PKF

Worldwide Tax Guide

2011

FOREWORD

For any business moving into new markets, a key deciding factor will be the target country's tax regime. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all the member firms of the PKF network who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Rachel Yeo, PKF Melbourne for co-ordinating and checking the entries from within their regions.

The WWTG continues to expand reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that you find that the combination of reference to the WWTG plus assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Jon Hills
PKF (UK) LLP
Chairman, International Tax Committee of the PKF International network

IMPORTANT DISCLAIMER

This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication.

This publication has been sold or distributed on the express terms and understanding that the publishers and the authors are not responsible for the results of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.

Accordingly no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and ensuring that such advice specifically relates to their particular circumstances.

PKF International is a network of legally independent member firms administered by PKF International Limited (PKFI). Neither PKFI nor the member firms of the network generally accept any responsibility or liability for the actions or inactions on the part of any individual member firm or firms.

CONTENTS

Preface

PREFACE

The PKF Worldwide Tax Guide 2011 (WWTG) has been prepared to provide an overview of the taxation and business regulation regimes of 100 of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have sought to base their summaries on information current as of 30 September 2010, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

Finally, PKF International Limited gladly welcomes any comments or thoughts readers may wish to make in order to improve this publication for their needs. Please contact Kevin F Reilly, PKF Witt Mares, 10304 Eaton Place, Suite 440, Fairfax, Virginia 22030, USA by email to kreilly@pkfwittmares.com

PKF INTERNATIONAL LIMITED
MARCH 2011

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers a network of legally independent firms. The PKF network is the 10th largest global accountancy network with over 245 legally independent member and correspondent firms which have a combined annual turnover of $2.4 billion. Located in 125 countries, the member firms of the PKF network share a commitment to providing clients with high quality, partner-led services tailored to meet each client's own specific requirements.

The membership base of the PKF network has grown steadily since it was formed in 1969. Added to the sustained growth in the number of PKF member firms, this solidity has provided the foundations for the global sharing of expertise, experience and skills and the development of services that meet the evolving needs of all types of client, from the individual to the multi-national corporation.

Services provided by member firms include:

Assurance & Advisory
Insolvency – Corporate & Personal
Financial Planning
Taxation
Corporate Finance
Forensic Accounting
Management Consultancy
Hotel Consultancy
IT Consultancy

PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited, which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees also work together to improve quality standards, develop initiatives and share knowledge across the network.

Please visit **www.pkf.com** for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria . . . . 12 noon
Angola . . . . 1 pm
Argentina . . . . 9 am
Australia -
  Melbourne . . . . 10 pm
  Sydney . . . . 10 pm
  Adelaide . . . . 9.30 pm
  Perth . . . . 8 pm
Austria . . . . 1 pm

B

Bahamas . . . . 7 am
Bahrain . . . . 3 pm
Belgium . . . . 1 pm
Belize . . . . 6 am
Bermuda . . . . 8 am
Brazil . . . . 7 am
British Virgin Islands . . . . 7 am

C

Canada -
  Toronto . . . . 7 am
  Winnipeg . . . . 6 am
  Calgary . . . . 5 am
  Vancouver . . . . 4 am
Cayman Islands . . . . 7 am
Chile . . . . 8 am
China - Beijing . . . . 10 pm
Colombia . . . . 7 am
Croatia . . . . 1 pm
Cyprus . . . . 2 pm
Czech Republic . . . . 1 pm

D

Denmark . . . . 1 pm
Dominican Republic . . . . 7 am

E

Ecuador . . . . 7 am
Egypt . . . . 2 pm
El Salvador . . . . 6 am
Estonia . . . . 2 pm

F

Fiji . . . . 12 midnight
Finland . . . . 2 pm
France . . . . 1 pm

G

Gambia (The) . . . . 12 noon
Germany . . . . 1 pm
Ghana . . . . 12 noon
Greece . . . . 2 pm
Grenada . . . . 8 am
Guatemala . . . . 6 am
Guernsey . . . . 12 noon
Guyana . . . . 8 am

H

Hong Kong . . . . 8 pm
Hungary . . . . 1 pm

I

India . . . . 5.30 pm
Indonesia . . . . 7 pm
Ireland . . . . 12 noon
Isle of Man . . . . 12 noon
Italy . . . . 1 pm

J

Jamaica . . . . 7 am
Japan . . . . 9 pm
Jersey . . . . 12 noon
Jordan . . . . 2 pm

K

Kazakhstan . . . . 5 pm
Kenya . . . . 3 pm
Korea . . . . 9 pm
Kuwait . . . . 3 pm

L

Latvia . . . . 2 pm
Lebanon . . . . 2 pm
Liberia . . . . 12 noon
Libya . . . . 2 pm
Luxembourg . . . . 1 pm

M

Malaysia . . . . 8 pm
Malta . . . . 1 pm
Mauritius . . . . 4 pm
Mexico . . . . 6 am
Morocco . . . . 12 noon

N

Namibia . . . . 2 pm
Netherlands (The) . . . . 1 pm
New Zealand . . . . 12 midnight
Nigeria . . . . 1 pm
Norway . . . . 1 pm

O

Oman . . . . 4 pm

P

Panama . . . . 7 am
Papua New Guinea . . . . 10 pm
Philippines . . . . 8 pm
Poland . . . . 1 pm
Portugal . . . . 1 pm
Puerto Rico . . . . 8 am

Q

Qatar . . . . 8 am

R

Romania . . . . 2 pm
Russia -
  Moscow/St Petersburg . . . . . 3 pm

S

Serbia . . . . 1 pm
Sierra Leone . . . . 12 noon
Singapore . . . . 7 pm
Slovak Republic . . . . 1 pm
Slovenia . . . . 1 pm
South Africa . . . . 2 pm
Spain . . . . 1 pm
Sweden . . . . 1 pm
Switzerland . . . . 1 pm

Time Zones

T

Taiwan . . . . .8 pm
Thailand .7 pm
Tunisia . . . . 12 noon
Turkey. . . . . .2 pm
Turks and Caicos Islands . . . . .7 am

U

Uganda . . . . .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
New York City. . . . . .7 am
Washington, D.C. . . . . .7 am
Chicago. . . . . .6 am
Houston. . . . . .6 am
Denver . . . . .5 am
Los Angeles . . . . .4 am
San Francisco . . . . .4 am
Uruguay .9 am

V

Venezuela . . . . .8 am
Vietnam. .7 pm

ALGERIA

Currency: Algerian Dinar (DZD) | Dial Code To: 213 | Dial Code Out: 00

Member Firm:
City: Alger
Name: Lassad Marouani
Contact Information: 213 21 28 11 75
pkf.marwani@gnet.tn

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

All companies, except partnership and joint ventures under the Commercial Code, are liable for corporate income tax on their profits arising from any business they carry on in Algeria. Companies are liable for corporate income tax at the rate of 25%. Reinvested earnings are subject to reduced rate of 12.5% under some conditions.

Foreign companies not established in Algeria and foreign companies with no permanent establishment in Algeria are subject to the company tax or personal income tax based on their legal status and any tax must be withheld by the company or client institution established in Algeria.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Algeria, including industrial and handicraft activities, liberal or commercial professions, are subject to value-added tax. Exports by definition are consumed abroad and are usually not subject to VAT and any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports.

TWO DIFFERENT VAT RATES APPLY IN ALGERIA :

- A special reduced rate of 7% applies to products, commodities, wares, merchandise and operations related to printing, materials for agriculture, products of traditional crafts, plants and domestic animals (aquaculture products), excluding fish and other edible products of sea and various other items
- 17% for operations related to services and goods not subject to another rate.

FRINGE BENEFITS TAX

As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Fringe benefits taxable are evaluated on the basis of their market value.

OTHER TAXES AND LEVIES
SOCIAL SECURITY TAXES

The social security rate is 9% on behalf of the employee and 26% on behalf of the employer.

VOCATIONAL TRAINING TAX

Companies that employ more than 20 employees are subject to a tax of 0.5% of annual payroll for vocational training and an additional tax of 0.5% of annual payroll for learning. The government is not subject to these taxes. An additional 0.5% tax applies to promote employee accommodation.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results. Profits are habitually considered to be gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income.

DEPRECIATION

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted but other methods may be used in certain circumstances.

STOCK/INVENTORY

For the determination of net income, inventories must be evaluated at their cost price. If market value or realizable value, at the end of the year, is lower, the company must set up reserves for depreciation of inventories.

DIVIDENDS
Dividends to non-resident shareholders are subjected to a withholding tax at the source of 15%.

LOSSES
Losses may be carried back three years and forward five.

FOREIGN SOURCED INCOME
Revenues from a foreign source that are subject to tax payment in the country of origin are not subject to tax in Algeria.

Non-resident legal entities are taxable on their Algerian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost. Relief from foreign taxes in Algeria depends on whether a double tax treaty has been concluded by Algeria.

INCENTIVES
The Algerian tax legislation has established a number of incentives to investment in and creation of projects in certain sectors that are aimed at accelerating growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that need development.

C. FOREIGN TAX RELIEF

Relief from foreign Taxes in Algeria depends on whether the country in question has agreed a double tax treaty with Algeria.

Algeria has concluded 20 non-double imposition treaties applicable on 1 January 2008.

D. CORPORATE GROUPS

When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market, before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria and abroad are consolidated.

F. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax returns and submit the amount of tax withheld to the finances.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into resident and non-resident.

Income subject to tax is called assessable income. Assessable income is divided into seven categories:
1. Industrial profits, commerce and craft
2. Professional non-profit business
3. Income from agriculture
4. Income from rental properties built and unbuilt
5. Income from movable capital
6. Wages, salaries, pensions and life annuities
7. Gains from transfer for value of buildings or undeveloped and related rights.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.

In general, a person liable to Personal Income Tax has to compute his tax liability, file tax return and pay tax, if any accordingly on a calendar year basis.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of family. A spouse can report income of the children on his/her tax return in certain circumstances.

INCOME TAX RATES

Through 2010	Rate (%)
0 to 60,000 DZD	0%
60,000,001 to 180,000 DZD	10%
180,000,001 to 360,000 DZD	20%
360,000,001 to 1,080,000 DZD	30%
1,080,000,001 to 3,240,000 DZD	35%
Over 3,240,000 DZD	40%

After 2010, a flat 25% rate applies to professionals and small business whose turnover is between 5 and 10 million DZD.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

- 18%: Fees, royalties and non-trading activities compensation paid to non-resident
- 18%: Capital gains paid to non-resident
- 18%: Interests on loans paid to banks non established in Tunisia
- When a treaty exists, apply the treaty rate if less than 18%

ANGOLA

Currency: Kwanza (KZ)

Dial Code To: 244

Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Luanda	Henrique Camões Serra	00244 - 222334332 pkf_angola@snet.co.ao

A

A. TAXES PAYABLE

CORPORATE INCOME TAX: GENERAL REGIME

Industrial Tax (Income Tax) is levied on all profits derived from Angola. All the income obtained by an Angola company operating overseas will be fully taxable.

Taxpayers paying Industrial Tax are divided into three groups of which Group A is the most important.

GROUP A

Group A includes joint stock companies, public companies with capital greater than 35 UCFs, financial and insurance institutions, Angolan companies operating abroad, foreign entities having a permanent establishment in Angola and other taxpayers that have an average turnover in the last three years over 70 UCFs.

A UCF is a reference value used to establish a taxpayer's tax liability. The UCF is periodically adjusted by the Minister of Finance based on oil prices, exchange rate against the US Dollar and the consumer price index.

GROUP B

This group comprises the taxpayers that do not fall under Groups A or C, as well as those who carry out a one-off activity of a commercial or industrial nature.

GROUP C

Group C comprises any individual who fulfils the following conditions:
- is included in a trade list
- does not keep a set of accounts
- works for himself and does not have more than three employees or collaborators
- does not make use of more than two vehicles and
- whose annual gross turnover is not exceeding 13 UCFs.

The tax rate applicable to Groups A and C is 35%. The Group B tax rate is 25% (levied on gross turnover).

Tax payment obligations should be fulfilled under the following conditions:
- Group A: Companies have to file form M/1 up to 31 May and advance payments of tax shall be made in January, February and March of the following year. Final payments will be made at the time of delivering form M/1 and set off against the advance payments made.

- Group B: The tax must be paid by 30 April.
- Group C: The tax must be paid by 28 February.

CAPITAL GAINS TAX
Worldwide capital gains obtained by resident companies are included in taxable income and taxed at the standard flat rate of 35%.

BRANCH PROFITS TAX
All income attributable to the Angolan branch (permanent establishment) is subject to Industrial Tax.

SALES TAX/VALUE ADDED TAX (VAT)
This tax is levied on the supply of goods and services as well as on the import of goods into Angola. The tax rate ranges from 2% to 30%, depending on the goods or service. The standard rate of VAT is 10%.

STAMP DUTY
Tax base: This tax is levied on all notary acts, contracts, licences, bank transactions, etc.

Tax rate: The tax rate depends on the type of act or document and ranges from 0.2% to 1.5%.

SPECIAL TAX REGIMES
CONTRACTORS/SERVICE PROVIDERS
Scope: A new tax law approved in 1997 introduced a special tax regime for contracting and similar services.

This regime establishes a withholding tax on payments made to persons and companies carrying out, occasionally or permanently, contracting services, subcontracting services or rendering of services not included in the employment income Tax Code, regardless of whether or not they have a head office, permanent office or permanent establishment in Angola.

Tax rates: If the services comprise the repairing or construction/assembly of fixed assets of the contracting part, the rate of tax is 3.5%. For all other services, the tax rate is 5%.

Tax collection/payment method: The tax shall be withheld by the contracting party for each payment made and paid over to the Tax Office within the following 15 days, accompanied by a complete official document. The tax shall be paid in the currency which is determined in the respective contract and converted into Kwanza.

PETROLEUM INDUSTRY TAX REGIME
Oil companies are subject to a specific tax regime.

PETROLEUM INCOME TAX (PIT)
Tax base: PIT is levied on the income obtained from the exercise of petroleum transactions and any other income derived from other activities of a non-commercial or industrial nature.

Tax rate:
(i) 65.75% – in relation to a joint venture agreement *("Associacão em Participacão")*
(ii) 50% – for a cost share agreement.

PETROLEUM TRANSACTION TAX (PTT)
PTT is due on all the income derived from petroleum transactions carried out under a joint venture agreement. The tax rate is 70%.

SURFACE
Surface fees are calculated based on production areas at a rate of $300 per square kilometre per year.

PRODUCTION ROYALTY
This is due on non-PSA *(Associação em Participação)* total hydrocarbons production less hydrocarbons used in filed operations at a rate of 20% with possible reduction to 10%.

ANNUAL CONTRIBUTIONS FOR TRAINING ANGOLAN NATIONALS
ENTITIES SUBJECT TO TRAINING LEVY/RATES:
(i) Enterprises that carry forward activities related to the production of petroleum/ US$ 0.15 per produced barrel.
(ii) Enterprises whose activities are in exploration and development phases/US$ 200,000 per year.

MINING INDUSTRY TAXATION
Mining companies are subject to a specific taxation regime.

MINING CORPORATE INCOME TAX
The tax base is the same as corporate income tax with specific adjustments, such as depreciation. The tax rate is 40% and is payable in the same manner as corporate income tax.

MINING SURFACE FEE
This fee is due based on the surface area licensed during the prospecting and exploration periods. The tax rate varies between US$1/Km2 to US$4/Km2.

MINING ROYALTY
This is charged ad valorem on the market value of the annual mineral ore output at various rates between 2% and 5%.

B. DETERMINATION OF TAXABLE INCOME

GENERAL REGIME
The calculation of net or taxable income is arrived at by adjusting the accounting profits for non-taxed income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

DEPRECIATION OF FIXED ASSETS
Fixed assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation. The normal method of calculation is the straight-line basis.

STOCK/INVENTORY
Inventory must normally be valued at the effective cost of acquisition or production (historic cost).

DIVIDENDS
Companies are generally subject to tax on the gross amount of dividends received. Dividends received from Angolan companies subject to industrial tax are exempt from tax if, at the time of the distribution, the recipient owns at least 25% of the capital of the paying company and has held the shares for at least two years or since the incorporation of this company. Whenever the dividends are distributed by a local company and the conditions mentioned above are not foreseen, the tax rate is 10%. Dividends received from a foreign company are considered to be normal business income and taxed at an effective rate of 35%.

LOSSES
Operating losses incurred by resident companies, or by a branch of a non-resident company, may be carried forward to set off against taxable profits for three years.

FOREIGN SOURCED INCOME
Taxation of resident companies takes into account their worldwide income.

INCENTIVES
Incentives under Angolan tax legislation include investment incentives:

(i) for projects of national interest or projects located in special development zones – total exemption from corporate income tax from three up to five years and also the reduction of 50% of corporate income tax for up to ten years. The incentives are granted by the Minister of Finance

(ii) for investment in agriculture, farming, transformative industries, transportation, education and health. These can benefit from an eight to 15 year corporate income tax holiday, depending on the investment's geographical location.

C. FOREIGN TAX RELIEF

Foreign-sourced income is included in the taxable income. No relief is granted for foreign taxes paid by an Angola taxpayer subject to earned income tax. Tax credits are available for overseas taxes incurred in certain circumstances.

D. CORPORATE GROUPS

There is no special regime for the taxation of groups of companies.

E. RELATED PARTY TRANSACTIONS

There are no tax regulations governing groups of companies. However, there are provisions that allow the tax authorities to adjust the taxable income of any taxpayer as a result of a special relationship. Furthermore, adjustment of the assessable income is also allowed for the case of a foreign operating entity declaring a taxable profit which will be different from the taxable profit that would be obtained by an Angolan entity under the same conditions.

F. WITHHOLDING TAXES

Dividends in general (including income from profit-sharing arrangements) paid to resident and non-resident individuals and companies are subject to withholding of investment income tax at a general rate of 10% on the gross amount of the dividends.

Interest payments to resident and non-resident companies are subject to withholding of investment income tax at the rates indicated below:

- 10% on corporate bond interest, withheld by the payer
- 15% on any other type of taxable interest, assessed by the competent local tax office (i.e. on interest from ordinary loans – other than domestic bank loans – and credit facilities, current accounts, sales on credit and late payment thereof and participators' advance loans to their company).

Domestic and foreign-source royalties received by taxpayers subject to business income tax are taxed as ordinary business income at a rate of 35%. Royalties paid for intellectual works to the original creator are treated as self-employment income and subject to earned income tax at a flat rate of 15%.

G. EXCHANGE CONTROL

There are no exchange controls in effect.

H. PERSONAL TAX

SCOPE

All individuals receiving employment income for duties performed in Angola are subject to income tax. Personal income tax will be payable by all Angolan residents and non-residents on all the income obtained from an activity in Angola.

INCOME TAX

Income taxes for individuals (resident and non-resident) are levied on a sliding scale at rates which vary from 0% to 15%.

Salaries in Kwanzas	Tax rates
Up to 25,000	Exempt
From 25,001 up to 30,000	5% of the amount exceeding 25,001
From 30,001 up to 35,000	250 Kz + 6% of the amount exceeding 30,001
From 35,001 up to 40,000	550 Kz + 7% of the amount exceeding 35,001
From 40,001 up to 45,000	900 Kz + 8% of the amount exceeding 40,001
From 45,001 up to 50,000	1,300 Kz + 9% of the amount exceeding 45,001
From 50,001 up to 70,000	1,750 Kz + 10% of the amount exceeding 50,001
From 70,001 up to 90,000	3,750 Kz + 11% of the amount exceeding 70,001
From 90,001 up to 110,000	5,950 Kz + 12% of the amount exceeding 90,001
From 110,001 up to 140,000	8,350 Kz + 13% of the amount exceeding 110,001
From 140,001 up to 170,000	12,250Kz + 14% of the amount exceeding 140,001
From 170,001 up to 200,000	16,450Kz + 15% of the amount exceeding 170,001
From 200,001 up to 230,000	20,950Kz + 16% of the amount exceeding 200,001
Above 230,001	25,750Kz + 17% of the amount exceeding 230,001

TAX RATES APPLICABLE TO EMPLOYEES

Employees are subject to personal income tax at the rates mentioned in the table above on their total remuneration.

INDEPENDENT PROFESSIONALS

Tax rates levied on the remuneration derived by independent professionals are subject to a personal tax income tax rate at a flat rate of 15% on 70% of their total income.

NON-RESIDENTS

Non-residents are liable for tax on income earned in Angola. They are not liable for tax on income brought into Angola or received from a source outside Angola.

TAXABLE INCOME
Includes all employment income such as wages, salaries, leave payments, fees, gratuities, bonuses and premiums or allowances paid or granted by reason of employment, in cash or kind.

TAXATION
Employment income is subject to a monthly withholding tax deducted by the employer and paid over to the Tax Office on a monthly basis.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Angola has not concluded tax treaties with any other jurisdiction.

ARGENTINA

Currency: Peso (P)	Dial Code To: 54	Dial Code Out: 00

Member Firm:
Villagarcía & Asociados S.R.L.

City:	Name:	Contact Information:
Buenos Aires	Sergio Villagarcia	11 5235 6393 pkf@pkfargentina.com.ar

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
Companies domiciled in Argentina are subject to income tax on all their income, whether sourced in Argentina or in a foreign country. Non-resident companies are subject to tax on Argentine source income. Income from export of goods situated in Argentina is deemed to be fully taxable and, for other specific international activities (eg news agencies, insurance, commercial use of films produced abroad, international transport etc), the tax law establishes a certain percentage as presumed income.

The tax rate for corporations *(Sociedades Anónimas, Sociedad de Responsabilidad Limitada* – Limited Liability Corporation – *en Comandita)* and branches of foreign companies domiciled in Argentina is 35%. For other partnerships, the tax is charged to each partner according to a progressive tax rate scale ranging from 9% to 35% depending on the amount of the taxable income.

Foreign recipients not qualifying as a permanent establishment in Argentina are subject to withholding tax at source. The rate is 35% on the applicable presumptive net income percent, depending on the type of payment made (ie interest, fees, royalties, rentals, etc).

For companies organised or incorporated in Argentina, any income tax (or similar tax) paid abroad on a foreign source income is creditable against Argentine income tax, up to a limit (see paragraph C).

Company income is taxed on an accrued basis during the company's business year. The tax is assessed annually within five months after fiscal year end. Advanced payments must be paid monthly on the basis of the tax amount paid the previous year. Moreover, the AFIP (Tax Authority) has enforced several withholding tax regulations that involve almost all kind of activities. The income tax withheld during the fiscal year is creditable against the income tax assessed, as well as the advanced payments. The balance can be paid at due date or filing an instalment plan (up to 6 instalments) accruing interest at a monthly 2% rate.

CAPITAL GAINS TAX
There is no separate tax levied on capital gains for companies organised in the country or for branches as they fall under the scope of income tax. For foreign corporations, capital gains are also included under withholding at source income tax regime at the time payment is made.

For foreign resident companies that hold shares issued by an Argentine company, gains derived from the alienation of those shares are not levied on income tax, provided that the holding corporation's shares (issued by the foreign resident company) are registered (not issued to the bearer). The same exception is applicable on the alienation of shares and bonds that are quoted on the Stock Exchange.

On the other hand, for foreign holding companies residing in tax havens (offshore companies) that are shareholders of an Argentine company, gains derived from the alienation of those Argentine shares are levied with income tax. The applicable withholding tax rate is 17.50%.

VALUE ADDED TAX (VAT)

This tax is applied to all stages of the production and sales processes (output tax), and the tax amount of the immediately preceding stage is deductible (input tax). The tax is imposed on the following transactions:

- sale of personal property situated in Argentina
- leases and services, including financial and insurance services
- real estate leases
- work performed on third-party real property
- work performed on owned real property, in the case of constructors
- production of personal property commissioned by a third party
- procurement of natural goods commissioned by a third party
- permanent import of personal property
- services provided from abroad and used in Argentina (including interest). In this case, input tax must be paid by the local company and it automatically becomes 'input tax' for VAT purposes in the following month.

VAT is assessed on a monthly basis. The inception of the taxable event is to issue the invoice, deliver the goods, render the service or the receipt, whichever is the earliest.

The standard tax rate, currently 21%, is charged on the net price of the transaction. There are some leases and services levied at 27% (electricity, telecommunications, etc). Some goods and services are levied at 10.50% (bovine meat, fresh vegetables, lodgings, interests on loans received from Argentine financial institutions, property plant and equipment as specified in a list provided, newspapers and magazines, transportation for individuals etc).

Exports are levied at a zero rate (destination country method). Exporters can apply input tax (incurred in making exports) against output tax arising from other taxable transactions. In case of a net input tax (internal charge), exporters are entitled to a refund (under a special procedure established by the tax authority). Foreign tourists are also entitled to a VAT refund (cash or in credit card account) included in personal property purchases and lodging services in some tourist areas.

There are several withholding and 'collection at source' regimes in force. The VAT withheld or collected at source is creditable against the internal charge. In case of a reminding tax credit, it can be offset against any other federal tax liability.

FRINGE BENEFITS

No tax is levied specifically on fringe benefits, since they are levied with income tax and social security contributions.

MINIMUM PRESUMPTIVE INCOME TAX (MPIT)

This tax is levied on all assets located in Argentina or in foreign countries owned by companies domiciled in Argentina or branches of foreign companies located in Argentina.

The Tax Act sets out how to value the assets to which, in general, the current market value must be given. Some assets are not levied, e.g. shares of other companies domiciled in Argentina, dividends earned, investment in constructions (for two years), and new personal property purchases (for two years). Companies having less than $200,000 of assets are not levied. Field Real Estate property is levied allowing a special deduction of up to $200,000.

The tax rate is 1%. Financial institutions and insurance companies, subject to the control of state entities, are subject to MPIT on 20% of their assets value.

Although this is an 'assets tax', the spirit of the law is to set a company's minimum income tax liability (for example, in the case of tax losses). Income tax assessed by the company may be creditable against MPIT for the same fiscal year.

If, in the same fiscal year, the income tax assessed is higher than the MPIT assessed, the net will not generate a tax credit. On the other hand, if in the same fiscal year the MPIT assessed is higher than the income tax assessed, the net of the MPIT may be carried forward and offset against income tax in the following ten fiscal years. Despite this tax credit, the company must pay effectively at least the amount of MPIT assessed every fiscal year. Therefore, every year the company must assess both taxes, yet pay either income tax or MPIT, whichever is the higher.

SINGLE SIMPLIFIED TAX

Single simplified tax is a volunteer tax applicable to individuals and small partnership that perform little activity and where income does not exceed a threshold set by the Act. The taxpayer can choose whether to pay income tax and VAT or substitute both by paying a monthly single simplified tax. The tax is determined considering a scale of income.

LOCAL TAXES

The different Provinces and Jurisdictions within the territory of Argentina apply local taxes. A brief description is provided as follows:

Turnover tax: This is a provincial tax levied on the various stages of production and selling processes but no input tax is deductible from the tax amount of the immediately preceding stage (waterfall effect).

In general, it applies to gross revenues accrued during each fiscal period (month). The tax rate is approximately 3% - 3.5% for commercial activities, 1.5% for industrial activities, and 1% - 1.5% for primary activities, according to the regulations enforced by each provincial Tax Act.

Under an agreement signed between the National Administration and the Provincial Administrations, several exemptions to some productive activities have been established and the tax scheme will be reshaped gradually until this tax becomes ineffective and replaced by a 'neutral' tax. In general, small industrial activities are not levied in the jurisdiction where the factory is located.

Stamp tax: The duty is levied in each of the country's jurisdictions on juristic acts and instruments entailing a flow of wealth between the parties involved in the legal relationship. Thus, stamp tax is applicable inter alia to acts whereby for profit transactions on Real Estate, personal property, services rendered and civil, commercial or financial obligations are documented. Rates vary according to the jurisdiction and the type of instrument involved, the most common one being 1.00% of the contract value. Under the aforesaid fiscal agreement, stamp tax is also to be phased out in the future but it currently is still in effect.

A

Land and car taxes: These taxes, typically 'ad valorem', are levied on land and automobiles located or registered within any of the country's 24 provinces. The fiscal assessment value of the assets and the applicable tax rate vary according to each jurisdiction.

Rates: These are municipal levies applied on a range of taxable bases in the various jurisdictions, in consideration of services provided by each township. The taxable event is the performance of an activity for profit in a town. The tax rate, set by each Municipal Act, is applicable on the turnover and depends on the activity performed.

OTHER TAXES

Excise tax: This is a federal tax on specific goods and services, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages (whisky, other spirits, liquor, etc), soft drinks, beer, automobiles, ships and aircraft, mobile phone services, insurance premiums, luxury items (jewellery, stones, pearls, furs, etc), some electronic products (microwave oven, television set, radio, several home appliances, etc). Excise tax is levied on the sale price. The tax rate varies depending on the item. This tax is generally levied on the production or importing stage (first stage).

Furthermore, a fuel and gas tax is levied on the sales of some of these products.

Social security contributions: These are federal taxes levied on both employers and employees. The taxable base is the salary. The employer assesses the tax and files the tax return with the official authority on behalf of both, including self-assessment plus the tax withheld to employees.

Employee contributions on salaries are 17% of salary and employers' contributions are set at 23% for small and medium sized companies and 27% for large companies.

Employers' social security contributions can be partially considered an input tax for VAT purposes in some provinces. The amount that can be offset depends on the employer's location, ranging from nil in Buenos Aires up to 10.75%.

Tax on checking account debits and credits: This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account but also a large variety of financial transactions (money remittances, money orders, cheque deposit on saving accounts, etc). The law sets out several exceptions (i.e. saving accounts, stock exchange agents, non-profitable associations, etc), and provides for reduced rates for certain transactions such as time deposits.

To prevent tax avoidance, any amounts over $1,000 must be paid by cheque as a binding procedure.

The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account. Thus the whole transaction is levied at a 1.2% rate. For specific activities performed by some taxpayers (who might use checking accounts to make payments on behalf of third party) a 0.075% rate is applicable.

17% of the tax amount paid each month is creditable against income tax or minimum presumptive income tax. The remaining 83% of the tax is a non-recoverable expense. The idea is that Financial Institutions act as withholding agents in order to ensure the revenue of the most important taxes.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act lists specific regulations for dealing with the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

INVESTMENT ALLOWANCE

At present, there is no income tax incentive scheme in force allowing additional deductions, in whole or in part, for investment on facilities and equipment.

DEPRECIATION OF FIXED ASSETS

For real estate, the law establishes a depreciation rate of 2% annually on the portion attributable to the building. The Tax Act indicates that fixed assets may be depreciated over their estimated useful life on a straight-line basis. Assets subject to depletion (mines, quarries etc), may be depreciated, not on the straight-line method, but proportionally to the units extracted in each period.

STOCK/INVENTORY

In the case of resale goods and raw materials, inventories should be valued for tax purposes at the end of each business year at acquisition cost (last purchase value). For self-manufactured items, the inventory value is determined on the basis of the sales price at the end of the fiscal year after deducting any direct expenses associated with the sale and the net profit margin. In special cases, where cost accounting systems are maintained, own-production goods could be valued at their production cost.

CAPITAL GAINS AND LOSSES

Capital losses are deductible, subject to the limitations noted in the paragraph under 'Losses' below.

DIVIDENDS

In general, dividends between two Argentine resident companies are tax exempt in the hands of the recipient.

However, equalization tax applies to dividends paid to residents and non-residents when commercial profits (i.e. the profits before tax as reported in the company's financial statements) exceed taxable profits. If the dividend passed does not exceed the taxable profit, dividends are not levied, whoever their recipients are, provided that the dividend is distributed on nominative (registered) shares. If the dividends outnumber taxable profit, a withholding tax at 35% is payable on the difference (equalization tax). No tax credit is derived from the tax withheld because dividends are not levied as income for the recipient (the whole tax was withheld).

INTEREST DEDUCTION

Interest is generally deductible provided it is incurred on loans taken out for business purposes. Otherwise the deduction is denied. Notwithstanding this, there is a threshold set on deductible interest. Under thin capitalization rules, interest is disallowed where all the following conditions take place all together:

- the company's financial debt/equity ratio exceeds 2:1
- the loan is granted by a foreign resident who controls the Argentine company (directly or indirectly)
- the withholding tax rate applicable on the interest paid abroad is reduced to 15.05% (that is 35% tax rate on 43% presumptive net income). See paragraph F.

Where the conditions do not apply simultaneously, no limitation is applied and interest is fully deductible. This is logical because when the withholding tax rate applicable is 35% (35% tax rate on 100% presumptive net income), the full tax was already withheld and the deduction is therefore allowed. (See paragraph F for more details about withholding tax on interest.) If the limit is applicable, interest is not deductible on the percentage of two times Net Worth over total liabilities. The remaining percentage of interest is deductible.

LOSSES

Income tax losses made in a given fiscal year may be carried forward for five years but taxpayers may only offset losses against the same kind of income. Thus, stocks and foreign-sourced losses may only be offset against income of the same kind.

FOREIGN CAPITAL INFLOWS

No special regulations exist to control incoming funds disclosed as capital contributions, as the current policy is designed to encourage inflows of foreign capital. However, foreign companies should pay personal assets tax (see below) because Argentine Law deems that the stock belongs to a resident individual. Other kind of incoming funds may be subject to a time deposit (see paragraph G).

On the other hand, there are specific regulations in force to control outgoing funds set by the Central Bank.

INCENTIVES

Promotional tax schemes are available for new investments in agricultural transactions and tourism in certain areas of Argentina. Approval of new industrial investment projects has been suspended.

CORPORATE MERGERS

Corporate reorganisations (de-mergers and mergers/consolidations) are to be considered 'tax free' provided that certain legal requirements and proceedings are met. These relate, in particular, to maintenance of the shareholders' interest and continuance of the business activity carried out (two years after and before the reorganisation process). In such cases, any outstanding tax loss may be carried forward and other existing allowances and liabilities may be passed on to the successor companies.

A

SHARES AND BONDS

For corporations domiciled in Argentina, the income produced by share holding is levied when share alienation takes place (not just because of holding them). On the other hand, bonds must be valued at their current value. Therefore, the income produced by bond holding is levied whether they are sold or not. For foreign residents domiciled in any country but tax havens, the disposal of shares (issued by an Argentine Company) is not levied with Income Tax.

C. FOREIGN TAX RELIEF

Any overseas income taxes paid on foreign-sourced income may be creditable against Argentine income tax up to the limit of the increase in the tax liability resulting from aggregating the foreign-sourced income.

D. CORPORATE GROUPS

Companies belonging to the same group or holding, but having separate legal status, should pay their taxes separately and the transfer of losses from loss-making to profit-making members of the same group of companies is not permitted. Nevertheless, payment is waived in the case of taxes arising from corporate reorganizations (de-mergers and mergers/consolidations) which comply with established legal requirements (particularly, maintenance of the shareholders' interest and continuance of the business activity carried out) for two years after and before the reorganisation process.

E. TRANSFER PRICING AND RELATED PARTY TRANSACTIONS

Under Argentine Law, transactions between Argentine companies and related parties domiciled abroad are deemed to take place at arm's length rates for tax purposes.

When the pricing used agrees with normal market practices as between non-related entities, no adjustment is required for tax purposes.

For income tax assessment purposes, Argentine law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm's length price has been used in transactions performed with related parties residing abroad, or any parties residing in tax havens. The related parties test is broad and includes not only transactions between a local subsidiary and its parent company, but also other relationships, (e.g. local company and foreign subsidiary, local permanent establishment and foreign head office, local company and foreign permanent establishment, local company and related or not related party residing in a tax haven, among others).

F. WITHHOLDING INCOME TAX FOR FOREIGN TRANSACTIONS

When Argentine-source income is paid to foreign recipients who do not have a permanent establishment – branch, office, etc - in Argentina, such income is subject to withholding tax of 35%.

For each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate. The following chart shows the presumptive net income percentages:

Income	Presumptive net income % A	Effective withholding tax rate % 35% × A
Interest on loans granted by overseas banks only on condition that the lender bank: a) is domiciled in a jurisdiction not considered a “tax haven”, and, b) has supervision on financial activity provided by the Central Bank (Federal Reserve). Offshore banks domiciled in any territory are not included in this category.	43%	15.05%
Interest on debt arising the importation of property plant and equipment subject to depreciation (except cars) provided that the exporter is the creditor.	43%	15.05%
Interest on time deposits made by foreign residents (either companies or individuals) in financial institutions located in Argentina, provided the interest is not chargeable to income tax in the country of residence.	43%	15.05%
Other interest. This category includes: a) interest on loans granted by overseas corporations or individuals; b) interest on loans granted by offshore banks domiciled in any territory considered a “tax haven” or whose Central Bank (Federal Reserve) does not apply supervision on financial activity.	100%	35.00%
Royalties arising from technical assistance or consulting not available in Argentina under specific regulations (the contract must be duly registered with the official authority).	60%–80%	21%–28%
Copyright (must be registered with the National Copyright Bureau)	35%	12.25%
Other royalties	90%	31.50%
Salaries of technicians, professionals, sportsmen, and artists for temporary work in Argentina (individuals only – not applicable when the provider is a corporation).	70%	24.50%
Personal property leases	40%	14.00%
Real Estate property leases	60%	21.00%
Disposal of assets situated in Argentina	50%	17.50%
Other incomes	90%	31.50%

G. EXCHANGE CONTROL

Exchange controls are currently in effect. Foreign currency can be transferred into Argentina provided that the sender files a disclosure with the official authority. In some cases, the transfer is subject to a one year time deposit (with no interest accrued) for the 30% of the amount transferred (especially financial loans). Capital contributions are not subject to the time deposit. To transfer out, the reason must be proved by filing forms with the Central Bank (i.e. dividends, loans, etc).

H. PERSONAL TAX

Two taxes are currently levied on individuals:
- income tax
- personal assets tax (wealth tax).

INCOME TAX
The tax is levied on income earned in Argentina and abroad by individuals residing in Argentina.

It is payable on an annual basis with five advanced payments (every two months). Any expenses incurred in generating such income may be deducted from gross income. The law establishes fixed deductions: non-taxable minimum, special tax free amount, dependant allowance, etc.

Capital gains not related to income-generating activity are not subject to tax. In the case of the disposal of real property not assigned to such activity, a 1.5% real estate sales tax is charged on the selling value of the property, regardless of whether a loss or a profit is made.

Under the Income Tax Act, some exemptions are provided for the financial and capital markets, whereby interest on time deposits, government securities, and income from stocks and bonds that are quoted on the Stock Exchange are not subject to tax.

Similarly, the sale of stocks (issued by an Argentine company) is not levied on income tax provided that the activity of buying and selling stocks is not performed on a regular (trading) basis.

Employees are subject to withholding tax at source, for which the employer is responsible (withholding agent).

Resident individuals are liable to the tax on the basis of a progressive tax rate scale ranging from 9% to 35% of annual taxable net income.

PERSONAL ASSETS TAX (WEALTH TAX)
This tax is levied on:
- all assets located in Argentina or in foreign countries that belong to individuals resident in Argentina
- all assets located in Argentina that belong to individuals resident in foreign countries
- shares issued by Argentine companies. In this case, the company pays the tax on behalf of the shareholders.
- trusts (excluding financial trusts). In this case, the trustee pays the tax on behalf of the beneficiaries.

INDIVIDUALS RESIDING IN ARGENTINA
This tax is levied on all assets located in Argentina and in foreign countries. Similar tax paid arising overseas in respect of assets located in foreign countries is creditable against personal assets tax.

The only deduction allowed is the amount of liabilities arising from the purchase or construction of the taxpayer's home.

Investments in shares issued by an Argentine company are not to be included in the taxable base because the company pays this tax on behalf of the shareholders (a situation that does not mean shares are exempted).

The tax is assessed on the value of property that exceeds the tax free amount of $305,000. If the taxable base is higher than $ 305,000, the tax is assessed on the total and it is calculated on a progressive tax-rate-scale basis. The applicable rate ranges from 0.5% to 1.25% on the taxable base.

INDIVIDUALS AND COMPANIES RESIDING IN A FOREIGN COUNTRY
The tax is also charged on assets located in Argentina and owned by individual foreign residents at a 1.25% rate. Neither deductions nor taxable minimum are allowed.

In the case of certain assets (i.e. securities, non-exploited real estate property, etc) located in Argentina and owned by foreign companies, these are deemed to belong to individuals and are levied with personal assets tax at a 2.50% rate.

Shareholders of an Argentine company who reside in foreign countries are liable to personal assets tax. The tax liability is not assessed directly but is paid by the company on behalf of its shareholders (see the next paragraph).

SHARES ISSUED BY AN ARGENTINE COMPANY

Shares whose holders are foreign resident companies are deemed to belong to foreign resident individuals and the tax is levied on those shares.

The taxable base is the Argentine company's equity value assessed in the company's last financial statements. The tax rate is 0.5%.

In all such cases, the tax is assessed and paid by the Argentine company on behalf of the shareholders. The tax paid is not deductible for income tax purposes because the company is allowed to claim the tax paid to the shareholders.

A foreign company's branch (a permanent establishment in Argentina) will be levied on personal assets tax in respect of the capital assigned to the branch.

For foreign companies' shareholders of an Argentine company who reside in Treaty Countries (for the avoidance of double taxation), it is important to analyse each Tax Treaty to understand whether shares are levied in Argentina or in the country where the holder has their fiscal residence.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)		Interest (%)		Royalties (%)	
Non-Treaty Countries:	Nil/35		15.05–35	(9)	21–31.50	(6)
Treaty Countries:						
Australia	10/15	(1)	12		10/15	(7)
Austria (10)	–		–		–	
Belgium	10/15	(1)	12		3/5/10/15	(7)
Bolivia	–	(4)	–	(4)	–	(4)
Brazil	–	(4)	–	(4)	–	(4)
Canada	10/15	(1)	12.50		3/5/10/15	(7)
Chile	–	(4)	–	(4)	–	(4)
Denmark	10/15	(1)	12		3/5/10/15	(7)
Finland	10/15	(1)	15	(3)	5/10	(8)
France	15	(1)	20	(3)	18	(5)
Germany	15	(1)	10	(2)	15/15	(3)
Italy	15	(1)	20	(3)	10/18	(5)
Netherlands	10/15	(1)	12		3/5/10/15	(7)
Norway	10/15	(1)	12.50		3/5/10/15	(7)
Russia	10/15	(1)	15		15	
Spain	10/15	(1)	12.50		3/5/10/15	(7)
Sweden	10/15	(1)	12.50		3/5/10/15	(7)
Switzerland	10/15	(1)	12		3/5/10/15	(7)
United Kingdom	10/15	(1)	12		3/5/10/15	(7)

1 This is the percentage ceiling set under the agreement. However, it is only applicable when the conditions set under (B) are met (Dividends).
2 The rate applies to interest loans associated with the sale of equipment, bank loans and public works financing.
3 This is the ceiling set by the treaty. However, when the effective rate for non-treaty countries is lower, this latter rate is applicable.
4 Under the agreement no ceilings were set but the jurisdiction where the tax should be levied was established. Therefore, applicable rates are those for non-treaty countries.
5 The 10% rate applies to copyright royalties.
6 Varies according to contract purpose and terms.
7 A 3% rate applies to the use of news, a 5% rate applies to copyright, a 10% rate applies to trademarks, patents and technical assistance, and a 15% rate applies in other cases.
8 A 5% rate is appropriate only where the payment relates to copyright.
9 See withholding taxes description at (F) above.
10 The Treaty with Austria was rendered ineffective as of 01January 2009.

AUSTRALIA

Currency: AUD ($)	Dial Code To: 61	Dial Code Out: 0011

Member Firm:

City:	Name:	Contact Information:
Adelaide	Wayne Manna	618 7421 1400 wayne.manna@pkf.com.au
Brisbane	Angie Hicks	617 3226 3555 angie.hicks@pkf.com.au
Gold Coast	Scott McMurtrie	617 5553 1000 scott.mcmurtrie@pkf.com.au
Melbourne	John Kelly	613 9603 1700 john.kelly@pkf.com.au
Sydney	Anthony Sloan	612 9251 4100 anthony.sloan@pkf.com.au
National	Lance Cunningham	612 9240 9736 lance.cunningham@pkf.com.au

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Australian resident companies are subject to company income tax on their income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.

Resident companies are those that are incorporated in Australia or those that carry on business in Australia and either have their central management and control in Australia or their voting power controlled by shareholders who are Australian residents.

The tax year runs from 1 July to 30 June. Companies' financial years usually coincide with the tax year. A taxpayer can choose to have an accounting period different to the tax year if they wish but this will require additional costs of preparing another set of accounts based on the tax year. Alternatively, if a taxpayer has a good reason for having a financial year other than 1 July to 30 June they can apply to the Australian Tax Office to have a substituted accounting period (SAP) and align the tax year with their financial year. The Australian Tax Office will generally accept applications for an SAP where an Australian subsidiary wants to align its tax year with its foreign parent company's financial year.

The company tax rate for the 2010/2011 tax year is 30% of the company's taxable income.

Companies are generally required to 'self-assess' their likely tax liability in a financial year and pay the tax by quarterly instalments with the final tax liability being reconciled in an annual tax return. 'Likely tax' is the latest estimate of tax payable made by the company in a current financial year. If no estimate is made, 'likely tax' is the tax assessed in the preceding year.

Company tax is payable on a quarterly basis. Companies that are not required to report their goods and services tax (GST) on a monthly basis and with income tax payable of less than AUD $8,000 for the most recent income year can elect to pay an annual instalment of tax rather than quarterly instalments. Generally, the annual payment date is 21 October when the income year ends on 30 June.

Quarterly company tax is payable within 21 days after the end of each quarter of the financial year. However, where taxpayers are eligible to pay other quarterly obligations on a deferred basis (namely those entities that are required to pay GST on a quarterly basis); the due date is the 28th day after the end of the quarter (except for the December quarter in which case payment date is 28 February).

There are two methods of working out the quarterly payment amount as follows:

- **Instalment Income Option** – the quarterly payment amount is the amount of gross assessable income earned for that quarter (less capital gains) multiplied by the instalment rate. The instalment rate is advised by the Tax

Office and based on the company tax paid on the most recent tax assessment divided by the company's turnover (less capital gains). This method is available to all taxpayers.
- **GDP adjustment notional tax option** – the quarterly payment income amount is based on the assessable income figure from the most recent tax return multiplied by a GDP factor. The income amount is advised by the Tax Office. This method is available for individual taxpayers or other entities where their most recent assessed taxable income was under AUD $1 million. Certain categories of taxpayers such as farmers, sportspeople and artists may meet their liability for these four instalments by making two payments per year.

BRANCH PROFITS TAX
There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.

GOODS AND SERVICES TAX
All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold of AUD $75,000 or AUD $150,000 for not-for-profit organisations.

Once registered, entities are required to charge 10% GST on all goods and services that they supply within Australia, unless the supplies are specifically excluded, such as education, health, child care services and certain types of food.

