made within four years following the year of the sale. It is the opinion of the European Commission that the obligation to reinvest in domestic assets discourages taxpayers from undertaking cross-border investments and, therefore, infringes the freedom of establishment principle. If Germany does not respond to the Commission's request within two months, the Commission can refer Germany to the European Court of Justice (ECJ).

Taxpayers wishing to reinvest capital gains from the alienation of qualified assets in assets located in the EU/EEA should monitor future developments closely. If an otherwise qualifying reinvestment was made outside Germany in the past, taxpayers should ascertain whether the rollover relief still can be claimed in order to benefit from a potential (retroactive) law change or an ECJ decision upholding the European Commission's view.

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Germany: Update on E-Tax Balance Sheet

On 28 September 2011, the German Ministry of Finance (BMF) released the final application decree for the electronic tax balance sheet and profit-and-loss-account (E-Tax Balance Sheet) and published the final general taxonomy (supplemented by complementary taxonomies) and the final special taxonomies.

All companies obliged to determine their income using double entry accounting in Germany must submit – for all fiscal years starting after 31 December 2011 – an E-Tax Balance Sheet (or an electronic book/tax schedule) in a standardized data format ("taxonomy") as an appendix to their German electronic company tax returns. The first year (i.e. fiscal year 2012 or the deviating year 2012/2013) will be treated as a grace period (i.e. an E-Tax Balance Sheet is not yet compulsory – a hard copy version still can be submitted).

Companies with German E-Tax Balance Sheet filing obligations should ensure that they understand the new requirements before the beginning of their fiscal year 2012, and they should review and determine their strategic approach to the E-Tax Balance Sheet and prepare a full review ("mapping") of all charts of accounts used in Germany against the applicable taxonomy. Completing the mapping exercise is necessary to know the resources required (i.e. time, budget, personnel, etc.) to implement an E-Tax Balance Sheet. As part of the fiscal year 2010 tax return (or at the latest, as part of the return for fiscal year 2011), companies must compare (or have their German tax return preparer compare) their tax balance sheets or book/tax schedules to the applicable taxonomy to ensure sufficient compliance.

Taxpayers should use fiscal year 2012 (or their deviating year 2012/2013) for preparing and filing an E-Tax Balance Sheet for testing purposes. As there is no codified legal basis for the grace period in the final BMF guidance, taxpayers should understand that if they were to take matters to court, the courts would not be bound by the tax authorities' view on the grace period.

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In brief

European Union The European Court of Justice (ECJ) has held that a supply of services that consists of the design and use (within and outside the EU) of exhibition stands constitutes a supply of advertising services and so is subject to VAT in the place where the customer has established its business. When this is not the case, and the stand is to be used at a specific event, the supply is considered to take place where the event takes place, so the supplier may have a liability to register and account for VAT there. The ECJ concluded, however, that it would be excessively complicated to require VAT accounting in

each country where a stand is used if it were to be used in a succession of locations. In such cases, the ECJ concluded that the supply might be treated as a hire of moveable property, again subject to VAT in the place where the customer's business is established.

Hungary Under legislation passed at the end of 2010, the current corporate income tax rate of 19% on taxable income exceeding HUF 500 million (with a 10% rate applying to taxable income below this amount) would have been reduced to a flat rate of 10% regardless of the taxable income base as from 1 January 2013. According to a bill proposed by the Minister of the National Economy, the flat 10% would be dropped, leaving the current rates/base in effect. The bill also includes proposals, *inter alia*, to amend the participation exemption, the thin capitalization rules and the loss carryforward rules. If approved, the changes would be effective as from 1 January 2012.

Iceland The VAT Act has been amended to require nonresidents supplying services electronically to consumers resident in Iceland to register for VAT purposes and collect VAT on their supplies if the supplies amount to ISK 1 million or more in any 12-month period. The new rule applies as from 1 November 2011.

Indonesia Effective 19 September 2011, taxpayers conducting business in the areas of upstream oil and/or gas industry in Indonesia must attach the following documents to their 2011 annual corporate income tax returns: the last quarterly financial report of the relevant fiscal year, the income tax calculation, detailed cost schedule and depreciation schedule of the oil and/or gas contractor.