Registered entities are entitled to claim an 'input tax credit' equal to the amount of GST paid on purchases, provided that those purchases were used for a 'creditable purpose' in carrying on their enterprise. This means that the cost of the GST is effectively borne solely by the end user.

However, there are two exceptions to the general rule:
(1) GST-free supplies (zero rated supplies): These supplies are provided by enterprises to their customers free of GST, and the enterprise is also allowed to claim input tax credits on its creditable business acquisitions. Examples include education and health providers and certain types of food.
(2) Input taxed supplies: These supplies are provided by enterprises to their customers free of GST but the enterprise is not allowed to claim any input tax credits on its creditable business acquisitions, effectively treating the supplier as an end user. Examples include financial services providers and residential accommodation supplies.

The GST collected from customers is remitted to the Federal Government on a quarterly or monthly basis, depending on the size of the entity's annual turnover.

FRINGE BENEFITS TAX (FBT)
Fringe benefits tax is a Federal tax that is payable by resident and non-resident employers on certain benefits that are provided to their employees. The tax is levied at a rate of 46.5% on the 'grossed-up taxable value' of each benefit that is provided to employees. FBT is separate from income tax.

In calculating the 'grossed-up taxable value' of a fringe benefit, the provider must first determine whether they are entitled to a GST input tax credit on that benefit. If so entitled, the value of the benefit must be 'grossed up' using a rate of 2.0647. In all other cases, the value of the benefit is grossed up using a rate of 1.8692.

The grossing up methodology effectively levies tax on the benefit at the rate of tax that an employee on the highest marginal tax rate would pay on the cash salary required for them to pay for the benefit out of after tax salary and taking into account any GST input tax credit the employer can claim on providing the benefit.

Employees can make non-tax deductible contributions towards the private use component of a benefit to reduce the taxable value, thereby reducing the FBT payable.

The FBT year runs from 1 April to 31 March. If the annual FBT liability is more than AUD $3,000, it is payable on a quarterly basis on the same payments dates as quarterly company tax (see above). If the total FBT liability is less than AUD $3,000, an annual payment is required instead. The annual FBT return is due for lodgement by 21 May of each year.

Any FBT paid in Australia by an employer is generally deductible for Australian income tax purposes.

SUPERANNUATION CONTRIBUTIONS

Employers are required to make superannuation contributions on behalf of their employees at a rate of 9% of the employee's salary and wages. Contributions are required on a quarterly basis.

If insufficient contributions are made, employers are liable for a Superannuation Guarantee Charge. The 'charge' includes the shortfall in the contributions together with an interest component and an administration fee. Employers who have a superannuation guarantee shortfall are required to lodge a Superannuation Guarantee Statement together with the 'charge' on the 28th day of the second month following the end of the quarter.

Superannuation contributions made by employers for their employees are generally income tax deductible. However, the employee is taxed at the rate of 31.5% on contributions in excess of AUD $25,000 pa if the employee is under the age of 50; or AUD $50,000 p.a. if the employee is aged 50 or over.

OTHER TAXES

Other Federal taxes include:
(1) Customs & Excise duties on certain imported items
(2) Petroleum resource rent tax
(3) Excise on fuel, tobacco and alcohol.

LOCAL TAXES

The States and Territories of Australia impose the following taxes:
(1) Stamp duty: payable on specified transactions, including certain transfers of property
(2) Payroll tax: payable by employers who have total payrolls exceeding specified thresholds which vary from State to State. Payroll tax rates between each State and Territories varies from 4.75% – 6.85%
(3) Land and property taxes
(4) Workcare/workers compensation levies or premiums.

B. DETERMINATION OF TAXABLE INCOME

Taxable income equals assessable income less allowable deductions. Assessable income includes ordinary income under common law and statutory income but does not include specifically exempt or non- assessable income. Generally, to be deductible, losses and outgoings must relate to the gaining or producing of assessable income. Some items are specifically non-deductible, such as penalties and fines. Capital expenses are generally non-deductible but may be deducted over time as a capital allowance or included in the capital gains tax (CGT) cost base. Expenses incurred in producing exempt income are also non-deductible. It is possible to claim a portion of expense items that have dual purposes.

Special rules apply in respect of the categories listed below.

CAPITAL ALLOWANCES

Plant, equipment and other depreciable items are generally written off over their effective life. There are alternative rules for small business taxpayers with average turnover less than AUD $2 million. Taxpayers may self-determine the effective life of plant to calculate the tax depreciation rate or instead may rely on tax rates published by the Commissioner of Taxation.

Either the straight-line or diminishing-value methods of depreciation can be used for each item of plant and is determined as follows:
(1) Straight-line method: 100% ÷ Asset's effective life
(2) Diminishing-value method: 150% ÷ Asset's effective life if acquired before 10 May 2006 or 200% if acquired on or after 10 May 2006.

Motor vehicles are subject to an indexed depreciation cost limit. The limit for the 2010/2011 financial year is AUD $57,466.

Taxpayers can elect to 'pool' plant items costing less than AUD $1,000 and depreciate them at a diminishing-value rate of 37.5%. Previously depreciated items whose value has decreased to less than AUD $1,000 can also be added to the pool. Where the pooling option is not exercised, plant is to be depreciated over its estimated effective life.

A 2.5% or 4% special write-off is available on a straight-line basis for the construction costs of buildings used for income-producing purposes and traveller accommodation, depending on their date of construction.

Most business related capital expenses that are not otherwise deductible, included in the cost of depreciable assets or in the CGT cost base of an asset, are deductible over five years.

There is a temporary investment allowance for acquisition of new plant or equipment or improvements to existing plant and equipment. The investment allowance is an additional tax deduction of between 10% and 50% of the cost of the acquisition, construction or improvement claimable in the year the asset is installed ready for use. The plant or equipment must be ordered or construction commenced between 13 December 2008 and 31 December 2009 and installed and ready for use by 31 December 2010.

STOCK/INVENTORY

All trading stock on hand at the beginning of the year of income and all trading stock on hand at the end of that income year must be taken into account in determining taxable income.

Each item of inventory must be valued at the end of each financial year at:

- cost price valued at full absorption cost
- market selling value (the current selling value in the taxpayer's trading market) or
- replacement cost.

The closing value adopted becomes the opening value at the beginning of the following income year. Acceptable valuation methods include FIFO, average cost, standard costing and retail inventory method. Non-acceptable valuation methods include LIFO and the base stock method. Certain small business taxpayers who have an annual turnover of less than AUD $2million are only required to make such valuations where the value of their stock changed by more than AUD $5,000.

CAPITAL GAINS AND LOSSES

Net capital gains are generally included in the determination of assessable income. Capital losses cannot be deducted from assessable income and can only be offset against capital gains. Capital losses can be carried forward indefinitely to offset against future capital gains.

Net capital gains are determined by deducting the cost base of an asset from the proceeds received on disposal of that asset. The purchase price of an asset purchased prior to 21 September 1999 can be adjusted for inflation indexation to the quarter ending 30 September 1999. Indexation is not available for assets purchased after 21 September 1999.

In lieu of indexation, individuals and trustees may be eligible for a 50% reduction in their assessable capital gain if certain conditions are met. Complying superannuation funds are eligible for a 1/3 discount. This reduction is not available for companies. Other exemptions from capital gains tax may also be available, such as the main residence exemption; gains from foreign branches; or small business exemptions for businesses that satisfy certain criteria.

Foreign residents are exempt from Australian CGT except on Australian real property; business assets used in an Australian permanent establishment (PE); or equity interests in Australian or foreign companies or trusts with substantial interests in Australian real property either directly or indirectly through interposed entities. Australian real property includes Australian land and mining, quarrying and prospecting rights over Australian land.

DIVIDENDS

In general, dividends received by resident shareholders from resident companies are taxable but grossed up for any franking credits attached. The franking credits are equivalent to the tax paid by the company on its profits out of which the dividend was paid. However, the resident shareholders are allowed a tax offset of tax equal to the amount of any franking credits on the dividend.

Dividends received from non-resident companies do not qualify for this tax offset but may be entitled to a foreign tax credit (see foreign tax relief below). Alternatively, the dividend may be tax-exempt if the recipient is an Australian company that has a 10% or greater interest in the foreign company.

Dividends paid by non-resident companies in certain foreign countries are also exempt to the extent that they represent profits already taxed in Australia under Australia's Controlled Foreign Corporation (CFC) rules or Foreign Investment Fund (FIF) rules.

Dividends paid by resident companies to non-resident shareholders are not subject to income tax but may be subject to withholding tax except to the extent that the dividends are franked (that is, have been paid out of Australian-taxed profits).

Payments of dividends are not generally tax deductible.

INTEREST DEDUCTIONS

Interest is generally deductible to the extent it relates to funds borrowed for income-producing purposes.

Interest deductions may be restricted by the thin capitalisation provisions. The thin capitalisation rules seek to deny deductions for interest payments if the taxpayer's debt-to-equity ratio exceeds the 'safe harbour' ratio of 3:1. An exception to this rule is where the company can satisfy an 'arm's length test', which focuses on the company's likely borrowings if it had acted at arm's length and what independent lenders would lend to the company on arm's length terms.

The thin capitalisation provisions apply to foreign controlled Australian entities and the inward investments of foreign nationals and Australian-based entities with foreign investments. A de-minimis rule ensures that all corporate entities and their associates (regardless of their nature or business) which claim no more than AUD $250,000 in debt deductions per income year will not be subject to the thin capitalisation rules.

LOSSES

A tax loss is the excess of allowable deductions over assessable income (not including exempt income) and can be carried forward indefinitely to offset against future taxable income. For companies and trusts the deductibility of losses is restricted by a 'continuity of ownership' test (more than 50% of voting, dividend and capital rights). Alternatively, the loss is deductible if the company passes a 'same business' test.

Losses cannot be carried back.

Losses cannot be transferred between entities. However, wholly owned corporate groups that elect to be a consolidated group effectively can transfer losses as the group is taxed as a single entity.

FOREIGN SOURCED INCOME

(i) Controlled Foreign Corporations (CFCs): Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. In general, a foreign company will be regarded as a CFC where:
    - five or fewer Australian residents hold at least a 50% interest in the foreign corporation or have de facto control of the foreign entity
    - an Australian entity (and its associates) has 40% or greater control in the foreign corporation, unless they can prove that their interest is not a controlling interest or
    - irrespective of the interests in a foreign company, a group of five or fewer Australian entities (either alone or together with associates) has actual control of the company.

    CFC's in seven listed countries (USA, UK, France, Germany, Japan, Canada and New Zealand) are largely exempted from the CFC rules. The Australian Government has announced it will repeal the FIF rules but has not yet stated the effective date for the repeal.

    There are several exemptions to the CFC rules, including an active business exemption.

(ii) Most foreign branch profits and capital gains of a resident company are generally not taxed when the income or gain is derived in carrying on a business through a permanent establishment in the following listed countries: UK, US, Canada, France, Germany, Japan and New Zealand. Also losses from branches in the countries listed above cannot be claimed. Foreign branches of resident companies in other countries (unlisted countries) are generally not subject to tax on profits or gains where the income is from an 'active business' and for capital gains where the company used the asset wholly or mainly in an active business. Associated losses will also not be claimable.

CONDUIT FOREIGN INCOME

The conduit foreign income rules allow foreign income and certain foreign capital gains to flow through Australian companies and other interposed entities to foreign residents without being taxed in Australia.

INCENTIVES

Specific write-offs are provided for the mining and primary production industries. Expenditure on research and development also qualifies for accelerated deductions.

Special taxation treatment is also afforded to investment in innovative Australian companies through a 'venture capital tax concession'.

OTHER

(i) Debt Forgiveness: Where a commercial debt is forgiven, special provisions operate in some circumstances to effectively tax the borrower on the benefit received as a result of the forgiveness of the debt. The 'net forgiven amount' is not included directly in the borrower's assessable income but is applied against the borrower's tax attributes in the following order:
   (1) Reduction of revenue losses
   (2) Reduction of net capital losses
   (3) Reduction of deductions for particular expenditure
   (4) Reduction of the cost base of certain assets.

(ii) Debt/Equity Rules: There are special debt equity rules that determine what an equity interest is for a company and what a debt is. The rules determine whether a return on a debt or equity interest in an entity may be frankable and non-deductible (like a dividend) or may be deductible to the entity and not frankable (like interest). Broadly speaking, the rules are based on the substance of the arrangement rather than its legal form.

(iii) Taxation of Foreign Exchange (forex) Gains or Loss: Special rules tax forex gains and allow tax deductions for forex losses. The rules apply to transactions where there is a disposal of foreign currency or a disposal of a right to foreign currency, a ceasing of a right or obligation to receive foreign currency, or a ceasing of a right or obligation to receive foreign currency. These provisions will not apply where the taxpayer has made certain elections.

C. FOREIGN TAX RELIEF

Where foreign sourced income is included in assessable income tax credits are available for the lesser of the foreign tax paid or the Australian tax payable. For example, any withholding tax paid on a dividend from a foreign company will generally be allowed as a foreign tax credit.

D. CONSOLIDATED CORPORATE GROUPS

Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis. This means that the entire group is treated and taxed as a single corporate taxpayer.

Where the parent of Australian subsidiary entities is a foreign entity, the consolidation regime allows for the Australian subsidiary entities to be grouped under the consolidation regime where certain conditions are met.

E. RELATED PARTY TRANSACTIONS

Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arm's length prices.

F. WITHHOLDING TAXES

Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents. Liability for the remittance of withholding taxes rests with the payer of such amounts. Withholding tax is collected through the PAYG system and is determined according to the payer's PAYG withholding status. The payer is also required to lodge an annual report with the Commissioner of Taxation where such amounts have been withheld during the financial year.

The relevant withholding tax rates are:

1.	Dividends – franked	0%
2.	Dividends – unfranked	0 – 15% (treaty countries); 30% (non-treaty countries)
3.	Interest	10%
4.	Royalties	5% – 15% (treaty countries): 30% (non-treaty countries)

G. EXCHANGE CONTROL

Where more than AUD $10,000 of Australian currency is physically taken out of Australia, the departing individual must report this to an Australian Customs Officer or to the Australian Transaction Reports and Analysis Centre (AUSTRAC). Equivalent amounts of foreign currency that are brought into Australia must also be reported.

H. PERSONAL TAX

Income Tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income. Residency is generally determined by reference to common law principle of residence but can also deem Australian residence if the individual's domicile is in Australia (unless they have a permanent place of abode outside Australia) or where the individual has spent more one half of the relevant year of income in Australia, (unless their usual place of abode is outside Australia and they do not intend to take up residence in Australia).

Individuals that become residents for a short time may be eligible for the temporary resident tax exemptions on their foreign income and capital gains. If they are holders of a temporary resident visa (generally for up to four years but may be longer) they will not be taxed on foreign-sourced income unless the income relates to employment or services rendered while they are a resident of Australia. In addition, temporary residents are not taxed on capital gains except for gains on 'Taxable Australian Property' (see capital gains section above).

Income tax is payable on taxable income which is the 'excess' of assessable income less allowable deductions. Assessable income includes business income, employment income, capital gains on certain assets, dividends, rent and interest. Allowable deductions include outgoings incurred in gaining or producing assessable income such as interest expenses and statutory deductions such as tax-deductible gifts to specified charitable entities.

Most individual taxpayers that are employees will generally have Pay-As-You-Go (PAYG) tax instalments withheld from their salary or wage payments by their employers. Most individuals who are either self employed or who earn non-salary income are required to make interim payments of tax during the financial year. The amount of these instalments is calculated using the same method outlined at item A above for companies. Individuals with likely tax of less than AUD $8,000 can elect to make an annual payment, otherwise interim payments are generally required either 21 days after the payment period (or 28 days if they are deferred BAS payers).

A 1.5% levy, called the Medicare Levy, is payable by resident individual taxpayers. This levy covers basic hospital and medical expenses for all Australian residents and is assessed on the taxable income of resident individual taxpayers with no maximum ceiling on the amount payable. Low income taxpayers may be eligible for an exemption or reduced levy.

Higher income individuals without private health insurance are subject to an additional 1% Medicare Levy Surcharge. A 30% rebate is available to resident taxpayers for the cost of private health insurance.

A low income tax offset of AUD $1,500 is available to taxpayers with a taxable income of less than AUD $30,001. This tax offset is phased out when taxable income reaches AUD $67,500.

Various other tax offsets are also available to resident individual taxpayers such as medical expenses rebate, zone offsets, dependents and spouse rebates, and superannuation offset.

The tax rates for Australian individual residents and non-residents in the 2010/2011 financial year are outlined as follows:

Resident individuals – rates 2010–2011	
Taxable income (AUD $)	Tax payable (AUD $)
$0 – $6,000	$Nil
$6,001 – $37,000	$Nil + 15% over $6,000
$37,001 – $80,000	$4,650 + 30% over $37,000
$80,001 – $180,000	$17,550 + 37% over $80,000
$180,000 +	$54,550 + 45% over $180,000
Non-resident individuals – rates 2010–2011	
Taxable income (AUD $)	Tax payable (AUD $)
$0 – $37,000	29%
$37,001 – $80,000	$10,730 + 30% over $37,000
$80,001 – $180,000	$23,630 + 37% over $80,000
$180,000 +	$60,630 + 45% over $180,000

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%) (1)	Interest) (%) (2)	Royalties (%) (3)
Resident corporations or individuals:	0	0	0
Non-resident corporations or individuals of non-treaty countries:	30	10	30
Treaty Countries:			
Argentina	15	12	10 or 15
Austria	15	10	10
Belgium	15	10	10
Canada	5 or 15	10	10
China	15	10	10
Czech Republic	15	10	10
Denmark	15	10	10
Fiji	20	10	15
Finland	15	10	5
France	5 or 15	10	10
Germany	15	10	10
Hungary	15	10	10
India	15	15	10 or 15
Indonesia	15	10	10 or 15
Ireland	15	10	10
Italy	15	10	10
Japan	15	0 or 10	10
Kiribati	20	10	15
Korea	15	15	15
Malaysia	15	15	15
Mexico	0 or 15	10 or 15	10
Malta	15	15	10
Netherlands	15	10	10
New Zealand	0, 5 or 15	10	5
Norway	5 or 15	10	5
Papua New Guinea	15 or 20	10	10
Philippines	15 or 25	10 or 15	15 or 25
Poland	15	10	10
Romania	5 or 15	10	10
Russia	5 or 15	10	10
Singapore	15	10	10
Slovak Republic	15	10	10
South Africa	5 or 15	10	5 or 10
Spain	15	10	10
Sri Lanka	15	10	10
Sweden	15	10	10
Switzerland	15	10	10
Taiwan/Taipei	10 or 15	10	12.50
Thailand	15 or 20	10 or 25	15
United Kingdom	0, 5, 15	0 or 10	5
United States	0, 5, 15 or 30	0,10 or 15	5
Vietnam	10 or 15	10	10

Notes to Withholding Tax rate schedule

1 Franked dividends paid by Australian resident companies to non-residents are exempt from dividend withholding tax. The rates above are applicable to both portfolio and substantial holding dividends.
2 Non-resident interest withholding tax in Australia is limited to 10% under Australian tax law.
3 Withholding tax of 30% is generally imposed on the gross amount of royalties paid from Australia to non-residents. A reduced rate is applicable to residents of treaty countries.

The various rates may change according to categories and circumstances. Taxpayer's should consult the applicable DTAs to ascertain the applicable rate. J:\national\Tax\PKF International\2010-11 Worldwide tax guide update.doc.

AUSTRIA

Currency: Euro (EUR)	Dial Code To: 43	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Vienna	Thomas Ausserlechner	1 512 87 80 thomas.ausserlechner@pkf.at

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Public and private limited companies and certain other entities, such as cooperative purchasing societies and mutual insurance companies, are subject to corporate income tax at 25%.

Companies incurring a tax loss or earning small profits must pay a minimum tax of EUR 1,750, EUR 3,500 or EUR 5,452 depending on the legal status of the company and the industry. Non-resident companies are not subject to a minimum tax. Minimum tax may be credited against corporate tax payable in the following years.

Resident companies are subject to tax on their worldwide income. Non-resident companies are taxed on income attributable to an Austrian permanent establishment, immovable property located in Austria, deposits with Austrian banks, income from silent partnerships in Austria, income from leasing or renting certain property in Austria and income from commercial or industrial consulting or providing labour for domestic use. Companies are deemed to be resident if they are incorporated in Austria (i.e. the registered office is in Austria) or have their place of effective management in Austria.

The fiscal year usually runs from 1 January to 31 December, although a company can choose a different fiscal year under certain circumstances. Corporate income tax is assessed on an annual basis. However, quarterly advance payments have to be made.

CAPITAL GAINS TAX

There is no specific capital gains tax in Austria. Capital gains and losses are generally treated as ordinary business income (or loss) and are taxed at standard corporate income tax rates. Special rules apply to capital gains and losses on private property (eg 'speculative transactions' within certain periods are subject to income tax). A new tax regime has been introduced from 2011 for financial instruments held by private persons. Basically, capital gains are taxed at the lower of 25% and half the regular rate, regardless of any holding period.

BRANCH PROFITS TAX

There is no branch profits tax in Austria. Austrian branches of foreign companies are subject to Austrian (corporate) income tax on Austrian-sourced income only.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is generally imposed on the delivery of goods and the rendering of other services within Austria by entrepreneurs within the scope of their business and on imports into Austrian customs territory.

The standard VAT rate is 20%. A reduced rate of 10% applies to some basic goods such as food. Some transactions such as exports are zero-rated. A number of transactions are exempt from VAT. VAT is generally assessed on a calendar year basis. Monthly or quarterly preliminary returns have to be filed.

FRINGE BENEFITS TAX (FBT)

There is no specific fringe benefits tax in Austria. However, fringe benefits are subject to salary tax according to the value of the benefit in kind. For assessment of the latter, special rules may apply. The fringe benefits are taxed on the employee.

LOCAL TAXES

A municipal tax of 3% is levied on the gross payroll of enterprises. In addition, municipalities levy land and property taxes.

OTHER TAXES

Austria imposes a number of other taxes such as:

- A 1% capital transfer tax on contributions to company capital.
- A real estate transfer tax of 2% to 3.5% of the real estate value or, alternatively, based upon a deemed tax value for some transactions.
- Insurance tax on insurance premiums, ranging from 1% to 11%.
- Social security is payable both by employers and employees. The employee rate ranges from 15.1% to 18.2% depending on the status and the income of the employee. The employer rate is roughly 21.8%. Apart from social security contributions, employers have to pay approximately 9.5% salary-related charges on top of gross salary. In all, staff costs are approximately 32% of gross salary.
- Stamp duties are due on certain transactions and documents.

From 1 August 2008 Austria abolished any tax on inheritance and gifts. No tax is imposed on gratuitous transfers (except for land transfer tax which is usually based on a tax value considerably lower than market value) but mandatory reporting on such transfers exceeding certain limits has been implemented.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, losses and expenses must have been incurred to generate assessable income.

Taxable income is based on the profit or loss shown in the financial statements prepared according to Austrian accepted accounting principles. This figure is then adjusted to special tax rules according to the Income Tax Act (to the profit shown in the financial statements). Non-deductible taxes (e.g. corporate tax) and non-deductible expenses (such as donations and general provisions) are added. On the other hand, special allowances and non-taxable income (inter-company dividends and losses carried forward) may be deducted.

CAPITAL ALLOWANCES

There are some special capital allowances in Austria that are particularly applicable to small and medium-sized enterprises.

DEPRECIATION

Assets subject to wear and tear have to be depreciated using the straight-line method. If an asset costs less than EUR 400, it can be written off immediately in the period of acquisition. The Income Tax Act stipulates fixed depreciation rates for buildings, ranging between 2% and 3% (depending on the use and type of building). For company cars, the Income Tax Act stipulates a fixed useful life of eight years for both acquisition and leasing. Other assets are depreciated over their useful life.

STOCK/INVENTORY

Stock is valued at the lower of cost or market value. Where inventory is valued according to the cost price, the FIFO method is generally accepted. Fungible goods may also be valued by using the weighted average cost method.

CAPITAL GAINS AND LOSSES

Under certain circumstances, roll-over of capital gains is allowed for individuals or partnerships but not for limited companies. If fixed assets are sold, gains resulting on disposal may be deducted from the cost of investments made in the same period or may be allocated to a tax-free reserve to be used against investments within the following 12 or 24 months. Any amounts not used within this period are subject to tax. Several restrictions apply to the rollover of capital gains (eg not applicable for limited companies). For companies, there is fundamentally no difference in the tax treatment of capital losses and trading losses. For international participations, one can choose between tax-free treatment (capital gains and losses, depreciation is treated as neutral for tax-assessment) or taxable treatment. The declared option is irrevocably binding for the future.

For privately held financial instruments the banks will collect a withholding tax of 25% on capital gains with effect from October 2011.

DIVIDENDS
There is a final withholding tax of 25% on domestic dividends. Withholding tax does not apply to dividends paid to:
- an Austrian company holding an interest of at least 25% in the distributing company
- a foreign resident company if, on the due date of the dividend, the recipient of the dividends has held at least 10% (if reciprocity is granted by the other state).

Where withholding tax is incurred on dividends paid between Austrian resident companies, this is creditable against the recipient's corporate income tax liability. In accordance with double taxation treaties, withholding tax may be reduced through a refund procedure.

INTEREST DEDUCTIONS
Interest is deductible on an accruals basis.

Interest income from bank deposits and securities is subject to a withholding tax of 25%. The withholding tax on interest is a final tax (income, donation, inheritance) for individuals. Interest income earned by a company is part of its business income and therefore subject to 25% corporate tax. For such companies, the withholding tax will be credited to corporate income tax due.

LOSSES
Losses may be set off against trading income and capital gains of the same accounting period. Excess losses may be carried forward indefinitely but not carried back. However, losses carried forward may only be set off against the current income, i.e. a minimum of 25% of the income is subject to corporate income tax, regardless of losses carried forward. The excess loss may be credited against profits in consecutive years.

FOREIGN-SOURCED INCOME
A resident company is subject to corporate income tax on its worldwide income. Income from foreign sources is taxable in Austria according to double taxation treaty rules. Austria does not have specific controlled foreign company (CFC) legislation. However, to avoid tax abuse, dividends from international participations located in tax havens may be taxed in Austria if certain criteria are fulfilled.

INVESTMENT ALLOWANCE/INCENTIVES
Under certain circumstances, the taxation of realised capital gains can be avoided or deferred by transferring the amount to an untaxed roll-over reserve. There are special allowances and/or tax benefits ranging from 9% – 35% for educational costs and research and development

A further allowance for individuals and partnerships allows for 13% of annual profit (maximum EUR 100,000.00) to be exempt from tax provided the allowance amount is invested in certain tangible assets or securities with a holding period of at least four years. There is no requirement for the first EUR 30,000 of profit to be invested in tangible assets for the person to qualify for relief on this amount.

TRUSTS (PRIVATE FOUNDATION)
An Austrian Trust is a legal entity in civil law in which a donor transfers assets in order to achieve the objects of the Trust. Quite often, the purpose of a Trust is to provide for family members ('family trust'). Trusts enjoy tax advantages because certain forms of income (eg certain capital gains, dividends, interest) are not subject to corporate tax. The transfers to private Trusts are subject to a fixed rate of 5% donation tax. In the transfer of real estate, there is a surcharge of 2% of the assessed value of the property. Transfers from the Trust to its beneficiaries (natural persons) are subject to withholding tax.

Trusts (Private Foundations) are subject to special tax regimes that vary from company taxation in quite a number of significant aspects.

C. FOREIGN TAX RELIEF

Austria has concluded a number of double taxation treaties with other countries. Generally, an Austrian resident is subject to taxation in Austria. The double taxation treaties may either exempt foreign-sourced income or grant a credit against Austrian tax for foreign taxes paid on the same income or gain in the same accounting period.

D. CORPORATE GROUPS

There is a special regime for the taxation of corporate groups where profits and losses can be set off within the group. The parent (or head of the national group) must be a resident corporation or permanent establishment of an EC-corporation. Basically, the parent must hold at least 50% of the shares and voting rights in any member of the group directly or indirectly and the group status must be kept for a minimum period of three years. Losses from non-resident group members reduce the Austrian tax basis (subsequent taxation of these losses applies if the foreign group member can realise losses carried forward in the future). If a member leaves the group for whatever reason before expiration of this period, tax will be assessed as if it had never been a group member.

Losses arising in relation to a member's investment in another member of the corporate group are generally not deductible (for example, a realised loss on disposal of a subsidiary or impairment loss). However, deductions are available for the amortisation of goodwill arising on the acquisition of Austrian (not foreign) subsidiaries within the group over a 15 year period. The group taxation provides a considerably attractive tax instrument for corporate groups in Austria. However, thorough long-term tax planning is key to efficient utilisation of these provisions.

E. RELATED PARTY TRANSACTIONS

The arm's length principle applies. In this context, the 'substance-over-form' principle, which is a general principle of Austrian income tax, has to be strictly observed. This implies that a transaction must be assessed according to its economic effect and not according to the legal form it takes.

In 2010 the tax administration introduced internal guidelines to transfer pricing basically relying on the OECD TP Guidelines.

F. WITHHOLDING TAX

Austria imposes a 25% withholding tax on dividends, unless double taxation treaties provide otherwise. A withholding tax exemption applies if the recipient company is resident in another EU member state, holds at least 10% of the paying company's share capital and has done so continuously for one year prior to the dividend payment. Otherwise, the amount withheld can be credited by the recipient company against its own tax liability. For international participations, the EC Parent-Subsidiary Directive applies. If the tax authorities suspect cases of tax avoidance or abuse, the withholding tax exemption can only be claimed through a refund procedure. In principle, Austria levies a 25% withholding tax not only on dividends but also on certain interest payments and capital income derived from securities. Corporate investors may achieve a tax exemption if certain conditions are met, even for portfolio dividends.

G. EXCHANGE CONTROL

Most exchange controls have been abolished in recent years. There are hardly any restrictions on the transfer of capital and currency transactions.

H. PERSONAL TAX

Austrian resident individuals are subject to unlimited tax liability on their worldwide income. Non-resident individuals are only required to pay tax on Austrian-sourced income.

Taxable income consists of the following seven sources:
(1) agriculture and forestry
(2) independent (professional) services (including scientific, artistic, literary, educational, or other professional services)
(3) trade or business, including gains on the sale of a business or partnership share
(4) employment, eg wages and salaries, social security pensions
(5) capital assets (dividends and interest)
(6) rentals and royalties
(7) annuities and other income of a recurring nature, speculative gains, and income from special services.

The current average tax rates are as follows:

Taxable income in EUR	Rate (%)
11,000	0
11,001 – 25,000	0 - 20.4
25,001 – 60,000	20.4 - 33.70

Income exceeding EUR 60,000 per annum is taxed at 50%.

The tax payable is reduced by certain tax credits, depending on marital status, number of children and other personal circumstances. Special regulations and rates apply for non-residents. Approximately 1/7th of an employee's salary per year is taxed at a fixed rate of 6%. The maximum tax rate for income from employment is therefore 43%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)		Interest (2) (%)	Royalties Licences (%)	
Non-Treaty Countries:	25		25	20	
Treaty Countries:					
Albania	15/5	(1b)	5	5	
Algeria	15/5		0/10	10	
Argentina	15		12.5/0	15	
Armenia	5/15		10/0	5	
Australia	15		10	10	
Azerbaijan	5/10/15		10	5/10	
Barbados	5 (1a) /15		0	0	
Belarus	5 (1b) /15		0/5	5	
Belgium	15		15	0/10	(3)
Belize	5 (1b) /15		0	0	
Brazil	15		15/0	15/10/25	
Bulgaria	0		0	0	
Canada	15/5	(1a)	10/0	10/0	
China	10/7	(1b)	0/10	10	
Croatia	0/15		5	0	
Cuba	15/5	(1b)	0/10	0/5	
Cyprus	10		0	0	
Czech Republic	10		0	0/5	
Denmark	15/0	(1a)	0	0	
Egypt	10		0	0/20	
Estonia	5 (1b) /15		0/10	5/10	
Finland	0/10		0	5	
France	0/15		0	0	(3)
Georgia	0/5/10		0	0	
Germany	5 (1a) /15		0	0	
Greece	5 (1b) /15		0/8	0/7	
Hungary	10		0	0	
India	10		0/10	10	
Indonesia	15/10	(1b)	10/0	10	
Iran	5 (1b) /10		0/5	5	
Ireland	10		0	0/10	
Israel	25		15	0/10	
Italy	15		10/0	0/10	(3)
Japan	20/10	(1c)	10	10	
Kazakhstan	15/5	(1a)	0/10	10	
Korea	15/5	(1b)	10/0	2/10	
Kuwait	0		0	10	
Kyrgyzstan	5 (1b) /15		0/10	10	
Latvia	5 (1b) /10		10	5/10	
Liechtenstein	15		10	5/10	

	Dividends (%)		Interest (%)	(2)	Royalties Licences (%)	
Lithuania	5 (1b) /15		0/10		5/10	
Luxembourg	5/15	(1b)	0		0/10	(1c)
Macedonia	0 (1a) /15		0		0	
Malaysia	10/5	(1b)	15		10/15	
Malta	15		5		0/10	
Mexico	5 (1a) /10		0/10		10	
Moldova	15/5	(1b)	5		5	
Mongolia	10/5	(1a)	10		5/10	
Morocco	5/10	(1b)	0/10		10	
Nepal	5 (1b) /10 (1a) /15		0/10/15		15	
Netherlands	15/5	(1b)	0		0/13	(3)
New Zealand	15		10		10	
Norway	0/15		0		0	
Pakistan	10/15	(1d)	No Treaty Limit		20	
Philippines	25/10	(1a)	15/0		15	
Poland	15/5	(1a)	0/5		5	
Portugal	15		10		5/10	(3)
Romania	5/0	(1b)	0/3		3	
Russia	15/5		0		0	
San Marino	15/0	(1b)	0		0	
Saudi Arabia	5		5		10	
Serbia	5 (1b) /15		10		5/10	
Singapore	0/10		0/5		5	
Slovakia	10		0		5/0	
Slovenia	5 (1b) /15		5		5	
South Africa	5 (1b) /15		0		0	
Spain	15/10	(1c)	5		5	
Sweden	5 (1b) /10		0		0/10	(3)
Switzerland	15/0	(1d)	0		0	
Tajikistan	0		0		0	
Thailand	0/10	(1b)	0/10/25		15	
Tunisia	20/10	(1b)	10		10/15	
Turkey	15/5	(1b)	15		10	
Turkmenistan	0		0		0	
Ukraine	5 (1a) /10		2/5		0/5	
United Arab Emirates	0		0		0	
United Kingdom	15/5	(1b)	0/10		0/10	(3)
United States	15/5	(1a)	0		0/10	
Uzbekistan	15/5	(1a)	0/10		5	
Venezuela	5 (1e) /15		5/10		5	
Vietnam	5 (1f) /10 (1b) /15		10		7.5/10	

1a 10% min. share in subsidiary
1b 25% min. share in subsidiary
1c 50% min. share in subsidiary
1d 20% min. share in subsidiary
1e 15% min. share in subsidiary

A

2 Normally, the withholding tax rate on bank deposits etc is 25%. However, a full exemption is frequently available where the bank receives a written declaration from the recipient that such interest forms part of the recipient's business income. The exemption also applies to non-resident individuals for interest received on bonds if they disclose their identity and residence to the depository. Interest received by individuals on bank deposits attracts withholding tax at the rates specified in the treaties. Interest on convertible bonds is taxed as dividends.

3 Royalties to these countries are exempt from withholding tax unless more than 50% of the issued share capital is held. Where more than 50% of the issued share capital is held, the rate given is applicable.

BAHAMAS

Currency: Dollar (B$)	Dial Code To: 1242	Dial Code Out: 001

Member Firm:

City:	Name:	Contact Information:
Nassau	Renée D Lockhart	322 8560 pkfbah@batelnet.bs

A. TAXES PAYABLE

The Bahamas offers the offshore financial sector freedom from corporate, personal income, capital gains, withholding, inheritance, and estate taxes. However, income received in the Bahamas may be subject to the taxes in the country of origin. There are tax information exchange agreements between the Bahamas and other countries. The financial sector advantages are supported by a strong respect for privacy, flexible exchange controls, geographical location and continued record of political stability.

Government Tax Revenue is derived from the following sources:

- Import and export duties
- Property tax
- Motor vehicles
- Gaming tax
- Tourism tax
- Stamp tax
- Company fees
  - Regarding fees, the registration fee for a foreign company is B$50 and stamp duty is payable in the amount of B$600. All foreign companies must also pay an annual licence fee of B$1,000.
  - Private companies are required to pay a fee of B$300 upon filing their Memorandum of Association, and an additional fee of B$30 for the filing of the Articles of Association. An annual licence fee of B$1,000 is also payable.
  - Additionally, stamp duty is payable on the authorised capital of a company. Where the authorised capital is B$5,000 or less, the stamp duty is B$60. For every additional B$1,000 or fraction thereof, the stamp duty will be B$300.
- Bank and trust company fees
- Insurance company fees
- Other fees, including business licence fees
  - Business licence fees are levied on the gross turnover of a business, at varying percentage rates or amounts, based on the company's turnover, and classification of business.

BAHRAIN

Currency: Bahraini Dinar (BHD)	Dial Code To: 973	Dial Code Out: 0

Member Firm:

City:	Name:	Contact Information:
Bahrain	Majeed M Shaji	17 200 145 pkfb@batelco.com.bh

A. TAXES PAYABLE

No form of personal, corporate, withholding or value added tax is applicable In Bahrain. There is no personal tax except municipal tax of 10% on the monthly rental of residential and business property. In addition, a 5% government levy on gross turnover is imposed on hotel services and entertainment.

Customs (import) duties are generally levied at a rate of 5% but there are many items such as medicines, most food products, capital goods and raw material for industries which are exempt from duty. After implementation of the new uniform customs tariff which became effective on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% customs duty. However, the products of the GCC countries shall enter into each others' markets free of customs duties.

Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, customs duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union, which was implemented from 1 January 2003, will be applicable.

The Free Trade agreed between Bahrain and the US was signed on 14 September 2004 in the Kingdom. Bahrain has entered into avoidance of double taxation treaties with several countries, notably Egypt, Singapore, France, Thailand, Morocco, Algeria, China, Syria, Jordan, Yemen, Lebanon and Belarus.

BELGIUM

Currency: Euro (EUR)	Dial Code To: 32	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Antwerpen	Marc Bastenie	3 235 66 66 antwerpen@pkf.be
Brussels	Ria Verheyen	2 242 11 40 brussel@pkf.be
Hasselt	Paul De Weerdt	1 122 72 45 pdw@pkf.be
Knokke	Guy Flamand	5 063 11 63 g.flamand@pkf.be

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

A resident company is liable to corporation tax on its worldwide profits. A company is resident in Belgium if its registered office or centre of management is situated in Belgium. The place of incorporation is irrelevant.

The basic rate of corporation tax is 33%, increased by a 3% surcharge (33.99%).

Reduced progressive rates apply only if the following conditions are satisfied:

- the company does not distribute dividends during the year that exceed 13% of the paid-up capital at the start of the year
- the profits of the company do not exceed EUR 322,500
- the company pays an annual taxable income of at least EUR 36,000 to at least one director
- the company does not belong to a group of companies with an approved Belgian co-ordination centre
- the company is not a holding company
- the company is not 50% or more owned by one or more companies.

These reduced rates are as follows:

Band of taxable profit EUR	Rate applicable to band (%)
0 – 25,000	24.25 + 3% surcharge (24.98%)
25,001 – 90,000	31 + 3% surcharge (31.93%)
90,001 – 322,500	34.50 + 3% surcharge (35.54%)

The tax rate is the same whether profits are distributed or retained.

A non-resident company is liable to the non-residents' tax or to the various withholding taxes levied on Belgian-sourced income or to both, instead of corporation tax. If a non-resident company has a permanent establishment in Belgium, it is liable to non-residents' tax on profits attributable to the permanent establishment, plus any other business income arising in Belgium and income from Belgian real estate. Its Belgian-sourced dividends, interest and royalties, if any, will normally be subject to a final withholding tax.

The rate of non-residents' tax is 33% plus the 3% surcharge. Reduced rates apply under certain conditions.

CAPITAL GAINS TAX
Capital gains are normally treated as ordinary business income and are taxable at the normal corporation tax rates. However, there are exceptions such as gains on shares qualifying for the participation exemption.

BRANCH PROFITS TAX
There is no separate branch profits tax in Belgium. Trading profits and capital gains of the Belgian branch of a foreign company are calculated and taxed on the same basis as those of a Belgian resident company.

SALES TAX/VALUE ADDED TAX (VAT)
VAT has to be charged by registered suppliers of goods and services in Belgium unless those supplies are 'zero-rated', 'exempt' or outside the scope of VAT. In general, the rate is 21%. For certain supplies a rate of 6% or 12% is applicable.

LOCAL TAXES
Several local taxes of varying rates apply for advertising, machinery, unimproved real estate, office furniture, producing copies, and enterprises that pollute the environment. Unlike the individual income tax, there is no additional local tax as a surcharge on company income taxes.

OTHER TAXES
REGISTRATION DUTY
Certain legal transactions are subject to registration duties. Transactions that are subject to proportional duties include sales of real estate situated in Belgium. A registration duty of 12.5% (10% in the Flemish Region) applies to the price or market value of the real estate.

REAL ESTATE TAX
Owners of real estate located in Belgium pay real estate taxes on the deemed rental value of their property. The applicable rate depends on the location and use of the property.

B. DETERMINATION OF TAXABLE INCOME

The profit disclosed by a financial statement is adjusted for disallowable expenditure, exempt profits, special deductions and losses carried forward to arrive at taxable profit. The most important adjustments are described below.
Investment allowance

Companies may claim an investment deduction amounting to a certain basic percentage of the acquisition or investment value of certain fixed assets.

For assessment year 2011, the following rates apply:
- with respect to energy-saving investments, investments in environmental research and development and patents: 13.5%
- with respect to investments in safety measures by SMEs: 20.5%
- with respect to investments contributing towards the re-utilisation of the packaging of beverages and industrial products: 3%.

If no, or insufficient, taxable profit is realised in the year in which the company made the investment, the allowable deduction can be carried forward indefinitely.

DEPRECIATION
Generally, all assets, tangible and intangible, new and used, owned by the company for the purposes of its business, and whose value diminishes with time, are depreciable. The straight-line depreciation method and the declining-balance method are equally widely used. The declining-balance rate may not exceed twice the straight-line rate. Also, for tax purposes, the declining-balance rate may not exceed 40% of the investment value.

Declining-balance rate does not apply to:
- fixed assets which are rented to third parties
- motor cars, cars for double use and mini-vans, except taxis.

Depreciation periods and rates are normally set by agreement between the taxpayer and the tax authorities. However, for some assets, rates are set by administrative instructions (e.g. commercial buildings 3%, industrial buildings 5%, machinery and equipment 10% or 33% depending on the type).

STOCK INVENTORY

Stocks should be valued at the lower of acquisition cost or year-end market value. The acceptable methods of determining acquisition cost are actual cost, FIFO, LIFO and weighted average. The Revenue administration requires that the method chosen is justified and applied consistently.

CAPITAL GAINS AND LOSSES

Capital gains are treated as ordinary business income taxable at normal corporation tax rates. However, there are a few exceptions:

- under certain conditions, rollover relief is granted for gains on fixed assets held for business purposes for more than five years
- unrealised gains are exempt provided they are credited to a specific non-distributable reserve
- realised capital gains on shares are exempt from tax if dividends on the shares qualify for the participation exemption.

Capital losses are tax-deductible if they relate to fixed assets used for business purposes. Unrealised capital losses on shares (booked devaluations) are not tax-deductible.

Realised capital losses on shares are generally not deductible. Capital losses realised on the liquidation of a company are deductible up to the value of the capital actually paid-up.

DIVIDENDS

Dividends received by a company with a participation of at least 10% or an investment of at least EUR 2.5 million in the distributing company are 95% deductible from the fiscal profits of the recipient if the shares have been held for an uninterrupted period of at least one year. For example, all dividends are first included in taxable income and then 95% of eligible dividends are deducted out again. Where the deduction exceeds realised profits, the unused portion can be carried forward. The remaining 5% is taxable at normal corporation tax rates as part of the overall taxable profits of the company.

B

The 95% deduction is not available where the profits of the payer are subject to a tax regime which is substantially more advantageous than the Belgian tax regime. This will be deemed to be the case if the effective tax rate suffered by the company making the distribution is less than 15%. However, this criterion does not apply to companies established in the European Union.

INTEREST DEDUCTIONS

Interest on capital borrowed for business purposes is normally deductible. However, tax deduction will be disallowed to the extent that the interest rate exceeds the market rate (taking into account the specific circumstances of the loan). This restriction does not apply to interest paid to a Belgian bank or to another financial institution nor to interest on publicly issued bonds. Moreover, a re-qualification from interest into dividend may occur under certain conditions. A 1:1 debt/equity ratio applies to loans granted by individual directors and shareholders to the company.

Interest paid to related non-resident persons or to residents in countries with a favourable tax regime may be disallowed, as described in the section on ‘Related Party Transactions’.

The total interest paid by a company to another company, where the funds are used to make the loan benefit directly or indirectly from a special tax regime in the hands of the lender, will constitute a non-deductible expense to the extent that the total loan exceeds seven times the sum of the paid-up capital and the taxed reserves.

NOTIONAL INTEREST DEDUCTION (NID)

The notional interest deduction regime provides a tax deduction calculated as a percentage of the ‘qualifying’ equity of a Belgian company or branch. This ‘qualifying’ equity is multiplied by the monthly average interest rate for long-term Belgian government bonds over the calendar year prior to the year for which the deduction is claimed. The deduction is granted annually and can be used to set off operational or financial income of any kind. Any excess amount of notional interest deduction is available for carry-forward (seven years).

For assessment year 2011, the percentage is 3.8% for large companies and 4.3% for small and medium-sized enterprises. For assessment year 2012 the percentages remain the same.

PATENT INCOME DEDUCTION (PID)

The patent income deduction regime provides a tax exemption of 80% for earned patent income. Consequently, only 20% of the patent income is taxable at the normal corporate tax rate of 33.99%.

Although some neighbouring countries also have some incentives for intellectual property, Belgium has a favourable regime because:

- Patent income relates to income from self-developed patents or additional protective certificates and patents or certificates acquired or licensed
- There is no cap on the amount of deduction that can be claimed
- A deemed deduction of profits applies for patents that are used in production
- The regime is applicable to patent income received from any related company (inter-company transaction).

LOSSES

Losses can be carried forward indefinitely. However, this rule will no longer apply if there is a change in the control of a company which cannot be justified by financial or economic reasons other than the recapture of losses.

Losses cannot be carried back.

Previous and current losses may not be set off against income from abnormal or gratuitous advantages granted by enterprises that are related to the company receiving the benefit.