Slovakia – The National Council has approved a new levy on financial institutions that will apply as from 1 January 2012. The financial levy will be imposed on a quarterly basis at a rate of 0.1% of the liabilities of a domestic bank or the Slovak branch of a foreign bank at the end of the previous calendar quarter, as adjusted by specific items. Revenue from the financial levy will be used to cover expenses incurred in connection with the financial crisis and to protect the stability of the Slovak banking sector.

United States – Proposed regulations were released on 2 November 2011 on the exemption of certain qualified investment income derived by a foreign government from U.S. investments. The exemption applies to the integral parts or controlled entities of a foreign sovereign, but not to income from the conduct of any commercial activity or to income received by or from a controlled commercial entity (CCE). Among the issues addressed, a de minimis exception for *inadvertent* commercial activity is added to the "all or nothing rule." This rule applies to income received by or through a controlled commercial entity so that, if the entity has any income from commercial activities, none of its income qualifies for exemption. The exception, among other criteria, will require the foreign government to have adequate written policies and operational procedures in place to monitor worldwide activities (in which case a 5% assets and income safe harbor will be available). The proposed regulations also provide: an annual-basis determination of CCE status; a modified definition of commercial activity and exemptions from such characterization; the effect of a disposition of a U.S. real property interest; and modifications to the partnership attribution rules. Taxpayers may rely on the proposed regulations until final regulations are issued, although the effect may be limited in practice.

United States – On 1 November 2011, the Internal Revenue Service issued staff guidance for any examination that includes a return containing a Schedule UTP (on uncertain tax positions). The guidance notes there will be a centralized review to assess compliance with the Schedule UTP instructions before a return is released to the field (negating the need for field level review for such purposes). The presence of the schedule should not be the sole factor in determining whether to proceed with an examination. The guidance notes several items related to the schedule that the examination team may not inquire after: the rationale for determining (or why) an issue was uncertain; information about the hazards of the position; an analysis of support for or against the tax position; or copies of workpapers used to prepare the schedule, any tax accrual workpapers or any documents privileged under the modified policy of restraint. Issues identified on the schedule cannot be used to automatically roll over or roll back an issue from one year to the next or prior year. Finally, the guidance addresses actions the field should take for attached schedules with no issues disclosed or where the taxpayer's financial statements reflect an increase in reserves but there is no attached schedule.

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Australia

ATO finalizes views on source/tax treaty look through approach to private equity investment

The Australian Tax Office has released final Tax Determinations on the source of profits made in a private equity leveraged buy-out and on the availability of treaty benefits to limited partners in treaty countries where their investment into Australia is structured through a non-Australian limited partnership. [Issued: 28 October 2011]
URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/bf803efa4eb43310VgnVCM2000001b56f00aRCRD.htm?id=us_email_Tax_WTA_110411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dtt_tax_alert_australia_281011.pdf?id=us_email_Tax_WTA_110411

United States

Camp releases draft bill rewriting tax rules on foreign income of U.S. multinationals

Chairman Dave Camp of the House Committee on Ways and Means has released a "discussion draft" of the Tax Reform Act of 2011, a bill that would reduce the top corporate tax rate to 25% and rewrite the tax rules related to foreign income of U.S. multinationals. [Issued: 27 October 2011]
URL: http://www.deloitte.com/view/en_GX/global/services/tax/international-tax/0aff255fd6a43310VgnVCM2000001b56f00aRCRD.htm?id=us_email_Tax_WTA_110411
URL: http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Alerts/dttl_tax_alert_United_States_271011.pdf?id=us_email_Tax_WTA_110411

Retroactive increase in merchandise processing fee

President Obama has signed into law implementation acts for the free trade agreements with Colombia, Panama and South Korea, as well as legislation renewing the Generalized System of Preferences and Trade Adjustment Assistance programs. As a result of this new legislation, and particularly the order in which the bills were signed into law, the merchandise processing fee applicable to formal entries will increase retroactively from 1 October 2011. [Issued: 28 October 2011]
URL: http://www.deloitte.com/view/en_US/us/Services/tax/8d2a61ddc3a53310VgnVCM1000001a56f00aRCRD.htm?id=us_email_Tax_WTA_110411
URL: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Tax/us_tax_MPFIncreaseTradeAlert_103111.pdf?id=us_email_Tax_WTA_110411

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