FOREIGN SOURCE INCOME

There are no provisions similar to the UK's controlled foreign company rules. Foreign-sourced income and capital gains are normally subject to Belgian corporate income tax, unless exempt by treaty provisions.

INCENTIVES

B

There are special tax regimes for foreign sales corporations, distribution centres, co-ordination centres and service centres. There are also exemptions from real property tax and accelerated depreciation.

C. FOREIGN TAX RELIEF

For foreign dividends received by a Belgian company, a 95% exemption system is available under certain conditions. For foreign interest and royalties on which foreign tax has been levied, there is a fixed foreign tax credit. In the case of interest, however, the tax credit is variable but subject to a maximum rate (15%). The tax credit is not refundable. The 'fixed' foreign tax credit will be limited to the amount of Belgian tax related to the net foreign income. In case of royalties, the tax credit is 15/85 of the royalties net of foreign tax.

D. CORPORATE GROUPS

Belgian tax law contains no special provisions for groups of companies. A Belgian company is always treated as an independent unit. Consolidated tax returns are not allowed.

E. RELATED PARTY TRANSACTIONS

A 'recapture of profits' is imposed where two related companies enter into commercial or financial relations on non-arm's length terms.

Interest, royalties and fees paid to a non-resident holding company or recipient in a tax haven may be disallowed for tax purposes unless the transaction is genuine and not excessive. Transfers of certain assets to a non-resident company or recipient in a tax haven may be disregarded for tax purposes unless the transaction is for legitimate business purposes and consideration was received which is taxed in Belgium.

F. WITHHOLDING TAX

Belgian withholding tax on dividends is 25% or 15%. Full withholding tax exemption can be obtained for dividends paid by a Belgian resident company to a parent company resident in another EU Member State, subject to certain minimum holding requirements, in accordance with the Parent-Subsidiary Directive. Furthermore, an exemption from withholding tax is granted on dividend distributions on substantial participations held by foreign companies that reside in a country which has concluded a bilateral tax treaty with Belgium.

Interest payments are subject to a withholding tax, although there are several exemptions. The tax rate is also generally 25% or 15% (depending on whether or not the loan is contracted before or after 1 March 1990). Under certain conditions, the tax does not apply to interest payments distributed to EU-resident companies.

Payments of royalties are normally subject to a withholding tax at the rate of 15%. Tax treaties negotiated by Belgium generally exempt royalty payments from withholding tax or reduce the withholding tax rate. In accordance with the EU Interest and Royalty Directive, royalty payments by a Belgian resident company to a related company in another EU Member State are, under certain conditions, exempt from withholding tax.

A 15% withholding tax applies to income from the granting of cessions or licences on copyrights and similar rights. If the income constitutes business income or professional income, the 15% withholding tax only applies if the income does not exceed EUR 51,920 (tax year 2011). Otherwise, the income is taxed at the corporate income tax rate of 33.99% or the progressive individual income tax rate.

The income received from the granting of cessions or licences on copyrights is reduced by a lump-sum cost deduction of:

- 50% on income up to EUR 13,840
- 25% on income between EUR 13,840 and EUR 27,690.

G. EXCHANGE CONTROL

There are no exchange controls in Belgium.

H. PERSONAL TAX

B

An individual resident in Belgium is liable to personal income tax on his worldwide income and on certain capital gains. Special rules apply to foreign employees temporarily resident in Belgium. An individual is regarded as resident only if he spends a certain period of time in Belgium and has his main home or his centre of economic interest in Belgium.

A non-resident individual is liable to tax on his Belgian-sourced income only.

Total taxable income is the aggregate of net income or profits arising from an occupation or business, real estate, personal property, and miscellaneous sources, reduced by deductions that may be set against total income.

The personal tax rates for the assessment year 2011 (i.e. on 2010 income) are:

Annual income (Euros)	Tax rate (%)
0 to 7,900	25.00
7,900 to 11,240	30.00
11,240 to 18,730	40.00
18,730 to 34,330	45.00
Income above 34,330	50.00

Municipalities (local government areas) are entitled to levy an additional tax on taxpayers resident in their area which generally varies from 5% to 8% of income tax payable, with a few municipalities levying no additional tax at all.

Individual resident taxpayers have to report the existence of accounts with financial institutions in foreign countries annually.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	(1)	Interest (%)	(2) (4)	Royalties (%)	(3) (4)
Non-Treaty Countries:	25/15		15		15	
Treaty Countries:						
Albania	5/15	(5)	5		5	
Algeria	15		15		5/15	(6)
Argentina	15/10	(5)	12		3/5/10/15	(8)

	Dividends (%)	(1)	Interest (%)	(2) (4)	Royalties (%)	(3) (4)
Armenia	15/5	(8)	0/10	(9)	8	
Australia	15		10		10	
Austria	15		15		0/10	(11)
Azerbaijan	15/5/10	(11)	10/0	(13)	5/10	(14)
Bangladesh	15		15		10	
Belarus	5/15	(5)	10		5	
Bosnia-Herzegovina	10/15		15		10	
Brazil	10/15		0/10/15	(15)	10/15/25	(16)
Bulgaria	10		10		5	
Canada	15/5	(8)	10		0/10	(17)
Chile	15/0		15/5		10/5	(20)
China	10		10		10	(18)
Croatia	15/5	(8)	0/10	(19)	0	
Cyprus	10/15	(5)	10		0	
Czech Republic	5/15	(5)	10		10/5	(20)
Denmark	15/0	(5)	10		0	
Ecuador	15		10		10	
Egypt	15/20	(5)	15		15/25	(21)
Estonia	5/15	(5)	10		5/10	(22)
Finland	5/15	(5)	10		5	
France	10/15	(8)	15		0	
Gabon	15/18	(23)	15		10	
Georgia	5/15	(5)	10		5/10	(24)
Germany	15		15		0	
Ghana	15/5	(8)	10		10	
Greece	15/5	(5)	5/10		5	
Hong Kong	5/15	(5)	10		5	
Hungary	10		15		0	
Iceland	5/15		10		0	
India	15		10/15	(25)	20	
Indonesia	15/10	(5)	10		10	
Ireland	15		15		0	
Israel	15		15		0/10	(26)
Italy	15		15		5	
Ivory Cost	15		16		10	
Japan	5/15	(5)	10		10	
Kazakhstan	15/5	(8)	10		10	
Korea	15		10		10	
Kyrgyzstan	15		15		0	
Kuwait	10/0	(27)	0		10	
Latvia	5/15	(5)	10		5/10	(27)
Lithuania	5/15	(5)	10		5/10	(32)
Luxembourg	10/15	(5)	0/15	(28)	0	
Macedonia	15/		15		10	
Malaysia	15		10		10	
Malta	15		10		10	
Mauritius	5/10	(8)	10		0	
Mexico	5/15	(5)	15/10		10	

	Dividends (%)	(1)	Interest (%)	(2) (4)	Royalties (%)	(3) (4)
Moldova	15		15		0	
Mongolia	5/15	(8)	10		5	
Montenegro	15/10	(5)	15		10	
Morocco	10/6.5	(5)	10		10	
Netherlands	5/15		10		0	
New Zealand	15		10		10	
Nigeria	15/12.5	(8)	12.5		12.5	
Norway	5/15	(5)	15		0	
Pakistan	15		15		0/15/20	(29)
Philippines	15/10	(8)	10		15	
Poland	15/5	(30)	5		5	
Portugal	15		15		10	
Romania	5/15	(5)	10		5	
Russia	10		10		0	
Rwanda	15		10		10	
San Marino	0/5/15	(31)	10		5	
Senegal	15		15		10	
Serbia	10/15	(5)	15		10	
Singapore	15/5	(8)	5		5	(32)
Slovak Republic	5/15	(5)	10		5	
Slovenia	15/5		10		5	
South Africa	5/15	(5)	10		0	
Spain	15/0	(5)	10		5	
Sri Lanka	15		10		10	
Sweden	5/15	(5)	10	(9)	0	
Switzerland	10/15	(5)	10	(9)	0	
Taiwan	10		0/10	(33)	10	
Tajikistan	15		15		0	
Thailand	20/15	(5)	10/25		5/15	
Tunisia	15/5	(9)	10		11	
Turkey	15/20	(8)	15		10	
Turkmenistan	15		15		0	
Ukraine	5/15	(5)	2/10	(39)	0/10	
United Arab Emirates	5/10	(5)	5		5	(35)
United Kingdom	5/10	(5)	15		0	
United States	5/15	(8)	0/15	(36)	0	
Uzbekistan	5/15	(8)	10		5	
Venezuela	5/15	(5)	0/10	(9)	5	
Vietnam	5/10/15	(8)	10		5/10/15	(37)

1 Where both the recipient and the company paying the dividend are subject to Belgium's corporate income tax, the dividend is exempt from withholding tax provided a minimum of at least 20% shareholding which was or will be held uninterruptedly for a minimum period of one year. Where a Belgian subsidiary distributes profits to an EU parent company, an exemption from withholding tax applies where:
   (i) the parent and the subsidiary have one of the legal forms described in the EU Directive
   (ii) both are subject to corporate income tax
   (iii) a minimum of at least 20% shareholding which was, or will be, held uninterruptedly for a minimum period of one year.

2 The following types of interest are not subject to withholding tax:
   (i) interest paid by Belgian banks to foreign banks
   (ii) interest on commercial debts.

3 No withholding tax, or the lowest withholding tax rate, applies to copyright royalties (an exception is possible with respect to film royalties).
4 Under most tax treaties, however, there is a provision that the normal withholding tax rate applies in the case of excessive interest and royalties.
5 The lower rate generally applies if the recipient has a minimum holding of 25% of the share capital or voting power of the paying company (the treaty should be checked to confirm the exact nature of the relationship required).
6 The 5% rate applies to literary, artistic, and scientific copyright royalties; the 15% rate applies in all other cases.
7 The 3% rate applies to news royalties; the 5% to literary, artistic, and scientific copyright royalties; the 10% rate applies to computer software, patent, trademark, and industrial, commercial, and scientific equipment royalties; and the 15% rate applies in other cases.
8 A minimum holding of 10% is required.
9 The 0% rate applies to the sale on credit of industrial, commercial, scientific equipment, and capital goods, and interest on loans granted by banking enterprises. The 10% rate applies in other cases.
10 The 10% rate applies if the recipient owns more than 50% of the capital of the distributing company.
11 The rate is 5% if the Azerbaijani company (a) owns at least 30% of the capital in the Belgian company and has invested at least US $500,000 in that company or (b) has invested at least US $10 million in the Belgian company. The rate is 10% if the Azerbaijani company owns at least 10% of the capital in the Belgian company and has invested at least US $75,000 in that company.
12 The zero rate applies to interest on commercial debt-claims, including debt-claims represented by commercial paper, resulting from deferred payments for goods, merchandise, or services supplies by an enterprise.
13 The 5% rate applies to literary or artistic copyright royalties and the 10% rate applies in other cases.
14 The 0% rate applies to government debt; the 10% rate applies to loans granted for a minimum term of 7 years for the sale of capital goods, industrial and scientific complexes, and public works; the 15% rate applies in other cases.
15 The 10% rate applies to literary, artistic and scientific work copyright royalties; the 20% rate applies to trademark royalties; and the 15 percent rate applies in other cases.
16 A 0% rate applies to literary, dramatic, musical and artistic copyright royalties.
17 For industrial, commercial, and scientific equipment royalties, the 10% rate applies to the adjusted amount of the royalties (60% of the gross amount of the royalties).
18 The 0% rate applies to commercial debt claims for goods, merchandise, and services, loans guaranteed by a contracting stat to promote export, and loans granted by banks. The 10% rate applies in other cases.
19 The 5% rate applies to industrial, commercial, and scientific equipment royalties; the 10% rate applies in other cases.
20 The 25% rate applies to trade marks and the 15% rate applies in other cases.
21 The 5% rate applies to industrial, commercial, and scientific equipment royalties; a 10% rate applies in other cases.
22 The rate is 15% in Belgium and 18% in Gabon.
23 A 5% rate applies if the beneficial owner is an enterprise of the residence state; a 10% rate applies in other cases.
24 The 10% rate applies to interest paid on a loan granted by a bank, and he 15% rate applies in other cases.
25 The 0% rate applies to literary, dramatic, musical, artistic, and scientific work royalties. The 10% rate applies in other cases.
26 This rate applies to dividends paid to the Kuwaiti government or to a company owned at least 25% by the Kuwaiti government.
27 The 5% rate applies to industrial, commercial and scientific equipment royalties; a 10% rate applies in other cases.
28 To qualify for the reduced withholding rate, the recipient must be a corporation that owns a specified percentage for the voting power of the distributing corporation.
29 The 20% rate applies to patent, trademark, and industrial, commercial, and scientific equipment royalties; the 15% rate applies to technical know-how and information royalties; and a 0% rate applies to literary, dramatic, musical and artistic copyright royalties).
30 The rate applies if the Polish company directly holds: (i) at least 25% of the capital in the Belgian company; or (ii) at least 10% of the capital in the Belgian company and has invested at least EUR 500,000 in it.
31 The 0% rate applies where the company receiving the dividend holds directly at least 25% of the capital of the company paying the dividends for an uninterrupted period of at least 12 months. The 5% rate applies where the company receiving the dividend holds directly at least 10% but less than 25% of the capital of the company paying the dividends for an uninterrupted period of at least 12 months. The 15% rate applies in all other cases.

32 For industrial, commercial, and scientific equipment royalties, the 5% rate applies to the adjusted amount of the royalties (60% of the gross amount of the royalties).
33 The 0% rate applies to interest paid on loans made between banks.
34 The 2% rate applies to the sale on credit of industrial, commercial, and scientific equipment; merchandise and services; and loans granted by a financial institution. The 10% rate applies in other cases.
35 The 0% rate applies if the beneficial owner for the royalties is a financial institution. The 5% rate applies in other cases.
36 The United States may impose a withholding tax rate of 15% on contingent interest that not qualify as portfolio interest under United States. Belgium may impose a withholding tax rate of 15% on interest that is determined by reference to receipts, sales, income, profits or other cash flow of the debtor or a related person, or to any change in the value of any property of the debtor to a related person and interest included in a real estate investment conduit. The 0% rate applies in other cases.
37 The 5% rate applies to patent and industrial and scientific information royalties; a 10% rate applies to trademarks; and a 15% rate applies in other cases.

BELIZE

Currency: Dollar (BZ$)	Dial Code To: 011	Dial Code Out: 001

Member Firm:

City:	Name:	Contact Information:
Belize City	Jose A Bautista	501 227 7428 pkfbz@btl.net

A. TAXES PAYABLE

B

FEDERAL TAXES AND LEVIES
COMPANY TAX

On 1 July 1998, income tax on the profits or net earnings of companies and self-employed persons was replaced by a new tax, named ‘business tax’, which is a tax on gross receipts. The tax is charged as a percentage of gross receipts, without any deductions, and is declared and paid each month to the Tax Department. The rates vary according to the source of the income and range from 0.75% in respect of receipts from radio, on-air television and newspaper business to 25% in respect of management fees, rental of plant and equipment, and charges for technical services paid to a non-resident.

Effective 1 January 1999, income tax on business profits was reintroduced but revised so that it could co-exist with the business tax. The corporate income tax rate was reduced from its former level of 35% to 25%. The business tax paid is now considered to be a credit towards income tax payable with any excess paid being carried forward as an expense to the next basis (tax) year, provided that an income tax return is duly filed with the Commissioner of Income Tax. Where the business tax paid is less than the income tax payable, the excess is to be treated as taxes foregone by the Commissioner, provided that an income tax return is duly filed. Tax returns are to be filed with the Belize Tax Administration (Income Tax Department), within three months after the close of the taxpayer’s fiscal year.

When filing an income tax return, the taxpayer (other than a company engaged in petroleum operations) has an option to ‘accept the business tax assessed’. This choice is made by ticking a window on the income tax return form. The business tax paid for the year is then considered to be the tax payable for the year, subject to agreement by the Tax Department. The tax return is then completed simply by signing the Certification section. There is no need to provide financial statements and any additional supporting schedules to support the tax return submitted. Where losses are incurred, the taxpayer can elect not to accept the business tax and submit a full return which would include financial statements and supporting schedules, with a view to having the losses agreed and relief obtained in the form of tax credits against future business taxes due.

With effect from 1 January 2006, the rate of income tax for companies engaged in petroleum operations was increased from 25% to 40%. Such companies cannot opt to pay business tax instead of income tax.

Further amendments were made to the Income and Business Tax to introduce a petroleum surcharge on revenues derived from petroleum operations, to facilitate tax information exchange agreements with other countries, to abolish the withholding tax on royalties and commissions paid to non-residents and to vary the rates of business tax on casinos, commissions, real estate business and utilities.

GENERAL SALES TAX

Effective 1 July 2006, the 'sales tax' which was in force was repealed and replaced by a general sales tax (GST). GST is effectively a value added tax, with tax becoming payable at each stage in the supply chain and with tax incurred on inputs being recoverable by offset against GST charged by a business to customers on taxable supplies. For GST purposes, "business" has a very wide meaning and can include activities on which no profit is made. "Taxable supply" is a supply of goods and/or services made in the course of, or furtherance of, any business. Therefore, where a supply is not specifically exempted it will be a taxable supply.

Effective 1 April 2010, the rate of GST was increased from 10% to 12.5%. Exempt supplies of goods and services include:
- some financial services and gambling supply
- some supply of goods and services by an educational institution within the meaning of the Education Act
- medical, dental, hospital, optical and paramedical services, other than veterinary services and cosmetic surgery
- supply of residential accommodation or accommodation in a hotel or similar establishment
- public postal services, domestic public transport of passengers, lease of aircraft and maintenance services in connection with the supply of public air transport
- international transport of passengers or goods
- some supplies of services provided to diplomatic missions, international and regional organizations
- goods and services provided to the Government of Belize.

Providers of exempt goods and services are not allowed to charge GST to customers and cannot recover any GST paid on inputs.

Taxable supplies are zero-rated, that is the tax rate is 0%, or standard-rated with a tax rate of 12.5% effective from 1 April 2010.

Zero-rated items include:
- exported goods and services
- some food items for human consumption, water supply (other than bottled water) and some medicines and medical supplies for human use
- some items and supplies for use in education
- some supplies connected with agriculture, livestock, birds and fish, crustaceans and molluscs.

Items not specifically exempted or zero-rated are considered to be standard-rated.

OTHER LOCAL TAXES

These include:
- Stamp duty on certain transactions, including the transfer of property
- Land and property taxes
- Trade licence, motor vehicle licence and other taxes charged by local authorities
- Customs, excise and other taxes charged by the Customs and Excise Department.

G. EXCHANGE CONTROL

The Foreign Exchange Control Act provides that only the Central Bank of Belize and authorised dealers may deal in foreign currencies.

A foreign exchange permit must first be obtained from the Central Bank to pay for goods and services procured outside Belize.

Central Bank approval is also required to secure a loan outside Belize denominated in a foreign currency.

F. WITHHOLDING TAXES

Dividends paid to non-residents	15%
Gross contract payments in connection with contracts exceeding BZ$3,000	3%
Interest paid to non-residents	15%
Management fees, rental of plant and equipment and charges for technical services paid to non-residents	25%
Effective 1 January 2011, dividends paid to shareholders by entities licensed to provide telecommunication services that offer real time voice services are exempt from tax.	

H. PERSONAL TAX

Effective 1 January 2010, employed persons resident in Belize are allowed a basic deduction of
(a) BZ$25,600 in the case of an employed person whose total income, from all sources in a basis year, does not exceed BZ$26,000
(b) BZ$24,600 in the case of an employed person whose total income, from all sources in a basis year, exceeds BZ$26,000 but does not exceed BZ$27,000
(c) BZ$22,600 in the case of an employed person whose total income, from all sources in a basis year, exceeds BZ$27,000 but does not exceed BZ$29,000 and
(d) BZ$19,600 in the case of all other employed persons. There are no other deductions in ascertaining chargeable income except for allowable charitable donations which is restricted to one-sixth part of the chargeable income.

The rate of tax on chargeable income is a flat rate of 25%, with a standard tax credit deduction of BZ$100 available to all residents.

Double tax relief is available to some non-residents, particularly residents of the UK and residents of most CARICOM countries.

BERMUDA

Currency: Bermuda Dollar (BD$) at par with USD	Dial Code To: 1441	Dial Code Out: 011

Correspondent Firm:

City:	Name:	Contact Information:
Hamilton	Dudley R Cottingham	292 7478 drc@cml.bm

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies incorporated in Bermuda are either local companies, of which 60% of ownership and directors must be Bermudian, or exempted companies which can be entirely owned by non-Bermudians and which companies are also exempt from any exchange controls.

Bermuda companies pay no tax on income or capital gains.

All companies are subject to annual company fees, based on share capital levels as follows:

Exempted companies	Fee
US $ Equivalent	US $
Up to 12,000	1,995
12,001 – 120,000	4,070
120,001 – 1,200,000	6,275
1,200,001 – 12,000,000	8,360
12,000,001 – 100,000,000	10,455
100,000,001 – 500,000,000	18,670
500,000,001 and above	31,120

Where the exempted company's business includes the management of any unit trust scheme, the fee will be US $2,905 in respect of each unit trust scheme managed by the company.

Where the exempted company is one limited by guarantee, but is not a mutual company, the fee will be US $1,995.

Local companies (BD$)	BD$
Up to 50,000	650
50,000 – 250,000	970
250,000 – 500,000	1,620

Local companies (BD$)	BD$
500,000 – 1,000,000	3,225
1,000,000 – 5,000,000	6,445
5,000,000 – 10,000,000	12,275
500,000,001 and above	18,410

CAPITAL GAINS TAX
There is no capital gains tax in Bermuda.

BRANCH PROFITS TAX
There is no branch profits tax in Bermuda. Non-Bermudian companies who wish to establish a place of business in Bermuda will require a permit to do so and the company will then be subject to an annual company fee which is currently US $1,995 for general companies. Where the company's principal business is raising money from the public by the issue of bonds or other securities or insurance business or open-ended mutual fund business, the fee is US $4,125. If the business of the company includes the management of any unit trust scheme, the fee is US $2,905 in respect of each unit trust scheme managed by the company.

SALES TAX/VALUE ADDED TAX (VAT)
There are no sales taxes or value added taxes in Bermuda. Certain goods are subject to a customs duty which is payable upon entry in Bermuda.

B. DETERMINATION OF TAXABLE INCOME

This is not applicable as there are no taxes on income.

C. FOREIGN TAX RELIEF

This is not applicable as there are no double taxation arrangements because there is no taxation on income in Bermuda.

D. CORPORATE GROUPS

There is no group tax relief legislation as there are no taxes on income or capital gains.

E. RELATED PARTY TRANSACTIONS

There is no transfer pricing or related party legislation in Bermuda.

F. WITHHOLDING TAX

There are no withholding taxes in Bermuda.

G. EXCHANGE CONTROL

Exempted companies which can be entirely beneficially owned by non-Bermudians and who trade or operate from Bermuda, but not in Bermuda, are entirely exempt from any exchange controls. Exchange control regulations which have applied for some time to Bermudian local and/or Bermudian owned companies, are now being dismantled.

H. PERSONAL TAX

There are no income taxes or capital gains taxes on individuals in Bermuda.

PAYROLL TAX
Both employers and employees are subject to payroll tax if they carry on a business or profession in or from Bermuda. Employers deduct the employee's contributions from their salary. With some exceptions, the rates are as follows:

Employer has an annual payroll of:	Tax rate
BM$ to 200,000	9.25%
BM$ 200,000 – 500,000	12.75%
BM$ 500,001 – 1,000,000	14.75%
over BM$ 1,000,000	16.00%
Exempt undertakings	16.00%

Provided an employee is on the payroll at the end of the tax period and worked for the employer for at least 180 hours during the quarter, a special relief is available in respect of that employee, equal to BM$ 600 per employee per quarter. The payroll tax payable in respect of that employee must not be less than 5.75% of their gross remuneration.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

No withholding tax is payable in Bermuda.

BRAZIL

Currency: Reais (R$)	Dial Code To: 55	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Curitiba and Porto Alegre	Artemio Bertholini	(11) 21416302 bertholini@directapkf.com.br
Recife	Ernesto Rubens Gelbcke	(11) 21416301 gelbcke@directapkf.com.br
Rio De Janeiro	Luciana Endler	(11) 21416300 lendler@directapkf.com.br
São Paulo	Marcelo Couceiro	(11) 21416334 mcouceiro@directapkf.com.br

A. TAXES PAYABLE

B

FEDERAL TAXES AND LEVIES
COMPANY TAX
REAL PROFIT

In general, taxable income must be recognised monthly following the accrual basis criteria and subject to Corporate Income Tax (CIT). The tax return must be filed annually. Corporate taxable income is taxed under a unitary system whereby a single tax rate is applied. This rate is 25%, being 15% plus 10% on profits pre tax over R$ 240 thousand annually. Corporate income tax is generally computed on a calendar year basis. However, payments are made monthly on estimated advance taxes. Social Contribution on Net Profit is another federal tax and is calculated on profits pre tax. The rate is 9% computed on an annual or quarterly basis. Calculations and payments are made monthly as estimated advance taxes. Both taxes on profits add up to 34% (25% plus 9%).

TRANSFER PRICING

Brazil established a transfer pricing system for the importation with affiliated companies of goods, services and rights acquired abroad. These prices are based on three methods: Comparative Independent Price (PIC), Resale Price Less Profit (PRL), or Production Cost Plus Profit (CPL). The same system applies for exports to foreign related parties.

THIN CAPITALISATION

As of 1 January 2010 there is a new rule (MP nº 472/09) converted into the Law 12.249 which states a limitation for corporate income tax purposes related to deductible interest, accrued or paid, in favour of a foreigner not resident in a tax haven.

Under the rules, interest paid to related parties that are not located in a tax haven jurisdiction or that do not benefit from a preferential tax regime may be deducted on an accrual basis for corporate income tax purpose only:

- If the expenses are necessary for the company´s activities, and
- Both of the following thresholds are met:
  - (a) The related party debt-to-equity ratio does not exceed 2:1 calculated based on the proportion of related party debt to direct equity investment made by related parties; and
  - (b) The overall debt-to-equity ratio does not exceed 2:1 based on the proportion of total debt to total direct investment made by related parties.

Interest paid to an entity or individual located in a tax haven or that benefits from a preferential tax regime (regardless of whether the parties are related) may be deducted only if the expenses:

- Are necessary for the company´s activities, and
- Both of the following thresholds are met:
  - (a) The amount of the Brazilian entity´s indebtedness to the tax haven resident does not exceed 30% of the net equity of the Brazilian entity; and

(b) The Brazilian entity´s total indebtedness to all entities located in a tax haven jurisdiction or benefiting from a preferential tax regime does not exceed 30% of the net equity of the Brazilian entity.

Any excess interest will be treated as a non-deductible expense for Corporate Income Tax (CIT) and Contribution on Net Profit purpose. The Transfer Pricing rules affecting cross-border loans agreements registered with the central bank or Libor plus 3% spread remain in effect, as do the general requirements for deductibility.
Presumed Profit Method

Companies with prior year revenues of up to R$ 48 million can choose, under certain circumstances, to pay income tax and social contributions by the Presumed Profit Method which is calculated through a percentage of the quarterly gross revenue on the cash basis.

There are some business activities and other circumstances which the law does not consider eligible for this treatment. The applicable percentages range from 1.6% to 32%. In general, the most applicable rule for presumed profit margin is 8% on sales for resale and manufacturer companies. Income tax is charged at a rate of 15% on the presumed profit with an additional 10% chargeable in excess of R$ 60,000 per quarter plus Social Contribution Tax, at the rate of 9%, on the presumed profit based on gross revenue.

FRINGE BENEFITS TAXATION

Companies participate mandatorily in different forms of social security obligations to federal agencies. These either directly or indirectly benefit pension programs, working time compensation, social work assistance and health programs, among others. All contributions are deductible for corporate income tax purposes.

COFINS – SOCIAL SECURITY CONTRIBUTION

COFINS are payable each month as a contribution to the health, social work assistance and social security program of the Federal Government.

In general, for companies that adopt the regular method for calculating the Income Tax (taxable income Profit) the COFINS rate is 7.6% of the monthly gross revenue. Deductions are allowed in respect of services and material costs applied in companies' operating activities.

For companies that choose to be taxed under the Presumed Profit Method, the COFINS rate is 3% of the monthly gross revenue, without such allowed deductions above mentioned.

The import of assets, goods and services also pays COFINS of 7.6% of import value. This value will be used as a credit to offset the COFINS of sales in a non-cumulative way. Companies taxed under the Presumed Profit Method will not be eligible for this offset.

PIS – SOCIAL INTEGRATION PROGRAM CONTRIBUTION

These contributions are payable each month as a fund to employees. This is calculated based on 1.65% of monthly gross revenue. As with COFINS, the PIS rate is generally 1.65% of the monthly sale, in a non-cumulative way. It means, deductions are allowed in respect of services and material costs applied in companies' operating activities.

For the companies that choose to be taxed by Presumed Profit Method, PIS will be 0.65% of the monthly sale in a cumulative way, without such allowed deductions above mentioned.

PAYROLL TAX

This is a monthly obligation for social security and other funds levied on payroll.

Tax	Rate (%)
Social Security (INSS)	20
Accident Insurance (SAT)	1 to 3
Employee Indemnity Guarantee Fund (FGTS)	8
Education Fund (SE)	2.5
Other	3.3

Employees contribute monthly to the social security system at rates from 7.65% to 11% on a progressive-scale base salary considering a maximum base salary of R$ 3,689.

Federal law obliges companies to distribute part of their annual net income to employees. Participation is negotiated by each company and disputes are settled by arbitration. Amounts distributed are deductible for corporate income tax purposes and not subject to social security.

LOCAL TAXES
VALUE ADDED SALES AND SERVICES TAX (ICMS)
This state tax is levied on the sale or physical movement of goods, freight, transportation, communications services and electric energy. Intrastate transactions are taxed at 18%, interstate transactions are taxed at 7% or 12%, and most imports are taxed at a rate between 18% and 25%. The lower rates normally are charged on transfers to less developed states. Some states offer rate reductions or later payment dates as a fiscal incentive for the installation of factories. Communication services are taxed at a rate between 13% and 25%.

REAL ESTATE TAX (ITBI)
A property transfer tax is normally payable at a rate of up to 4% on inheritances and donations of properties and rights.

SERVICE TAX TAX (ISS)
A services tax is imposed on gross revenue generated from companies who render services to many cities. Rates vary substantially between municipalities. Higher rates are more common in larger cities. Hospitals, schools, colleges, construction, leasing, tourist and other services pay ISS from 2% to 5%. ISS must be paid on importation of services provided by non-residents.

OTHER TAXES
EXCISE TAX (IPI)
This federal value added tax is levied on nearly all sales (gross revenue) and transfers of products manufactured in or imported into Brazil with a tax rate that varies according to the degree of necessity. Examples of rates for various products and groups of products are as follows:

B

Product	Percentage
Food in general	0
Soft drinks	44
Alcoholic drinks	11 – 143
Plastic and rubber	0 – 20
Textile materials	0 – 15
Machinery and equipment	0 – 20
Precision instruments	0 – 15
Transport	13 – 35
Other	0 – 60

Most exports (exportation of manufactured products) are exempt from IPI. Imports of goods (raw material and products) are normally taxed at the same rate as Brazilian-made products. Rates change frequently. For all sales of manufactured products, the IPI must be paid monthly.

For imported goods or products, the IPI (and other taxes due) must be collected upon the customs clearance of the goods or products.

IMPORT TAX (II)
This tax is used to regulate foreign trade, to stabilise the balance of payments at times of economic crisis, to protect and stimulate the growth of Brazilian industry and to encourage foreign investments. The rates vary according the type of product imported and are frequently changed by the government by a decree, without the need of submission to Congress.

The calculation basis of the Import Tax is the price at which the goods are offered for sale on the wholesale market of the exporting country, plus the cost of insurance and freight (CIF). It is charged upon the customs clearance of the goods.

In case there is no national product similar to the imported product or if its national production is not sufficient for the demand of the internal market, reduction or exemption of the Import Tax may be granted.

FINANCIAL OPERATIONS TAX (IOF)
This tax is levied at various rates on financial transactions such as loans and credit operations, insurance policies, and foreign exchange operations for certain services rendered. Rates change frequently.

As a general rule, foreign exchange transactions made in order to allow payments to non-residents, considering royalties, technical services, technical, administrative and any other assistance or any other revenue, including the reimbursement of any costs, are subject to IOF.

CONTRIBUTION OF INTERVENTION DEVELOPMENT AND ECONOMIC (CIDE)
The government introduced a special contribution in 2000. Brazilian legal entities that license, purchase or otherwise acquire technological knowledge must pay a special contribution of 10% on activities such as: trademark, technical services assistance, administrative services and any royalty payments. Based on the law in force, CIDE must even be paid on activities that do not involve the transfer of technology.

TAX ON ROYALTIES (CIDE)
This tax has the objective of stimulating technological development in Brazil through a federal program of technological research at universities, research centres and productive sectors.

Tax on royalties is 25% (15% as the withholding tax and 10% as CIDE payable by the sender company).

TAX ON FUEL (CIDE)
The CIDE will be paid monthly on the import and export of petroleum, derived and natural gas, and fuel alcohol. The rate will be based on the value in Reais of the cubic meters or tons of fuel.

B

RURAL REAL ESTATE TAX (ITR)
The basic rate is annually calculated based on certain premises on assessed property values and depending on the stage of utilisation and exploration of the property. Very small properties are exempt and the maximum rate applied corresponds to 20% of the land value, without any improvements.

B. DETERMINATION OF TAXABLE INCOME

To determine the income tax payable, items deductible from gross income include the expenses needed to obtain, maintain and preserve such income. The income tax law contains specific regulations for determining the cost of products, fixed assets, real estate, or securities being disposed of, as well as for deducting uncollectible debts and calculating depreciation / amortisation. Business income is determined on the accrual basis.

IFRS – INTERNATIONAL FINANCIAL REPORTING STANDARDS
Brazil adopted the IASB's International Accounting Standards since 2008 on a gradually basis and the full IFRS since 2010. As a consequence, there are several important changes to Brazilian accounting practices, the most important of which is that these new accounting practices are required not only in consolidated financial statements but also in the individual financial statements (Law 11638/07). These include the recognition of leasing transactions, depreciation treatment, the recognition of intangible assets, impairment concept etc.

The Brazilian authorities decided not to change the prevailing rules for tax purpose but created the RTT (Tax Transaction Temporary System) which focuses on the entire reconciliation of corporate and fiscal records forced by Law 11.041/2009 that guaranteed fiscal neutrality, i.e. no tax consequences should arise from the adoption of the new accounting criteria regarding the recognition of revenue, costs and expenses used to determine net income.

The RTT was optional for the 2008 and 2009 calendar years (mandatory as of 2010) and shall remain in force until a new tax law is enacted setting forth the tax effects.

DEPRECIATION
Fixed assets shall be depreciated over their estimated useful lives for accounting purposes (IFRS). For fiscal purposes, the straight-line method is usually adopted, using the following annual rates: buildings 4%; machinery and equipment 10%; vehicles 20%; IT equipment 25% etc. Assets subject to depletion (mines, quarries, etc.) may be amortised proportionately to the units extracted in each period. In some cases, such as for assets used in R&D activities, the taxpayer may opt for accelerated depreciation.

STOCK/INVENTORY
The cost of goods sold for production is generally valued using the weighted average cost method, although the FIFO (first in, first out) basis may be elected. The method adopted determines the basis for the valuation of closing inventory.

DIVIDENDS
Brazil follows a dividend exemption system. Amounts distributed to shareholders resident in Brazil or abroad (since the investment is registered at Brazilian Central Bank (BCB)) are not subject to withholding tax.

INTEREST DEDUCTIONS
There is a limitation of interest expenses to be deductible: i) loan from foreigner companies (thin capitalisation), and ii) loan from abroad must be registered at Central Bank of Brazil (transfer pricing).

Interest due must be at fair market value and necessary to business activities and will be subject to withholding tax (WHT), following the accrual basis.

The calculation of interest on a partner's or shareholder's capital (JCP) is allowed, however, for remittances if it is considered as dividends (it means the Brazilian Co needs to be profitable). The interest is deductible for income tax and social contribution up to the limit of the official long-term interest rate (TJLP). Profits for the current period or previous periods must be at least double the value of the interest to be distributed. Interest is subject to a 15% withholding tax at source. Interest may be paid or capitalised.

TAX LOSSES CARRIED FORWARD
Tax losses can be carried forward to offset against future profits up to 30% of the real profits arising in each period (year). Losses that are offset may be carried forward indefinitely. There are restrictions on losses transferred as a result of a company merger or where there is a change in the control and activity of the loss generating company.

INCENTIVES
Brazil offers incentives through the reduction of domestic taxes or exemption from withholding tax in the forwarding of royalties or commissions on international financing. In addition to incentives for exports, there are incentives for the implementation of industrial units in specific regional areas. There are also some programs linked to research activities or technological and cultural activities.

The most important of these are:
- special basis of taxation for the export of technological information services
- special tax incentives for exporting companies in the acquisition of fixed assets and equipment
- special tax incentives for computer manufacturing companies investing in new technology
- fiscal incentives for new projects in Brazil North and North East
- fiscal incentives for Development and new Technologies
- fiscal incentives for new projects in Brazil (Petroleum- Repenec, Aviation – Retaero).

ROYALTIES AND TECHNICAL ASSISTANCE EXPENDITURES
Royalties are deductible expenses but are restricted to between 1% and 5% of sales revenues for companies that make cross-border trademark and patent royalty payments. Expenditure incurred in the creation of patents and manufacturing formulas and processes are considered capital intangible assets and are amortised over the life of the asset. This is also true for trademarks, whereas copyright, software, and franchising are generally deductible from operational results if they are related to the activities of the company.

Technical, scientific and administrative expenditures and royalties paid to foreign companies which have direct or indirect control of the Brazilian company are deductible if the contracts are duly registered with the Brazilian Institute of Industrial Property (INPI) and with the Brazilian Central Bank (BCB). There are no restrictions for the remittance of these monies abroad. However, some remittances of funds to abroad are subject to 15% WHT and 10% of CIDE or only 25% WHT.

C. FOREIGN TAX RELIEF

Profits and gains from foreign sources are taxable in Brazil. Tax credits are available to relieve double taxation subject to a maximum of the Brazilian tax payable on the income.

D. CORPORATE GROUPS

For tax purposes, consolidation of affiliated companies is not allowed. Losses can only be offset against profits of the same company.

E. RELATED PARTY TRANSACTIONS

Charges from foreign affiliates or head offices are only allowable for specific items relating to the activity of the local company or branch. The pro-rata allocation of a foreign entity's expenses is generally not acceptable for tax purposes.
Brazil generally follows transfer pricing guidelines but sets fixed margins for certain situations, regardless of the specific situation of the taxpayer or peculiarities of the industry.

F. WITHHOLDING TAX

Almost all remittances (except dividends) to companies or persons domiciled abroad are subject to income tax at source. The remittance of capital gains or returns of capital is not subject to withholding tax. The overall withholding tax rate is 15% (25% in special situations).

All personal income in general is subject to withholding tax at progressive rates from 15% to 27.5%. Payments are made monthly and a personal income tax return is filed annually. Capital gains that do not arise from financial investments are subject to income tax at 15%.

G. EXCHANGE CONTROLS

The Central Bank allows the official exchange rate to float freely within periodically established bands but participation is restricted to authorised dealers. The bank intervenes when there are signs of speculative operations. There is an official tourist rate that ranges normally close to the commercial rate.

H. PERSONAL TAX

Brazilian resident individuals are taxable on their worldwide earnings, as well as gains on the disposal of worldwide assets and rights.

An individual is resident in Brazil if he or she:

- has a habitual residence in Brazil
- works for a Brazilian government department or agency outside Brazil
- enters Brazil under a permanent visa
- enters Brazil under a temporary visa to work and remains in Brazil for more than 184 days within a 12-month period.

I. TREATY AND NON-TREATY WITHHOLDING RATES

The overall rate of withholding tax at source used in the remittance of interest and royalties is 15%, except for Japan with a rate of 12.5%. There is no tax on the remittance of dividends. Any remittances to tax haven countries (blacklist) are subject to withholding tax at the rate of 25%.

Brazil has signed treaties to avoid double taxation with several countries including:

Argentina, Austria, Belgium, Canada, Chile, People's Republic of China, Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Italy, Israel, Japan, Korea, Luxembourg, Mexico, Netherlands, Norway, Peru, Philippines, Portugal, Slovakia, Spain, Sweden, South Africa and Ukraine.

In calendar year 2010, the Brazilian Federal Revenue stated the new blacklist forced by Normative Instruction SRF No. 1,037/10, which contains the long-awaited "tax blacklist" of (1) "low tax jurisdictions" and (2) "tax privileged regimes".

Non-resident entities that are incorporated in a jurisdiction that qualifies as either a "low tax jurisdiction" or a "tax privileged jurisdiction" are generally subject to unfriendly Brazilian tax rules. The most punitive Brazilian tax rules, however, generally apply only to non-resident entities located in "low tax jurisdictions" .

Prior to June 2008, the Brazilian tax authorities had only considered only the concept of the "low tax jurisdiction" which was generally defined as a jurisdiction that taxed its residents at a tax rate of less than 20%. Non-resident entities formed in "low tax jurisdictions" were subject to additional taxes when doing business with Brazilian companies. For example:

- the increase in withholding tax from 15% to 25% on interest, royalties, and charter payments
- the increase in withholding tax from 15% to 25% on capital gains (non-publicly traded companies)
- enhanced transfer pricing scrutiny (including scrutiny of transactions with unrelated parties).

The new normative instruction revealed to practitioners that the Brazilian Federal revenue (IRS) would start to look beyond a "country-by-country" blacklist.

Tax privilege regimes states by law include:

I Holding Company set up under Luxembourg law
II SAFIS constituted under Uruguay law until December 2010
III Holding Company set up under Denmark law that has no substantive economic activities
IV Holding company set up under law applicable to corporate in United Kingdom with no substantive economic activities
V International Trading Company – ITC set up under law of Iceland
VI Offshore KFT Company set up under law applicable to corporate in Hungary
VII United States Limited Liability Company (US LLC) as a "tax privileged regime" *when the membership of the US LLC "is composed of non-residents, not subject to federal income taxation."* The US LLC was not listed as a "low tax entity." The United States "corporation" avoided both blacklists.
VIII E.T.V.Es – *"Entidad de Tenencia de Valores Extranjeros"* company set up under Law applicable to corporate in Spain
IX International Trading Company – ITC and International Holding Company – IHC set up under Law applicable to corporates in Malta.

Aside from shifting transfer pricing issues into the new category of "tax privileged regimes," all of the other limitations and additional taxes that historically applied to entities formed in "low tax jurisdictions"remained the same.

B

After the new concept of the "tax privileged regime" was created in calendar year 2008, the concept was expanded in late 2009 to place tougher Brazilian "thin capitalisation" restrictions on parent companies lending money to their Brazilian subsidiaries.

In summary, tax impacts forced by the new blacklist represent two main limitations that now apply to entities that are formed under "tax privileged regimes":

- Enhanced transfer pricing scrutiny; and
- Stricter thin capitalization standards.

Brazil is a member of the Organization for Economic Co-Operation and Development (OECD), Latin American Integration Association (LAIA) and is a signatory to the World Trade Organization (WTO), formerly the General Agreement on Tariffs and Trade (GATT). Until now, membership in LAIA has not affected the size of the market available to local industry and the foreign investor.

Brazil, Argentina, Paraguay and Uruguay are the signatory members of Mercosul (South Cone Market), which was officially ratified on 1 January 1995 after a phasing-in period. Under the treaty agreement, most tariffs have been reduced to zero. Movement of labour, goods and services is unrestricted, capital investment encouraged, macroeconomic policies co-ordinated, and foreign trade policies and tariffs for non-member countries harmonised.

BRITISH VIRGIN ISLANDS

Currency: US Dollars	Dial Code To: 1284	Dial Code Out: 011

Member Firm:		
City:	Name:	Contact Information:
Road Town, Tortola	Meade Malone	284 494 2240

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

All companies incorporated in the British Virgin Islands (BVI) or managed and controlled in the British Virgin Islands are treated as resident and, therefore potentially chargeable to income tax under the British Virgin Islands Income Tax Act, Chapter 206. However the BVI Business Companies Act 2004 provides a general exemption from the requirements of the British Virgin Income Tax Act, Chapter 206 for:

- All BVI business companies
- All dividend, interest, rental, royalties, compensation and other amounts paid by a company
- All capital gains realised with respect to any shares, debt obligations of a business company.

In addition, the Business Companies Act provides that no estate, inheritance, succession or gift tax rate, levy, duty or other charge is payable with respect to any shares, debt obligations or other securities of a business company. A company is exempt from stamp duty except where the instrument relates to the transfer of an interest in land in the BVI or the transfer of securities of a land owning company (the land situated in the BVI).

Also since 1 January 2005, with the coming into force of the BVI Payroll Taxes Act 2004, the British Virgin Islands adopted a zero-rated income tax regime for all corporate entities.

Companies must, however, pay an initial registration fee and an annual licence fee to the BVI Financial Services Commission. The current registration fee is US$350 (US$1,100 if the company is authorised to issue more than 50,000 shares) and the annual licence fee is $350 or US$1,100 if the company is authorised to issue more than 50,000 shares.

The initial registration fee and an annual licence fee for a restricted purpose company is US$5,000.

CAPITAL GAINS TAXES
There is no capital gains tax in the BVI.

BRANCH PROFIT TAX
There is no branch profit tax in the BVI.

SALES TAX/VALUE ADDED TAX
There are no sales taxes or value added taxes in the BVI.

OTHER TAXES
In the BVI, stamp duty is imposed on transfer of real estate and the transfer of shares in a BVI company owning real estate in the BVI. The rate of stamp duty is 4% for belongers and 12% for non-belongers. The stamp duty on other instruments and transfers range from 0.2% to 5%

Import duties are levied on goods imported into the BVI at rates up to 20%.

The following table summarises other fees payable:

Annual licence fees by BVI Business Companies with authorised share capital of:

Up to US$50,000 or foreign currency equivalent or authorised to issue up to 50,000 shares	US$350
Exceeding US$50,000 or foreign currency equivalent or authorised to issue more than 50,000 shares	US$1,100
General banking licence	US$20,000
Restricted Class I Banking Licence	US$16,000
Restricted Class II Banking Licence	US$16,000
Insurance company licence	US$2,000
General trust licence	US$10,000
Restricted trust licence	US$300
Annual	

B. DETERMINATION OF TAXABLE INCOME

There are no taxes on income or capital gains. There are no death duties, inheritance taxes or gift taxes.

C. FOREIGN TAX RELIEF

This is not applicable as there are no double tax arrangements because there is no taxation on income in the BVI.

D. CORPORATE GROUPS

There is no group tax relief legislation as there are no taxes on income or capital gains.

E. RELATED PARTY TRANSACTION

There is no transfer pricing or related party legislation in the BVI.

F. WITHHOLDING TAX

There is no withholding tax on interest, dividends or royalties paid by BVI business companies. However, the BVI (like other dependent territories) has applied the European Union (EU) Savings Directive since 1 July 2005. A withholding tax (initially 15%, rising to 20% from 1 July 2008) has been applied to interest payments to natural persons resident within the EU. The withholding tax is not compulsory in that a depositor can avoid paying the tax by instead providing full information about their account to the authorities within their country of residence.

G. EXCHANGE CONTROL

The US dollar is legal tender in the BVI. There is no exchange control or restriction on the movement of US dollar funds into or out of the BVI or on their conversion to other currencies.

H. PERSONAL TAX

Since 1 January 2005, income tax has been zero-rated following the introduction of the BVI Payroll Taxes Act 2004.

PAYROLL TAX

Every employer who carries on business in the BVI is liable to pay payroll tax in respect of:

(1) Remuneration paid by them to every employee
(2) Deemed remuneration paid by them to every deemed employee for services rendered by the employee or deemed employee wholly or mainly in the BVI whether or not the remuneration is paid in the BVI.

A self-employed person is also liable to payroll tax on their deemed remuneration. A partner in a partnership carrying on business in the BVI is a deemed employee of that partnership if he renders services to the partnership and participates, otherwise than as employee, in the income of the partnership. Likewise, a shareholder in a company carrying on business in the BVI is a deemed employee of that company if he renders services to the company and participates, otherwise than as employee, in the income of the company.

Remuneration is defined to include wages, salaries, money paid through a profit-sharing scheme, bonuses, gratuities, severance pay, residential rent and other benefits-in-kind.

The rate of payroll tax depends on whether the employer is a Class 1 Employer or a Class 2 Employer. Class 1 employees are smaller entities which does not exceed the following thresholds in the relevant financial year.

Employer category	Class 1	Class 2
Payroll	US$150,000 or less	More than US$150,000
Annual turnover	US$300,000 or less	More than US$300,000
Number of employees (including part-time and deemed)	1 to 7	8 and more
Total percentage applied to remuneration liable to payroll tax	10%	14%
Percentage applied to remuneration due by employer	2%	6%
Percentage applied to remuneration due by employee	8%	8%

The first US$10,000 of actual remuneration paid to an employee, deemed employee or self-employed person is tax-exempt.

I. TREATY AND NON-TREATY WITHHOLDING TAXES

The United Kingdom's double tax treaties (DTAs) with Japan and Switzerland have been extended to the BVI, although these treaties are not used in practice. The priority of the BVI has been to enter into Tax Information Exchange Agreements or TIEAs rather than DTAs. The BVI has entered into TIEAs with the following jurisdictions: Aruba, Australia, China, Denmark, Faroe Islands, Finland, France, Greenland, Iceland, Ireland, Netherlands, Netherlands Antilles, New Zealand, Norway, Sweden, United Kingdom, and the United States.

CANADA

Currency: Dollar (C$)	Dial Code To: 1	Dial Code Out: 011

Member Firm:

City:	Name:	Contact Information:
Montreal	Scott Grafton	514 729 3221 scott.grafton@fbbl.ca
Saskatoon	Kelly Lutz	306 653 6100 klutz@virtusgroup.ca
Toronto	Jerry Dykopf	416 494 7311 jdykopf@pkfkb.ca
Vancouver	Bill Macaulay	604 687 1231 bmacaulay@smytheratcliffe.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

Corporations resident in Canada pay income taxes on their worldwide income. Non-resident corporations are subject to income tax on Canadian-source business income, 50% of the capital gains from the disposition of certain specified Canadian assets and 100% of gains on dispositions of certain other property such as Canadian resource property. The various properties on which Canada taxes non-residents' gains are included in the definition of 'taxable Canadian property', Non-resident corporations are also subject to a 25% withholding tax on the distribution of branch profits and certain types of Canadian source income that would generally be regarded as passive income.

A treaty may restrict Canada's ability to tax non-resident corporations or reduce the withholding tax rate. The federal government and eight provinces have entered into tax collection agreements whereby the federal government administers federal and provincial taxes on corporate income. The federal government also administers the tax system for the three territories. Currently, the provinces of Alberta and Quebec administer their own corporate tax system. Ontario's corporate income tax has been administered by the federal government starting with taxation years ending after 31 December 2008.

Corporations earning income through permanent establishments in more than one province must allocate taxable income earned to the particular provinces using a specified formula. The factors for the allocation of taxable income between provinces are: (a) gross revenues; and (b) salaries and wages attributable to a permanent establishment therein.

Combined federal and provincial or territorial corporate tax rates vary depending upon the province or territory where a corporation conducts business and the nature of its operations. Manufacturing companies are taxed at combined federal and provincial rates ranging from 20.5% to 34% (2011: 19% to 32.5%). Other corporations are subject to combined tax rates ranging from 28% to 34% (2011: 26.5% to 32.5%). Depending on the province where the income is taxed, a Canadian-controlled private corporation (CCPC) is entitled to lower tax rates ranging from 11% to 19% on the first $400,000 to $500,000 of active business income.

Corporate income taxes are payable in monthly instalments, with balances owing due two months after the corporation's taxation year-end or, in the case of an eligible CCPC, three months after the year-end. Returns must be filed no later than six months after the year-end. Even if there is no tax liability, a non-resident corporation is required to file a return and is subject to a penalty if the filing deadline is not met.

INVESTMENT TAX CREDITS

The acquisition of qualifying property for use in Atlantic Canada, the Gaspé Peninsula or prescribed offshore regions may qualify for a federal investment tax credit (ITC) of 10%. Qualifying property encompasses a wide range of assets related to manufacturing and processing operations as well as assets used in specific industries.

Qualified expenditures in respect of scientific research and experimental development (SR&ED) in Canada qualify for a 20% federal ITC. Certain qualifying CCPCs are entitled to 35% federal ITC on SR&ED up to specified maximums. Corporations resident in Canada are eligible for a 10% federal ITC on certain pre-production mining expenditures.

The ITCs may be used to offset federal income taxes payable in the current year, the preceding three years, or the 20 succeeding years. CCPCs may qualify to receive a cash refund when ITCs claimed exceed tax payable for the year. Nine provinces (all but Prince Edward Island) and the territory of Yukon offer provincial or territorial tax credits as an incentive for conducting qualifying SR&ED activities in their jurisdiction. The amount of federal ITC claimed is included in taxable income in the year following the claim. Provincial credits are generally included in taxable income in the year of entitlement.

BRANCH PROFITS TAX

The federal government imposes a 25% branch tax on non-resident corporations carrying on business in Canada. The tax is payable on notional distributions of branch profits to the foreign head office. The rate of tax is subject to reduction by treaty.

SALES TAX/VALUE ADDED TAX (VAT)

The federal government imposes a goods and services tax (GST) of 5% on a wide range of goods and services. Exemptions are provided for basic foods, health care and education.

All businesses providing taxable services or selling taxable goods in excess of $30,000 in a single calendar quarter or calendar year must register for and collect the GST. All taxable purchases from a GST registrant bear the GST. GST paid on purchases made by a registrant is credited against its GST collections on its GST return. A net credit is refunded.

With the exception of the three territories and Alberta, all provinces impose a provincial sales tax on a wide variety of goods. The application of sales tax to services will vary depending on the province. General provincial sales tax rates vary from 5% to 7%.

The federal government and the provinces of Newfoundland, New Brunswick, Nova Scotia, Ontario and British Columbia are parties to a sales tax harmonisation agreement. Ontario and British Columbia harmonised their provincial sales taxes with the federal government effective 1 July 2010. Under the harmonised sales tax (HST) agreement, the participating provinces have ceased to collect provincial sales tax. In its place, the federal government collects HST under the GST rules. The HST is generally 13% but is 12% in British Columbia and 15% in Nova Scotia.

In Quebec, the GST and Quebec sales tax systems are essentially harmonised and administered by Quebec. Although the nominal rate in 2011 is 13.5% (GST of 5% and Quebec sales tax of 8.5%), the effective rate is 13.925% as the Quebec sales tax is levied on the price including the GST. The effective rate is expected to rise on 1 January 2012 to 14.975% (GST of 5% and Quebec sales tax of 9.5%).

FRINGE BENEFITS TAX (FBT)

The Northwest Territories and the provinces of Newfoundland, Quebec, Ontario and Manitoba levy a tax on payroll costs to support provincial health care and other programs. Rates and exemptions vary from province to province. The territory of Nunavut levies a payroll tax on high income employees. The federal government does not impose FBT on employers but requires employer contributions to Employment Insurance and the Canada Pension Plan based on payroll costs. Certain fringe benefits are taxable to employees and are required to be reported on their personal income tax returns.

LOCAL TAXES

Provincial, territorial and municipal governments impose various taxes that need to be confirmed in each particular situation. These taxes include real property taxes, real property transfer taxes, business licences and a number of industry-specific taxes such as mining and petroleum resource taxes, logging tax and hotel tax.

OTHER TAXES

The federal government also imposes certain industry-specific taxes in addition to customs and excise duties. The federal large corporations tax, which was a minimum tax based on capital, was repealed effective 1 January 2006. As of 1 January 2011, only Nova Scotia will impose a general capital tax on corporations with taxable capital in excess of a specified minimum. It is scheduled to be eliminated effective 1 July

2012. Several provinces still have capital taxes that apply to certain types of financial institutions with a permanent establishment in the province. British Columbia's capital tax that applied to financial institutions was eliminated on 1 April 2010. Ontario's general and financial institutions capital taxes were eliminated on 1 July 2010.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a corporation is determined using the accrual method of accounting. Certain professional, agricultural or fishing businesses are permitted to follow a cash or modified cash method of accounting. For a corporation resident in Canada, taxable income is based on its worldwide income less allowable deductions. For a non-resident corporation, taxable income earned in Canada is essentially defined to include:

- income from carrying on business in Canada
- 50% of capital gains from the disposition of certain specified Canadian assets or specified foreign assets with significant values attributable to underlying specified Canadian assets included in the definition of 'taxable Canadian property' income from the disposition of resource property and certain other assets included in the definition of 'taxable Canadian property'
- income from the disposition of certain other assets with a connection to Canada included in the definition of 'taxable Canadian property'
- recaptured Canadian tax depreciation.

The scope of the definition of 'taxable Canadian property' was significantly narrowed in the March 2010 Federal Budget to exclude shares of corporations and certain other interests (such as an interest in certain partnerships and trusts), that have not derived their fair market value principally from real property situated in Canada, Canadian resource property or timber resource property, at any time within the 60 months immediately preceding the disposition.

A treaty may limit Canada's ability to tax a non-resident on the various components listed above.

C

DEPRECIATION

Canada has a complex system of determining the tax depreciation in respect of capital assets. Depreciable property is subject to a number of detailed regulations that specify the amount that may be written off in any particular year. There are also a number of detailed restrictions that have the effect of limiting write-offs for depreciable property.

Expenditures for exploration, development and maintenance of resource properties are subject to rules that categorise the expenditures and specify the amounts which may be deducted in a year. Qualifying Canadian exploration costs may be deducted at 100% against any type of income if desired. Canadian development expenses can be deducted at a rate of 30% per year or 100% against the sale of resource properties. Other expenditures are subject to less generous deductions.

Capital assets used all or substantially all in SR&ED in Canada are also eligible for a 100% deduction.

STOCK/INVENTORY

Inventory must be valued at the lower of cost or fair market value unless the taxpayer elects to value all inventory at fair market value. Special rules apply for the valuation of animals.

CAPITAL GAINS AND LOSSES

Taxable capital gains are included in taxable income and taxed at normal rates. A capital gain is essentially the proceeds of disposition for a capital property less the aggregate of the cost of the property and costs of disposition. However, only 50% of the gain is taxable. Capital losses may only be used to offset capital gains but may be carried back three years and forward indefinitely, subject to change of control rules (discussed under the 'Losses" heading below). As noted above, under 'Determination of Taxable Income', non-residents are only taxed on certain specified capital gains.

DIVIDENDS

Dividends received by a private Canadian corporation from another resident corporation are subject to a refundable tax of 33.33% of the amounts received. In the event that the recipient corporation holds 10% or more of the payor corporation (measured by votes and value), taxes payable are based on the amount of tax refunded to the payor corporation as a result of the dividend. Dividends received by most public corporations from another Canadian corporation are effectively excluded from income. Dividends received from non-resident corporations are subject to tax unless received from a subsidiary out of its active business profits from a listed country (generally a treaty country) country. Other dividends from foreign affiliates are netted against a grossed-up adjustment for the underlying foreign affiliate tax and withholding tax. Portfolio dividends from foreign corporations are included in taxable income but the recipient is entitled to a foreign tax credit for the foreign withholding tax.

INTEREST DEDUCTION

Interest paid on funds borrowed to finance business operations or the acquisition of income-producing assets is generally fully deductible. In certain cases, interest payable relating to the acquisition of bare land is only deductible to the extent the property generates income. The deductibility of interest incurred during the construction of real property is also restricted. Interest payable on funds borrowed to pay dividends is deductible as long as the corporation has taxed retained earnings at least equal to the amount of the dividend. In 1991, the federal government announced its intention to introduce more detailed statutory rules on interest deductibility. These proposals would have the effect of limiting interest deductibility in certain circumstances. Further action on these proposals is not anticipated in the foreseeable future.

Statutory 'thin capitalization' rules restrict the deductibility of interest paid to a non-resident shareholder or group that owns 25% or more of the shares of a Canadian corporation. Essentially, these rules prevent the deduction of interest paid to these particular non-residents (or non-residents not dealing at arm's length with them) on outstanding debt that exceeds two times the shareholders' equity. The equity is measured by taking the aggregate of the retained earnings at the beginning of the year and the average paid-up capital of shares owned by certain non-resident shareholders and related contributed surplus computed on a monthly-average basis.

LOSSES

Losses arising from business operations may be carried back three years and forward 20 years. The carry-forward period increased from seven to ten years and from ten to 20 years for losses arising in taxation years ending after 23 March 2004 and after 31 December 2005, respectively. Capital losses are discussed separately above.

C

In the event of a change of control of a corporation, there is a deemed year-end. Business losses incurred prior to the change of control may only be deducted in subsequent years from income from the same or similar business but only if the business which generated the losses continues to be carried on with a reasonable expectation of profit. A similar restriction applies to the carry-back of subsequent business losses to the three years preceding a change of control.

On a change of control, a number of complementary rules come into play that have the effect of deeming most types of assets to be disposed of for fair market value proceeds where that value is less than the particular asset's tax carrying value. The purpose of these rules is to crystallise any unrealised losses that may exist at the time of the change of control. These deemed losses are added to the existing losses and are subject to the carry-forward restrictions mentioned above. Unclaimed capital losses expire on a change of control. A special election to trigger unrealized capital gains to use expiring capital losses should be considered when filing a change of control tax return. Post-change capital losses cannot be carried back to pre-change taxation years.

FOREIGN SOURCED INCOME

Canadian corporations are taxable on worldwide income regardless of source. Income earned by foreign affiliates in active businesses is generally not subject to taxation in the Canadian parent until the profits are repatriated (refer to the discussion on Dividends above.) Corporations having an investment in a controlled foreign affiliate earning passive income, or deemed passive income, are subject to tax on that income in the year it is earned by the foreign corporation.

C. FOREIGN TAX RELIEF

Foreign income earned by a Canadian corporation is subject to tax in the year accrued. Credit is given for foreign income taxes paid including withholding taxes. Depending upon the tax rate of the foreign country, foreign tax credits may or may not provide full relief for the foreign taxes paid.

Dividends arising from active business income received from foreign affiliates residing in treaty countries are not subject to further tax in Canada if the business is carried on in Canada or a designated treaty country. No credit is given for foreign withholding taxes in these cases. Dividends arising from other business income received from foreign affiliates are netted against a grossed-up adjustment for the underlying foreign tax and withholding tax.

Dividends arising from passive income received from controlled foreign affiliates residing in treaty countries or arising from all sources in non-treaty countries are subject to tax as ordinary income. Credits will be given for underlying foreign tax and withholding tax, as well as Canadian tax which may have been payable at the time the income was earned.

D. CORPORATE GROUPS

No provision is made for filing consolidated tax returns for corporate groups. Certain tax provisions require the aggregation of amounts for members of related groups for purposes of determining access to certain tax incentives and benefits. Loss utilisation among members of a corporate group is often effected by amalgamation or merger of group members.

In the March 2010 Federal Budget, the federal government indicated it was considering whether new rules for the taxation of corporate groups, such as a more formalised system of loss transfers or some form of consolidated reporting, could improve the functioning of the Canadian tax system. A discussion paper, "The Taxation of Corporate Groups Consultation", was released by the Department of Finance Canada on 23 November 2010.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties are subject to a number of rules that require such parties to transfer property at fair market value. Failure to effect transfers at fair market value will result in adjustments to the income of the selling or acquiring corporation. Charges between domestic group members are subject to reasonableness and income earning tests. Transactions with related non-residents are subject to both transfer pricing and foreign reporting rules. Contemporaneous documentation of transfer pricing methodologies is required to avoid exposure to transfer pricing penalties on adjustments. Substantial penalties may be levied where prescribed procedures relating to transactions with related non-residents are not followed.

F. WITHHOLDING TAXES

Canada imposes non-resident withholding tax on many types of income paid or credited to non-residents including dividends, interest, royalties, management fees, pension payments and rents. The statutory rate of withholding is 25% but this may be reduced or eliminated by treaty provisions. Section I Treaty and Non-treaty withholding tax rates summarises the rates of withholding under Canada's present income tax treaties. As of 1 January 2008, withholding tax is no longer payable under Canada's Income Tax Act on most interest payments made by Canadian borrowers to arm's length lenders.

Canada also has a clearance certificate procedure that requires a purchaser to withhold from the proceeds paid to a non-resident seller on the sale of certain Canadian properties. The amount of withholding is generally 25% (50% for certain types of properties) of the net gain on disposition if proper notice is given to the tax authorities and a clearance certificate is provided to the purchaser. If a clearance certificate is not obtained, the amount of withholding increases to 25% (or 50%) of gross proceeds. Amounts withheld are creditable against Canadian taxes payable by the non-resident seller. In the event that the withholding is excessive, a refund will be given on filing a Canadian federal tax return. The March 2010 changes to the definition of 'taxable Canadian property' will streamline the withholding and compliance procedures impacting non-residents and those that acquire property from them.

In addition to the federal withholding tax, Quebec has a similar withholding tax regime on sales of taxable Quebec property. The general rate of withholding is 12% and can be higher for certain types of property.

Non-residents are also subject to a 15% withholding on amounts received for services rendered in Canada. This withholding is also credited on the non-resident's Canadian income tax return and will reduce the tax due or result in a refund. A refund due to a corporation will not be processed if the particular return is not filed within three years of the end of the taxation year. In addition to the federal withholding tax, Quebec has a 9% withholding tax on services rendered in Quebec by non-residents of Canada.

G. EXCHANGE CONTROLS

Canada imposes no currency or exchange controls.

H. PERSONAL TAX

Individuals resident in Canada for tax purposes are subject to tax on their worldwide income. Non-residents are subject to tax in Canada on Canadian-sourced employment income and business income; 50% of the capital gains from the disposition of certain specified Canadian assets; and 100% of gains on dispositions of certain property such as resource property or certain life insurance policies.

Residency is determined based on a number of factors including the number of days present in Canada in a year (183 days or more) as well as common law tests of residency relating to social and economic ties. Canada's tax treaties may contain further provisions regarding determination of residency.

Tax returns are filed based on the calendar year and generally are due by 30 April of the following year. Business proprietors and partners of most partnerships, and their spouses, are required to file their returns by 15 June of the following year. There is no provision for joint spousal tax returns. Certain pension benefits may be allocated between two spouses by election.

Virtually all income earned is subject to taxation. Employment and some forms of investment income are included in taxable income on a cash basis. Business income and some investment income, notably interest, are included in income on an accrual basis. Income earned from farming, fishing and certain professions is subject to a cash or modified cash method of accounting. Taxable Canadian dividends received by an individual resident in Canada are subject to a gross-up and dividend tax credit mechanism. Employees are subject to withholding on their earnings from employment in respect of income tax and contributions for Canada Pension Plan and Employment Insurance. Self-employed individuals and those with income from other non-employment sources are required to make quarterly instalments of estimated taxes due for the year. The balance of taxes and Canada Pension Plan owing for a calendar year is due by 30 April of the following year.

Various deductions are permitted to individuals including, but not limited to, contributions to Registered Pension Plans and Registered Retirement Savings Plans; interest paid on funds borrowed to earn income; and qualifying alimony or spousal support payments. Child maintenance payments are neither deductible by the payor nor taxable to the recipient if paid pursuant to an agreement entered into after 30 April 1997 or if an agreement or Court Order made before that date is modified after 30 April 1997. In addition, tax credits are offered for personal exemptions, donations, medical and education expenses and Canada Pension Plan and Employment Insurance contributions. Personal income tax rates are progressive with the maximum federal rate being reached at approximately $129,000 of taxable income. The thresholds for the maximum provincial rate vary between the provinces but are below the federal threshold.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Due to space limitations, the following summary does not reflect detailed information on the statutory or treaty provisions relating to withholding tax rates. Rates shown are in effect on 30 September 2010 subject to the notes at the end of the table below. The reader should ensure careful reviews of the statutory rules and treaty provisions are undertaken when considering a particular cross-border transaction. For example, refer to note 1 pertaining to the elimination of Canadian withholding tax on arm's length interest payments. The domestic rate may be lower than the treaty rate. Special care should also be taken to review the effective date of changes for new treaties and protocols. Particular care should be taken with respect to Canada – US payments involving fiscally transparent entities with changes effective in 2009 and 2010 (see note 15).

	Dividends (%)		Interest (%)	(1)	Royalties (%)	
Corporations and individuals resident in Canada:	Nil		Nil		Nil	
Non-resident corporations and individuals of non-treaty countries:	25		25		25	
Treaty Countries:						
Algeria	15		15		15	(6)
Argentina	10/15	(2)	12.5		15	(6)
Armenia	5/15	(2)	10		10	
Australia	5/15	(2)	10		10	
Austria	5/15	(2)	10		10	(6)
Azerbaijan	10/15	(2)	10		10	(6)
Bangladesh	15		15		10	
Barbados (12)	15		15		10	(6)
Belgium	5/15	(2)	10		10	(6)

	Dividends (%)		Interest (%)	(1)	Royalties (%)	
Brazil	15/25	(2)	15		25	(6)
Bulgaria	10/15	(2)	10		10	(6)
Cameroon	15	(4)	15	(4)	15	
Chile	10/15	(2)	15		15	
China (PRC) (9) (12)	10/15	(2)	10		10	
Colombia (11)	5/15	(2)	10		10	
Croatia	5/15	(2)	10		10	
Cyprus	15		15		10	(6)
Czech Republic	5/15	(2)	10		10	
Denmark	5/15	(2)	10		10	(6)
Dominican Republic	18		18		18	(6)
Ecuador	5/15	(2)	15		15	(6)
Egypt (12)	15		15		15	
Estonia	5/15	(2)	10		10	
Finland	5/15		10		10	(6)
France (8)	5/15	(2)	10		10	(6)
Gabon	15		10		10	
Germany	5/15	(2)	10		10	(6)
Greece (11)	5/152	(2)	10		10	
Guyana	15		15	(4)	10	
Hungary	5/15	(2)	10		10	(6)
Iceland	5/15	(2)	10		10	(6)
India	15/25	(2)	15		20	(6)
Indonesia	10/15	(2)	10		10	
Ireland, Republic of	5/15	(2)	10		10	(6)
Israel	15		15		15	(6)
Italy (8)	15		15		10	(6)
Ivory Coast	15		15		10	
Jamaica	15		15		10	
Japan	5/15	(2)	10		10	
Jordan	10/15	(2)	10		10	
Kazakhstan	5/15	(2)	10		10	
Kenya	15/25	(2)	15		15	
Korea	5/15	(2)	10		10	
Kuwait	5/15	(2)	10		10	
Kyrgyzstan	15		15		10	(6)
Latvia	5/15	(2)	10		10	
Lebanon (11)	5/15	(2)	10		10	(6)
Lithuania	5/15	(2)	10	(7)	10	
Luxembourg	5/15	(2)	10		10	(6)
Malaysia (12)	15		15		15	
Malta	15		15	(7)	10	(6)
Mexico	5/15	(2)	10		10	(6)
Moldova	5/15	(2)	10		10	
Mongolia	5/15	(2)	10		10	(6)
Morocco	15		15		10	(6)
Namibia (11)	5/15	(2)	10		10	(6)
Netherlands (12)	5/15	(2)	10		10	(6)

	Dividends (%)		Interest (%)	(1)	Royalties (%)	
New Zealand (12)	15		15		15	
Nigeria	12.5/15	(2)	12.5		12.5	
Norway	5/15	(2)	10		10	(6)
Oman	5/15	(2)	10		10	(6)
Pakistan	15	(4)	15	(4)	15	(4) (6)
Papua New Guinea	15	(4)	10		10	
Peru	10/15	(2)	15		15	
Philippines	15	(4)	15		10	(4)
Poland (12)	15		15		10	(6)
Portugal	10/15	(2)	10		10	
Romania	5/15	(2)	10		10	(6)
Russia	10/15	(2)	10	(7)	10	(6)
Senegal	15	(10)	15	(10)	15	
Singapore (12)	15		15		15	
Slovak Republic	5/15	(2)	10		10	(6)
Slovenia	5/15	(2)	10		10	
South Africa	5/15	(2)	10		10	(6)
Spain (12)	15		15		10	(6)
Sri Lanka	15		15		10	(6)
Sweden	5/15	(2)	10		10	(6)
Switzerland (8)	5/15	(2)	10		10	(6)
Tanzania	20/25	(2)	15	(7)	20	
Thailand	15	(5)	15	(4) (7)	15	(6)
Trinidad and Tobago	5/15	(2)	10		10	(6)
Tunisia	15		15		20	(6)
Turkey (11)	15/20	(2)	15		10	
Ukraine	5/15	(2)	10		10	(6)
United Arab Emirates	5/15	(2)	10		10	(6)
United Kingdom	5/15	(2)	10		10	(6)
United States (15) (16)	5/15	(2)	0	(14)	10	(6)
Uzbekistan	5/15	(2)	10		10	(6)
Venezuela	10/15	(2)	10		10	(6)
Vietnam	5/10/15	(3)	10		10	(6)
Zambia	15		15		15	
Zimbabwe	10/15	(2)	15		10	

1 Effective 1 January 2008, Canada's Income Tax Act eliminates the Canadian withholding tax on arm's length payments of interest (other than participating debt interest) to all non-residents of Canada.
2 Depending upon the particular treaty, the lower rate applies where a corporate recipient of a dividend (beneficial owner) holds, at least, 10% to 25% of the voting control or at least 10% to 25% of the share capital of the company paying the dividend.
3 5% withholding if at least 70% of the voting power is controlled by recipient corporation. 10% withholding if between 25% and 70% of the voting power is controlled by recipient corporation.
4 This rate only applies if the payment is taxable in the other treaty country.
5 Rate is applicable where the payment arises in Canada or if paid from a company engaged in an industrial undertaking.
6 Maximum withholding rate. Lower rates may apply depending on the nature of the royalty.
7 Lower rates apply to banks, insurance companies and lending institutions.
8 Treaty or protocol signed but treaty or new withholding rates not in force on 30 September 2010. Lower rates may apply when implemented. Canada –

Switzerland Protocol signed 22 October 2010, but not in force at 31 December 2010. Canada – France Protocol will extend the territorial coverage to New Caledonia, but not in force at 30 September 2010.

9 Excluding Hong Kong. It was announced that Canada and China (PRC) will commence negotiations to update this treaty starting 6 December 2010.

10 Payments from Senegal are subject to different withholding rates.

11 Initial treaty which is not in force as of 30 September 2010. Table shows rates which will be in force when implemented. General rates are in effect until that time. Canada - Greece treaty withholding tax rates are in force as of 1 January 2011.

12 Canada is presently renegotiating a treaty with this country.

13 Canada is presently negotiating an initial treaty with the following countries: Bolivia, Costa Rica, Cuba, Madagascar, and Serbia and Montenegro.

14 The withholding rate for non-arm's length interest paid to the US was reduced to 0% effective 1 January 2010. The rate for arm's length interest payments was reduced to 0% effective 2008. Interest on participating debt is excluded from these exemptions, but the withholding rate on such interest is limited to a 15% withholding rate.

15 Effective 1 January 2010, changes to the Canada – US Tax Treaty eliminated treaty benefits for payments from an entity which is treated as a corporation by Canada but as a fiscally transparent entity in the US and certain other conditions are met. For example, a payment from a Canadian unlimited liability company to its US owner will not be eligible for a treaty rate reduction where the tax treatment of the transaction under US rules differs from the treatment it would have received if the payer was not fiscally transparent for US purposes. Effective 1 February 2009, payments from Canada to a US fiscally transparent entity such as a US limited liability company, or a US partnership require consideration of the US treaty status of the individual members of the recipient entity. A US S Corporation will also generally be a fiscally transparent entity subject to the same look-through rules but Canada has indicated that it will give an S Corporation a reduced treaty rate where it qualifies for such rate as a recognized entity under the treaty. Specific tax advice should be sought to establish the withholding rate for Canada – US cross-border payments involving fiscally transparent entities.

16 Effective 1 February 2009, the limitation of benefits clause in the treaty became effective for Canadian withholding taxes, and may in certain circumstances deny treaty benefits on payments to US entities with non-US owners.

CAYMAN ISLANDS

Currency: Dollar (CI$) | Dial Code To: 1345 | Dial Code Out: 011

Member Firm:

City:	Name:	Contact Information:
George Town	Ben Leung	945 5889 bleung@pkfcayman.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

The Cayman Islands levies no taxes on income. Companies incorporated in the Cayman Islands are governed by the Companies Law and its amendments. This also regulates foreign corporations with a place of business in the islands.

An ordinary resident company is used for doing business locally and to own local land, ships or aeroplanes registered locally. Ordinary non-resident or exempt companies are used for conducting offshore or international business. The main differences between these two types of company are that an exempt company is allowed to issue bearer shares, use foreign terms in its name, and has fewer filing formalities. Foreign companies may register a place of business in the Cayman Islands and conduct offshore business. In the case of Banks, a foreign Bank may set up a branch operation by this method. All banks registered in the Cayman Islands must have a physical presence there.

Guarantees against the future taxation of exempted companies, exempted limited partnerships and exempted trusts are available. The Governor in council gives an undertaking that no future law imposing any tax on profits, capital assets, gain, or appreciations will apply to the entity or its operations for a period of 20 to 30 years for an exempted company, and up to 50 years for exempted partnerships and trusts.

CAPITAL GAINS TAX

There is no capital gains tax in the Cayman Islands.

OTHER TAXES

The principal indirect taxes from which the government derives its income are stamp duties, customs duties, business licences and fees.

STAMP DUTIES

The Stamp Duty Law provides for the payment of tax on various documents including:

Real estate in specified blocks in West Bay and George Town	7.5% of the consideration
Conveyance or transfer of immovable property	4% of the consideration if the transferee is a Caymanian 6% of the consideration in any other case
Mortgage of property	1% to 1.5% of sum secured
Bills of exchange:	
Cheques	CI$0.25 each
Others	CI$0.25 not exceeding $100 CI$0.25 each for every extra $100 or part thereof up to a maximum of $250
Lease of land:	
Term over 30 years	Same duty as on a conveyance on sale upon the full value of the property of interest therein
With premium and term of less than 30 years	Same duty as on a conveyance on sale upon the premium or other consideration
Term is less than 30 years:	
• but does not exceed five years	5% of the aggregate rent to be paid
• exceeds five years but not ten years	10% of the average annual rent
• exceeds ten years	20% of the average annual rent

C

CUSTOMS DUTIES

Duties on imported goods average 22% with certain items duty free. These include agricultural products, certain textiles and luxury items such as perfumes, cameras, fine china and crystal.

BUSINESS LICENCES AND FEES

An annual fee is levied on all companies based on its share capital. In addition, licensed financial services companies pay annual licence fees, dependent on the type of business.

Class A Bank	CI$ 600,000
Class B Bank (unrestricted)	CI $ 57,000 to CI $ 60,000
Class B Bank (restricted)	CI $ 37,000 to CI $ 40,000
Class A Insurers Licence	CI $ 50,000
Unrestricted Class B Insurers Licence	CI $ 8,500
Restricted Class B Insurers Licence	CI $ 8,500
Mutual Fund Licence Fee	CI $ 3,000

All local businesses require a licence and an annual payment is made dependent on the type and size of the business. These fees would not normally affect offshore companies and businesses.

H. PERSONAL TAX

There are no taxes on income, capital gains or sales of real estate. Neither are there any death duties nor inheritance or gift taxes.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Cayman Islands does not have a tax treaty with any country. Income received in the Cayman Islands from abroad may be subject to taxation in the country of origin.

The Cayman Islands have signed a Tax Information Exchange Agreement (TIEA) with the following countries: Mexico, Canada, Germany, Portugal, Aruba, Australia, Netherlands Antilles, France, New Zealand, Netherlands, Ireland, United Kingdom, Denmark, Faroes, Finland, Greenland, Iceland, Norway, Sweden and United States of America.

CHILE

Currency: Peso (P) | Dial Code To: 56 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Santiago	Antonio Melys	2 6504332 amelys@pkfchile.cl

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX

The income tax legislation provides for a scheduler system divided as follows:

FIRST CATEGORY TAX

First Category tax is due on income derived from commercial, industrial and agricultural activities; mining, fishing and other extractive activities; investment; and real estate. All income not specifically taxed under another category and not tax exempt is included. The tax rate is 17% and affects all taxpayers which carry out these activities. The First Category Tax rate has been temporarily raised from 17% to 20% and 18.5% applicable on the income for the years 2011 and 2012 respectively. Capital gains are included in gross income subject to First Category tax with certain exceptions which include:

(a) gain on the sale of shares in corporations, provided that the shares have been held at least one year, unless the sales represent customary operations of the taxpayer
(b) Gains from the sale of publicly traded Chilean corporations stock acquired and sold under certain conditions such as to be carried out in the Stock Exchange.
(c) sale of mining rights up to the amount represented by the variation in the cost of living index between the date of purchase and that of sale, provided that such transactions do not form part of the taxpayers' normal activities
(d) sale of real estate other than that included in the assets of a taxpayer subject to First Category tax.

SECOND CATEGORY TAX

Second Category gross taxable income refers to that arising from wages, salaries, overtime payments, bonuses, fees, gratuities, profit sharing and any other form of remuneration. It is a progressive tax, the highest of which is 40%, applicable on a monthly basis to the excess of 150 monthly tax units (US$11,600).

COMPLEMENTARY TAX (IMPUESTO GLOBAL COMPLEMENTARIO)

This is a progressive tax assessed on individuals resident or domiciled in Chile with respect to income received or withdrawn in the preceding year. Its highest rate is 40%, applicable to the excess of 150 yearly tax units (US$139,200).

ADDITIONAL TAX (IMPUESTO ADICIONAL)

This tax affects, among others, the Chilean-source income withdrawn or remitted abroad to non-residents or non-domiciled individuals and of companies or juridical entities organised abroad with or without a permanent establishment in Chile in the form of branches, offices, agents or representatives. This tax also affects foreign payments such as royalties, technical assistance and others at different rates.

SPECIAL TAX OF ARTICLE 21° OF THE INCOME TAX LAW

This tax affects, among others, corporations and permanent establishments of non-resident entities. It is applied with a 35% rate on all the amounts that are disallowed as an expense, when they represent disallowed actual disbursements or withdrawals of assets, regardless of the way in which they may have been accounted for.

SPECIFIC TAX ON OPERATIONAL MINING INCOME

Since 2006, there is a specific tax on the operational income of the mining activity obtained by a mining operator. This progressive tax rate ranges from 0.5%, if the value of the annual sales exceeds the amount equivalent of over 12,000 metric tons of fine copper, to 4.5% if the annual sales exceed the value of 40,000 metric tons up to the value of 50,000 metric tons. If the sales exceed the value of 50,000 metric tons, the tax is applied on the mining operational margin and the progressive tax rate ranges from 5% on the operational margin not exceeding 35, to 14% if the operational margin exceeds 85. The operational taxable income on which this tax is applied is determined in a special way. Certain expenses such as losses from past periods, accelerated depreciation of fixed assets, etc are not allowed for this purpose. The mining operational margin is determined as a ratio of the operational taxable income to the mining operational turnover.

C

CLASSES OF TAXPAYERS

Any person or entity domiciled or resident in Chile must pay tax on income, whatever its origin, whether its source is located in Chile or abroad. Non-residents are subject to tax on income, the source of which is located within Chile. An individual is considered resident when remaining in Chile for more than six consecutive months in the calendar year or for more than a total of six months within two consecutive calendar years. Foreigners working in Chile are only subject to tax on their Chilean-source income during the first three years of domicile or residence period which may be extended. After this period, they are subject to tax on their worldwide income.

Thus the income tax system covers individuals and juridical persons, resident or non-resident, foreign or national, whose income source is located in Chile and also, in the case of resident's income, from abroad. For example, partnerships and corporations are subject to a 17% First Category tax on an accrued basis.

The amounts distributed or remitted to non-resident or non-domiciled partners or shareholders are subject to a 35% additional tax payable on distribution or remittance with a credit of a 17% First Category tax.

If partners or shareholders are domiciled or resident in Chile, the amounts distributed by the entity are subject to complementary tax, which is a progressive tax. These shareholders also have 17% credit.

VALUE ADDED TAX (VAT)

Transfers and other operations regarded as sales, as well as services other than those rendered by employees and consultants, are subject to a 19% value added tax. In addition, certain items are subject to sales tax.

For imports, the taxable basis is the customs value or CIF value, including customs duties. Certain capital goods forming part of capital contributions may be exempt from tax. Import of raw materials used in the production, processing or manufacturing of goods for export may be exempt from VAT, subject to approval by the Internal Revenue Service.

The value of services rendered plus finance charges, etc are generally subject to VAT.

Exports of all products are exempt for purposes of VAT. VAT paid on imports and on local sales and services may be deducted from VAT surcharged on sales or services rendered.

VAT paid on importation and on acquisition or services received, when accessory to operations exempt from VAT (unless they are exports) or not related directly to the activities of the seller, is not recoverable.

LOCAL SALES

The tax applies on the sale of all movable physical assets sold by a person who is a customary seller. Tax also applies on immovable physical assets, sold by the manufacturer, either totally or partially. The tax basis is the sales price, including monetary correction, interest, finance charges and penalty interest. The tax itself is excluded from the basis.

Raw materials used for the manufacturing of products for export may be exempt from VAT, subject to Internal Revenue Service approval.

LOCAL TAXES

No local income taxes are payable in addition to central government taxes. However, Chile imposes taxes on real estate and a stamp tax on documents that contain loans and credit operations (bill of exchange, promissory notes, etc).

Enterprises have to pay an annual municipal licence, calculated on the taxpayer's equity at a minimum rate of 0.25% and a maximum of 0.5%, set by each municipality. The total amount cannot exceed 8,000 monthly tax units (about US $620,000), which is allocated among the municipalities in which the taxpayer has an office, factory or other establishment.

B. DETERMINATION OF TAXABLE INCOME

Gross income is arrived at by deducting from gross receipts the direct cost of goods and services required to produce such receipts. The direct cost of locally acquired goods will be the purchase price, to which may be added the cost of freight and insurance to deliver to the taxpayers' premises. For imported goods, it will include CIF value, duties and customs charges as well as local freight and insurance costs as above. For manufactured or processed goods, direct cost will include raw materials, costs in the manner described, and labour charges.

Business income is determined on the accrual basis, whereas the dividend income on corporate shares is assessed on a cash basis. In the case of long-term projects, the tax authorities are empowered to issue rulings regarding the determination of income for tax purposes.

Business expenses are deductible from gross income provided that they have not already been deducted in arriving at such gross income and that the expenses are required for the income to be obtained. Expenses incurred in the acquisition, maintenance or exploitation of assets not used in the regular course of business are not deductible.

The accounting period in Chile coincides with the calendar year.

DEPRECIATION
Depreciation on fixed assets, except for land, is tax deductible by the straight-line method based on their useful lives in accordance with the guidelines of the Internal Revenue Service (IRS), computed on the restated value of the assets. A shorter lifespan has been set by the Internal Revenue Service to apply to fixed assets purchased since 2003.

However, the taxpayer may opt for accelerated depreciation for new assets when acquired locally, or new or used assets when imported, with useful lives of over five years. For this purpose, the assets will be assigned useful lives equivalent to one-third of the normal, eliminating fractions of months. Taxpayers may discontinue the use of the accelerated method at any time but may not return again to the accelerated method. The difference between accelerated and straight-line method will not deduct the taxable profit that can be withdrawn by partners or distributed to shareholders.

No allowance is made for amortisation of intangible assets such as goodwill, patents, trademarks, etc. Depletion is not tax deductible.

STOCK/INVENTORY
The costing of goods sold or production materials and supplies consumed is based on the first-in, first-out (FIFO) basis, although the ‘average’ method may be elected. The method adopted determines the basis for the valuation of the closing inventory. The valuation so determined is, however, adjusted for the manner stipulated for the annual monetary correction procedures.

DIVIDENDS
Dividends received from Chilean corporations are exempt from First Category tax. There is no distinction in Chile between dividends and inter-company dividends. A dividend in kind as such does not exist. Dividends are necessarily expressed in cash, notwithstanding the fact that the company may distribute certain assets corresponding in value to the dividend amount.

Stock dividends in the form of bonus shares or increases in the par value of existing shares are not considered income for tax purposes.

INTEREST DEDUCTIONS
Generally, interest accrued or paid in the financial year is a deductible expense, provided that it has been incurred in connection with loans related to the business.

LOSSES
Losses incurred in the fiscal year are deductible. Furthermore, there is no limit on carry forward of losses. If the enterprise has taxable retained profit, losses must be carried back first. There are no loss carry-back provisions, nor is it possible to group profitable and unprofitable affiliates for tax purposes.

FOREIGN SOURCED INCOME
Non-domiciled or non-resident corporations are only subject to income taxes on their Chilean-sourced income.
If the domestic corporation receives amounts in excess of the book value of an investment when a foreign subsidiary is liquidated, these monies are considered income subject to regular taxes.

INCENTIVES
Foreigners may remit their earnings or be paid abroad. Remittances have to be reported to the Central Bank of Chile.

Non-domiciled or non-resident individuals in Chile are subject to a sole additional income tax, at a rate of 35%. However, if the foreign activities are scientific, cultural or sports, the tax rate is only 20%, provided the period of service is under six months. This last rate is also applicable to engineering or technical jobs and professional or technical services rendered by a related party, in Chile or abroad. Otherwise, the rate is 15%.

ROYALTIES

Royalties are deductible expenses:

(a) provided they are necessary to produce income
(b) regarding their nature, the rates are those normally paid in similar circumstances
(c) as a result of the relationship existing between the parties.

Deduction of outbound royalties is limited to 4% of receipts from sales and services effected in the tax year. The 4% limit is not applied if in the tax year there is no capital, control or administration relationship, whether direct or indirect, between the taxpayer and the recipient of the royalties. Likewise, the 4% limit is not applied if the royalties are taxed in the recipient's country at a rate of at least 30%. In calculating the 4% limit, it is necessary to compute first the royalties not subject to the limit and then the royalties subject to the limit.

EMPLOYEE REMUNERATION

A deduction is allowed for wages, salaries and remuneration paid for personal services, including bonuses paid in accordance with law or a contract. Voluntary participations and profit sharing granted to employees and workers are deductible, provided that they are distributed in proportion to wages, salaries, seniority, number of dependents or other general rules applicable to all employees or workers of the enterprise.

A deduction is also allowed for that part of remuneration on which social security contributions have been paid for actual and permanent work to owners of sole proprietorships, partners of companies of persons and managing partners of partnerships limited by shares. Such remuneration is subject to the withholding.

With respect to other remuneration paid to persons who, due to their controlling position in the enterprise, are able to influence the fixing of their remuneration, the deduction is limited to that part which, in the opinion of the tax administration, is proportionate to the importance of the enterprise, its reported income, services rendered by the recipient and capital profitability.

A deduction is allowed for remuneration paid for services rendered abroad, provided that it is substantiated by reliable documents and provided that, in the opinion of the tax administration, the remuneration is necessary or convenient for the production of income in Chile. In practice, taxpayers tend to limit these expenses because of the tax cost involved.

Compensation for length of service and provisions to cover such compensation are deductible even before the end of services, provided that the employee has acquired a right thereto which is unconditional and is established in a collective or individual contract.

C. FOREIGN TAX RELIEF

Foreign tax credits are allowed in Chile. A resident taxpayer who is taxed in Chile on dividends or profits received from enterprises set up abroad which has already been taxed in the source country may be entitled to have the foreign tax levied on that income credited against his liability, with a cap equivalent to 30% of the gross dividends or profits. This credit must be computed into the tax basis. Foreign taxes paid in excess of the cap, which cannot be used as a tax credit, are allowed as a deduction from taxable income. The foreign tax is credited against First Category tax (17%) and the balance against the Additional or Complementary taxes. Foreign tax on income from agencies or permanent establishments that Chilean enterprises have set up abroad, or other income such as those produced for trademarks, patents and technical assistance, will only be able to be credited against First Category tax up to the 17% on the foreign income. In these last cases, the remainder of the credit can be used in next exercises.

The credit will be up to a 30% rate on any kind of income subject to First Category tax from countries that have a double taxation treaty with Chile in which a credit has been agreed. This means that 17% are creditable against the 17% First Category tax and the balance against the additional or complementary taxes. The part of the foreign income taxes that cannot be used as a tax credit is allowed as a deduction from taxable income.

Law 19.840, published in the Official Gazette on 23 November 2002, allows foreign investors to establish Chile as a base for their investments into third countries. That law states special regulations (Article 41 D) to publicly traded corporations and closely held corporations ruled by the regulations of the former, constituted in Chile and in accordance with Chilean laws, incorporated with foreign capital permanently owned by partners or shareholders not domiciled nor resident in Chile, nor in countries or territories that are considered tax haven jurisdictions, or harmful preferential tax regimes. The same tax treatment will be applicable to non-domiciled or resident shareholders of said companies for remittances and distribution of profits or dividends obtained from them and from partial or total repatriations of capital, as well as for the capital gains obtained from the disposal of shares in companies ruled by the abovementioned Article 41D.

According to that article, such companies are not considered as domiciled in Chile for the purposes of the Chilean Income Tax Law and, therefore, they will only pay taxes in the country on their Chilean source income.

The line of business of the aforementioned companies must be the investment in Chile and abroad and the capital contributed by the foreign investor must have a foreign source. The regulations related to the bank secrecy will not be applied to them.

Expenses incurred in approved training plans for personnel, up to 1% of the yearly payroll, is allowed as credit against the First Category income tax.

Immovable property tax will be creditable against the First Category tax only if paid by the owner or usufructuary of agricultural land or if the entire property was leased for an annual rent representing at least 11% of the cadastral value. That restriction is not applicable to corporations. Construction companies and real estate companies may credit property tax paid on immovable property they have built to be sold.

D. CORPORATE GROUPS

For tax purposes, consolidation of affiliated companies is not allowed. Losses can only be offset against profits of the same company.

E. RELATED PARTY TRANSACTIONS

Charges from foreign affiliates or head offices are only allowable for specific items related to the local company or branch. A pro-rata allocation of the foreign entity's expenses is not generally acceptable for tax purposes (see under 'Royalties' above).

F. WITHHOLDING TAXES

PROFIT REMITTANCES, WITHDRAWALS OR DISTRIBUTIONS

Profit remitted, withdrawn or distributed to investors not domiciled or resident in Chile is subject to a withholding tax. Dividends paid to the shareholders not domiciled or resident in Chile are subject to additional tax on distribution at a rate of 35%. However, if the distributed amounts had been subject to First Category tax, a 17% credit is given against the additional tax. The additional tax must be withheld by the corporation. The same tax procedure is applicable on remittances of profit to partners or profit withdrawn by individuals not domiciled or resident in Chile.

THE 42% ALTERNATIVE

Foreign investors that have a Decree Law 600 contract subscribed with the State of Chile and have chosen the 42% rate are subject to the 17% First Category tax (payable by the branch or subsidiary) and a 25% additional tax on the same tax base when profits or dividends are remitted. Thus, the total theoretical tax burden is 42% on pre-tax income instead of the 35% currently paid under normal taxation. The investor who has opted for the 42% invariable rate can elect at any time to be taxed at the normal rates. This election is irrevocable.

PAYMENTS ABROAD

Other payments to a non-resident not domiciled in Chile are subject to an additional withholding tax as follows:

Royalties	30%
Royalties paid abroad for patents of invention, industrial designs, new vegetal varieties, software and other specific cases	15% (1)
Engineering and technical jobs	15% (2)
Professional and technical services	15% (2)
Other services paid abroad	35%
Interest to foreign entities	35%
Interest to foreign banks	4%
Interest to foreign related banks, on the part of the loans that exceeds three times the equity	35%
Marine freight (exemptions on the basis of reciprocity)	5%
Insurance premiums to foreign insurers	22%
Reinsurance premiums to foreign insurers	2%
Individuals who carry out scientific, cultural or sports activities in Chile	20%

1 The rate is 30% when the creditor or beneficiary of the remuneration is incorporated, domiciled or resident in a country considered as tax havens or negative preferential fiscal regimes by the OECD and included in a list by the Chilean Government. This rate is also applicable when the beneficiary owns or participates 10% or more of the capital or profits of the debtor, or beneficiary and debtor of the remuneration are, directly or indirectly, under a common owner that owns 10% or more of the capital or profits of both.
2 The rate is 20% in the same situations described in note 1 above.

H. PERSONAL TAX

All individuals, domiciled or resident in Chile, are subject to taxes on income whatever its source. Non-domiciled or non-resident individuals in Chile are subject to taxes on their Chilean-source income. For tax purposes, a person is deemed to be non-resident when staying in Chile less than six months in two consecutive tax years.

During the first three years of residence in the country, foreigners who establish domicile or residence in Chile pay income taxes only on their Chilean-source income. This term may be extended by the tax authorities for an additional three years after which they are taxed on their worldwide income.

All remuneration for personal services as well as income derived from other services is included in gross income. All forms of remuneration are included in taxable salary. The only deduction is for social security contributions.

Such items as reimbursement of travel expenses, housing provided for the sole interest of the employer, moving expenses, and reasonable relocation allowances are considered non taxable income and are excluded from the tax calculation. Such items as cost of living allowance, area allowance, car allowance, vacation travel, and utilities are taxable.

Capital gains of individuals are treated as any normal income, subject to First Category tax and complementary tax. However, certain capital gains, when they do not represent customary operations, or, in other terms, when they are occasional, and provided that the goods or rights have been held at least one-year, are exempt from all taxes up to the restated acquisition price. As an example, if shares were acquired at 100 and, between the acquisition date and the date of selling, there has been 60% inflation, up to 160 there is no tax whatsoever. Nevertheless, any excess over the restated acquisition price is taxed with the 17% First Category tax as a sole tax. No complementary tax or additional tax is applicable in this case.

Necessary business expenses incurred on behalf of others are reimbursable and exempt from taxes, provided that they are duly proven. Professionals can deduct their effective expenses or standard deduction.

The only deductible non-business expenses are social security contributions, on a voluntary basis where maximum amounts are determined in the same way as it is applicable to employees. (Employees must pay a variable percentage for pension plans of around 12% and 7% for health insurance, applicable on a maximum of up to 64.7 Development Units (US $ 2, 860). On a voluntary basis, employees are allowed to make additional contributions to the pension fund of up to 50 Development Units (US $ 2,210), also deductible from salaries for tax purposes.)

Tax computation for individuals varies depending on the type of income. Basically, the following categories exist:
(1) Professionals – working as independent consultants must compute all their yearly income less the expenses necessary to produce such income or presumed expense of up to 30% of the annual gross income with a top limit equivalent to 15 yearly tax units (US $ 13,950). They can also deduct the social security contributions with equal caps applicable to employees.
(2) Employees – taxable income is the salary minus social security contributions either mandatory or voluntary (see 'G. Personal tax' above). No other deductions from taxable income are allowed. The tax applicable is the Sole Second Category income tax, mandatorily withheld by the employer on a monthly basis.
(3) Combined income – income received by individuals such as dividends, profits in partnerships or derived from personal business is subject to complementary tax. In the case of dividends and profits distributed by a First Category taxpayer, the individual has a 17% credit originated in the payment of the First Category tax. In the case of employment income, the individual has a credit for the payment of the sole second category income tax.

(4) Professionals and employees domiciled or resident in Chile subject to Sole Second Category tax or Complementary Tax have a credit equivalent to foreign tax levied on their income they have made from countries that have a double taxation treaty with Chile as professionals or employees. There is a cap of 30% on the gross foreign income.

I. TREATY AND NON-TREATY WITHHOLDING TAX

Chile has signed treaties to avoid double taxation with Argentina, Mexico, Canada, Republic of Korea, Norway, Brazil, Ecuador, Peru, Spain, Poland, United Kingdom, Denmark, Croatia, Sweden, New Zealand, France, Malaysia, Ireland, Paraguay, Portugal, Colombia, Belgium, Switzerland and Thailand. Chile has also signed treaties with Russia and Australia, although they are not yet effective at the time of publication.

Chile has signed several agreements for the avoidance of double taxation of income from international shipping and/or air transport. Some of the agreements were concluded by means of an exchange of diplomatic notes. The agreements are the following:

Country	Signed	Effective
Costa Rica (air transport)	06 April 1999	Yes
France (air transport)	21 July 1978	Yes
Germany (shipping transport)	23 June-1953	Yes
Germany (air transport)	11 September 1978	Yes
Panama (air transport)	25 April 2001	Yes
Singapore (shipping)	25 November 1993	Yes
United States (air transport)	04 February 1994	Yes
Uruguay (air transport)	27 February 1997	Yes
Venezuela (air and shipping transport)	10 October 1990	Yes

CHINA

Currency: Renminbi Dial Code To: 86 Dial Code Out: 0

Member Firm:

City:	Name:	Contact Information:
Hong Kong	Paley Chan	852 2969 4014 paleychan@pkf-hk.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
ENTERPRISE INCOME TAX (EIT)

The passage of the Enterprise Income Tax Law ('the New Law') on 16 March 2007 unified the income tax rate for domestic enterprises and foreign invested enterprises (FIEs) and streamlined tax incentives effective from 1 January 2008. All FIEs (i.e. sino-foreign joint ventures and wholly owned foreign enterprises) and foreign enterprises (FEs) with or without establishments in China are now taxed at the same as domestic enterprises. EIT is charged at the rate 25% on taxable profits in a calendar year.

Subject to a preferential tax rate of 20% for qualified enterprises with small profits, both domestic companies and FIEs will be assessed at a unified tax rate of 25%.

All FIEs (and those FEs having their effective management in China) are subject to EIT on their worldwide profits. FEs with their permanent establishments (PEs) in China are subject to EIT on profits derived from the PEs. FEs without any PE in China are subject to EIT on China-source income only.

The New Law introduces a wider concept of management in determining tax residency. A company will be recognised as a China tax resident if it is incorporated in China or its place of effective control and management is in China.

The tax year in China is the calendar year (i.e. year ended 31 December).

BRANCH PROFITS TAX

There is no separate branch income tax.

CAPITAL GAINS TAX

There is no separate tax levied on capital gains. Capital gains are subject to EIT as ordinary income. In addition to EIT, any gain realised on the transfer of immovable properties or land use rights is subject to land value appreciation tax and Business Tax.

LAND VALUE APPRECIATION TAX (LVAT)

LVAT applies to domestic enterprises, FIEs, FEs and individuals realising gains from the transfer of land use rights, buildings and premises and associated structure. LVAT is charged at progressive rates ranging from 30% to 60% depending on the percentage gain realised from the transfer of land use rights, buildings or associated structures.

TURNOVER TAXES
VALUE ADDED TAX (VAT)

VAT is levied on the invoiced amount in respect of selling, transferring or importing of commodities, provision of repairs and processing services in China. The basic tax rate of VAT is 17% for most of the taxable goods. A reduced tax rate of 13% is available for specified goods that are mainly agricultural and utility items. Taxpayers engaged in small scale business are subject to VAT at a special rate of 3%. A small scale business is broadly defined as one with an annual turnover of less than RMB 0.5m or a retailer or wholesaler whose annual turnover does not exceed RMB 0.8m. However, businesses taxed at these rates are not entitled to claim any input VAT paid to set off against the output VAT. Generally, export goods are exempt from VAT. Commodities sellers, service providers and importers are the tax collection agents.

BUSINESS TAX (BT)

BT ranging from 3% to 20% is imposed on various service income (e.g. communication and transportation, construction, financial and insurance, post and telecommunications, culture and sports, entertainment, service etc.) and on sales proceeds from the transfer of intangible assets and immovable properties. Business tax is generally levied on gross turnover and no tax credit is allowed for taxes paid on business inputs.

CONSUMPTION TAX (CT)

CT is imposed on 14 categories of consumable or luxury goods (e.g. cigarettes, alcohol, petrol and motor vehicles etc). CT rates range from 1% to 45%. Certain products are taxed at a fixed amount based on quantity. The collection of this tax has been shifted to the retailer and is levied by the tax authorities of the retailer's site.

FRINGE BENEFITS TAX

No separate fringe benefits tax is levied in China.

REAL ESTATE TAX (RET)

RET is imposed on owners, users or custodians of houses and buildings. RET is imposed at a flat rate of 12% on annual rental income of the leased property or at the rate of 1.2% on the purchase cost of self-used property. A discount of 10% to 30% on the purchase cost is often offered by some local governments in determining the URET. The tax also applies to FIEs, FEs and foreign individuals.

SOCIAL INSURANCE CONTRIBUTIONS

FIEs are required to contribute to social security insurance (including pension, medical, unemployment, work-related injury, child bearing), and housing funds (in certain cities) every month for their employees in China.

STAMP TAX (ST)

ST is levied on various contracts including purchase and sale contracts, property leasing, loan contracts, documents for the transfer of property rights, engineering and design contracts, construction and installation, commodity transportation, storage, property insurance contracts, etc. Tax rates range from 0.005% to 0.1%. A fixed amount of RMB 5 is charged on certificates evidencing rights and licenses.

DEED TAX (DT)

DT is imposed on the transferee or assignee to which land use rights or building ownership rights are transferred (sales, exchange or gifts). The tax rate ranges from 3% to 5% depending on the location of the property.

B. DETERMINATION OF TAXABLE INCOME

The taxable profit of a FIE is calculated as 'taxable gross income less deductible costs, expenses and losses incurred in a tax year'. It is normally calculated in accordance with audited accounts prepared on an accrual basis subject to tax adjustments by reference to the prevailing tax regulations.

DEPRECIATION
Fixed Assets under the New Law mean the non-monetary assets owned and used by FIEs for over 12 months in the production or business operation. Fixed assets are depreciable on a straight-line basis over their useful lives. In exceptional circumstances, accelerated depreciation method may be granted to the enterprises upon approval from the Chinese tax authorities. Under the new Law, enterprises shall, in terms of the nature and operating conditions of the fixed assets, reasonably evaluate the new residual value of the fixed assets.

The minimum depreciation periods for various kinds of assets are as follows:		Years
(a)	For house and building	20
(b)	For airplane, trains, ships, machinery, and other production facilities	10
(c)	For apparatus, tools and furniture and fittings in connection with production / business operations	5
(d)	For transportation facilities other than airplane, train and ship	4
(e)	For electric equipment	3

AMORTISATION OF INTANGIBLE ASSETS
Intangible assets can be amortised using the straight-line method over a period of not less than ten years or the stipulated time limit as set out in the acquisition agreement. Formation expenses can be deducted on a lump sum basis in the year when the enterprise commence business operation or amortised as a long term prepaid expenditure stipulated under the New Law.

STOCK/INVENTORY
Inventory is to be valued at cost and the acceptable allocation methods include FIFO, moving average, LIFO or the weighted average method.

MANAGEMENT FEES
Management fees paid by an FIE to its associated enterprises overseas are generally not tax deductible. However, fees paid to an overseas head office in the course of production and business may be allowed for tax deduction subject to the approval of the Chinese tax authorities.

Under the New Law, there is a Cost Sharing Agreement (CSA) for joint development of intangible and sharing of services. Under the CSA, the principle of matching costs with expected benefits shall be followed. The required information as specified by the tax authorities shall be filed with the tax authorities within the prescribed period.

LOSSES CARRYOVERS
Operating losses cannot be carried backwards but they can be carried forward for up to five years.

TAX INCENTIVES
China is currently offering different forms of tax incentives at different levels to attract foreign investments. The major types of incentives offered to FIEs are outlined below.

CONCESSIONARY TAX RATES
Reduced State EIT rates of 15% to 24% were available to FIEs located in specific designated areas and/or engaged in specific operations under the old Law.

Under the New Law, the unified tax rate of 25% is gradually phased in with a five-year transitional period.

PRODUCTION ENTERPRISES
Under the old law, FIEs engaged in manufacturing business with an operating period of not less than ten years were entitled to tax holidays from EIT. The tax holidays normally cover a period of two years full exemption followed by three years at half the EIT rate. The tax holidays commence from the first profit-making year (i.e. the year in which a profit is shown after all prior years' allowable tax losses have been utilised). Many cities will also waive the 3% local surtax.

The New Law repeals this type of tax holiday for production enterprises. The remaining holiday will be grandfathered.

TECHNOLOGICALLY ADVANCED ENTERPRISES (TAE)

Under the old law, a TAE with an operating period of not less than ten years and located in a Hi-Tech Industry Development Zone designated by the State Council may apply for two years' full exemption on EIT starting from the first profit-making year.

A FIE which remains as a TAE upon the expiration of the normal tax holiday as described above can further enjoy (subject to approval) the half EIT rate for the next three years. The minimum reduced tax rate is 10%.

The New Law repeals the extended three-year tax rate reduction. The remaining holiday will be grandfathered provided that they are qualified as a New / High Technology Enterprise (NHTE) under the new introduction of application requirements set in Guokefahuo No. 172 and Guokefahuo No. 362 issued in 2008.

For new applications, if the enterprise is qualified as NHTE, it can enjoy a reduced EIT rate of 15%. For the NHTE newly established after 1 January 2008 and located in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong, it can also enjoy an exemption from EIT for the first two years, followed by three years of 50% reduction of EIT starting from first income generating year.

SPECIFIED BASIC INFRASTRUCTURE

Enterprises engaged in the basic infrastructure such as harbour, wharf, airport, railway, highway, city public transportation, electric power, water resources utilisation projects and etc. can enjoy a '3+3 years' tax holiday which means, starting from the first income generating year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

ENVIRONMENT PROTECTION PROJECTS

Enterprises engaged in the environment protection projects and energy/water conservative projects such as public sewage treatment, public refuse treatment, comprehensive development and utilisation of methane, technologies alteration for energy-saving and emission reduction, seawater desalination projects and etc can also enjoy a 3+3 tax holiday, starting from the first income generating year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

QUALIFIED TECHNOLOGY-ADVANCED SERVICE ENTERPRISES ESTABLISHED IN 20 CITIES

From 1 January 2009 to 31 December 2013, qualified technology-advanced service enterprises in 20 cities (such as Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen) qualify for a reduced EIT rate of 15%.

SOFTWARE PRODUCTION ENTERPRISES

Software production enterprises can enjoy 2+3 years tax holiday, which starting from the first profit-making year, two years of exemption from EIT followed by three years of 50% reduction of EIT.

SMALL SCALE ENTERPRISE

Enterprise income tax rate shall be reduced to 20% for small-scale enterprise if they meet following criteria:

- For industrial enterprises, the annual taxable income does not exceed RMB300,000; the number of staff does not exceed 100; and the total assets do not exceed RMB30,000,000, and
- For other enterprises, the annual taxable income does not exceed RMB300,000; the number of staff does not exceed 80; and the total assets do not exceed RMB10,000,000.

C. FOREIGN TAX RELIEF

FIEs can claim tax credits for corporate income taxes paid by them or their branches in other countries. However, the amount of tax credit is restricted to the Chinese tax payable on the foreign income as calculated according to the EIT law.

D. CORPORATE GROUPS

There are no group relief provisions in Chinese tax law.

E. RELATED PARTY TRANSACTIONS

All companies should conduct business with their associated companies on an arm's length basis. The Chinese tax authorities are empowered to disregard, vary or make any necessary adjustments to the arrangements that are carried out for tax avoidance purposes.

TRANSFER PRICING

The New Law imposes transfer pricing documentation requirements. Specific information must be submitted to the tax bureau together with the enterprise's annual income tax returns or subsequently in the course of a transfer pricing audit. Interest will be payable in respect of any late tax payments arising from a transfer pricing adjustment.

F. WITHHOLDING TAXES

The withholding tax rate for the payment of dividend, interest, royalty and rent from a Chinese source to a non-resident recipient is at 10% (subject to treaty rate).

G. EXCHANGE CONTROL

Foreign currency transactions are controlled by the State Administration of Foreign Exchange Control and its branch offices. Financial institutions cannot engage in foreign exchange business without prior approval.

H. PERSONAL TAX

Under the Individual Income Tax (IIT) Law, IIT is assessed as follows.

WAGES AND SALARIES

IIT rates for wages and salaries are taxed at progressive rates from 5% to 45% as follows:

Monthly taxable income[a] (Applicable to the employee whose IIT is borne by themselves) (RMB)	Tax rate (%)	Quick calculation deduction (QCD) (RMB)
0 – 500	5	0
501 – 2,000	10	25
2,001 – 5,000	15	125
5,001 – 20,000	20	375
20,001 – 40,000	25	1,375
40,001 – 60,000	30	3,375
60,001 – 80,000	35	6,375
80,001 – 100,000	40	10,375
100,001 – or above	45	15,375

(a) Monthly taxable income = salaries/wages/allowances – fixed monthly deduction.

Notes

(a) Monthly tax payable = [(taxable income × tax rate) – quick calculation deduction].
(b) Personal fixed monthly deduction to individual Chinese taxpayer is RMB 2,000 (RMB 1,600 before 1 March 2008).
(c) Those taxpayers who are not domiciled in China but derive wages and salaries from sources in China are entitled to a total statutory deduction of RMB 4,800 per month.

BUSINESS INCOME

Net income derived from production and business operations by individuals (i.e. annual gross income less business costs, expenses and losses) shall be taxable at the following rates:

Annual taxable income (RMB)	Tax rate (%)	QCD
0 – 5,000	5	0
5,001 – 10,000	10	250
10,001 – 30,000	20	1250
30,001 – 50,000	30	4250
50,001 or above	35	6750

OTHER TAXABLE INCOME FOR IIT PURPOSE

(a) Net income derived from royalties, remuneration for labour services or manuscripts, and income from letting property. That is:
  (i) Where the income from a single payment does not exceed RMB 4,000
  (ii) Net income = Gross income – RMB 800

(iii) Where the income from a single payment exceeds RMB 4,000
(iv) Net income = Gross income × 80%.

(b) Net income derived from the assignment of property (i.e. the gain from assignment less the original value of the property and reasonable expenses).

(c) Gross income derived from interest, dividends and bonuses, or contingency income and other income.
Such income is taxed at a flat rate of 20%.

I. TREATY WITHHOLDING TAX RATES

The Mainland Chinese Government has signed tax treaties with more than 90 countries. The following table summarises the withholding tax rates applicable to dividends, interest and royalties as provided by the double taxation agreements concluded by Mainland China government with some major countries.

	Dividend (1) (%)	Interest (2) (%)	Royalties (general) (%)	Royalties (3) (%)
Non-Treaty Countries:	10	10	10	10
Treaty Countries:				
Albania	10	0/10	10	10
Algeria	5/10	0/7	10	10
Armenia	5/10	0/10	10	10
Australia	15	10	10	10
Austria	7/10	0/7/10	10	6
Azerbaijan	10	0/10	10	10
Bahrain	5	0/10	10	10
Bangladesh	10	0/10	10	10
Barbados	5	0/10	10	10
Belarus	10	0/10	10	10
Belgium	10	0/10	10	6
Brunei	5	0/10	10	10
Brazil (4)	15	0/15	15/25	15
Bulgaria	10	0/10	10	7
Canada	10/15	0/10	10	10
Croatia	5	0/10	10	10
Cuba	5/10	0/7.5	5	5
Cyprus	10	10	10	10
Czech Republic	10	0/10	10	10
Denmark	10	0/10	10	7
Egypt	8	0/10	8	8
Estonia	5/10	0/10	10	10
Finland	10	0/10	10	7
France	10	0/10	10	6
Georgia	0/5/10	0/10	5	5
Germany	10	0/10	10	7
Greece	5/10	0/10	10	10
Hong Kong	5/10	0/7	7	7
Hungary	10	0/10	10	10
Iceland	5/10	0/10	10	7
India	10	0/10	10	10
Indonesia	10	0/10	10	10
Iran	10	0/10	10	10
Ireland	5/10	0/10	10	6
Israel	10	7/10	10	7

	Dividend (%)	(1)	Interest (%)	(2)	Royalties (general) (%)	Royalties (%)	(3)
Italy	10		0/10		10	7	
Jamaica	5		0/7.5		10	10	
Japan	10		0/10		10	10	
Kazakhstan	10		0/10		10	10	
Korea	5/10		0/10		10	10	
Kuwait	0/5		0/5		10	10	
Kyrgyzstan	10		0/10		10	10	
Laos	5		0/5/10		5/10	5/10	
Latvia	5/10		0/10		10	10	
Lithuania	5/10		0/10		10	10	
Luxembourg	5/10		0/10		10	6	
Macau	10		0/7/10		10	10	
Macedonia	5		0/10		10	10	
Malaysia	10		0/10		10/15	10	
Malta	10		0/10		10	10	
Mauritius	5		0/10		10	10	
Mexico	5		0/10		10	10	
Moldova	5/10		0/10		10	10	
Mongolia	5		0/10		10	10	
Morocco	10		0/10		10	10	
Netherlands	10		0/10		10	6	
New Zealand	15		0/10		10	10	
Norway	15		0/10		10	10	
Nigeria	7.5		7.5		7.5	7.5	
Oman	5		0/10		10	10	
Pakistan	10		0/10		12.5	12.5	
Papua New Guinea	10		0/10		10	10	
Philippines	10/15		0/10		10/15	10	
Poland	10		0/10		10	7	
Portugal	10		0/10		10	10	
Qatar	10		0/10		10	10	
Romania	10		0/10		7	7	
Russia	10		0/10		10	10	
Saudi Arabia	5		0/10		10	10	
Serbia	5		0/10		10	10	
Seychelles	5		0/10		10	10	
Singapore	5/10		0/7/10		10	6	
Slovakia	10		0/10		10	10	
Slovenia	5		10		10	10	
South Africa	5		0/10		10	7	
Spain	10		10		10	6	
Sri Lanka	10		0/10		10	10	
Sudan	5		0/10		0/10	10	
Sweden	5/10		0/10		10	6	
Switzerland	10		0/10		10	6	
Thailand	15/20		0/10		15	15	
Trinidad and Tobago	5/10		0/10		10	10	

	Dividend (1) (%)	Interest (2) (%)	Royalties (general) (%)	Royalties (3) (%)
Tunisia	8	0/10	10	5
Turkey	10	0/10	10	10
Ukraine	5/10	0/10	10	10
United Arab Emirates	0/7	0/7	10	10
United Kingdom	10	0/10	10	7
United States of America	10	0/10	10	7
Uzbekistan	10	0/10	10	10
Venezuela	5/10	0/5/10	10	10
Vietnam	10	0/10	10	10
Former Yugoslavia	5	0/10	10	10

1 Dividends received by non-resident shareholders holding at least 25% of the shares in FIEs are eligible for a reduced withholding tax rate in China based on the percentage of equity holding. Such exemption was repealed under the New Law. The withholding tax rate for dividend under the New Law is 10%, effective from 1 January 2008. However, distribution of pre-2008 profits can still enjoy withholding tax exemption even if the dividend is declared can distributed after 1 January 2008.

2 Exemption of interest from withholding tax generally applies in the following situations:
 (i) interest on loans made by international financial organisations at a preferential rate to the Chinese government or resident enterprises; or
 (ii) interest on loans made by foreign governments to Chinese government.
 A lower withholding tax rate may apply to interest paid by an enterprise in China to a foreign enterprise without establishments in China.

3 The rates of withholding tax on royalties for the use of industrial, commercial or scientific equipment is 10% and the taxable income is generally taken to be 60% or 70% of the remittance depending on the location of the FIEs. Accordingly, the effective withholding tax rate is 6% or 7% as shown above.

4 The treaty with Brazil provides that a maximum rate of 25% may apply to trademark royalties. However, a maximum withholding rate of 10% applies to royalty payments to non-residents under the New Law.

C

COLUMBIA

Currency: Peso (P) | Dial Code To: 57 | Dial Code Out: 09

Member Firm:

City:	Name:	Contact Information:
Bogotá	Cristobal Uribe	1 2087500 ucristobal@amezquita.com.co

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

INCOME TAX

Companies resident in Columbia are subject to corporate income tax on their worldwide income. Resident corporations are those organised under Colombian law and that have their principal domicile in Colombia. The tax rate for which both domestic companies and branches of foreign companies are taxed is 33%.
A reduced 15% rate applies in the 'free-trade zone' areas.

CAPITAL GAINS

Capital gains are taxed as ordinary income except for a few types of capital gains that may be subject to special taxation (eg gains from lotteries and similar sources) or exempt from income taxation.

EQUITY

A net worth tax (impuesto al patrimonio) was payable between 2007 and 2010 by corporate and individual residents. The tax is imposed if the taxpayer's wealth is equal to or exceeds COP 3 billion on 1 January 2007. The taxpayer's net wealth includes both wealth located in Colombia and net wealth located abroad.

The tax rate is 1.2% on the value of the wealth, excluding the net worth of shares or interests in participations in national entities.

VALUE ADDED TAX (VAT)
VAT is levied on taxable supplies of goods and services by a taxable person within Colombia and on the importation of goods into Colombia by any person. Exports (and some specific items) are zero rated. The standard rate of VAT is 16%.

STAMP TAX
Stamp duty is levied at a 1.5% rate on certain public or private documents. The rate will be reduced to 1% in taxable year 2008, 0.5% in 2009 and 0% in 2010.

PROPERTY TAX
Real estate property is subject to municipal taxation (impuesto predial unificado).

The tax is usually levied at rates within a band of 1 to 16 per thousand, with reference to the cadastral value of each property. Undeveloped plots of land may be subject to increased tax rates.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION
Tax deductions are available for reasonable depreciation rates which reflect the normal wear and tear or obsolescence of the property concerned. The straight-line and the declining-balance methods may be used, along with any other method of recognised technical value authorised by the Auditing Assistant Director of the General Direction of National Taxes.

STOCK/INVENTORY
The average, LIFO, FIFO, retail and specific identification methods may be used in order to value inventories and all are accepted for tax purposes as long as the relevant method is recorded in the accounting books.

LOSSES
Losses incurred by a company in a tax year can be carried forward and deducted against 'liquid income' in subsequent tax years. Tax losses incurred before 31 December 2006 may be carried forward for only eight years and only 25% of the losses are available to offset each year. There are no group relief provisions.

DIVIDENDS
Dividends paid to resident shareholders are exempt from income tax if the dividends are distributed out of profits that have been previously taxed at the corporate level. If the distributed profits were not previously taxed at corporate level, they are subject to a withholding tax at the rate of 20% when paid to resident persons.

INTEREST DEDUCTION
Interest is generally deductible in full, although there are some restrictions where the recipient of the interest is not regulated by the banking authorities.

FOREIGN SOURCE INCOME
Colombia taxes resident companies on worldwide income from all domestic and foreign sources. This includes capital gains from the sale of stock of foreign corporations.

INCENTIVES
Special tax incentives are provided to investors in certain specified industries such as agricultural plantations dedicated to the cultivation of fruits, anchovies, rubber and cacao. There are also a number of 'free-trade zones' and 'special import-export systems' which provide for the duty-free entry of capital goods and materials to be used in the production of export goods.

C. FOREIGN TAX RELIEF

In most cases, double taxation is relieved unilaterally by the granting of a foreign tax credit (FTC) against Colombian corporate income tax.

Taxpayers may credit the amount of foreign tax paid on income from abroad, up to a maximum of the Colombian tax that would be due on the amount of income received from abroad.

Colombian resident companies receiving dividends from foreign companies may credit against both foreign withholding taxes paid on the dividends and also the amount of the underlying foreign income tax paid by the foreign company on the profits from which the dividends were paid.

D. CORPORATE GROUPS

There is no concept of group relief for Colombian tax purposes.

E. RELATED PARTY TRANSACTIONS

As a general rule, transactions between related parties must be carried out on arm's length principles, i.e. the prices should be the same as those that would be arrived at in comparable transactions with independent parties. The tax authorities may adjust the prices at which the taxpayer acquires or sells goods, as well as the consideration of other transactions, and modify the taxable base or the relevant loss of a taxpayer for income tax purposes.

F. WITHHOLDING TAX

The following domestic withholding tax rates apply in respect of payments to non-residents.

Dividends	33%
Interest	33%
Royalties	33%
Service fees and commissions	33%
Payments for technical services	10%

None of the double taxation agreements between Colombia and other countries reduce the withholding tax rates below the domestic rates.

G. EXCHANGE CONTROLS

Certain foreign currency transactions must be channelled through intermediaries authorised for the purposes including:
- import of property
- export of property
- external indebtedness
- foreign investment in Colombia
- Colombian investment in foreign countries
- financial investments and fixed assets based in foreign countries
- endorsements and guarantees
- derivative transactions.

H. PERSONAL TAX

Resident individuals are liable to income tax in respect of their worldwide income. Non-resident individuals are liable to income tax only on their Colombian-sourced income. Newly resident individuals are taxed only on Colombian-sourced income during the first four years of their stay in Colombia.

An individual is considered to be a resident of Colombia if he or she stays in Colombia for more than six months in a tax year regardless of whether or not the stay is continuous or for a period of more than six months ending in a tax year. A Colombian individual whose family lives in Colombia, or whose main place of business is in Colombia, is also considered a Colombian resident even if he or she does not remain in Colombia.

The individual tax rate is progressive as follows:

Taxable income (UVT)	Tax rate
Up to 1,090	0%
1,091 to 1,700	19%
1,701 to 4,100	28%
over 4,100	33%

Capital gains are normally subject to ordinary taxation except for a few items that may be subject to special taxation (eg gains from lotteries and similar sources) or exempt from income taxation, such as gains arising from inheritances, legacies and gifts up to a certain amount.

No inheritance (estate) or gift taxes are levied at the federal or the local level. However, certain gifts may be treated as income and therefore be subject to income tax in the hands of individual donees.

CROATIA

Currency: Kuna (HRK) | Dial Code To: 385 | Dial Code Out: 00 or +

Member Firm:

City: Koprivnica, Zagreb
Name: Branko Tomašković
Contact Information: 1 38 30 887
branko.tomaskovic@hodicon.hr

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
CORPORATE INCOME TAX

Corporate income tax is payable by the following persons:

1. Companies or other organisations resident in the Republic of Croatia who are permanently and independently engaged in an economic activity for the purpose of deriving a profit, an income or a revenue or other assessable economic benefits.
2. A resident permanent establishment (an inland business unit) of a non-resident entrepreneur.
3. An individual who derives income pursuant to the income tax regulations if he/she declares that he/she intends to pay profit tax instead of income tax.
4. An entrepreneur – a person who derives income from a small business where:
   - total revenue in the preceding tax period exceeded HRK 2,000,000.00 or
   - total income in the preceding tax period exceeded HRK 400,000.00 or
   - the value of long-term assets exceeds HRK 2,000,000.00 or
   - more than 15 employees were employed by the person on average during the preceding tax period.
5. In exception circumstances, certain governmental bodies and religious, social, political and charitable organisations can be subject to tax on profits generated from their business activities.
6. Every entrepreneur that is not classified among the entrepreneurs listed in Items 1 – 5 and is not liable to pay income tax according to the provisions of the Personal Income Tax Law and the profit of whom is not taxed elsewhere.

Note: Open-end investment funds established and operating in accordance with the law are not liable to pay corporate income tax (profit tax).

Resident taxpayers are taxable on their worldwide profits. A non-resident company is subject to corporate income tax only if it carries on a business in Croatia through a permanent establishment.

The tax year is the same as the calendar year, although a different tax year may be used if approved by the tax authorities. A tax period may not exceed 12 months in length and may only be changed once every five years. Tax returns must be filed with the tax authorities within four months of the end of the tax year. A monthly instalment payment system applies, based on the profits arising in the previous period.

The tax rate on all profits and gains is 20% (although see the details on reduced profits tax under 'Incentives' below).

VALUE ADDED TAX (VAT)

VAT is payable by the following persons:

1. An entrepreneur (individual or legal entity) who delivers goods or renders services.
2. An importer of goods into Croatia.
3. An exporter of export deliveries and value-added goods, including transport and all other transportation services that are not charged for in line with the regulations concerning foreign currency and foreign trade operations.
4. An issuer of an invoice if, on the invoice for goods delivered or services rendered, a separate entry for VAT is shown
5. A domestic entrepreneur in respect of head office services supplied to it where the head office is based abroad
6. Non-entrepreneurs, like bodies of the national government, bodies of national and local-self government, political parties, unions and chambers, if they undertake some business or other activities, and if the non-taxation of this activity would lead to unfair advantages.

Taxpayers whose supplies did not exceed HRK 85,000 in the preceding calendar year are exempt from VAT.

The taxable amount for domestic goods and services is the sales price, including costs of transportation, insurance and packaging. The standard rate is 23%. A reduced 10% applies to certain accommodation services and newspapers and magazines. A 0% rate applies to certain foods, medicines and other supplies.

EXCISE DUTIES
Special excise duties apply to the following:
- passenger cars, other motor vehicles, vessels and aircraft
- mineral oils
- alcohol
- beer
- non-alcoholic beverages
- tobacco products
- coffee
- luxury goods.

REAL ESTATE TRANSFER TAX
This is payable by the person or entity acquiring the real estate.

The tax rate is 5%. The tax base is the market value of the real estate on the date of acquisition except in some particular circumstances.

LOCAL TAXES
SURTAX ON INCOME TAX
This is payable by anyone who is liable to pay income tax who has a domicile or a common residence in the area of the commune/municipality that has prescribed the obligation to pay the tax.

The tax rate is set by the city or commune concerned:
- A commune charges tax at a rate of up to 10%
- A city with a population below 30,000 charges tax at a rate of up to 12%
- A city with a population over 30,000 charges tax at a rate of up to 15%
- The city of Zagreb charges tax at a rate of up to 30%.

CONSUMPTION TAX
This is payable by persons providing catering or hospitality services based on the sales price of beverages sold in catering facilities. The tax rate is set by the city or commune concerned (up to 3%).

TAX ON HOLIDAY HOMES
This is payable by the owners of holiday homes, based on the square metre of useful space in the property (between HRK 5 and 15 per square metre).

TRADE NAME TAX
This is payable by individuals and legal entities that are liable to pay corporate income tax or personal income tax and are registered for the performance of a business activity. The tax can be up to HRK 2,000 for each trade name.

TAX ON THE USE OF PUBLIC LAND
This is payable by individuals and legal entities that make use of public land. The amount of the tax is prescribed by the individual commune or city.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are those calculated under the accounting regulations, adjusted in accordance with the provisions of The Profit Tax Law.

DEPRECIATION
Tax deductions are available for depreciation of fixed assets calculated on a straight-line basis.

Asset	Rate (%)
Buildings	5
Machinery and equipment	5/20/25/50
Intangible assets	25
Other fixed assets	10

Assets costing less than KRK 3,500 are fully deductible in the year of expense.

STOCK/INVENTORY
Stock and inventories are valued in accordance with international financial reporting standards (IFRS).

CAPITAL GAINS AND LOSSES

Gains from the sale of capital assets are included in a company's taxable income and taxed at the same rate as other profits.

DIVIDENDS

Dividends received from fellow Croatian resident companies and from overseas companies are exempt from corporate income tax.

INTEREST DEDUCTIONS

Interest payable is generally tax deductible. However, thin capitalisation rules restrict deductions for interest on any loan owed to a shareholder or member owning more than 25% of the share capital or voting power of the company if the loan is more than four times the capital invested in the company by the shareholder or member.

LOSSES

Ordinary losses may be carried forward for five years but may not be carried back. Capital losses may be set-off against ordinary income in the year they arose.

FOREIGN-SOURCED INCOME

Croatian resident companies are subject to tax on their worldwide income but foreign dividends are not taxable.

INCENTIVES

A reduced profits tax is available to some businesses for a ten year period based on the level of investment and the number of employees.

Investment (EUR million)	Number of employees	Rate (%)
Up to 1.5	10 – 29	10
1.5 – 4	30 – 49	7
4 – 8	50 – 74	3
8 and over	75 and over	0

Tax-free zones also exist, such as the Vukovar-Srijem county in which persons carrying out businesses activities are fully exempt from profits tax from 2005 to 2014. Half the profits of taxpayers conducting business activities in the other tax-free zones are exempt from profits tax.

Anyone who builds or takes part in the construction of facilities in a tax-free zone by investing more than HRK 1 million is fully exempt from profits tax in the year of the investment and during the next five years. The amount exempted, however, may not exceed the amount of the investment.

With effect from 2008, enhanced tax deductions are available in respect of qualifying research and development expenditure as follows:

- 150% of eligible costs for fundamental research
- 125% of eligible costs for applied research and
- 100% of eligible costs for development research.

Enhanced tax deductions are also available in respect of certain types of education and training costs.

C. FOREIGN TAX RELIEF

Double tax relief is available under the provisions of various double tax agreements with other territories. Unilateral relief is available in other cases by means of a credit for overseas taxes against the Croatian tax payable on the same income.

D. CORPORATE GROUPS

There is no concept of group taxation in Croatia.

E. RELATED PARTY TRANSACTIONS

The Croatian tax authorities require arm's length pricing to be applied for tax purposes in respect of transactions entered into by Croatian companies with related companies. The comparable uncontrolled price method, the cost-plus method, the resale price method, the profit-split method and the transactional net margin method are all accepted methods for establishing an appropriate arm's length price.

F. WITHHOLDING TAX

No withholding tax is payable in respect of dividends paid by Croatian resident companies.

A 15% withholding tax is applicable to various forms of payment to non-residents including:
- Interest (but not interest on bonds, loans granted by a foreign bank or sales of equipment on credit)
- Royalties
- Certain service fees.

G. EXCHANGE CONTROL

There are no exchange controls in Croatia.

H. PERSONAL TAX

INCOME TAX
Income tax is chargeable on all Croatian residents and any non-residents with an income derived in Croatia. If several individuals earn a joint income, each person is taxed separately in respect of his/her share in the jointly acquired income.

Croatian residents are taxed on their worldwide income including income from:
- employment
- independent personal activities (self-employment)
- property and property rights
- capital
- insurance
- other income

C

Non-residents are taxed on the same types of income if derived in Croatia.

Individuals are subject to tax on their total income for the year, less personal allowances.

Income from independent personal activities (self-employment income) shall be reduced by:
- the amount of salaries of newly employed persons and rewards to pupils during practical work and apprenticeship
- the amount of expenses for education and professional improvement
- the amount of expenses for research and development and
- any losses arising from the activity.

The basic personal allowance is HRK 1,800 per month, although there are special allowances for the retired, persons living in certain assisted areas and those with dependant children or family members.

Dividends are exempt from income tax, although those generated from profits earned between 1 January 2001 and 31 December 2004 are subject to a 15% withholding tax.

Capital gains on moveable property and securities are not subject to tax. Gains on the sale of immovable property are taxable except where the property was held for at least three years prior to sale, the property was used by the vendor or his or her dependants as a residence, or the sale arises from a divorce or inheritance.

The tax year for income tax purposes is the same as the calendar year. Any taxpayer required to file a tax return must do so by 28 February following the end of the tax year. In most cases, income tax is payable by way of withholding (such as for employment income) or under regular instalments (such as for self-employed income). Any further tax must be paid within 15 days of the issue of an assessment by the tax authorities.

TAX RATES

The Monthly Tax Base	The Annual Tax Base	Tax Rates
Up to HRK 3,600	Up to HRK 43,200	12%
Over HRK 3,600up to HRK 10,800 (the next HRK 7,200)	Over HRK 43,200up to HRK129,600 (the next HRK 86,400)	25%
Over HRK 10,800	Over HRK 129,600	40%

SOCIAL SECURITY CONTRIBUTIONS

Employee social security contributions are withheld at source by the employer at a rate of 20% of the employee's remuneration, subject to a maximum ceiling of HRK 555,552. Social security contributions are deductible from the employee's income for income tax purposes. Employer contributions are also due at a total rate of 17.2% of the relevant employee's remuneration.

INHERITANCE AND GIFTS TAX

This is payable by any legal entity or individual that inherits, or receives as a gift, or acquires on some other basis assets situated in the Republic of Croatia.

Tax is charged at 5% on the value of gift or asset on the day the tax liability is determined, after the deduction of debts and costs that relate to the assets on which the tax is being paid.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends			Interest	Royalties
	1 (%)	2 (%)	3 (%)	(%)	(%)
Domestic Rates:					
Companies:		0		0/15	15
Individuals:		0		0/35	25
Treaty Rates:					
Albania	10	10	–	10	10
Armenia	10	0	25	10	5
Austria	15	0	10	5	0
Belarus	15	5	25	10	10
Belgium	15	15	10	0/10	0
Bosnia & Herzegovina	10	5	25	10	10
Bulgaria	5	5	–	5	0
Canada	15	5	10/20 (4)	15	10
Chile	15	5	20	5/15	5/10
China	5	5	–	10	10
Czech Republic	5	5	–	0	10
Denmark	10	5	25	5	10
Estonia	15	5	10	10	10
Finland	15	5	25	0	0
France	15	0	25	0	0
Germany	15	5	10	0	0
Greece	10	5	25	10	10
Hungary	10	5	25	0	0
Iran	10	5	25	5	5
Ireland	10	5	10	0	10
Israel	15	5	25	5/10	5
Italy	15	15	–	0/10	5
Jordan	10	5	25	10	10
Korea	10	5	25	5	0
Latvia	10	5	25	10	10
Lithuania	15	5	10	10	10
Macedonia	15	5	25	10	10
Malaysia	10	5	25	10	10
Malta	5	5	–	0	0
Mauritius	0	0	–	0	0
Moldova	10	5	25	5	10

	Dividends				Interest	Royalties
	1 (%)	2 (%)	3 (%)		(%)	(%)
Montenegro	10	5	25		10	10
Netherlands	15	0	10		0	0
Norway	15	15	–		0	10
Poland	15	5	25		10	10
Romania	5	5	–		10	10
Russia	10	5	25	(5)	10	10
San Marino	10	5	25		10	5
Serbia	10	5	25		10	10
Slovak Republic	10	5	25		10	10
Slovenia	5	5	–		5	5
South Africa	10	5	25		0	5
Spain	15	0	25		0/8	8
Sweden	15	5	25		0	0
Switzerland	15	5	25		5	0
Syria	10	5	10		10	12
Turkey	10	10	–		10	10
Ukraine	10	5	25		10	10
United Kingdom	15	5	25		10	10

1. Rates applicable to minor shareholdings.
2. Rates applicable to major shareholdings.
3. Percentage required to qualify for major shareholding.
4. A holding 10% of voting rights or 20% of capital is required.
5. The Russian shareholder must also have a holding in the Croatian company of at least $100,000.

CYPRUS

Currency: EURO (EUR) | Dial Code To: 357 | Dial Code Out: 00

Member Firm:
City: Limassol
Name: Nicholas Stavrinides
Contact Information: 25 868000
nicholas.s@pkf.com.cy

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

A Cyprus resident company is subject to corporation tax on its worldwide income. Non-resident companies are subject to corporation tax only on profits derived in the Republic. Resident companies are those companies whose management and control is exercised from Cyprus.

The corporation tax rate is 10%. Taxes are paid by three instalments in advance based on a provisional assessment, which should be at least 75% of the final tax charge. A fiscal year is the calendar year.

CAPITAL GAINS TAX

Gains in respect of the sale of immovable property situated in Cyprus (including shares of a company whose assets include such immovable property) are subject to Capital Gains Tax. Both residents and non residents are subject to capital gains tax if they own immovable property in Cyprus. The applicable rate on the taxable income is 20%. No tax is levied in respect of immovable property situated abroad. No tax is levied on capital gains in respect of profits on disposal of shares of companies (other the ones which own immovable property).

BRANCH PROFITS TAX
Branches of foreign companies managed and controlled from Cyprus are taxed as if they were Cyprus resident companies. Foreign branch profits of Cyprus companies are relieved from Cyprus tax to the extent that their activities are not investment related or corporate tax of at least 5% has been levied on its profits (one of the two criteria needs to be satisfied).

SALES TAX/VALUE ADDED TAX (VAT)
VAT is generally imposed on taxable supplies of goods and services at the standard rate of 15%.

Certain supplies of goods and services are charged at the reduced rate of 8%; others are zero-rated, notably ship management services. Some supplies of goods and services are exempt from VAT: specifically, financial services, health and welfare, insurance, and education.

The annual VAT registration threshold is EUR 15,600.

Cyprus has adopted the provisions of the EU Directive 2008/8/EC effective from 1 January 2010. Exports of goods or provision of services to non-EU or to EU VAT registered persons are subject to 0%.

FRINGE BENEFITS TAX (FBT)
Certain benefits such as use of cars for private purposes, rent, school fees etc are considered as benefits in kind and taxed accordingly.

LOCAL TAXES
Local taxes include transfer fees on sale and purchase of property, stamp duty (only in respect of assets situated in Cyprus or agreements executed in Cyprus), and immovable property tax.

OTHER TAXES
Contributions to the social insurance fund are paid on the salaries of resident employees. The total amount paid by an employer can vary from 10.5% to 18.5% of the gross salary. The employee pays a further 6.8%. The maximum salary on which contributions are paid is currently EUR 4,216 per month.

B. DETERMINATION OF TAXABLE INCOME

TRADING PROFITS
Resident companies pay taxes on their net taxable profits. These are determined by pooling their worldwide income and deducting allowable expenses, charges and capital allowances. Non-resident companies pay taxes on their Cyprus-sourced income only.

CAPITAL ALLOWANCES
Annual wear and tear allowances are allowed on various assets including plant and machinery; fixtures and fittings; commercial vehicles; hotels; commercial buildings; industrial buildings; computer hardware and software; and loose tools. Allowances range from 3% to 33% per annum. No capital allowances are given for saloon cars.

DEPRECIATION
Depreciation included in the financial statements of entities is disallowed for tax purposes, as capital allowances are given instead. For accounting purposes, depreciation rates applied are those which write-off the assets over their useful life.

STOCK/INVENTORY
Opening and closing stocks are normally stated at the lower of cost and net realizable value on a FIFO basis.

CAPITAL GAINS AND LOSSES
Capital gains are computed separately and do not form part of the annual taxable income for corporation tax purposes. Indexation allowance is available for the determination of the taxable gains and losses. Capital losses can be offset against capital gains for the same fiscal year.

DIVIDENDS
Dividends receivable are exempt from corporation tax, subject to the CFC rules described below.

INTEREST DEDUCTION
Interest expense is deductible if the borrowing is wholly and exclusively for the purposes of producing income. Interest paid to a connected party is a deductible

expense. Interest deductibility restrictions exist to the extent that a company has non-business assets. There are no thin capitalisation rules.

LOSSES

Trading losses may be carried forward indefinitely. Losses from overseas activities can be set off against chargeable income for the year and can be carried forward.

If, within any period of three years, there is both a change in the beneficial ownership of a company and a major change in the nature of trade and, at any time before the change of ownership the activities in the trade become small or negligible, then no trading losses incurred prior to the change in ownership are allowed.

FOREIGN SOURCE INCOME

Cyprus has controlled foreign company legislation (CFC) legislation. Profits from a permanent establishment abroad or dividends from an overseas company are taxed if the nature of their activities amounts to more than 50% investment income and their country of residence imposes corporation tax which is less than 5% p.a. Both criteria must apply in order for the tax to be charged.

INCENTIVES

Some of the main incentives are as follows:

(a) low corporation tax of rates at 10%
(b) non-resident entities are only taxed on their Cyprus-sourced income
(c) no withholding tax on payments to non-residents
(d) profits and dividends from abroad are tax-free free subject to CFC rules stated above
(e) restructuring legislation in line with the EU Merger Directive extending to companies in non-EU countries.
(f) low VAT rate
(g) a Cyprus holding company can pay virtually no tax on its profits.

C

C. FOREIGN TAX RELIEF

Foreign tax paid on income of a Cyprus resident company is credited against the corporation tax, subject to Double Tax treaty conditions. In the absence of a tax treaty, the tax paid in a non-treaty country is normally allowed as a deductible expense. Tax paid is credited only if a similar concession is given to Cyprus companies in that particular country. The foreign tax relief cannot exceed the Cyprus corporation tax on these profits.

D. CORPORATE GROUPS

Group loss relief is available to a group of Cyprus resident companies in relation to current year losses. Two companies will be considered as part of a group if one company holds 75% of the voting share capital or distributable profits of the other, or both companies are 75% subsidiaries of a third company. The group must be in existence within the whole fiscal year.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties do not need to be adjusted for tax purposes as long as they are on ‘an arm’s length’ basis.

F. WITHHOLDING TAX

Resident companies must withhold taxes on certain royalty payments depending on the rates provided in any tax treaty. Cyprus has entered into double tax treaties with over 40 countries. Non-resident companies have no obligation to withhold taxes on any payments they make.

Resident companies withhold contributions to the defence fund of the Republic on dividends paid to resident individuals at the rate of 15%. Dividends paid to non-resident shareholders are not subject to withholding tax.

Interest income is subject to a withholding contribution to the defence fund of 10%. If interest is received from abroad, such income is assessed as above at 10%.

Where interest is considered as profit close to the ordinary activities of the company, then such type of income is considered as trading profit and not interest. Hence it is not subject to defence contribution. Examples include financing and insurance companies etc.

DEEMED DISTRIBUTION

A company resident in Cyprus for tax purposes shall be deemed to have distributed 70% of its accounting profits (excluding unrealised gains/losses and after deduction of tax paid on these profits and any transfers to legal reserves) in any fiscal year by way of a dividend to its resident shareholders at the end of the second year following the end of the said financial year in which the profits were made. The company shall be obliged to effect payment to the Inland Revenue equal to 15% of the amount of the deemed dividend distribution. Such dividend shall be reduced by the amount of dividends actually distributed. This is not applicable to non-resident shareholders.

G. EXCHANGE CONTROLS

There are no exchange controls in Cyprus.

H. PERSONAL TAX

A person who is resident for 183 days or more in aggregate during the tax year is deemed to be tax resident. All individuals who are residents of the Republic are taxed on their worldwide income. Non-resident individuals are taxed on income emanating from Cyprus only.

Income tax is payable on assessable income less allowable deductions. Assessable income includes income from employment, rent, interest and profits from trade and business or professions. Allowable expenses include mortgage interest, certain subscriptions, social insurance contributions and pension contributions.
The current tax rates are as follows:

Taxable income (EUR)	Normal tax rate (%)
0 – 19,500	0
19,501 – 28,000	20
28,001 – 36,300	25
Over 36,300	30

Pensions receivable from abroad by a resident in respect of services rendered outside Cyprus are still taxed at 5%, after deduction of the first EUR 3,417 if the individual elects to do so.

In the case of an individual taking up employment in the Republic, who was non-resident prior to his employment, an allowance of 20% of his remuneration to a maximum of EUR 8,543 is given for a period of three years.

Salaried services rendered abroad for a total period of more than 90 days to a non-resident employer or at a PE abroad of a resident employer are exempt from income tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)		Royalties (%)		Interest (%)	
Non-Treaty Countries:	0	(1)	10	(2)	0	
Treaty Countries:						
Armenia	0		0		0	
Austria	0(1) /10		0		0	
Belarus	0(1) /10	(20)	5		5	
Belgium	0(1) /10	(8)	0		10	(10)
Bulgaria	0(1) /5	(12)	10		7	(6)
Canada	0(1) /15		10	(5)	10/(3) /15	(4)
China	0(1) /10		10		10	
Czech Republic	0(1) /5	(21)	10/0	(5)	0	
Denmark (future)	0/15	(9)	0		0	
Denmark (current)	10/15	(8)	0		10	
Egypt	0(1) /15		10		10(3) /15	
France	0(1) /10	(9)	0	(2)	10	(6)

	Dividends (%)		Royalties (%)		Interest (%)	
Germany	0(1) /10	(8)	0	(2)	10	(6)
Greece	0(1) /25		0	(2)	10	
Hungary	0(1) /5	(8)	0		10	(6)
India	0(1) /10	(9)	10(19) /15		10	(6)
Ireland	0		0	(2)	0	
Italy	0(1) /15		0		10	
Kuwait (future)	0		5		0	
Kuwait (current)	10		5		10	
Kyrgyzstan	0		0		0	
Lebanon	0(1) /5		0		5	
Malta	15/0	(1)	10		10	(6)
Mauritius	0		0		0	
Moldova	0(1) /5	(12)	5		5	
Montenegro	0(1) /10		10		10	
Norway	0(1) /5	(13)	0		0	
Poland	0(1) /10		5		10	(6)
Qatar	0		0		0	
Romania	0(1) /10		5	(7)	10	(6)
Russia	0(1) /5	(14)	0		0	
San Marino	0		0		0	
Serbia	0(1) /10		10		10	
Seychelles	0		0		5	
Singapore	0		10		10	(17)
Slovakia	0(1)/10		10		5	
Slovenia (future)	5		5		5	
Slovenia (current)	10		10		10	
South Africa	0		0		0	
Sweden	0(1) /5	(8)	0		10	(6)
Syria	0(1) /0	(8)	10	(11)	10	(6)
Tajikistan	0		0		0	
Thailand	0(1) /10		15	(15)	10(19) /15	(16)
Ukraine	0		0		0	
United Kingdom	0		0	(2)	10	
United States	0(1) /15	(18)	0		10	(10)
Uzbekistan	0		0		0	

1 Under Cyprus legislation there is no withholding tax on dividends paid to a non-resident shareholder.
2 5% on motion picture films royalties.
3 Under Cyprus legislation there is a 10% withholding tax on interest.
4 Nil if paid to a government or for export guarantee.
5 Nil on literary, dramatic, musical or artistic work.
6 Nil is paid to the government of the other state.
7 Nil on literary, artistic or scientific work, film and TV royalties.
8 15% if controlling less than 25% of the capital.
9 15% if controlling less than 10% of the capital.
10 Nil if paid to a government, bank or financial institution.
11 15% for patent, trademark, design or model, plan, secret formula or process, copyright, scientific work, industrial, commercial equipment or information.
12 10% if controlling less than 25% of the voting power.
13 Nil if received by a company controlling 50% or more of the voting power.
14 10% if the beneficial owner invested less than EUR100.000
15 5% for literary, dramatic, musical artistic or scientific work; 10% for industrial, commercial or scientific equipment use.

16 10% for interest received from financial institution, for interest paid in connection with the sale on credit of any industrial, commercial or scientific equipment or sale of any merchandise from one enterprise to another enterprise.
17 7% if paid to a bank or a financial institution.
18 5% if the recipient is a corporation holding more than 10% of the voting stock and not more than 25% of the gross income of the dividend-paying corporation consists of interest and dividends receivable from non-subsidiary (>50%) parties.
19 Under Cyprus legislation there is a 10% withholding tax on royalties.
20 15% if controlling less than 25% of the capital. If investment is more than EUR 200,000, withholding tax is at 5%, irrespective of the voting power.
21 5% if controlling less than 10% of the capital.

CZECH REPUBLIC

Currency: Koruna (CZK)	Dial Code To: 420	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Prague	David Cervinka	602 208 528 david.cervinka@pkf-cz.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Company tax is payable by Czech resident companies on income derived from worldwide sources. Non-resident companies are required to pay the tax on income sourced in the Czech Republic.

Resident companies are those which have their registered office in the Czech Republic.

The corporate income tax rate is 19% for 2011. A 5% tax rate applies for investment funds, pension funds and share funds. The fiscal year is the calendar year, or economic (business) year if agreed with the tax authority. Tax is due and payable in a single payment if the previous year's tax liability was under CZK 30,000; in six monthly advance payments if the previous tax liability was between CZK 30,000 and 150,000; or in quarterly advance payments if the previous tax liability was over CZK 150,000.

Tax returns of companies for which audited statement of accounts are not required under law are due by 31 March of the following year. For a company to which the 31 March deadline applies, the tax return can be filed on or before 30 June if the company authorises a tax advisor to prepare his return. In all other cases, the taxpayer is entitled to ask the Tax Administration for the due date to be postponed by up to three months.

CAPITAL GAINS TAX

Capital gains such as dividends, interest from owed securities, deposit accounts and deeds are subject to 15% withholding tax. Since 2004, income from dividends and interest is exempt from withholding tax if paid to a resident of an EU territory in accordance with the EU Parent-Subsidiary Directive No 90/435/EU. From 2008, the following incomes shall be tax-exempt:

(a) income arising from transfer of shareholdings by a parent company in its subsidiaries within the EU
(b) dividend income of resident companies paid out by non-resident subsidiaries
(c) income from the transfer of shareholdings by companies in subsidiaries outside the EU where a relevant double taxation treaty is signed.

The Parent company must have a minimum of a 10% holding in the subsidiary's registered capital for an uninterrupted period of at least 12 months. The subsidiary company must be a joint stock company or limited liability company and subject to a rate of tax in the non-EU country at a minimum of 12%.

Since 1 January 2011 licence fees are tax exempt when transferred from a Czech company to a parent company in another state in EU or EEA (which is a shareholder of the Czech company and has held the shares for a period of at least 24 months). It is necessary to apply for this tax exemption with the Czech tax authority. The following documents must be provided: tax domicile certificate of the parent company, extract of the commercial register of the parent company, extract of commercial register of the Czech company, the title of the licence fees, and confirmation from the tax authority of parent company, that the parent company has its tax domicile in EU or EEA state.

BRANCH PROFITS TAX

There is no separate branch profits tax in the Czech Republic. The income of a Czech branch of a foreign company is subject to taxation at the generally applicable, 19% rate for 2011. Attribution of profits to a branch is determined on the basis of the margins that are generally realised by resident companies undertaking similar activities.

SALES TAX/VALUE ADDED TAX (VAT)

Value added tax (VAT) is imposed on the domestic provision of goods, transfer of real estate, provision of services, including transfer or use of rights, and import of goods. There are two rates of VAT, basic rate 20%, lower rate 10%. The 20% rate applies generally to supplies of goods and most services with some exceptions while the 10% rate applies to selected services and some goods such as foodstuffs and pharmaceutical products. Goods and services exported from the Czech Republic to non-EU countries are exempt from VAT. The principles of the Sixth Directive – VAT (77/388/EU), have applied since 1 May 2004 to goods and services exported from the Czech Republic to EU countries. Since 2008, a group of related parties may register as a single VAT taxpayer.

OTHER TAXES

Tax on real estate property is levied on buildings, structures and land situated within the Czech Republic. The taxpayer is the actual owner or the user of the property. The rate depends on size, quality, type and location of the property. This tax is deductible for corporate income tax purposes.

Inheritance and gift taxes are types of tax for which a company may become liable on non-paid acquisition of a property. These taxes are not deductible for income tax purposes.

Property transfers are liable to property transfer tax at the rate of 3% on the official valuation or actual price, whichever is the higher. This tax is deductible for income tax purposes.

The employers' payment on behalf of their employees towards the workers' social security and medical insurance is at the rate of 34% of the gross payroll.

B. DETERMINATION OF TAXABLE INCOME

The company's taxable income is determined by ascertaining assessable income and then subtracting all allowable expenses. In general, to be tax deductible, all expenses must be related to the gaining or producing of assessable income and are not exempt pursuant to the law on income tax.

DEPRECIATION

The tax law prescribes six groups of tangible assets for tax depreciation purposes using depreciation periods ranging from three to 50 years. Either straight-line or accelerated methods are available. The choice of a method is made by the taxpayer and, once selected, cannot be changed for the remaining life of the asset. Under certain conditions, special accelerated depreciation is available in the case of financial leases. Depreciation is allowed where the acquisition cost exceeds CZK 60,000 (intangible fixed assets) or CZK 40,000 (tangible fixed assets).

STOCK/INVENTORY

All trading stock is valued at purchase price, including ancillary costs incurred. Stock produced by the company's own operation is valued at internal costs. If a temporary reduction of stock value is non-tax deductible, corrective provisions are applied. Accepted valuation methods include (FIFO), average procurement costs or pre-defined (planned) prices but not LIFO. Costs may reflect the liquidation of unusable stock for tax purposes.

DIVIDENDS

If dividends are not tax exempt, they are subject to a final withholding tax of 15% or the rate agreed in the double taxation treaty. Tax exemptions shall not apply to a profit share paid out on the liquidation of a company.

INTEREST DEDUCTIONS

Financial costs of credits and loans for the relevant tax period shall be considered non-deductible expenses where they exceed a multiple of a flat interest rate (the "unified interest rate") increased by four percentage points and an average balance of credits and loans in the relevant tax period.

The non-deductible expense is the amount by which the sum of credits and loans (including financing costs) from related parties exceeds a 4:1 debt:equity ratio (6:1 for banks and insurance companies) in the period for which the tax return is submitted.

LOSSES

Tax losses incurred before 1 January 2004 may be carried forward and set off against the taxable income over seven years. From 2004, tax losses may be carried forward for five years. Newly arisen losses (after 2004) may be transferred within the framework of common taxation of parent and daughter companies within the EU territory (transfers of enterprises, mergers and demerger of enterprises) under limited conditions.

INCENTIVES

Since 1 May 2000, incentives for investors including tax relief are governed by the Investment Incentives Act. Tax exemptions for a period of five years are provided (since 2 July 2007) for new investments. The minimum investment limit is CZK 100m with 60% or more invested in machinery. These limits are reduced for regions with higher unemployment rates. Besides investment incentives, a taxpayer may deduct from the tax base 100% of expenses (costs) incurred on the implementation of research and development projects. Tax relief is also provided depending on the number of disabled/handicapped people employed by a company.

C. FOREIGN TAX RELIEF

Ordinary credits for foreign income tax are available to resident taxpayers under Czech law. This applies where an international double taxation treaty exists. The clearance or exclusion method is available, according to the particular double tax treaty. If there is no tax treaty, the legal entity will include tax paid abroad in its tax expenses for the following period.

D. CORPORATE GROUPS

Profits and losses of holding and subsidiary companies may not be consolidated.

E. RELATED PARTY TRANSACTIONS

Non-arm's length profit sharing arrangements are covered by transfer pricing provisions which give the tax authority the power to impose a tax on the difference between the customary and actual prices.

F. WITHHOLDING TAX

Certain types of income, irrespective of whether they are received by resident or non-resident taxpayers, are taxed by way of withholding tax at source. These include dividends, licence fees, interest and related income and some winnings. In the case of resident taxpayers, this income is not then included in the tax base, with the exception of interest income. Subject to the provisions of double taxation treaties, domestic withholding taxes apply to Czech-sourced income.

G. EXCHANGE CONTROLS

The Foreign Exchange Act allows the Czech currency to be used freely to pay for business and other costs, for direct investment and reinvestment, and for purchase of real estate property abroad. Also, the acceptance of financial loans from non-residents is now legal.

Capital transfers have been deregulated but the reporting duty has been retained. Non-residents may use funds deposited in their accounts denominated in Czech or foreign currencies for transfers to and from abroad, providing the reporting duty is observed.

A licence is required for a financial service business. Sales of foreign currency and gold are permitted where one of the parties is an entity holding a licence or foreign currency permit.

Opportunities for non-residents to acquire real estate property in the Czech Republic have remained restricted.

H. PERSONAL TAX

Income tax is payable by Czech resident individuals on income derived from worldwide sources. Non-resident individuals are only required to pay tax on Czech-sourced income. Residence is determined by reference to domicile or where the individual has spent at least 183 days of the relevant calendar year in the Czech Republic.

Income tax is payable on assessable income less expenses and allowable deductions. Assessable income includes business income; employment income; other capital gains; dividends; rental; interest income; annuities and other income. Expenses cannot be claimed for employment income or capital gains (most of which are subject to withholding tax). Employment income cannot be reduced by losses of any other categories of income. Income from business or rental operations can be reduced by losses deriving from other categories. Income from employment is taxable individually and is reduced for some deductible items and personal allowances.

Employees hired under an employment contract under Czech law pay social security and medical insurance contributions at the rate of 11% withheld by their employers from their gross wages. Social security contributions are also paid by the self-employed.

From 2008, the flat rate of 15% is applied to 'super gross salary'. Super gross salary is a gross wage plus social security and medical insurance contributions paid by employer in the amount of 34% of gross wage.

Tax returns are due on 31 March or on 30 June if prepared by a recognised tax advisor. Provisional tax payments on income from employment are paid monthly. Payments on account of tax on income from business operations, rental income, etc are made half-yearly and quarterly, as for corporations, based on the last known tax liability.

Inheritance and Gift Taxes are progressive and take into account the individual family relationship and the value of the property transferred.

Real estate tax is paid on land and buildings.

Inheritance and gift taxes are not deductible for income tax purposes but real estate property and property transfer taxes are deductible.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Industrial/ Cultural licence fees (%)	
Non-Treaty Countries:	15	15	15	
Treaty Countries:				
Albania	5/15	5	10/10	
Armenia	10	10	5/10	
Australia	5/15	10	10/10	
Austria	0/10	0	5/5	
Azerbaijan	8	10	10	
Belarus	10	5	10	
Belgium	5/15	10	5/10	
Bosnia-Herzegovina	5	0	10	
Brazil	15	10/15	15/15	(1)
Bulgaria	10	10	10/10	
Canada	5/15	10	10/10	
China	10	10	10/10	
Croatia	5	0	10/10	
Cyprus	0/5	0	10	
Denmark	15	0	5/0	
Egypt	5/15	15	15/15	
Estonia	5/15	10	10/10	
Ethiopia	10	10	10	

	Dividends (%)		Interest (%)	Industrial/ Cultural licence fees (%)	
Finland	5/15		0	1/5/10	(2)
France	0/10		0	5/10	(3)
Georgia	5/10		8	5/10	
Germany	5/15		0	5/5	
Greece	–	(5)	10	10/0	
Hungary	5/15		0	10/10	
Iceland	5/15		0	10/10	
India	10		10	10	
Indonesia	10/15		12.5	12.5	
Ireland	5/15		0	10/10	
Israel	5/15		10	5	
Italy	15		0	5/0	
Japan	10/15		10	10/0	
Jordan	10		10	10	
Kazakhstan	10		10	10	
Korea (Rep)	5/10		10	10/0	
Kuwait	5		0	10	
Latvia	5/15		10	10	
Lebanon	5		0	0	
Lithuania	5/15		10	10	
Luxembourg	5/15		0	10/0	
Macedonia	5/15		0	10	
Malaysia	10		12	12	
Malta	5		0	5	
Mexico	10		10	10	
Moldova	5/15		5	10	
Mongolia	10		10	10	
Morocco	10		10	10	
Netherlands	0/10		0	5	
New Zealand	15		10	10	
Nigeria	12.5/15		15	15	
Norway	0/15		0	5/10	
Philippines	10/15		10	10	
Poland	5/10		10	5	
Portugal	10/15		10	10	
Romania	10		7	10	
Russia	10		0	10	
Serbia/Montenegro	10		10	10/5	
Slovak Republic	5/15		0	10	
Singapore	5		0	10	
Slovenia	5/15		5	10	
South Africa	5/15		0	10	
Spain	5/15		0	5/0	
Sweden	0/10		0	5/0	
Switzerland	5/15		0	10	
Sri Lanka	15		10	10/0	

	Dividends (%)	Interest (%)	Industrial/ Cultural licence fees (%)	
Syria	10	10	12	
Tajikistan	5	7	10	
Thailand	10	10/15	5/10/15	(4)
Tunisia	10/15	12	15/5	
Turkey	10	10	10	
United Arab Emirates	5	0	10	
United Kingdom	5/15	0	10/0	
Ukraine	5/15	5	10	
USA	5/15	0	10/0	
Uzbekistan	10	5	10	
Venezuela	5/10	10	12	
Vietnam	10	10	10	

The lower rates shown in relation to dividends apply where the recipient company holds 25% or more of capital in the company paying the dividend. For the required level of control in each case, reference should be made to the individual treaties.

1 Trade marks, 15%.
2 Finance leases and Operative leases 5%, use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process or information concerning industrial, commercial or scientific experience – 10%. Others – there is no reduction under the treaty.
3 Any industrial, commercial or scientific equipment 5%, any patent, trade mark, design or model, plan, secret formula or process and computer software, or for information concerning industrial, commercial or scientific experience (know-how), others: no reduction under the treaty.
4 Consideration for the alienation or the use of, or the right to use any copyright of literary, artistic or scientific work, excluding cinematograph films or films or tapes used for radio or television broadcasting – 5% Consideration for the alienation of any patent, trade mark, design or model, plan, secret formula or process – 10%. All other cases – 15%.
5 The domestic rate applies: there is no reduction under the treaty.

DENMARK

Currency: Kroner (DKK) | Dial Code To: 45 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Copenhagen	Jørgen Anker Nielsen	33 11 77 88 pkf@pkf-kf.dk
Glostrup	Hans Munkebo Christiansen	43 96 06 56 pkf@pkf-mjv.dk
Horsens	Claus Olsen	76 28 35 00 col@qurios.dk

A. TAXES PAYABLE

COMPANY TAX

Resident corporations are subject to Danish corporate income tax on their profits in Denmark and, to some extent, on income sourced abroad. Non-resident companies are required to pay tax on income sourced in Denmark.

Resident corporations include all Danish companies registered with the Danish Commerce and Companies Agency, as well as certain non-registered companies that are treated as residents. Companies incorporated under the laws of another country may be considered to be resident in Denmark if central management and control is exercised in Denmark.

Corporate income tax is charged at 25% for the income year 2010. Tax is paid on account on a current year basis in two instalments on 20 March and 20 November during the tax year, with a final instalment due on 20 November following the end of the tax year.

CAPITAL GAINS TAX

Capital gains/losses on disposals of assets are, in general, included in taxable income and subject to tax at the normal corporate tax rate.

Capital gains on disposals of shares are exempt unless the share holding is less than 10%.

Capital losses on disposals of other shares are deductible, if they can be offset against gains on other shares.

Capital gains on disposals of assets and liabilities of a Danish permanent establishment are taxable in Denmark. This applies also to Danish real estate.

BRANCH PROFITS TAX

Branches of foreign companies are taxed on income derived from their activities in Denmark. Tax is calculated at the corporate tax rate of 25%.

SALES TAX/VALUE ADDED TAX (VAT)

Danish value added tax (VAT) is levied at a standard rate of 25% of the sale price of most goods and services and the legislation generally follows EC Directives. No graduated rates exist.

Certain services are exempt, including most banking and medical services. Instead, a pay-roll tax of between 3.08% and 10.5% is charged on the actual pay-roll or, in certain cases, on the result before interest and capital gains. Exports are zero rated.

FRINGE BENEFITS TAX (FBT)

The tax value of most benefits in kind is, in principle, the fair market value. Employees are taxed on benefits in kind received. The cost of benefits in kind is deductible for tax purposes by the company.

LOCAL TAXES

Property Tax: Owners of real estate are subject to a local property tax based on the value of the land. The tax is levied at various local rates ranging from 1.6% to 3.4%.

OTHER TAXES

Transfer tax is levied on registration only. A change in ownership of real estate is charged at the rate of 0.6% + DKK 1,400 and on mortgages at 1.5% + DKK 1,400. Different rates apply to registrations of ships and aircraft.

Stamp duty only applies to certain insurance policies.

SOCIAL SECURITY TAXES

Social security is funded almost entirely through income taxes. The only exceptions are the ATP and Health Contribution.

ATP is a supplementary State pension scheme. The employer pays DKK 2,160 (2010) annually and employees pay DKK 1,080 (2010) annually.

Health Contribution is collected from employees and self-employed persons. The contribution is levied on gross salary and business income respectively at the rate of 8%. The employer withholds the contribution for the employee and the amount of contribution is deductible when computing the employee's personal income.

B. DETERMINATION OF TAXABLE INCOME

Net or taxable income is arrived at by adjusting the accounting profits for non-taxable income and non-deductible items.

DEPRECIATION

Assets which cost less than DKK 12,300 (2010) or have an estimated useful life of less than three years can be written off immediately.

Ships less than 20 tons, machinery, furniture and other equipment are generally depreciated collectively using the declining-balance method. The balance may be written off at a maximum rate of 25%.

Buildings for manufacturing etc. are depreciated under the straight-line method according to the useful life. The normal rate is 4% per annum. If the useful life is less than 25 years, the rate will be increased accordingly. Depreciation of office buildings and dwelling houses is not allowable for tax purposes.

The cost of goodwill, know-how etc, may be depreciated over seven years using the straight-line method.

STOCK/INVENTORY
Inventory may be valued at cost or market value.

CAPITAL GAINS AND LOSSES
See discussion above.

DIVIDENDS
Dividends received from a subsidiary are basically exempt from tax if the parent company owns 10% or more of the share capital throughout a 12-month period in which the dividend is received. It is a requirement that the dividend-paying company is resident within the EC or in a tax treaty country and that it is not a 'flow-through' entity. Specific rules apply to dividends received from a subsidiary in a non-EC and non-treaty country.

Withheld tax will be considered as a tax payment on account.

INTEREST
Interest income, except interest on overpaid corporate tax, is included in taxable income. Companies must compute this income on an accruals basis.

In general, interest paid is deductible whether due to foreign or resident creditors and regardless of the purpose of the debt. However, limitations may apply due to Danish thin capitalisation rules and limitations apply if net financial expenses exceed DKK 10 million (2010).

Interest on overdue tax is not deductible.

LOSSES
Losses may normally be carried forward indefinitely. However, losses may not be offset against interest and other capital income, net of interest paid, if more than 50% of the shares in the company have changed ownership since the loss was incurred. If a company enters into a settlement with creditors, losses carried forward are reduced by the nominal amount of debt cancelled.

In cases where the company receives a capital contribution in connection with a reconstruction from a principal creditor and the company subsequently repays its debts to the creditor, tax losses from income years up to and including the year of the capital contribution will be reduced by an amount equal to the capital reduction.

Furthermore, tax losses cannot be offset against future taxable income if the company has no activity at the time the transfer was agreed.

Losses cannot be carried back.

CONTROLLED FINANCIAL COMPANY INCOME (CFC)
Profits made by Danish financial companies or foreign subsidiaries will be taxed in Denmark if the Danish parent company (directly/indirectly) controls the company (votes/decisive influence), and:

- the business of the company is mainly of a financial nature (ie more than half of its gross income is derived from certain financial activities), and;
- the financial assets of the company exceed 10% of the assets of the company.

Credit is given for foreign taxes paid on foreign income.

Losses resulting from activities in foreign countries cannot generally be deducted from the Danish source income unless voluntary global joint taxation has been chosen.

C. FOREIGN TAX RELIEF

Danish tax law provides for unilateral relief for foreign taxes paid on some types of income (dividends, royalties, etc). Such relief may not exceed the Danish tax liability that relates to the foreign income concerned. If a tax treaty is in force, relief may be restricted to the tax that the foreign state is entitled to levy under the treaty.

If income is earned in a country with which Denmark has no treaty, any foreign tax is relieved by the credit method under domestic tax rules.

No Danish tax credit is given for foreign permanent establishment profit or real estate profit unless voluntary global joint taxation is elected for. Thus, Denmark has adopted the principle of territoriality for Danish companies.

D. CORPORATE GROUPS

Danish companies within a group, along with Danish permanent establishments and real estate of foreign subsidiaries are subject to compulsory Danish joint taxation. Such companies must have the same financial year.

The group taxation allows the pooling of profits and losses. Losses of one company can be offset against profits of another company.

Such a group may elect to enter into a voluntary global joint taxation arrangement with foreign group companies and foreign permanent establishments and real estate. If voluntary global joint taxation is opted for, all foreign group companies, permanent establishments and real estate 'above' and 'below' Denmark must be included in the joint taxation (cf 'global'). In this case, capital gains derived by non-residents from disposals of Danish shares or bonds may be subject to tax in Denmark.

The foreign entities' income, assessed according to Danish rules, is then included in the Danish taxable income of the group but normally no additional Danish tax is imposed because a tax credit for foreign corporate tax paid is allowed. The inclusion may allow foreign tax losses to be offset against Danish taxable profits. Special rules apply with respect to exemption/credit for foreign taxes and claw back provisions respectively.

E. RELATED PARTY TRANSACTIONS

Related party transactions must be in accordance with the arm's length principle.

F. WITHHOLDING TAX

Danish outward dividends are generally subject to a 28% withholding tax.

Outward interest payments are generally subject to a 30% Danish withholding tax. However, several modifications apply and under most tax treaties this withholding tax is reduced or refunded.

Outward royalty payments under industrial, commercial or scientific agreements are subject to a 30% withholding tax. Under most tax treaties, this withholding tax is reduced or refunded.

G. EXCHANGE CONTROLS

In general, Denmark does not impose exchange controls on business activities.

H. PERSONAL TAX

Individuals are deemed to be residents of Denmark for tax purposes if they occupy accommodation in Denmark as their permanent place of abode or remain in the country for a period of six months or more.

Tax residency is normally terminated on emigration. Some assets will be deemed to be taxed as sold at market value on the date of departure. Any profit will be taxed in Denmark.

Residents are subject to Danish taxation on their worldwide income.

Non-resident individuals are subject to tax on Danish-sourced income, including dividends, royalties, profits from Danish permanent establishments; profits from real estate; and salaries earned from work performed in Denmark.

Profits made by more than 50% held (shares/votes) financial companies established in low tax countries are taxable in Denmark at 25% (CFC). The CFC taxation generally only applies if the company's financial income is more than 50% of its total income but may not apply if the company is established in an EC or a tax treaty country.

Dividends and gains and losses on the disposals of shares are taxed jointly. The tax rate on this income is 28% on amounts up to DKK 48,300 and 42% on the surplus (2010).

Personal income includes all remuneration received from the taxpayer's employer, whether in cash or kind, such as free lodging, free use of a car, free use of the telephone etc.

Pension payments, unemployment benefits etc are also included in personal income.

After deduction of Labour Market Contributions of 8% (for 2011) on gross salary and business income, tax due on the total taxable income and its components is determined as follows:

- a basic charge of 25.6% (average) on taxable income is due to the municipality and church, in which the taxpayer lives
- Health Contributions of 8% on taxable income (2010)
- the basic State tax rate is 3.64% on taxable personal and positive interest income (2011)
- and additional higher rate of 15% is levied on income exceeding DKK 389,900 (2011).

Some expatriates who are employed in Denmark for a maximum period of 36/48 months can, under certain conditions, choose to be taxed on their gross salary by a final tax instead of ordinary income tax. The tax rate is 26% plus Labour Market Contributions of 8%.

Maximum tax rates (including local and national taxes) 2010	**(%)**
Personal income	51.5
Net capital expenses (1)	33.79
Deductions (2)	33.79

1 Tax value of interest expenses and capital losses if deductible.
2 Tax value of other tax deductions such as car allowance etc.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

D

	Dividends (%)		**Interest (%)**	**(1)**	**Royalties (%)**	
Non-Treaty Countries:	28	(2)	30	(1)	30	(1a)
Treaty Countries:						
Argentina	15/10		12		3/5/10/15	
Armenia	15/0		0		0	
Australia	15		10		10	
Austria	0/15		0		10/0	(10)
Bangladesh	15	(5)	10		10	
Belarus	15		0		0	
Belgium	15		10/0	(10)	0	
Brazil	25		15		15/25	
Bulgaria	15/5		0		0	
Canada	15/5		10		0/10	
Chile	15/5		15		5/15	
China	100		10		10	
Croatia (10)	10/5	(16)	5		10	
Cyprus	15/10		10/0	(10)	0	(10)
Czech Republic	15/0		5/10	(15)	–	
Egypt	20/15		15		20	
Estonia	15/5		10/0	(10)	5/10/0	(10) (13)
Faroe Islands	15	(7)	0		0	
Finland	15	(7)	0	(10)	0	(10)
France		(18)		(18)		(18)
Georgia	0/5/10	(17)	0		0	
Germany	15	(3)	0	(10)	0	
Greece	18	(10)	8/0	(10)	5/0	(10)
Greenland	–	(12)	0		10	

	Dividends (%)		Interest (%)	(1)	Royalties (%)	
Hungary	15/5	(12)	0	(10)	0	(10)
Iceland	15	(7)	0		0	
India	25/15		10/15	(14)	20	
Indonesia	20/10		10		15	
Ireland	15		0	(10)	0	(10)
Israel	15/5		25		10	
Italy	15		10/0		5/0	(10)
Jamaica	15/10		12.5		10	
Japan	15/10		10		10	
Kenya	30/20		20		20	
Korea	15		15		10/15	(4)
Kyrgyzstan	15		0		0	
Latvia	15/5		10/0	(10)	5/10/0	(10) (13)
Lithuania	15/5		10/0	(10)	5/10/0	(10) (13)
Luxembourg	15/5		0	(10)	0	(10)
Macedonia	15/0/5		0		10	
Malaysia	0		0/–	(12)	0/25	(11)
Malta	15		0	(10)	0	(10)
Mexico	15/0		5/15		10	
Montenegro	15/5		0		10	
Morocco	25		10		10	
Netherlands	15	(7)	0	(10)	0	(10)
New Zealand	15		10		10	
Norway	15	(7)	0		0	
Pakistan	15		15		12	
Philippines	15/10		10		15	
Poland	15/0/5		5/0	(10)	5/0	(10)
Portugal	10		10/0	(10)	10/0	(10)
Romania	15/10		10		10	
Russia	10		0		10	
Serbia	15/5		0		10	
Singapore	10/0/5		10		10	
Slovak Republic	15/5		0	(10)	5/0	(10)
Slovenia	15/5		5/0	(10)	5/0	(10)
South Africa	15/5		0		0	
Spain		(18)		(18)		(18)
Sri Lanka	15		10		10	
Sweden	15	(7)	0/10	(10)	0	(10)
Switzerland	0		0		0	
Taiwan	10		10		10	
Tanzania	15		12.5		20	
Thailand	10		10/15		5/15	(6)
Trinidad and Tobago	20/0		15		15	
Tunisia	15		12		15	
Turkey	20/15		15		10	
Uganda	15		10		10	
Ukraine	15/5		10		0/10	

	Dividends (%)		Interest (%)	(1)	Royalties (%)	
United Kingdom	15/0	(8)	0	(10)	0	(10)
United States	15/5	(3) (9)	0		0	
Venezuela	15/5		5		10	
Vietnam	15/5/10		10		5/15	
Zambia	15/		10		15	

1 Denmark imposes withholding taxes on outward interest payments at a rate of 30%. However, Danish withholding tax does not generally apply to interest payments to a foreign group company in an EC Member State or protected by a tax treaty.
   1a Denmark imposes withholding taxes on outward royalty payments at a rate of 30%.
2 A 0% rate applies to dividends distributed to foreign companies in EC countries/ protected tax treaty countries holding at least 15% of share capital (10% from 1 January 2009) throughout a 12-month period and if not a ‘flow-through’ entity.
3 The rate is 5% for parent companies holding at least 10% of the capital of the company.
4 10% for industrial royalties and know-how.
5 10% for parent companies holding at least 10% of the capital of the company.
6 5% for copyright of literacy, analysis of scientific work.
7 Only 10% ownership is required for the 0% rate.
8 For individuals, the withholding tax is increased to 28% if the person is subject to tax in the UK on the dividend.
9 Limitation of benefits applies.
10 With effect from 1 January 2010
11 The reduced rate applies only to approved royalties.
12 There is no reduction under the treaty – the domestic rate applies.
13 Applies to industrial, commercial and scientific royalties.
14 The lower rate applies to bank loans only.
15 The reduced rate applies to royalty payments in respect of patents, trademarks and similar industrial, commercial or scientific rights. The domestic rate applies to all other royalty payments.
16 The 5% rate applies where:
   - the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends for at least a continuous one year period and the dividends are declared within that period; or
   - the beneficial owner is a pension fund or other similar institution which is established, recognised for tax purposes and controlled in accordance with the laws of Croatia.
17 The 0% rate applies where beneficial owner of the dividends is a company which holds directly or indirectly at least 50% of the capital and has invested more than 2 million Euros, or its equivalent in Danish or Georgian currency in the company paying the dividends.
   The 5% rate applies where the beneficial owner of the dividends is a company which holds directly or indirectly at least 10% of the capital and has invested more than 100,000 Euros, or its equivalent in Danish or Georgian currency, in the company paying the dividends.
18 Terminated by the Danish State.

DOMINICAN REPUBLIC

Currency: Dominican Pesos (RD$) | Dial Code To: 1809 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Santo Domingo	Hector Guzman Desangles	540 6668 guzmanpkf@codetel.net.do

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
GENERAL REGIME
Resident or branch corporations are subject to Dominican Corporate income tax (ISR) on their local income (only) or income generated by activities within the country.

Non-resident companies also pay ISR on income sourced in Dominican territories where there is an absence of a permanent business. The Resident Corporation in the Dominican Republic will withhold 25% of the payment for items including publicity, royalties, interest (15% from overseas banks), etc.

The general IRC rate is 25% for tax or 1% of the company's total assets (after deducting depreciation) or 1.5% of the gross sales (after deducting discount and devolution). Companies will pay monthly advance taxes (1/12th) of the equivalent of the amount paid as taxes from the prior year and, at the end of the year, it should match the aforementioned 25% or 1% calculated taxes. When the taxes for the current year are calculated, the monthly payment is compensated in the following period. If the monthly payment was below, then the corporation completes the payment.

Tax payments for the current year are based on the previous tax year's liability less any tax withheld at source. This amount is limited to the higher of the prior year tax (for those with turnover) paid in 12 instalments or one percent of total assets.

CAPITAL GAINS TAX
The gain (or loss) is calculated on the difference between the sale of assets proceeds and cost, which may be adjusted for the effects of inflation.

The gains realised on the disposal of shares by qualified holding companies (SGPS) are not subject to taxation. However, capital losses with the sale of shares, as well as interest on loans to purchase shares, are not deductible for ISR purposes at the SGPS level.

BRANCH PROFITS TAX
Only the income attributable to the Dominican branch (permanent establishment) is subject to corporation tax.

SALES TAX/VALUE ADDED TAX (VAT)
The standard rate is 16% (except for some products sold in supermarkets).

D

FRINGE BENEFITS TAX
This tax does not apply.

LOCAL TAXES
No taxes apply.

OTHER TAXES
MUNICIPAL TAX
Owners of real estate properties are subject to municipal tax at 1%. No tax applies for rural properties.

B. DETERMINATION OF TAXABLE INCOME

GENERAL REGIME
Net income or taxable income is arrived at by adjusting the accounting profits for non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

SIMPLIFIED SCHEME
Companies which have not elected to be assessed under the general regime referred to above are subject to the simplified taxation scheme. Under this scheme, taxable income is computed as 25% of the turnover from sale of goods and merchandise.

DEPRECIATION
All the items of fixed assets except land can be depreciated or amortised for tax purposes. The depreciation rates are set by specific legislation and include 5% for office buildings, 25% for cars and furniture, and 15% for other assets.

STOCKS/INVENTORY
Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:
- the standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles
- the sale price method, based on the market value less a normal profit margin.

CAPITAL GAINS AND LOSSES
Gains realised by resident entities from the disposal of shares are exempt from tax.

DIVIDENDS
Dividends are normally subject to withholding tax at 25% (when paid in cash only).

INTEREST DEDUCTIONS
Interest is deductible on an accrual basis. The Fiscal Administration is entitled to disregard expenses with interest where related parties are involved.

LOSSES
Operating losses incurred by ordinary corporate taxpayers may be carried forward for three years to set off against taxable profits but only 20% of the amount each year.

FOREIGN SOURCED INCOME
Taxation of resident companies takes into account only their Dominican-sourced income.

INCENTIVES
Incentives under Dominican tax legislation include the free trade zones, investment in tourism, and companies established on the border between Dominican Republic and Haiti.

C. FOREIGN TAX RELIEF

There is no foreign tax relief in the Dominican Republic.

D. CORPORATE GROUPS

This does not apply in the Dominican Republic.

E. RELATED PARTY TRANSACTIONS

This does not apply in the Dominican Republic.

F. WITHHOLDING TAX

D

The income paid to non-residents, namely interest, royalties and dividends, is subject to withholding tax of 25%.

G. EXCHANGE CONTROL

Capital movements are freely transferable.

H. PERSONAL TAX

Income tax is payable by individuals on income obtained from:
- employment
- a business
- an independent profession
- investment income
- immovable property, capital gains, pensions
- betting and gambling profits.

Resident and non-resident individuals are subject to income tax on Dominican-sourced income only.

When determining the taxable income, besides some specific deductions concerning each category of income, other deductions such as expenses on health and education may be allowed.

Tax returns are due on 15 March of the subsequent tax year for taxpayers with income derived solely from employment or pension.

The following rate table applies in tax year 2011 to the aggregate net results of employment income, business income, investment income (except interest on bonds and deposits), income from land, capital gains and income from pensions:

Taxable Income (DR)	Rate on Excess
Below 371,124.00	0%
371,124.01 to 556,685.00	15% of the amount over RD$ 371,124.00
556,685.01 to 773,173.00	RD$27,834.00 plus 20% of the amount over RD$ 556,685.01
Over 773,173.01	RD$ 71,132.00 plus 25% of the amount over RD$773,173.01

ECUADOR

Currency: Dollar ($) | Dial Code To: 593 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Guayaquil	Edgar Naranjo	4 2453 883 enaranjo@pkfecuador.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Company tax is payable by Ecuadorian resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in Ecuador.

Resident companies are those that are incorporated in Ecuador, or carry on business in Ecuador and have either central management and control in Ecuador or voting power controlled by shareholders who are Ecuadorian residents.

The company tax rate is 25%. Capitalised profits have a 15% tax rate. The tax year runs from 1 January to 31 December. Tax is payable from 2–28 April, depending on the tax identification number. However, the first year's taxes obligate the company to pay 50% of that first year's taxes in two equal quotas: 30 July and 30 September of the second year. The remaining balance is expected to be paid before the deadline in the third year, included in the liquidation of the second year's exercise.

The tax rate tables for the year 2011 are:

Taxable income (US$)	Fixed tax on lower limit (US$)	Marginal Rate on excess %
Up to 9,212	–	0%
9,213 to 11,735	0	5%
11,736 to 14,671	126	10%
14,672 to 17,607	420	12%
17,608 to 35,215	772	15%
35,216 to 52,812	3,413	20%
52,813 to 70,419	6,932	25%
70,420 to 93,888	11,335	30%
Over 93,888	18,386	35%

All payments or register of purchase of merchandise and service are subject to withholding tax at the following rates:

- 1% – electricity, private/public transport of passengers and private freight
- 1% – purchase of all type of goods (except oil products)
- 1% – all construction activities
- 1% – over the 10% of the premium billed
- 1% - over the quotes and option purchasing in leasing
- 1% – those carried out by media services and advertising agency
- 1% – interest and commissions caused in the operations of credit between institutions of the financial system. The financial institution that paid or charge financial returns will act as withholding agent
- 2% – those realized by individuals for services in which workforce is over the intellectual work
- 2% – payments by credit card issuers to their merchants
- 2% – income generated from loans and investments
- 2% – those interests that any public entity recognized on behalf of tax payers
- 10% – capital gains, commissions, royalties, professional sportsmen, coaches, fees, rents paid by individuals
- 10% – fees for professional activities.

The amounts paid become credits available for income tax purposes at the end of the period.

1%	Interest and commissions in respect of financial operations between institutions of the financial system; payments for freight and passenger transport; payments related to electrical power; immovable property building activities. Payments related to purchase of tangible movable property (except fuels); payments to Ecuadorian insurance companies and branches of foreign companies (1% on 10% of the premium invoiced). Payments to Ecuadorian leasing companies and payments for media services or made to marketing companies.
2%	Labour services performed for individuals; payments by credit card issuers to their merchants; interest and similar payments.
8%	Fees, commissions and other payments to professionals or other persons who are present in Ecuador for more than 6 months for services that are predominantly intellectual or for sport or artistic services; royalties paid to resident individuals or Ecuadorian branches of non-residents; payments for letting of immovable property.
25%	Payments to non-resident foreign individuals for subject-to-tax services occasionally performed in Ecuador and other payments other than dividends or profit distributions.
2%	Any other payments.

Interests paid to financial institutions are not subject to withholding tax. Employment income is subject to a specific withholding regime.

CAPITAL GAINS TAX
In general, capital gains are taxed as ordinary income.

BRANCH PROFITS TAX
There is no specific income tax for branches. Income made by branches is taxed according to general income tax rules. A very important exception is the treatment of foreign oil companies involved in state contracts.

SALES TAX/VALUE ADDED TAX (VAT)
There is a 12% value added tax applied to all transactions including imports. There is a 0% rate on food items, agricultural inputs, medical goods, books and government purchases, and some professional services.

This tax is payable one month following the transaction from the 6th to the 28th depending on the firm's tax identification numbers.

FRINGE BENEFITS TAX
No fringe benefits are deductible as expenses in income tax liquidation. The only exception is that the company is allowed to pay and expense its employee income tax and social security contribution, if the company has contracted to do so.

LOCAL TAXES
There are many and diverse taxes which are applied at local or regional levels. These include: urban property, rain water drainage, fire insurance, individual and corporate net worth, state university funds, fire department, transfer of property, etc. Nominally, there are no stamp duties.

OTHER TAXES
Other taxes imposed by the Ecuadorian Government include excise duties and oil and gas resources revenue taxes.

Likewise, the Superintendence of Companies, the Superintendence of Banks, Financial Institutions and Insurance Companies charge annual fees to the companies they supervise.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION
Business assets are subject to depreciation.

Costs are recovered in accordance of the goods involved based on their useful life and accounting techniques. In general, it is taken over five to 20 years.

STOCK/INVENTORY
Inventories are valued at cost in accordance with general accounting principles and standards established in regulations to the law.

CAPITAL GAINS AND LOSSES
Net capital gains and losses generally are included in the determination of assessable income.

DIVIDENDS
Dividends received by resident companies from other resident companies are tax free. Dividends received from non-resident companies are tax free.

INTEREST DEDUCTIONS
Interest is deductible. The deduction of both interest and the cost of foreign financing are allowed only if the loan has been registered with the Central Bank of Ecuador considering that, to be deductible from income tax, the 25% withholding is required.

LOSSES
Companies which have sustained operating losses in a tax year may carry such losses forward to subsequent tax years and set them off over five years at the rate of 20% per annum, provided that not more than 25% of the profits obtained in each fiscal year are allotted for such purposes. The carry back of losses is not permitted.

FOREIGN SOURCED INCOME
Domestic corporations are subject to taxes on their worldwide income with tax credits allowed for income taxes paid abroad.

INCENTIVES
Specific write-offs are provided for the mining and oil primary production industries. Expenditure on research and development also qualifies for special treatment.

C. FOREIGN TAX RELIEF

A general income tax exemption was introduced as from 30 December 2007 in respect of income derived abroad that has been subject to income tax in another state and, accordingly, the ordinary tax credit method has been terminated.

D. CORPORATE GROUPS

No provisions exist for filing consolidated returns or relieving losses within a group.

E. RELATED PARTY TRANSACTIONS

Prior to administrative service fees being deductible when paid to foreign affiliates the appropriate government authority must grant approval. Such payments are exempt from withholding tax. Other payments to foreign affiliates will only be deductible where income tax at 25% has been withheld.

F. WITHHOLDING TAX

Dividends paid to non-residents are subject to a 25% withholding tax with a tax credit for company tax paid (ordinarily at 25%) being allowed against this withholding tax.

Royalties, service and rental fees attract the same 25% withholding tax. However, interest payments are exempt from such a withholding tax (see 'Interest Deductions' in Section B above).

G. EXCHANGE CONTROL

Limited control is exercised. Direct foreign loans generally must be registered.

H. PERSONAL TAX

Income tax is payable by Ecuadorian resident individuals on non-exempt income derived from all sources. Non-resident individuals are required only to pay tax on Ecuadorian-source income. Residence is determined by reference to common law or to domicile or where the individual has spent more than one-half of the relevant income year in Ecuador unless, he or she has a usual place of abode outside Ecuador and does not intend to take up residence in Ecuador.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, certain capital gains, rent and interest. Allowable deductions include interest and certain other outgoings paid in gaining the assessable income and gifts to specified bodies.

Most individual taxpayers have tax instalments deducted from each salary and wage payment made by their employers. Self-employed individuals and those with non-salary and wage income ordinarily pay a provisional tax which is an interim payment during the year in anticipation of the assessment of tax after the end of the income year.

RESIDENT INDIVIDUALS

Individual income tax (IIT)	Progressive from 5% to 35%
Real estate tax	From 0.025% to 0.3% for rural property and 0.025% to 0.5% for urban property; surtaxes and surcharges apply.
Inheritance/gift tax	Up to 35% tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Decisions 40 and 169 of the Cartagena Agreement have been adopted by Ecuador. What this means is broadly that relief from double taxation is provided for natural and juridical persons located in any of the Andean Pact countries. Ecuador has similar tax treaties with Belgium, Brazil, Peru, Colombia, Chile, Venezuela, Bolivia, Mexico, France, Germany, Italy, Spain, Romania, Switzerland and Canada.

The final status of the Sweden tax treaty was uncertain at the time of writing.

EGYPT

Currency: EGP | Dial Code To: 20 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Cairo	Hany Rashed	22875340 rashed@ie-eg.com

E

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

CORPORATE INCOME AND GAINS TAX

Egyptian corporations are subject to corporate profits tax on their profits derived from Egypt, as well as on profits derived from abroad, unless the foreign activities are performed through a permanent establishment located abroad. Foreign companies resident in Egypt are subject to tax only on their profits derived from Egypt.

Oil prospecting and production companies are subject to tax on their profits at a rate of 40.55%. The Suez Canal Company, Egyptian General Petroleum Company (EGPC) and Central Bank of Egypt are subject to tax on their profits at a rate of 40%.

ADMINISTRATION

Companies must file their annual tax returns, together with all supporting schedules and the original financial statements, before 1 May each year or four months from the financial year end. The tax return should be signed by the taxpayer. Taxpayers can file a request to extend the due date of filing the tax return provided they pay an estimated amount of tax. The request must be filed at least 15 days before the due date and the estimated tax due must also be paid before the due date. The extended period can be up to 60 days. An amended tax return can be filed within 30 days from the due date. Any tax due must be paid when the tax return is filed. A late penalty is applied at the rate of 2% plus the credit and discount rate issued by the Central Bank of Egypt as of January each year.

The law has set up appeals committees at two levels – the Internal Committee and the Appeal Committee. The Appeal Committee's decision is final and binding on the taxpayer and the tax department unless a case is appealed by either to the court within 30 days of receiving the decision, which is usually in the form of an assessment.

DIVIDENDS

Dividends distributed by an Egyptian company are not subject to withholding tax because they are paid out of corporate profits that are taxed under the normal rules. Dividends received by residents from foreign sources are not taxed in Egypt. Dividends are exempt from tax. Interest on bonds listed on the Egyptian stock exchange is exempt from tax if certain conditions are satisfied. Certain exemptions may be provided in some cases.

CORPORATE TAX RATES

Nature of tax	Rate
Corporate income tax	20%
Capital gains tax	20%
Branch tax	20%
Withholding tax:	
Dividends	0%
Interest	20% (1)
Royalties from patents, know-how, etc.	20% (1)
Certain services provided from non-resident entities	20% (1)
Branch remittance tax	0%
Net operating losses (years)	
Carry back	3 years
Losses incurred in long-term projects can be carried back within the same project with no limits.	
Carry forward	5 years

1. Final tax imposed on gross payments. The rate may be reduced under a tax treaty.

OTHER TAXES

The table below summarises other significant taxes.

Nature of tax	Rate
General sales tax	0% to 30%
Customs duties:	
– general, ad valorem	Various
– on value of machinery needed for investments by companies	5%
Stamp duties on bills, promissory notes and letters of guarantee as well as most types of documents, contracts, checks and receipts (shares and bonds listed on the Egyptian Stock Exchange are exempt)	Various

The amounts paid become credits available for income tax purposes at the end of the period.

SOCIAL INSURANCE

On monthly base salary, up to LE 700, paid by:	
– Employer	26%
– Employee	14%
On amount in excess of LE 700 of the base salary, with a maximum excess amount of LE 500 a month, paid by:	
– Employer	24%
– Employee	11%

B. DETERMINATION OF TAXABLE INCOME

Corporate income tax is based on taxable profits computed in accordance with generally accepted accounting and commercial principles, modified for tax purposes by certain statutory provisions primarily concerning depreciation, provisions, inventory valuation, inter-company transactions and expenses. Start-up and formation expenses may be capitalised and amortised in the first year.

The deductibility of a branch's share of head office overhead expenses is limited to approximately 3% to 5% (according to practice) of turnover. Head office expenses other than overhead and general administration expenses are subject to negotiation with the tax authorities. They are fully deductible if they are directly incurred by the branch and are necessary for the performance of the branch's activity in Egypt. Such expenses must be supported by original documents and approved by the head office auditors.

DEBIT INTEREST

Debit interest of loans/overdraft used in the company's activity is a deductible item after offsetting the interest income. Interest expense paid to individuals who are not subject to tax or exempted from tax is not deductible. Interest expense is limited to the interest rate which will not exceed twice the discount rate determined by the central bank of Egypt.

DEBT-TO-EQUITY RULES

The tax law has determined the maximum debt to equity ratio to be 4:1. In the event the debt exceeds such ratio, the excess interest is not accepted by the Tax Authority to be a deductible expense. The law, however, has set a transition period (five years) to allow companies that do not comply with the thin capitalisation ratio set by the law the opportunity to change their position to comply with this ratio. The following ratios are accepted by the tax authority during the transition period:

Year	Ratio
2005	8:1
2006	7:1
2007	6:1
2008	5:1
2009	4:1

INVENTORIES

Inventories are normally valued for tax purposes at the lower cost or market value. Cost is defined as purchase price plus direct and indirect production costs. Inventory reserves are not permissible deductions for tax purposes. For accounting purposes, companies may elect to use any acceptable method of inventory valuation such as first-in, first-out (FIFO) or average cost. The method should be applied consistently and the reasons for such change should be stated if the method is changed.

PROVISIONS

Provisions are not considered as deductible costs except for the following:

- 80% of loan provisions made by banks (required by the Central Bank of Egypt)
- insurance companies provision determined by Law No 10 of 1981.

BAD DEBTS

Bad debts are deductible cost if the company provides a report from an external auditor certifying the following:

- the company is maintaining regular accounting records
- the debt is related to the company's activity
- the debt should appear in the company's records
- the company should take the necessary action to collect the debt.

DEPRECIATION AND AMORTISATION ALLOWANCES

Depreciation is deductible for tax purposes and may be calculated using either the straight-line or declining-balance method. Depreciation rates are as follows:

Type of asset	Rate	Method of Depreciation
Buildings	5 %	Straight-line
Intangible assets	10%	Straight-line
Computers	50%	Declining-balance
Heavy machinery and equipment	25%	Declining-balance
Small machinery and equipment	25%	Declining-balance
Vehicles	25%	Declining-balance
Furniture	25%	Declining-balance
Other tangible assets	25%	Declining-balance

Accelerated depreciation is allowable only once at a rate of 30% on new machines and equipment in the year they are placed into service.

Normal depreciation is calculated after considering the accelerated 30% depreciation on the net value of new assets, provided that proper books of account are maintained.

Tax losses may be carried forward for five years. Losses incurred in long-term projects can be also carried back within the same project.

REAL ESTATE TAX

Egypt introduced a new tax law No 196 of 2008 with effect from 23 June 2008 to be applied with effect from 1 January 2009.

Tax Rate: 10 % of the annual rental value after excluding the following representing an assumed maintenance expenses:
- 30% of the rental value for properties used for living accommodation.
- 32% of the rental for properties used for other purposes.

C. FOREIGN TAX RELIEF

Foreign tax paid by a resident entity outside Egypt can be deducted provided there is supporting documentation. Losses generated outside Egypt cannot be offset against the taxable amount in Egypt. Treaties concluded between Egypt and other countries regulate the credit for taxes paid abroad on income subject to corporate income tax in Egypt.

D. CORPORATE GROUPS

Associated or related companies in a group are taxed separately for corporate income tax purposes. Egyptian law does not contain a concept of group assessment under which group losses may be offset against profits within a group of companies.

E. RELATED PARTY TRANSACTIONS

The Egyptian tax law contains provisions for transfer pricing. The transfer pricing provisions are based on the arm's length principle. Under these provisions, the tax authorities may adjust the income of an enterprise if its taxable income in Egypt is reduced as a result of contractual provisions that differ from those that would be agreed to by unrelated parties. However, it is now possible to enter into arrangements with the tax department to agree a transfer pricing policy in advance (Advance Pricing Arrangement). This provides assurances that transfer prices will not be challenged after the tax return is submitted, with the consequent exposure to penalties and interest on late paid taxes.

F. WITHHOLDING TAX

No withholding tax is levied on dividends distributed by resident companies, regardless of the residence status of the recipient. Interest derived by non-resident legal persons is subject to a final withholding tax at the rate of 20% on the gross amount, unless a lower treaty rate applies. Royalties derived by non-resident legal persons are subject to a final withholding tax at the rate of 20% on the gross amount, unless a lower treaty rate applies.

G. EXCHANGE CONTROL

Egypt has a free market exchange system. Exchange rates are determined by supply and demand without interference from the central bank or the Ministry of the Economy.

H. PERSONAL TAX

Income tax is imposed on the worldwide income of Egyptian residents. Non-residents are subject to tax on income earned or realised in Egypt.

An individual is deemed to be a resident of Egypt if:
- the individual is present in Egypt for more than 183 days in a fiscal year
- the individual's principal place of residence is Egypt. Article 2 of the Executive Regulations states that an individual is considered to have a permanent residence in Egypt if:
  - (a) the taxpayer stays in Egypt for the majority of the year, either in his own property, in a rented property or in any other place
  - (b) the taxpayer has a local commercial presence, professional office, industrial site or any other place where he carries on his activities in Egypt
  - (c) the individual is an employee who performs his duties abroad and receives a salary from an Egyptian public or private source.

Income tax is assessed each year on the aggregate of the net amounts from each category of income realised during the preceding year. There are four recognised categories of income, namely:
(1) employment income
(2) business income (which includes income from commercial and industrial activities)
(3) non-commercial income
(4) income from real estate assets.

Graduated rates apply with effect from 1 July 2005 to the aggregate of the four categories of income, as follows:

Income (EGP)	Rate
Up to 5,000	0%
5,001 to 20,000	10%
20,001 to 40,000	15%
Over 40,000	20%

Individuals are not subject to a tax on capital gains except in the case of the disposal of real estate or building sites within the boundaries of Egyptian cities. Such gains are not subject to income tax but are taxed at the rate of 2.5% on the value of the property.

I. TREATY WITHHOLDING TAX RATES

Dividends paid to non-residents are not subject to withholding tax under Egyptian domestic law. Consequently, the following table sets forth maximum withholding rates provided in Egypt's tax treaties for interest and royalties only.

Egypt has signed double tax treaties with Armenia, Bangladesh, Greece, Ireland, Kazakhstan, Mongolia, Norway, Oman, Senegal, Seychelles, the Slovak Republic, Spain, Sri Lanka, Tanzania, Thailand, Uganda and Vietnam but these treaties have not yet been ratified.

Tax treaty negotiations are underway with Congo, Macedonia and North Korea.

	Interest (%)	Royalties (%)
Non-Treaty Countries:	20	20
Treaty Countries:		
Albania	10	10
Algeria	5	10
Austria	15	0
Bahrain	– (1)	– (1)
Belarus	10	15
Belgium	15	15/20
Bulgaria	12.5	12.5
Canada	15	15
China	10	8
Cyprus	15	10
Czech Republic	0	10
Denmark	15	20
Finland (1)		
From Finland	0	20
From Egypt	20	20
France	20	15/20 (3)
Germany	15	15/20 (3)
Hungary	15	15
India	20	– (1)
Indonesia	15	15
Iraq:		
From Iraq	10	15
From Egypt	20	15
Italy	20	15
Japan	20	15
Jordan	15	20
Korea (South)	10/15	15
Kuwait	10	10
Lebanon	10	5
Libya	20	20

	Interest (%)	Royalties (%)
Malaysia	15	15
Malta	10	12
Morocco	20	10
Netherlands	12	12
Norway:		
From Norway	0	0
From Egypt	20	15
Pakistan	15	15
Palestine	15	15
Poland	12	12
Romania (4)	15	15
Russia	15	15
Singapore	15	15
South Africa	12	15
Sudan	20	10/3 (5)
Sweden	15	14
Switzerland	15	12.5
Syria	15	20
Tunisia	10	15
Turkey	10	10
Ukraine	12	12
United Arab Emirates	10	10
United Kingdom	15	15
United States	15	15
Yemen	10	10
Yugoslavia (6)	15	15

1 According to domestic law in each country.
2 A final draft of a new tax treaty with Finland was initialled on 17 September 1997 but the new treaty has not yet been ratified.
3 The higher rate applies to trademarks.
4 The treaty with Romania is being renegotiated.
5 Films, otherwise 10%.
6 The treaty with Yugoslavia applies to the republics that formerly comprised Yugoslavia.

EL SALVADOR

Currency: US Dollars ($) | Dial Code To: 503 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
San Salvador	Horacio A Castellanos Ch.	2273 2555 ha.castellanos@pkfelsalvador.com

A. TAXES PAYABLE

COMPANY INCOME TAX

El Salvador's income tax law affects annual revenue from business activities conducted in El Salvador when any of the causes of such revenue occur within the national territory.

Income Tax - A tax rate of 25% is applied to the net profit.

The fiscal year of companies corresponds to the calendar year.

A corporation is required to prepay its estimated tax liability on a monthly basis of 1.5% of gross revenue. This is deducted as credit in the annual income tax return. Corporate tax returns are due by the end of the fourth month following the end of the fiscal year. An extension of six months may be granted if requested for the payment only.

CAPITAL GAINS TAX
The tax involved is a 10% income tax on the net profit.

The 10% income tax is calculated on the net profit of the transaction. Net profit is calculated by deducting the cost of the property plus any related expenses from the sales price.

Income from the sale of securities is taxable as follows: the buyer will withhold 10% of the profit and remit it to the Tax Department.

BRANCH PROFITS TAX
Branches of foreign companies are subject to the same tax rates as Salvadoran companies.

SALES TAX/VALUE ADDED TAX (VAT)
Services and goods are subject to a 13% value added tax. The following items are exempt from VAT: Public health, house rentals for living, education, state titles, public water, public transportation, pension funds, and public lottery.

AD VALOREM/ SPECIFIC TAXES
Two taxes are paid for alcoholic beverages:
- Ad Valorem taxes at a 5% tax rate
- A specific tax on the alcoholic grade per litre ranging from 0.04 to 0.16 cents.

Cigarettes pay a specific tax of $0.0225 per cigarette.

LOCAL TAXES
El Salvador's income tax law affects the whole national territory equally.

OTHER TAXES
Other taxes that are applicable in their various manifestations include:

Municipal Office Taxes: Taxes are paid according to a table and total assets. There are different tables for every town in El Salvador. In San Salvador, the table varies depending if the company is industrial, commercial or other.

E

Annual Licence Tax: All industrial or commercial businesses are required to have a licence to operate. This tax is paid according to the following rates:
- From $ 2,000.00 to $ 57,150.00 pays $ 91.43
- From $ 57,151.00 to $114,286.00 pays $137.14
- From $114,287.00 to $228,572.00 pays $228.57.

If the asset is more than $228,572.00, $11.43 will be added for every $100,000.00 dollars, up to a limit of $ 11,428.57 dollars.

Social Security Tax: These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system benefits at the national level.

Pension Tax: These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the employee pension system and retirement benefits at the national level.

B. DETERMINATION OF TAXABLE INCOME

The net taxable income of a corporation or partnership is determined by subtracting all allowable deductions from gross taxable income. Generally, expenditures and/or losses are deductible provided they are incurred in gaining or producing taxable income, or preserving the source of income. Special rules apply in respect of certain expenditures.

DEPRECIATION
Depreciation is normally calculated by the straight-line method over the estimated useful life of the asset.

STOCKS/INVENTORY
The Income Tax regulations permit the use of FIFO, LIFO or average-cost method according to the normal course of operations.

The method used cannot be changed by the taxpayer without written notification to the Tax Department authorities.

DIVIDENDS
Dividends are free of taxes when the company has paid the income tax for the respective year.

INTEREST INCOME
Banks will withhold 10% income tax on interest income.

INTEREST EXPENSE
If a loan is made to a Salvadoran company by a foreign bank that was registered by the Central Bank of El Salvador before 2009, the interest expense is exempt of income tax. If the foreign bank becomes registered by the Central Bank in 2010, a 10% income tax will be withheld. If the loan is made by a foreign company or a bank that is not registered by the Central Bank, income tax will be withheld at the rate of 20%.

LOSSES
Losses incurred in any given year can be taken as a valid deduction only for the current year. There is no carry forward of losses.

SOURCE OF THE INCOME
Foreign sourced income is not subject to income tax. Only income earned in the territory of El Salvador is subject to El Salvador income tax. Interest income and gains on market values are the exception.

Foreign sourced income is not subject to VAT tax.

Income received by persons or companies domiciled outside El Salvador will be considered as being from an El Salvadoran source if it arises from services or actions that benefit persons or companies located in El Salvador, including fees, interests and royalties.

INCENTIVES
The following incentives are available to these qualifying industries and corporations:

Companies operating in a Free Zone are tax-exempt on profit derived from sales from Free Zone to foreign countries. Dividend tax is not applicable to profit derived from sales to foreign countries.

E. RELATED PARTY TRANSACTIONS

The government is entitled to determine differences between related party transactions, and a transaction done by independent parties. If a difference is detected, this would not be deductible for income tax purposes and a 25% tax would be paid on the difference.

F. WITHHOLDING TAX

Services (not in payroll) and fees paid to local individuals are subject to a 10% withholding income tax.

Services and fees paid to foreign corporations for work done in El Salvador are subject to a 20% income tax withholding rate.

Services and fees paid or accrued to non-resident individuals for work done in El Salvador are subject to income tax withholding at a 20% flat rate.

Interest, commissions, royalties or technical assistance fees paid to foreign recipients are subject to a 20% withholding tax.

H. PERSONAL TAX

a) The withholding income tax rates set out below are applicable to any individuals included in payroll for permanent service:

Taxable Monthly Income (in US Dollars)			
From	**To**	**Tax withheld**	
0.00	316.67	Exempt	
316.67	469.05	$4.77	plus 10% over $316.67
469.05	761.91	$ 4.77	plus 10% over $228.57
761.91	1,904.69	$ 60.00	plus 20% over $761.91
1,904.69	Over	$228.57	plus 30% over $1904.69

b) The income tax rates set out below are applicable to any individuals included in payroll for permanent service:

Taxable Annual Income (in US Dollars)			
From	To	Tax payable	
0.00	2,514.29	Exempt	
2,514.29	9,142.86	$57.14	plus 10% over $2,514.29
9,142.86	22,857.14	$720.00	plus 20% over $9,142.86
22,857.14	over	$3,462.86	plus 30% over $22,857.14

In no case will the Income Tax be over 25% of the taxable income.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

El Salvador has a Free Commerce Treaty with the USA.www.pkf.com

ESTONIA

Currency: Estonia Euro (EUR)

Dial Code To: 372

Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Tallinn	Rein Ruusalu	66 30 829 pkf@pkf.ee

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Estonian resident companies are liable for corporate income tax on their worldwide income. Corporate income tax is not levied when the company makes profits but when those profits are distributed to the company's shareholders. The rate is 21% on the gross profits distributed, or 21/79 on the net amount of the dividend distributed to the shareholders. Although the tax applies like a withholding tax on the recipient of the dividend it is, strictly speaking, a tax on the company.

The taxable period is the calendar month.

CAPITAL GAINS TAX

There is no separate capital gains tax in Estonia. Gains derived by resident companies or branches of foreign companies are exempt until a distribution is made.

BRANCH PROFITS TAX

There is no specific branch profits tax in Estonia. Branches of foreign companies are taxed under the same principles as resident companies, i.e. taxed on the distribution of profits.

VALUE ADDED TAX (VAT)

The supply of most goods and services is subject to VAT. Some goods and services are exempt from VAT. The standard VAT rate is 20%. A lower rate of 9% applies to certain items such as books, medicinal products etc. Exports from Estonia are zero rated.

FRINGE BENEFITS TAX

Fringe benefits are taxed as income. With effect from 1 January 2008, 21% income tax is levied on the gross value of the benefit plus 33% social security contribution.

LOCAL TAXES

Local government has the right to impose local taxes but presently only a few municipalities do so.

B. DETERMINATION OF TAXABLE INCOME

As the income of Estonian-resident companies is exempt from tax, there is no requirement for determining trading income for tax purposes. Tax is levied on the payment of dividends and distributions of profit in other forms such as fringe benefits, gifts and other non-business related payments.

C. FOREIGN TAX RELIEF

Under Estonia's double tax treaties, foreign tax is mostly relieved by exemption.

D. CORPORATE GROUPS

Corporations are taxed separately in Estonia. There is no concept of consolidated tax returns.

E. RELATED PARTY TRANSACTIONS

Related party transactions may be adjusted for tax purposes if the transactions are not at arm's length.

F. WITHHOLDING TAX

Withholding taxes must be deducted from interest, royalties and dividends paid to non-resident corporate shareholders (see table below).

Withholding tax applies to the interest payments only if the interest rate is over the market rate and only to the proportion above the market rate.

G. EXCHANGE CONTROL

There are no exchange controls in Estonia.

H. PERSONAL TAX

There is one income tax rate – 21% - and it applies to most income over the annual tax-free threshold of EUR 1,728. Employers are obliged to withhold income tax from employees' salaries. In addition, the following social security rates apply:
- social security tax 33% of gross salary
- unemployment insurance:
  - employer 1.4% of gross salary
  - employee 2.8% of gross salary.

Dividends received from resident companies and interest received from EU credit institutions are tax free.

E

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES (STARTING FROM 1 JANUARY 2011)

There is no withholding tax on dividends in Estonia.

	Interest (%)	Royalties (%)	
	1	2	3
	1	2	3
Non-Treaty Countries:	21	10	10
Treaty Countries:			
Armenia	10	10	10
Azerbaijan	10	10	10
Austria	10	5	10
Belarus	10	10	10
Belgium	10	5	10
Bulgaria	5	5	5
Canada	10	10	10
China	10	10	10
Croatia	10	10	10
Czech Republic	10	10	10
Denmark	10	5	10
Finland	10	5	10
France	10	5	10
Georgia	10	10	10
Germany	10	5	10
Greece	10	5	10
Hungary	10	5	10

	Interest (%)	Royalties (%)	
	1	2	3
Iceland	10	5	10
Ireland	10	5	10
Isle of Man	0	0	0
Israel	5	0	0
Italy	10	5	10
Kazakhstan	10	15	15
Korea	10	5	10
Latvia	10	5	10
Lithuania	10	10	10
Luxembourg	10	5	10
Macedonia	5	5	5
Malta	10	10	10
Moldova	10	10	10
Netherlands	10	5	10
Norway	10	5	10
Poland	10	10	10
Portugal	10	10	10
Romania	10	10	10
Serbia	10	5 (4)	10
Singapore	10	7.5	7.5
Slovak Republic	10	10	10
Slovenia	10	10	10
Spain	10	5	10
Sweden	10	5	10
Switzerland	10	5	10
Turkey	10	5	10
Ukraine	10	10	10
United Kingdom	10	5	10
United States	10	5	10

1 Withholding tax applies to the interest payments only if the interest rate is over the market rate and only to the proportion above the market rate.
2 Generally, rate applicable to royalties for equipment rental (but see additional notes below).
3 Royalties other than in note 2 above.
4 Rate applicable to copyright royalties.

FIJI

Currency: Fiji Dollar | Dial Code To: 679 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Suva	Pradeep Patel	331 4300/ 331 4617 ppatel@pkf.com.fj

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX

Company tax is payable by Fiji resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay the tax on income sourced in Fiji.

Resident companies are those that are incorporated in Fiji or carry on business in Fiji and have either practical management and control in Fiji or voting power controlled by shareholders who are Fiji residents.

The resident company tax rate is 28% for all companies. The tax year usually runs from 1 January to 31 December although alternative fiscal years are permitted.

A company is required to make three advance payments of tax (each of 33.33% of the estimated tax payable), the first being made no later than the end of its financial year; the second payment being made within three months of the end of the financial year; and the third payment being made within seven months of the end of the financial year or within one month from the date of the issue of notice of assessment whichever is earlier.

CAPITAL GAINS TAX
It has been formally announced that CGT at the rate of 10% will be introduced from 1 February 2011. However, where a capital asset was bought for the sole purpose of resale or as part of a profit-making scheme, any profits or gains are included with other taxable company income, and subject to income tax at corporate tax rate.

BRANCH PROFITS TAX
Where a branch of a foreign company operates in Fiji, the profits of the branch are subject to Fiji corporate tax at the following rates:

Non-resident shipping companies	2%
Other non-resident companies carrying on business in Fiji (e.g. branch profits)	28%

SALES TAX/VALUE ADDED TAX (VAT)
There is no sales tax in Fiji although there is excise duty payable by manufacturers on sale of certain products such as alcohol, tobacco and carbonated drinks. VAT is charged at a rate of 12.5% (15% effective from 1 January 2011) on most goods and services in Fiji, the exceptions being certain exempt items such as financial services, residential dwellings, educational services, certain zero rated items such as goods and services exported and certain basic food items.

HOTEL TURNOVER TAX
Hotel turnover tax at the rate of 5% is applicable on hotel turnover.

FRINGE BENEFITS TAX
There is no tax payable by the company on fringe benefits. Instead, any benefits provided to employee, such as housing, vehicle, utilities, personal insurance, and other employment benefits, are included in their personal income and are subject to tax.

STAMP DUTY
Stamp duty is imposed on transfer of shares, transfer of properties, agreements, mortgages, partnership agreements, short term insurance policies, etc.

OTHER TAXES
These include import customs duty, import excise duty and excise duty on certain manufactured products (alcohol, tobacco).

B. DETERMINATION OF TAXABLE INCOME

Taxable income of a company is determined by ascertaining assessable income less allowable deductions. Generally, expenditure and/or losses are deductible provided they are incurred in gaining or producing assessable income. Items of a capital or domestic nature are non-deductible.

DEPRECIATION
Assets acquired on or after 1 January 1998 are subject to broad banded depreciation rates from 2.5% to 50%. The effective life of the asset, which is determined by the Commissioner of Inland Revenue, is used to determine the depreciation rate. A loading of 20% can be applied to the broad banded rates. Furthermore, increased depreciation rates are now available for buildings and computer hardware and software. New buildings constructed before 31 December 2012 and new plant and machineries for manufacturing purposes may also qualify for accelerated depreciation allowance at the rate of 20%.

STOCKS/INVENTORY
Trading stock on hand at the beginning and the end of each income year must be taken into account in determining assessable income. The closing value adopted becomes the opening value at the beginning of the following year. The taxpayer has the option to value stock at cost or the lower of cost or market values. Valuation methods include FIFO and average cost.

INTEREST DEDUCTIONS
Interest is deductible where it is incurred in gaining or producing assessable income.

TAX LOSSES
Tax losses may be carried forward for eight years provided there is at least 51% continuity of ownership or no substantial change in the nature of the business. Loss carry-back and inter-group company transfer is not permitted.

FOREIGN SOURCED INCOME
Resident corporations are taxed on their worldwide income. Income derived from a treaty country is taxed in Fiji, subject to treaty provisions.

INCENTIVES
Specific deductions and concessions are available for certain industries and business sectors such as mining, hotel and tourism related industry, film making and audio-visual industry, ICT industry, manufacturing, fisheries, agriculture, food processing and forestry.

Income tax exemption is available to certain small and micro enterprises with turnover less than $300,000.

Generous income tax and other incentives, which includes income tax exemption for 10 to 20 years, special depreciation allowance and duty concessions, are available to approved major hotel developments.

An accelerated write-off at the rate of 20% on construction of new buildings and new plant and machineries is available until 31 December 2012 subject to certain requirements.

A 40% investment allowance is available in respect of qualifying investments in agricultural, information technology and rural manufacturing businesses.

Generous income tax and other incentives, including a tax holiday period, are available for the ICT industry. Furthermore, an attractive tax incentive package is available for qualifying industries established on the island of Vanua Levu and other remote islands.

Profits from qualifying exports are eligible for certain exemptions from income tax.

C. FOREIGN TAX RELIEF

A credit is allowed for tax paid in another country on the foreign income, limited to the lesser of the Fiji or overseas tax payable on such income.

D. CORPORATE GROUPS

Group taxation is not permitted.

E. RELATED PARTY TRANSACTIONS

All related party transactions are required to be undertaken on an arm's-length (market) consideration. Fiji has specific transfer pricing provisions and anti-avoidance provisions within the Income Tax Act.

F. WITHHOLDING TAX

Non-resident withholding tax is deducted from interest, dividends, management fees, know-how fees, royalties etc paid to non-residents. Withholding tax is levied subject to tax treaty provisions.

Dividend withholding tax is not payable to the extent such dividend is paid out of tax-paid company profits.

G. EXCHANGE CONTROL

Overseas remittances in and out of Fiji including repatriation of capital and remittance of profits, dividends, interest, loan repayments, etc, generally require prior approval of the Reserve Bank of Fiji. Currently, there are certain restrictions on repatriation of capital and remittance of profits and dividends. Non-resident controlled entities are subject to certain borrowing restrictions.

H. PERSONAL TAX

Income tax is payable by Fiji residents on their worldwide income. Non-resident individuals pay tax on Fiji-sourced income only. Residence is determined with reference to domicile, place of fixed abode and length of time in Fiji.

Income tax is payable on assessable income less allowable deductions. Assessable income includes employment income, business income, rents, interest and dividends.

Deductions are allowable for expenditure incurred in earning assessable income (self-employed income/business profits) with limited deductions against employment income. Also limited personal allowances are available.

Employment-related earnings have tax deductions at source. Self-employed individuals and those with non-salary/wage income are required to pay provisional tax in three instalments based on the previous year's tax liability.

The individual tax rates for the year ending 31 December 2010 and 2011 are as follows:

Resident individuals Chargeable income ($)	Tax payable
0 – 15,000	Nil
15,001 to 15,600	25% of excess over $15,000
15,601 and above	$150 + 31% of excess over $15,600

Non-resident individuals Chargeable income ($)	Tax payable
Up to 9,000	20%
9,000 to 10,000	$1,800 + 25% of excess over $9,000
10,001 to 20,000	$2,050 + 30% of excess over $10,000
20,001 and above	$5,050 + 31% of excess over $20,000

I. TREATY AND NON-TREATY WITHHOLDING TAXES

	Dividends (%)	Interest (%)	Royalties (%)	Know-how, management charges and others (%)
Non resident corporations and individuals:				
Non-Treaty Countries:	15	10	15	15
Treaty Countries:				
Australia	20	10	15	15
Japan	15	10	15	15
Korea, Republic of	10-15	10	10	15
Malaysia	15	15	15	15
New Zealand	15	10	15	15
Papua New Guinea	17	10	15	15
United Kingdom	15	10	15	15

Dividend withholding tax is not payable to the extent that such dividend is paid out of tax-paid company profits.

Withholding tax is levied subject to tax treaty provision.

FINLAND

Currency: Euro (EUR) Dial Code To: 358 Dial Code Out: 990

Please email Oliver Grosse-Brauckmann, PKF International EMEI Director at oliver.grosse-brauckmann@pkf.com for details of Finnish tax contacts.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Finnish resident companies are liable to corporate income tax on their worldwide income. Non-resident companies are taxed on their Finnish-sourced income only.

Corporate residence is not defined in the tax legislation but residency is usually associated with registration.

Corporate income tax rate is 26% of the taxable income. The tax year consists of the financial period (or periods) that end during the calendar year. The final tax assessment for the tax year is determined based on the tax return. Corporate bodies must file the tax return within four months of the end of their accounting period. Tax returns are processed within ten months of the end of the accounting period.

CAPITAL GAINS TAX
Capital gains are normally taxed as ordinary income. Where shares or land have been held for business purposes, the disposal is subject to normal income tax. In specific circumstances, capital gains from the disposal of shares of a subsidiary are tax exempt. The shares need to be owned for at least one year prior to disposal and the seller has to have owned at least 10% of the company whose shares are being disposed of.

BRANCH PROFITS TAX
There is no specific branch profits tax in Finland. The taxable income for branches of foreign companies in Finland is calculated on the same basis as for Finnish resident companies.

SALES TAX/VALUE ADDED TAX (VAT)
VAT is paid on the sale of goods and services, on the importation of goods, on intra-community acquisitions, and on the removal of the goods from a fiscal warehousing arrangement when the removal takes place in Finland. In principle, all sales of goods and services are subject to VAT. However, there are some supplies of goods and services which are exempt under the conditions defined in the VAT Act.

The general VAT rate is 23%. Other applicable rates are as follows:

- 13% for individuals' food and animal feed
- 9% for medicines, books, cultural events, passenger transportation, hotel accommodation and other services
- exports outside the European Union are zero rated.

FRINGE BENEFITS TAX (FBT)
There is no specific fringe benefits tax in Finland. However, the employer has a legal responsibility to withhold income taxes and social security contributions from salaries and benefits paid to their employees.

LOCAL TAXES
Basically, there are no local taxes imposed on companies. However, municipal real estate tax is levied on properties owned by companies. It is normally 0.32% to 0.75% of the taxation value of the immovable property, depending on the municipality where the property is situated, and is deductible, up to certain limits, for income tax purposes.

OTHER TAXES
Employers must make social security contributions to cover the costs of health insurance at the rate of 2.23% on gross remuneration paid to employees between 16 and 67 years of age. Pension insurance contributions are also payable at 16.9% (on average), unemployment contributions (0.75% on the first EUR 1,846,500 and 2.95% on the excess) and accidental injury insurance contribution of approximately 1.07% of annual gross wages and salaries.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined based on financial accounting income adjusted for non-taxable and non-deductible items. In practice, the determination of taxable income is closely connected to the determination of net income for financial statement purposes. Generally, all expenses incurred in acquiring or maintaining business income are deductible. One exception is entertainment expenses of which only 50% are deductible.

DEPRECIATION
Buildings and other constructions are depreciated by using the declining balance method. Depreciation for each building is calculated separately, with the maximum percentage varying from 4% to 20%, depending on the type of the construction. Depreciation of machinery and equipment is calculated using the declining balance method with a maximum rate of 30%.

Patents and other intangible rights, such as goodwill, are amortised on a straight-line basis for ten years for tax purposes, unless the taxpayer demonstrates that the asset has a shorter useful life.

Assets with a useful life of less than three years may be written off using the free depreciation method, i.e. deduct up to 100% of the costs of assets in a single tax year.

STOCK/INVENTORY
In principle, the acquisition costs of inventories are deducted when assets are sold, consumed or lost. Inventories on hand at the end of the tax year are valued at an amount not exceeding the lower of acquisition cost or market value. Acquisition cost is calculated on a FIFO basis. Certain overhead costs can be included in the acquisition cost of products.

CAPITAL GAINS AND LOSSES
As discussed above, capital gains are usually taxable as ordinary income.

DIVIDENDS
70% of dividends between a quoted Finnish company and a resident private individual are counted as taxable capital income for the beneficiary.

Dividends distributed by non-quoted companies representing a yield of less than 9% of the mathematical value of the shares are exempt from tax up to EUR 90,000 per private individual shareholder per year.

Where the yield exceeds 9% of the net value, 70% of the dividend will be taxed as earned income for the beneficiary with the remaining 30% treated as exempt. Similarly, where the dividend exceeds the EUR 90,000 threshold but is below the 9% yield, 70% of the dividend is taxable and 30% is exempt.

When dividends are paid to a non-resident, a withholding tax rate of 28% is applied unless a lower treaty rate applies.

Inter-company dividends are tax exempt in most cases.

Tax agreements may entitle non-residents either to benefit from a lower withholding tax rate or to receive an imputation credit. Dividends are exempt from withholding tax when paid to a company resident in a European Union country if the company pays national corporate tax and holds at least 10% of the share capital in the distributing company. Tax exemption does not apply if the recipient is entitled to imputation credit.

INTEREST DEDUCTIONS
Normally, interest on loans obtained for business purposes are deductible in full on an accruals basis. Interest paid by a company to its shareholders at a higher rate than is customary may be partially disallowed and treated as a deemed dividend distribution.

LOSSES
Losses may be carried forward and set off in the subsequent ten tax years. If more than 50% of the shares of the company are sold during a loss year or thereafter, losses from previous years cannot usually be deducted. The buyer of the shares can apply for exception to this rule from the tax office.

FOREIGN SOURCED INCOME
If a foreign company falls under the Finnish controlled foreign company (CFC) legislation, then the foreign company's undistributed profits can be allocated to the taxable income of a Finnish shareholder. The preconditions for the application of the CFC legislation are as follows:
- one or more Finnish resident shareholders directly or indirectly own at least 50% of the capital or of the voting rights in the CFC or they are entitled to at least 50% of the yield of the net wealth of the CFC
- the Finnish resident shareholder owns, directly or indirectly, at least 25% of the CFC
- the effective tax rate of the CFC in its country of residence is less than three-fifths of the tax of an equivalent company resident in Finland (currently 15.6%).

INCENTIVES
Major incentives are available on equal terms to Finnish and foreign enterprises for investment in areas that need development (e.g. investment grants and start-up subsidies).

Free depreciation is available for some types of investments in certain districts within the development areas.

C. FOREIGN TAX RELIEF

Under tax treaties, foreign tax is most frequently relieved by an exemption or by a tax credit. If a tax treaty does not apply, Finnish domestic law grants a credit for foreign tax paid. The credit is granted only if the foreign tax is final.

From 2010, a requirement to calculate available credits on a source country-by-country basis was removed and the ability to carry forward unused credits was extended from one year to five years.

D. CORPORATE GROUPS

Corporations are taxed separately in Finland. There is no concept of consolidated tax returns. However, it is possible to make group contributions if the parent company owns at least 90% of the subsidiary during the whole financial year. The payments will be tax deductible to the payer and taxable on the recipient.

E. RELATED PARTY TRANSACTIONS

Related party transactions are generally accepted if they are at arm's length. Arm's length pricing applies to transactions of all types including the purchasing of inventory and the provision of services and financial facilities.

Documentation requirements apply to foreign-owned subsidiaries and branches in Finland and Finnish Groups with more than 250 employees and an annual turnover of above EUR 50m or a balance sheet of more than EUR 43m.

F. WITHHOLDING TAX

Withholding tax is not imposed on dividends paid to resident companies. Dividends paid to non-resident companies are generally subject to a final withholding tax of 28% which may be reduced or eliminated under tax treaties. Non-resident shareholders are not entitled to an imputation credit unless a tax treaty provides otherwise. Interest paid to resident companies is not subject to withholding tax. Interest paid to non-residents is generally exempt from tax.

Withholding tax is not imposed on royalties paid to resident companies. Royalties paid to non-resident companies are generally subject to a final withholding tax of 28% which may be reduced or eliminated under a tax treaty. Royalties are, in certain cases, exempted from withholding tax when paid to a company resident in a European Union country.

In certain circumstances, tax must be withheld on payments for work carried on by non-residents.

G. EXCHANGE CONTROL

In principle, there is no exchange control in Finland.

H. PERSONAL TAX

Finnish resident individuals are subject to tax in respect of their worldwide income. Non-residents are taxed on their income derived from Finland. Wages of seconded employees will be subject to Finnish income tax if these employees have arrived from certain countries and stay in Finland for a period of time not exceeding six months. Furthermore, seconded employees' wages will be subject to Finnish income tax if the employees have arrived from a country that does not have a tax treaty with Finland. Wage income will be subject to income tax from the first day onwards, regardless of length of stay.

The tax year for individuals is the calendar year. Married persons are taxed separately both on earned income and investment income. Interest and insurance deductions are dependent, in certain circumstances, on the marital status of the taxpayer. In general, married persons will have their own deductions.

Individuals are entitled to deduct from their investment income and earned income all expenses incurred in acquiring and maintaining such income. Individuals have a right to deduct interest expenses from investment income.

Interest expenses are deductible if the debt is related to the acquisition of taxable income or the acquisition or repair of the taxpayer's or his family's permanent dwelling.

An individual is deemed to be a resident in Finland if he has his main place of abode in Finland or if he is continuously present in Finland for a period of more than six months. A presence is deemed continuous irrespective of temporary absence.

Finnish nationals are, in addition, subject to the three-year rule. According to this rule, a Finnish national is considered to remain resident in Finland for three years after the end of the year in which he left the country, unless he shows that he has not maintained essential ties in Finland during the tax years concerned. However, under the terms of tax treaties, the three-year rule may be negated if the individual is deemed resident in another country.

An individual is taxed separately on earned income and on investment income. Earned income is subject to national income tax, municipal income tax and church tax. Earned income includes salaries, wages and benefits in kind. Investment income includes dividend income, capital gains, certain interest income and income from rental activities.

Finland imposes both inheritance and gift tax. The minimum taxable amount for inheritance taxation is EUR 20,000 and for gift tax EUR 4,000. Tax rates for both inheritance and gift tax will vary from 7% to 32%, depending on who is the receiver of the inheritance or gift.

Wages and salaries paid by an employer are subject to a withholding tax. The amount withheld is based on the amount of wages or salary as well as on the individual circumstances of the employee.

The national income tax rates in 2010 for the earned income are as follows:

Taxable income (EUR)	Tax on lower amount (EUR)	Rate on excess (%)
15,200 – 22,600	8	6.5
22,601 – 36,800	489	17.5
36,801 – 66,400	2,974	21.5
66,401 and over	9,338	30.0

National tax on investment income is a proportional tax of 28%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividend (1) (%)	(2) (%)	Interest (3) (%)	Royalties (%)
Non-Treaty Countries:	28	28		28
Treaty Countries:				
Argentina	15	10	15	15
Armenia	15	5	5	5/10
Australia	15	5	10	5
Austria	10	0		5
Azerbaijan	10	5	10	5
Barbados	15	5	5	5
Belarus	15	5	5	5
Belgium	15	0	10	5
Bosnia-Herzegovina	15	5	25	10
Brazil	10	10	15	15
Bulgaria	10	0	0	5
Canada	15	5	10	10
China	10	5	10	10
Croatia	15	5	0	10
Czech Republic	15	0	0	10
Denmark	15	0	0	0
Egypt	10	10	15	25
Estonia	15	0/5	10	10
Faroe Islands	15	0	10	0
France	0	0	0	0
Georgia	10	0/5	0	0
Germany	15	0	0	5
Greece	13	13	10	10
Hungary	15	5	0	5
Iceland	15	0	10	0
India	10	10	10	10

	Dividend (1) (%)	(2) (%)	Interest (3) (%)	Royalties (%)
Indonesia	15	10	10	15
Ireland	0	0	0	0
Israel	15	5	10	10
Italy	15	0	15	5
Japan	15	10	10	10
Kazakhstan	15	5	10	10
Korea, Republic of	15	10	10	10
Kyrgyzstan	15	5	10	5
Latvia	15	5	10	10
Lithuania	15	5	10	10
Luxembourg	15	5	0	5
Macedonia	15	0	10	0
Malaysia	15	5	15	5
Malta	15	5	0	0
Mexico	0	0	10/15	10
Moldova	15	5	5	3/7
Morocco	15	15	10	10
New Zealand	15	15	10	10
Norway	15	0	0	0
Pakistan	20	12/15	15	10
Poland	15	5	5	5
Romania	5	0	5	5
Russia	12	5	0	0
Serbia	15	5	0	10
Singapore	10	5	5	5
Slovenia	15	5	5	5
South Africa	15	5	0	0
Spain	15	0	10	5
Sri Lanka	15	15	10	10
Sweden	15	0	0	0
Switzerland	10	0	0	0
Tanzania	20	20	15	20
Thailand	28	20	10/25	15
Turkey	20	15	15	10
Ukraine	15	5	5/10	10
United Kingdom	0	0	0	0
United States	15	5	0	5
United Arab Emirates	0	0	0	0
Uzbekistan	15	5	5	10
Vietnam	15	10/5	10	10
Zambia	15	5	15	15

1 Tax at source on dividend.
2 The recipient is a company whose share in the company making the payment is at least the percentage indicated in the tax treaty. In some cases, the holding refers to share capital and in others to voting power. The relevant tax treaty should be checked to determine the exact requirements.
3 According to the domestic tax law, interest paid to a non-resident is usually exempt from taxation in Finland.

FRANCE

Currency: Euro (EUR)	Dial Code To: 33	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Paris	Georges Civalleri	1 48 88 57 57 g.civalleri@armand-associes.com
Lyon	Christian Laurain	laurain@pkf.fr 4 72 53 25 50
Strasbourg	Jean-Jacques Helle	helle@pkf.fr 3 90 40 17 17
Marseille	Guy Castinel	castinel@pkfaudit.fr 4 91 03 66 11

At the publication date of the Worldwide Tax Guide 2011, the French parliament was examining the financial law project for 2011. Consequently, the WWTG does not take into account measures not entered into effect. The most important measures related to corporate income tax are likely to be:

- Anti-abuse rules concerning:
  - the application of the parent-subsidiary favourable tax regime in respect of reorganisations and consolidated tax groups
  - extension of the thin capitalization rules to interest paid in consideration of a loan where the loan is being guaranteed by an affiliated company
  - implementation of a deferral system for capital gains realised on the transfer of a controlling interest between affiliated companies.
- Amendments to the tax credits available on foreign dividends
- Amendment of the rules relating to research tax credits
- Amendment of the taxation regime applicable to “patent royalties”
- Increase in the rate of tax charged on stock option from 40% to 41%
- Amendment of the rules applicable to partnerships
- Adjustment of the rules relating to the Territorial Economic Contribution.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies are subject to French corporate tax on profits of any business carried on in France. A company is said to be carrying on a business in France if it has a permanent establishment, a dependent agent or a ‘complete commercial cycle’ in France. The fiscal year usually ends on 31 December although each company can choose its fiscal year end. The company tax rate is currently 33.33 %.

There is a special lower rate of 15% for SMEs (turnover under EUR 7,630,000 and at least 75% owned by individuals). The first EUR 38,120 is taxed at the lower amount and the rest is taxed at 33.33 %.

Companies whose turnover exceeds EUR 7,630,000 also have to pay 3.3% social security contributions.

Tax is payable in four instalments, the due dates being respectively 15 March, 15 June, 15 September and 15 December for accounting years ending 31 December. The balance must be paid by the 15th of the fourth month after the accounting year end. Instalments amount to 8.33% of the fiscal profits of the last complete accounting period.

IFA (minimum tax liability a corporation has to pay even if it does not generate profits) has been abolished as of 1 January 2011 except with respect to companies having a turnover higher than EUR 15,000,000. For such companies, the IFA ranges from EUR 20,500 (payable by those with turnover between EUR 15,000,000 and EUR 75,000,000) to EUR 110,000 (payable by those with turnover higher than EUR 500,000,000). IFA is deductible from the taxable result of the company. Payment is due on 15 March in respect of the previous year.

CAPITAL GAINS TAX

Capital gains are generally deemed to be ordinary income. As from 2007, no tax is due on gains relating to participation shares. Under the participation exemption, 95% of the gains derived from the disposal of qualifying shares are exempt from tax. The remaining 5% is taxed in the normal manner. Shares qualifying for the participation exemption are those where:

- the parent has held at least 5% of the subsidiary's capital for at least two years; or
- no minimum participation is required when the parent controls the subsidiary and the shares have a base cost of at least EUR 22.8m.

In addition, proceeds from the licensing of patents, patentable inventions and associated manufacturing processes qualify, subject to certain conditions, for a reduced capital gains rate of 15% although they constitute royalty income in the strictest sense. From 26 September 2007, the reduced rate also applies to the disposal of such patents, except between related companies. Such disposals are classed as producing 'long term' gains or losses.

A net long-term loss can generally only be carried forward to offset long term capital gains arising in the following ten years.

For transfers realised in fiscal years on or after 1 January 2011, capital gains on shares held in subsidiaries established in a non co-operative state or territory will not benefit from the long term gains regime or the participation exemption and will be taxed at the standard corporate rate. Moreover, it will only be possible to offset the capital losses sustained on such securities against capital gains of the same type and not against profits taxed at the standard corporate rate.

BRANCH PROFITS TAX

There are four bases of assessment.

(1) The normal system which is territorial and applies to each company individually. Foreign branch profits are exempt from corporate tax. French branches of foreign companies will generally only be taxed in France on French-sourced income.
(2) The integrated basis (95% owned subsidiary taxation).
(3) The consolidated basis (50% owned subsidiary taxation).
(4) The worldwide income basis (subsidiaries excluded).

The latter two systems can be adopted only with the consent of the French Government and have been used very rarely.

F

SALES TAX/VALUE ADDED TAX (VAT)

In general, all economic activities conducted in France are subject to VAT (sales of goods, supplies of services and intra-community acquisitions).

The 19.6% rate applies to all operations other than those that are expressly exempt or subject to the reduced rate (5.5%) or to the special rate (2.1%).

The taxpayer is liable for VAT on sales but may offset against this amount any VAT included in the purchase of goods, equipment and services.

VAT returns must be remitted monthly, except for small enterprises subject to the 'official estimation rules'. They produce an annual return or, if subject to the 'simplified tax basis', they only produce a quarterly return.

Specific rules are applicable with respect to real estate and have been subject to an amendment at the beginning of 2010.

FRINGE BENEFITS TAX (FBT)

Goods and services provided to employees are considered as salaries paid in kind, liable to social contributions and income tax.

LOCAL TAXES

Various taxes are levied by the Government for the benefit of the local government agencies. The three most important are as follows.

LAND TAX

This is based on 50% of the rental value of real estate owned by the taxpayer.

TERRITORIAL ECONOMIC CONTRIBUTION (HEREAFTER CET)

The CET tax has replaced the License business tax as of 1 January 2010. It consists of two separate contributions which apply in combination:

Corporate Real Estate Contribution (CFE): The CFE is based on the rental value of real estate assets, excluding capital assets and furniture, available to the tax payer for the purposes of its business activity.

Contribution on corporate added value (CVAE): The CVAE is based on turnover, increased by certain income and deductible charges.

RESIDENTIAL TAX
This is a tax on the occupation of property based on the rental value of the property reduced by an allowance for the number of dependants of the occupant.

OTHER TAXES
These include the following minor and indirect taxes:

SALARY TAX
Tax rates vary from 4.25% to 13.6% based on the level of remuneration paid to employees. This tax is payable by companies which are not subject to VAT on at least 90% of their turnover.

APPRENTICESHIP TAX
Payable at the rate of 0.5 % on total annual gross wages and salaries (for companies having more than 250 employees, the rate is 0.6%).

EMPLOYERS' TRAINING TAX
All employers with between 10 and 20 employees pay a contribution of 1.05% of total annual wages and salaries as an investment into vocational training programmes. The rate is 1.60% where there are more than 20 employees. The rate is reduced to 0.55% where there are fewer than ten employees.

CONSTRUCTION PARTICIPATION TAX
All employers with ten employees or more must pay a minimum of 0.45% of total gross wages and salaries for the construction of social dwellings.

COMPANY CAR TAX
Companies pay a tax based on the number of cars registered in France which they own, rent for more than one month or are used by their employees for their professional needs and who drive more than 15,000 km per year. Non-polluting vehicles are exempt from this tax.

ORGANIC TAX
This is 0.16% of the annual turnover.

RATES OF STAMP OR TRANSFER DUTIES
As from 6 August 2008, the rate of transfer duties on the selling of shares is set at 3%. The rate is however capped to EUR 5,000 for transfer of corporation shares such as SAS, SA.

For the transfer of shares other than corporation and real estate company shares, the tax base is reduced by EUR 23,000. The rate of transfer duties payable on a transfer of an on-going business is 3% where the transfer price is between EUR 23,000 and EUR 200,000 and 5% where the transfer price exceeds EUR 200,000.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of the accounting results. When a tax rule diverges from an accounting principle, adjustments are made to the accounting results.

Business profits are defined as gross trading profits less manufacturing, administrative and selling expenses. All expenses incurred in the conduct of business are deductible if they are directly related to achieving the corporate purpose of the French corporation. Some items such as company car tax are non-deductible. Some items such as the organic tax are deductible in the year they are paid. Special rules apply in respect of the categories listed below.

Income from receivables, royalties and payments for services provided by private individuals and legal entities established or domiciled in a non co-operative state or territory are only deductible if:
- the debtor provides proof of the transactions
- the transactions are not abnormal or exaggerated and
- with effect from 1 January 2011, the transaction has a bona fide commercial purpose.

The payer company will be required to submit a detailed statement of these expenditures with its tax returns.

DEPRECIATION
Fixed assets are generally written off over their normal useful life. The straight-line method is the most commonly used. Companies can choose the declining-balance method to compute depreciation although certain assets are excluded from this. Assets acquired for a cost of less than EUR 500 excluding VAT can be totally written off in the first year.

The cost of cars exceeding EUR 18,300 (EUR 9,900 for the most polluting cars) cannot be depreciated (i.e. only the amount up to EUR 18,300/9,900 is eligible for tax depreciation allowances). Other items can be written off at specified rates, depending on their effective life and their date of purchase. A company can elect not to take all the depreciation to which it is entitled if it so wishes but the depreciation claimed on its assets in total must be at least equal to the depreciation that would have been claimed on the same assets on a straight-line basis.

STOCK/INVENTORY

Stock may be valued at each year end at cost price, market selling value or replacement cost. On the balance sheet, inventories must be shown at cost price. If market value is lower, a reserve for depreciation of inventories must be disclosed separately as a deduction from cost.

Cost is defined as the actual purchase price or actual production cost (excluding financial charges) or, if lower, the price at which the goods may be sold. FIFO or the average cost method must be applied. LIFO is prohibited.

CAPITAL GAINS AND LOSSES

See ‘Capital gains tax’ above.

DIVIDENDS

Only 5% of the value of dividends received by a French parent company from its French or foreign subsidiaries are taxed (including the foreign tax credit), if the parent-subsidiary regime applies. To qualify for this treatment, the parent must have held 5% of the subsidiary’s capital for at least two years.

For fiscal years commencing on or after 1 January 2011, dividends from companies established in non cooperative countries or territories, will be excluded from the parent-subsidiary regime.

INTEREST DEDUCTIONS

As from 1 January 2007, interest paid to related entities is tax deductible, subject to the following limitations:

- the interest rate does not exceed the average rate of interest on bonds issued by private French companies or if higher, the rate that would be offered by non-related banks on similar terms and conditions;
- interest paid must not exceed the higher of the following three limits:
  - the average amount of related parties loans must not exceed 1.5 times the net equity of the borrowing entity
  - interest paid on related parties loans must not exceed 25% of the borrowing entity’s net income before tax, after adding back depreciation deductions and the interest on such related parties’ debt
  - interest paid on related party loans does not exceed the interest received by the borrowing entity on loans it has itself made to related parties.

The portion of the interest which exceeds the higher of the above three limits is not deductible from that year’s taxable results (except if it does not exceed EUR 150,000) but may be carried forward subject to a 5% discount for each year.

LOSSES

With effect from 1 January 2004, losses can be carried forward indefinitely, unless the company has changed its effective business activity or merged. A net long-term loss can generally only be carried forward to offset long-term capital gains arising in the following ten years.

Losses can be carried back against the undistributed taxable income of the three preceding years. The corporation tax paid in the preceding years is not immediately repaid to the company when this option is exercised but the company becomes entitled to a tax credit. It can be used to pay its corporation tax liabilities arising in the following five years. If the credit is not used during the five years, the tax is repaid by the Administration.

FOREIGN SOURCED INCOME

Profits earned by subsidiaries not established in an EU country and paying a low rate of tax are presumed to have been earned in France and are subject to corporate tax in France, if more than 50% of the shares are owned by the parent company. A tax credit is given for the corporate tax paid in the country where the subsidiary is established.

From 1 January 2010, withholding tax suffered on dividends, interest and royalties from such subsidiaries is only creditable if the subsidiary is resident in a territory that has signed a tax treaty with France and that is not on the list of non cooperative states or territories.

If the subsidiary is established or set up in a non cooperative state or territory the French parent must either:

(i) demonstrate that the profits of the subsidiary are generated from an effective industrial or commercial activity and do not exceed the ratios for passive income and intra-group services, or

(ii) provide to the tax authorities all the documents necessary for it to evaluate the activity performed and the ratios as well as to substantiate that the transactions of the subsidiary have a primary purpose other than to divert profits into that country.

INCENTIVES

Fittings for treating polluted water or air or anti-noise pollution equipment can be fully written off in the first 12 months.

In certain privileged 'priority zones', companies created to carry out new industrial, commercial or even, under certain terms, non-commercial activities are exempt from corporation tax during the first two years of their operation. They are also exempt from tax on 75%, 50% and 25% of their profits for the next three years respectively. The exemptions also apply to local business taxes, reduced transfer taxes and accelerated depreciation.

Various tax incentives are available to enterprises operating in Corsica, Overseas Departments and specified disadvantaged urban and suburban zones. Expenditure on research, development and training also qualifies for special treatment.

C. FOREIGN TAX RELIEF

Foreign tax paid on dividends, royalties and interest may be allowed as a credit against the French tax due from a French resident under a double tax treaty (or by way of deduction under domestic law when received from a non-treaty country).

D. CORPORATE GROUPS

Where a French company holds 95% or more of the shares of one or more French companies, the group may elect to be taxed as a single entity, i.e. the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. Therefore, profits and losses of group companies may be offset.

Under the system of the 'consolidated profit', the profits and losses of all controlled branches, subsidiaries and partnerships in France and abroad are consolidated. Control is defined as 50% of the voting shares. Both systems are subject to Ministry of Finance approval.

French tax law has incorporated the consequences of the Papillon decision by allowing fiscal groups to be consolidated through the intermediary of companies located in a State resident elsewhere in the European Economic Area.

E. RELATED PARTY TRANSACTIONS

Pre-tax income indirectly transferred abroad either through an increase or decrease of purchase or sales price, or by any other means, to an enterprise established outside France which controls or is controlled by the French corporate taxpayer may be added back to taxable income by the Tax Authorities.

Groups of companies may obtain an advance transfer pricing agreement from the French Ministry of Finance.

Since 1 January 2010 it has become necessary for transfer pricing documentation to be made available to the tax authorities in the event of an investigation.

F. WITHHOLDING TAX

Withholding tax must be deducted from dividends, interest and royalties paid to non-residents to the extent they are not franked. See section I below for more details.

G. EXCHANGE CONTROL

In principle, inbound non-resident investments in France are free of prior review unless they are in a sensitive economic sector where prior authorisation must be obtained from the French Treasury.

H. PERSONAL TAX

Income tax is payable by French residents on non-exempt income derived from all sources (worldwide income). Non-residents are only required to pay tax on French-sourced income.

French law establishes three criteria, any one of which is sufficient to indicate that an individual is resident in France for tax purposes:

- habitual residence of the person or family
- principal place of residence (more than 183 days in a calendar year)
- professional activity or centre of economic interests.

Income tax is payable on assessable income less allowable deductions. Assessable income includes property income, industrial or commercial profits, certain directors' remuneration, agricultural profits, wages, salaries, pensions and life annuities, non-commercial profits and investment income. Allowable deductions include expenses incurred in performing the duties of an office of employment, interest on loans and pension contributions. There are other deductions such as an allowance paid to members of the taxpayer's family and investment incentives.

The family quota or coefficient system mitigates the effect of the progressive nature of the tax rate scale. A single person with no dependents has a coefficient of one and pays tax on their actual taxable income. By comparison, a married couple with two children has a coefficient of three and pays tax by dividing their income first by three, calculating an amount due as if they were single, and then multiplying the amount due by three.

The tax return due before March (year Y) relates to the income derived in the previous year (year Y-1) and the tax is paid in three instalments in year Y (15 February, 15 May and 15 September).

The first two instalments are calculated simply as one-third of the tax paid in the previous year and the third represents the balance of the liability. Alternatively, the tax payer can elect to pay his tax monthly.

The following table gives the rates of tax for 2011 assessment of 2010 income:

Bracket of taxable income	Rate(%)
0 – 5,875	0
5,875 to 11,720	5.5
11,720 to 26,030	14
26,030 to 69,783	30
Over 70,830*	41*

F

* According to the measures of the Finance Act project

As of 1 January 2011, interest paid on the mortgage of the taxpayer's principal property will no longer be deductible from his or her personal tax base, if the Finance Act project is adopted.

The sale of a French situs property (or of shares in a deemed French real estate investment company) is subject to capital gains taxation as follows:

- European community resident: progressive exemption; total exemption after 15 years. The capital gain is taxed at a rate of 16% although it may be taxed at 19% as of 1 January 2011 if the Finance Act Project is adopted (like French residents but without social contributions).
- All other non-French residents: no exemption applies. The capital gain is taxed at a rate of 33.3% (if the sale of the property is made by a non-French corporate structure, the taxable gain increases by 2% each year).

From 1 January 2011, if the Finance Act project is adopted, gains from the sale of long-term business assets (e.g. held for at least two years) will be subject to a flat rate of tax of 19%.

Capital gains on any immovable property are exempt if the sales price does not exceed EUR 15,000 or the asset concerned is the taxpayer's principal residence.

Wealth tax is assessed on individuals whose net wealth exceeds EUR 790,000 for the fiscal year 2010. French residents are subject to wealth tax on worldwide assets, while the tax basis for non-residents is limited to assets situated in France. The main categories of taxable assets are as follows: real estate, furniture, other personal property (including jewellery, cars, yachts, aeroplanes and horses), shares and bonds, the redemption value of life insurance contracts, debts owed to the taxpayer and interest accrued thereon.

Wealth tax return must be filed by 15 June. The tax is payable upon filing of the return. The rates of tax range from 0.55% to 1.8%.

Tax shield (bouclier fiscal): the total household annual direct tax liability (personal income tax, wealth tax and local property taxes for the principal residence) may not exceed 50% of the tax household revenue of the preceding year. If it does, a corresponding refund is granted upon request.

Inheritance tax is paid by the inheritors of the estate of a French resident or the French assets of a non-French resident. Since 1 January 1999, inheritance tax is also due by the French resident inheritors on all the estate of a non-French resident. The tax is due on all property transferred by will, by intestate succession or donation before death. A declaration giving a description and valuation of the assets received must be sent to the Administration within six months of the death. The rates of tax range from 5% to 60%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

During the last year, France has signed an important number of supplemental clauses modifying some international tax treaties. Notably, these relate to the exchange of information.

	Dividends		
	A Individuals & Non-Parent Companies (%)	B Parent Companies (%)	C Shareholding Required to be a Parent (%)
Non-Treaty Countries:	25	25	–
*Treaty Countries**			
Algeria	15	5	10
Albania	15	5	25
Argentina	15	15	–
Armenia	15	5	10
Australia	15	0/5	10
Austria	15	0	10
Azerbaijan	10	10	–
Bahrain	0	0	–
Bangladesh	15	10	10
Belgium	15	10	10
Belarus	15	15	–
Benin	– (F)	– (F)	–
Bolivia	15	15	–
Botswana	12	5	25
Brazil	15	15	–
Bulgaria	15	5	15
Burkina Faso	– (F)	– (F)	–
Cameroon	15	15	–
Canada (Except Quebec)	15	5	10
Central African Republic	– (F)	– (F)	–
Chile	15	15	–
China	10	10	–
Congo	20	15	10
Croatia	15	0	10
Cyprus	15	10	10
Czech Republic	10	0	25
Denmark	0	0	–
Ecuador	15	15	–
Egypt	0	0	10

F

Dividends						
	A Individuals & Non-Parent Companies (%)		B Parent Companies (%)		C Shareholding Required to be a Parent (%)	
Estonia	15		5		10	
Ethiopia	10		10		–	
Finland	15		0		10	
French Polynesia	–	(F)	–	(F)	–	
Gabon	15		15		N/A	
Georgia	10		5		10	
Germany	15/0		0		10	
Ghana	15		5		10	
Greece	–	(F)	–	(F)	–	
Hungary	15		5		25	
Iceland	15		5		10	
India	10		10		–	
Indonesia	15		10		25	
Iran	–		20		15	25
Ireland	15		5		50	
Israel	15		5		10	
Italy	–		15		5	10
Ivory Coast	15		15		–	
Jamaica	15		10		10	
Japan	15		5/0		15	
Jordan	15		5		10	
Kazakhstan	15		5		10	
Kenya **	10		–		–	
Korea	15		10		10	
Kuwait	0		0		–	
Kyrgyzstan	15		15		–	
Latvia	15		5		10	
Lebanon	0		0		–	
Libya	10		5		10	
Lithuania	15		5		10	
Luxembourg	15		5		25	
Macedonia	15		0		10	
Madagascar	25		15		25	
Malawi	–	(F)	10		50	
Malaysia	15		5		10	
Mali	–		–	(F)	–	(F)
Malta	15		5		10	
Mauritania	–	(F)	–	(F)	–	
Mauritius	15		5		10	
Mayotte	–	(F)	–	(F)	–	
Mexico	15		0/5		10/50	
Moldova	15		15		–	
Monaco	–	(F)	–	(F)	–	
Mongolia	15		5		10	
Morocco	15/0		15/0		–	

Dividends	A Individuals & Non-Parent Companies (%)		B Parent Companies (%)		C Shareholding Required to be a Parent (%)
Namibia	15		5		10
Netherlands	15		5		25
New Caledonia	15		5		–
New Zealand	15		15		–
Niger	–	(F)	–	(F)	–
Nigeria	15		12.5		10
Norway	15		0		10
Oman	0		0		–
Pakistan	15		10		10
Philippines	15		10		10
Poland	15		5		10
Portugal	15		15		–
Qatar	0		0		–
Quebec	15		5		10
Romania	10		10		–
Russia	15		5/10		–
St. Pierre & Miquelon	15/5		5		–
Saudi Arabia	0		0		–
Senegal	15		15		–
Singapore	15		10		10
Slovak Republic	10		10		–
Slovenia	15		5		25
South Africa	15		5		10
Spain	15		0		10
Sri Lanka	–	(F)	–	(F)	–
Sweden	15		0		10
Switzerland	15/25		0/15/25		10
Syria	15		0		10
Tajikistan	15		15		–
Thailand	–	(F)	20/15		25
Togo	–	(F)	–	(F)	–
Trinidad and Tobago	15		10		10
Tunisia	–	(F)	–	(F)	–
Turkey	20		15		10
Turkmenistan	15		15		–
Ukraine	15		0/5		10
United Arab Emirates	0		0		–
United Kingdom	15		5		10
United States	15		5		10
Uzbekistan	10		15		10
Venezuela	15		0		10
Vietnam	15		5		10
Zambia	–	(F)	10		50
Zimbabwe	15		10		25

F

* The withholding tax rate has been increased to 50 % (subject to applicable tax treaties) in respect of securities income paid to a Non Cooperative Country or Territory as of 1 March 2010. This includes payments made through a financial establishment payer established in a Non Cooperative Country or Territory regardless of the tax residence of the effective beneficiary (including a French resident).

** Not yet in force

	D Debt Instruments other than borrowing (%)		Royalties (%)		E Distributions tax levied on profits of permanent establishments (%)
Non-Treaty Countries:	18		33.33		25
Treaty Countries:					
Algeria	10		5/10		-
Albania	10		5		25
Armenia	10		5/10		5
Argentina	20		18		5
Australia	10		5		25
Austria	0		0		0
Azerbaijan	10		5/10		5
Bahrain	0		0		25
Bangladesh	10		10		15
Belgium	15		0		0/5
Belarus	10		0		25
Benin	–	(F)	0		25
Bolivia	15		15		0
Botswana	10		10		5
Brazil	15/10		10/15/25		10
Bulgaria	0		5		5
Burkina Faso	–	(F)	0		25
Cameroon	15		15		15
Canada (Except Quebec)	10		10/0		5
Central African Republic	–	(F)	0		25
Chile	5/15		5/10		-
China	10		10		0
Congo	0		15		15
Croatia	0		0		-
Cyprus	10		0		10
Czech Republic	0		0/5/10		6.66
Denmark	0		0		0/25
Ecuador	10/15		15		15
Ethiopia	5		7.5		25
Egypt	15		15		5
Estonia	0/10		5/10		0
Finland	0/10		0		0/10
French Polynesia	0		–	(F)	25
Gabon	10		10		25
Georgia	0		0		25
Germany	0		0		0
Ghana	10		10		0

	D Debt Instruments other than borrowing (%)	Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Greece	0	5	0/25
Hungary	0	0	5
Iceland	0	0	5
India	10/15	10/20	0
Indonesia	15/10	10	10
Iran	0	10	10
Ireland	0	0	0/25
Israel	5/10	10	5/10
Italy	10	5	0
Ivory Coast	15	10	0
Jamaica	10	10	10
Japan	10	10	0
Jordan	15	5/15/25	5
Kazakhstan	10	10	5
Kenya **	12	10	0
Korea	10	10	5
Kuwait	0	0	25
Kyrgyzstan	10	0	25
Latvia	10	5/10	0
Lebanon	0	– (F)	25
Libya	0	10	25
Lithuania	10	5/10	0
Luxembourg	0	0	0/5
Macedonia	0	0	25
Madagascar	15	10/15	25
Malawi	– (F)	0	10
Malaysia	15	10/– (F)	10
Mali	– (F)	– (F)	25
Malta	15	5	10
Mauritania	– (F)	– (F)	25
Mauritius	– (F)	15/0	15
Mayotte	– (F)	0	25
Mexico	0/5/10	0/10	0
Moldova	10	0	25
Monaco	– (F)	– (F)	25
Mongolia	10	5	0
Morocco	10/15	5/10	0
Namibia	10	0/10	0
Netherlands	10	0	0
New Caledonia	0	0/10	10
New Zealand	10	10	10
Niger	– (F)	0	25
Nigeria	12.5	12.5	0
Norway	0	0	0
Oman	0	0	25

	D Debt Instruments other than borrowing (%)		Royalties (%)	E Distributions tax levied on profits of permanent establishments (%)
Pakistan	10		10	0
Philippines	15		15	10
Poland	0		0/10	25
Portugal	12		5	0/15
Qatar	0		0	25
Quebec	10		0	5
Romania	10		10	10
Russia	0		0	0
St Pierre & Miquelon	0		0/10	10
Saudi Arabia	0		0	25
Senegal	15		0/15	0
Serbia/Montenegro	0		0	25
Singapore	10		0/ – (F)	5
Slovak Republic	0		0/5	6.66
Slovenia (new treaty not in force)	0		0	6.66
South Africa	0		0	0
Spain	10		0/5	0
Sri Lanka	10		0/10	25
Sweden	0		0	0
Switzerland	0		5	0
Syria	10		15	25
Tajikistan	10		0	25
Thailand	3/10		0/5/15	25
Togo	–	(F)	0	25
Trinidad and Tobago	10		0/10	10
Tunisia	12		5/15/20	25
Turkey	15		10	7.5
Turkmenistan	10		0	25
Ukraine	2/10		0/10	25
United Arab Emirates	0		0	0
United Kingdom	0		0	0
United States	0		0/5	5
Uzbekistan	0/5		0	25
Venezuela	5		5	0
Vietnam	0		10	0
Zambia	–	(F)	0	10
Zimbabwe	10		10	0

* With effect from 1 March 2010, the withholding tax rate on royalties and other non-salaried income paid to beneficiaries domiciled or established in a Non Cooperative Country or Territory, has been increased to 50 % (subject to applicable tax treaties) regardless of the place of payment of these compensations. However, this rate does not apply to payments for services of any kind provided or used in France if the debtor provides proof that the payments relate to actual transactions and have a primary purpose other than to hive off profits into a Non Cooperative Country or Territory.

For loans concluded on or after 1 March 1 2010, interest paid abroad to a foreign lender established or domiciled in a country classed as a non-cooperative country is subject to a 50% withholding tax.

** Not yet in force

1 The rates specified apply to individuals and companies who have inadequate control to be classified as parents.
2 The rate specified applies to foreign parent companies. The level of control necessary to be classified a parent varies from treaty to treaty. Accordingly, the relevant treaty should be consulted. Where no percentage is indicated, either no minimum shareholding is required or the relevant treaty does not reduce the withholding tax rate below the standard of 25%.
With effect from 1992, no withholding tax is imposed on dividends paid by a French company liable to corporate tax when the recipient is an EU parent company. The requirements for this rule are as follows:
   (a) The recipient has held a minimum of 15% from 2007 to 2009 (10% as from 1 January 2009) of the capital of the distributing company directly and continuously for at least two years or will give an undertaking to hold at least 10% since 1 January 2009 (15% before 2009) of the shares of the distributing company for at least two years.
   (b) The recipient is the effective beneficiary of the dividends.
   (c) The recipient has its effective seat of management in an EU State and is not deemed to be resident outside the EU under an applicable tax treaty.
   (d) The recipient has one of the legal forms dictated under the Directive.
   (e) The recipient is subject to corporate income tax in the Member State where it has its effective seat of management.
   (f) The recipient company must not have the right, under any double tax treaty, to a payment from the French Treasury of an amount greater than the withholding tax reserved by that treaty.
3 Interest paid by a French company on foreign borrowings is exempt from withholding tax. For other debts, the rate varies from 0% to 18% subject to tax treaty reduction. No withholding tax applies on interest paid by a French company or a French permanent establishment liable to corporate tax when the recipient is an EU parent company which has held a minimum of 25% of the shares of the company paying the interest for at least two years.
4 The taxable profits of permanent establishments in France are automatically subject to withholding tax unless specified conditions are met. The rate of tax is 25% or the reduced rate specified in the treaty – shown as5 in the tables above.
5 There is no withholding tax rate specified in the treaty; the domestic rate applies.

GAMBIA (THE)

Currency: Dalasi (GMD)	Dial Code To: 220	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Banjul	Donald C Kaye	4224048 donald.kaye@pkf.gm

A. TAX PAYABLE

COMPANY TAX
Corporation tax is payable based on the higher of 33% of chargeable profit or 1.5% of total turnover for the tax year. This implies that even if a company makes a loss or has an adjusted tax loss figure for any particular year, it will still be liable to tax. Note that if for any reason a company is not audited, tax on that company's total turnover will be 2.5% and not 1.5%.

Income tax is payable in quarterly instalments i.e. the three months period ending on the last day of the third, sixth, ninth and twelfth months of the taxpayer's tax year. This instalment is based on 1.5% of total turnover for a company with audited accounts or 2.5% for a company without audited accounts and is due by the 15th of the following month, failing which a penalty equal to 5% of the unpaid tax per month can be applied. The advance payments during the fiscal year are creditable against the income tax assessed.

The Corporate Income Tax Return is mandatory for all companies and is expected to be submitted by the 31st March of each year. The form is used to determine annual tax liability.

CAPITAL GAINS TAX (CGT)
CGT is payable on the disposal of a capital asset.

In the case of a partnership, company or trustee, tax is paid on the greater of
(i) 25% of the capital gain arising on disposal or
(ii) 10% of the consideration received for the disposal

In the case of an individual, body of persons or trustee of a deceased estate
(i) 15% of the capital gain arising on percentage of the disposal or
(ii) 5% of the consideration received on disposal.

Capital gains tax is exempt on the disposal of agricultural land, a private residence and if the amount gained does not exceed GMD 7,500.

BRANCH PROFITS TAX

A branch's profit is taxed at the higher of the two 33% on profit or 1.5% of income as the branch is considered as a permanent establishment meaning a resident company.

SALES TAX/ VALUE ADDED TAX

There is no VAT in The Gambia but sales tax is imposed on:
(a) A taxable supply of goods;
(b) A taxable supply of services; and
(c) A taxable import.

RATE OF TAX:

(a) In the case of a taxable supply of telecommunications services 18%;
(b) In the case of manufacturing and shipping agency services 15%;
(c) In the case of imported construction materials 15%;
(d) In the case of imported rice 5%;
(e) In any other case 10%.

A person who is obliged to register under subsection 1 shall apply to the Commissioner General for registration within 21 days of becoming obliged.

FRINGE BENEFITS TAX

Fringe benefits are specific and direct payments of expenditure for and on behalf of an employee in addition to his /her salary. The total amount of fringe benefit plus tax thereon is allowable deduction for the purposes of corporate tax calculation. The tax levied is at a rate of 35% on the grossed-up taxable value of each benefit provided and is payable by the organisation that provides the benefit to the employee.

LOCAL TAXES

G

National Educational Levy: If the total income of a company exceeds GMD5 million per annum the levy applied is GMD 50,000 and if below GMD 5 million, a flat rate of GMD 30,000 is applied.

Business Registration: An annual payment of GMD500 should be made by all businesses at the start of the year.

Stamp Duty: The duty is levied on juristic acts resulting to a flow of wealth between the parties involved. Thus, stamp tax is applicable inter alia to acts whereby transactions on Real Estate or financial obligations are documented. Rates vary according to the type of transaction involved.

Customs & Excise Duties: Is applied on the importation or exportation of certain goods.

OTHER TAXES

Residential Rent Tax: Tax is imposed for each tax year on a person who has a taxable rental amount at a rate of 10% per annum.

B. DETERMINATION OF TAXABLE INCOME

The calculation of taxable income is arrived at by adjusting the accounting profits for non-taxed income and disallowed expenses.

CAPITAL ALLOWANCES

The following annual rates are applied against the written down value of assets:

Annual allowance:	
Building	5%
Motor Vehicle	40%
Plant and machinery	20%
Plant and machinery used in manufacturing, mining	30%
Office furniture and equipment	20%

INITIAL ALLOWANCE:
Initial allowance is applied at 20% of the cost of the asset or 10% for building, structures or works of permanent nature.

Initial and annual allowance cannot be granted on the same asset in the same year. Therefore, annual allowance is not granted in the year a fixed asset is first put to use only initial allowance is granted.

INTANGIBLE ASSETS:
An amortization deduction is allowed. The deduction is computed by using the cost of the asset divided by the useful life of the intangible asset in whole years.

DEPRECIATION
No deduction is allowed in the tax computation but rather capital allowances are allowed.

STOCK/ INVENTORY
A deduction is allowed for the cost of stock in trade disposed of in a tax year in deriving the chargeable income.

CAPITAL GAINS AND LOSSES
If the consideration received exceeds the written down value of the asset, the excess is business income which has to be included in the person's income for that year and if less the difference is allowed as a deduction when computing the chargeable income for the year.

DIVIDEND
Dividends are taxable under the withholding tax section.

INTEREST DEDUCTION
A deduction is allowed for any interest incurred in a tax year if the company used the proceeds or benefit of the debt on which the interest is payable. The interest not deducted can be carried forward for a period of six years.

LOSSES
If a company has a business loss for the year that amount is carried forward to the following year and allowed a deduction in computing the chargeable income for that year. Losses can only be carried forward for six years after the tax year in which the loss is incurred.

FOREIGN SOURCED INCOME
A foreign sourced income received by a resident company is exempt from income tax if foreign income tax has been paid, a tax credit is allowed.

INCENTIVES
Expenditure on certain pre-commencement expenditure qualifies for accelerated deductions. A deduction is allowed in the tax year which the expenditure is incurred and in the following three years at a rate of 25% each year.

OTHER
Bad debts: A deduction is allowed for a debt written off if certain conditions are satisfied.

Loss reserve of banks: A bank is allowed a deduction for the addition to its provision for doubtful debts in a tax year, provided the addition has been determined in accordance with the prudential requirements specified by the Central Bank of the Gambia. The amount allowed as a deduction for a tax year shall not exceed a half of one percent of the total outstanding debt claims of the bank as at the end of the tax year.

Granting of investment incentives and tax exemptions can only be obtained from the Gambia Investment and Export Promotion Agency (GIEPA).

C. FOREIGN TAX RELIEF

The Government of The Gambia has a double taxation treaty with Norway, Sweden, Switzerland, Taiwan and the United Kingdom.

If a resident person has a foreign tax loss for a tax year, the amount of the loss can be carried forward to the following tax year and allowed as a deduction against the person's foreign sourced business income. The loss can be carried forward for a period of six years.

D. CORPORATE GROUPS

Tax on certain payments to non-resident persons does not apply if the conditions below are met:

(i) If the holding giving rise to the dividend is connected with a permanent establishment in The Gambia of a non resident company;
(ii) Any interest if the debt claim giving rise to the interest is connected with a permanent establishment in The Gambia of a non-resident company;
(iii) Any royalty if the property or right giving rise to the royalty is effectively connected with a permanent establishment in The Gambia of a non-resident company;
(iv) Any technical service fee is the services giving rise to the fee are rendered through a permanent establishment in The Gambia of a non-resident company.

F. WITHHOLDING TAX

A person who retains the services of a contractor or subcontractor to carry out work or supply labour or materials for the carrying out of work shall withhold tax at the rate of 10% of the gross fees.

A company or partnership paying dividend to a resident individual shall withhold tax at the rate of 15%.

A 15% withholding tax shall be withheld on interest paid to resident companies but it does not apply to interest paid to financial institutions.

G. EXCHANGE CONTROL

There are no exchange controls in effect.

H. PERSONAL TAX:

Tax is payable on the gross employment income of an employee monthly. Tax is computed using the following rates;

Income range per annum	Tax rate
0 – GMD 7, 500	Exempt
GMD 7, 501 – GMD 17,500	10%
GMD 17, 501 – GMD 27,500	15%
GMD 27, 501 – GMD 37,500	20%
GMD 37,501 – GMD 47,500	25%
GMD 47,501 and above	35%

G

GERMANY

Currency: Euro (EUR)	Dial Code To: 49	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Berlin	Erich Thum	30 30 69 07 65 erich.thum@pkf-fasselt.de
Braunschweig	Frank Villwock	531 24 03 100 frank.villwock@pkf-fasselt.de
Cologne	Wolfgang van Kerkom	221 16 43 119 wolfgang.van.kerkom@pkf-fasselt.de
Duisburg	Peter Pflugfelder	203 30001 700 peter.pflugfelder@pkf-fasselt.de
Frankfurt	Horst Woerner	69 17 00 00 0 horst.woerner@pkf-fasselt.de
Hamburg	Dr Stefan Kreutziger	40 355 520 stefan.kreutziger@pkf-fasselt.de
Herford	Marc Danne	5221 99 130 marc.danne@pkf-herford.de

Munich	Hans Lummel	89 29032 0 hans.lummel@m.pkf.de
Nuremberg	Dr Bertram Fischer	911 47 43 135 wp.fischer@pkf-nuernberg.de
Oldenburg	Burchard Schroder	0441 980 500 zink@zink-partner.de
Osnabrueck	Dr Klaus Stein	541 944 22 0 kstein@wms-treuhand.de
Würzburg	Dr Dirk Altenbeck	931 3 55 78 0 dr.altenbeck@ifp-wue.de

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

German-resident companies are subject to tax on their worldwide income. Non-resident companies are required to pay tax in various forms on income derived from German sources.

Resident companies are those that are incorporated in Germany or have their place of management and control in Germany.

The corporation tax rate is 15%. In addition, a surcharge is levied at the rate of 5.5% of the corporation tax.

The tax year in Germany is the calendar year. Companies are required to make quarterly prepayments of tax based on the previous year's income. Corporation tax returns should be submitted by 31 May of the following year. An automatic extension of seven months (31 December) is granted for returns prepared by a tax consultant.

TRADE TAX

Trade tax is applied only to business income. All business enterprises operating in Germany are subject to this tax. The trade tax rate is assessed independently by each municipality. The effective tax rates range from 7% to 17.50%.

Individuals may deduct trade tax as a block credit to a certain extent against individual income tax. No tax relief by deduction or credit will be available to companies.

CAPITAL GAINS TAX

There is no special or separate capital gains tax. For privately held shares a flat withholding tax of 25% plus surcharge of 5.5% of the tax due has recently been introduced (for details see below under 'Capital gains and losses').

BRANCH PROFITS TAX

There is no separate branch profits tax in Germany. Trading profits and capital gains of a German branch of a foreign company are calculated and taxed on the same basis as those of a German resident company.

SALES TAX/VALUE ADDED TAX (VAT)

This is a tax on the supply of goods and services, other than exempt supplies and services, rendered in Germany by a taxable person.

The tax rates are as follows:

Standard rate:	19%
Reduced rate:	7%

FRINGE BENEFITS TAX

For some services provided to its employees (eg canteen food, office outings, transportation of employees, accident insurances and payments to retirement funds), the company has the option to pay the income tax on account for the employee. The tax is paid at a flat tax rate which varies depending on the service provided from 15% to 25% of the given value.

OTHER TAXES

In Germany a net wealth tax is not levied. Other taxes include real estate transfer tax (RETT) at a rate of 3.5% to 4.5% and insurance tax (excluding life insurance and private medical insurance) at 19%. Certain exemptions for RETT on intra-group restructurings have been introduced with effect from 1 January 2010.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Business expenses are generally deductible for tax purposes, although there are some exceptions such as entertainment expenses which are only 70% deductible. Special rules apply in respect of the categories listed below.

DEPRECIATION

Tangible fixed assets, other than land, are written off over their estimated useful lives at rates prescribed by the tax law or an administrative regulation. For tangible goods bought after 31 December 2007, only the straight-line method of depreciation can be used. The declining-balance method applies for movable assets bought before 31 December 2007 and for a transition period between 31 December 2008 and 1 January 2011. In the case of a long-term devaluation of assets, an extraordinary depreciation is allowed. This write-down has to be reversed if the value of the asset goes up again. Assets with purchase costs from EUR 150 to EUR 1,000 exclusive of VAT can be pooled every year. The pool for each year has to be written off in five years. Here the straight-line method applies. A new law allows a taxpayer to elect for an immediate write-off of goods with a value of less than EUR 410.

STOCK/INVENTORY

Inventory includes raw materials, work-in-progress, finished goods and payments on account. Each item of inventory must be valued at acquisition cost or cost of production. Accepted valuation methods include 'last in, first out' (LIFO) and average cost.

CAPITAL GAINS AND LOSSES

In principle, capital gains from business assets are taxed at the ordinary tax rate. Profits on the sale of land and buildings may be reinvested tax-free (roll-over relief). Where the shareholder is a corporation, capital gains relating to the sale of shares held in an enterprise (German or foreign) are tax-free. Correspondingly, a write-down of a participation does not have any tax consequences. Neither will losses arising from the sale of such a subsidiary be recognised for tax purposes. A flat rate of 5% is deemed to be a non-deductible business expense irrespective of the actual expenses incurred by the company.

Where the shareholder is an individual or a partnership, capital gains arising from the sale of shares held as business assets are taxable, but only 60% of the capital gain is added to the individual's/partner's annual gross income. The remainder is tax-free (40% participation exemption). Correspondingly, only 60% of the losses are deductible. Capital gains realised by partnerships are tax-free if reinvested in shares within two years (roll-over relief).

Where the shareholder is an individual, capital gains arising from the sale of privately held shares bought after 31 December 2008 are subject to a 25% flat withholding tax plus a surcharge of 5.5% of the tax due if the participation is below 1%. If the participation is 1% or more, the rules for shares held as business assets apply. Losses from the sale of privately held shares may be deducted only from gains arising on privately held shares. Non-deductible losses may be carried forward.

Capital gains arising on the sale of privately held shares bought before 31 December 2008 are not taxed unless the assets are sold within one year. In this case, only 50% of the capital gain is added to the individual's annual gross income. The remainder is tax-free (50% participation exemption). Correspondingly, only 50% of the losses are deductible.

Capital gains arising from the sale of other privately held movable assets are not taxed unless the assets are sold within one year. Capital gains arising from the sale of privately held land and buildings are not taxed unless the assets are sold within ten years.

DIVIDENDS

Dividend income is subject to 25% withholding tax plus a surcharge of 5.5% of the tax due. The withholding tax rate may be reduced in accordance with tax treaties or EU regulations (Parent-Subsidiary Directive).

Where the shareholder is a corporation, the dividend income is tax-free (100% participation exemption). However, a lump sum of 5% of the gross dividends is added back to taxable income representing non-deductible business expenses, irrespective of the actual expenses incurred by the company. This applies to dividends received from both German and foreign enterprises. There is no minimum shareholding and no minimum holding period for corporate tax purposes. For trade tax purposes a 15% minimum participation is required as at the beginning of the calendar year.

Where the shareholder is a partnership, only 60% of the dividend income is added to the partner's annual gross income. The remainder is tax-free (40% participation exemption). Correspondingly, only 60% of the expenses directly connected to the dividend are deductible. A resident taxpayer may credit the withholding tax which has been deducted by the corporation against his own individual tax liability. Corporation tax can no longer be credited against the individual tax.

Where the shareholder is an individual, dividends are subject to a 25% flat withholding tax plus a surcharge of 5.5% of the tax due. However, if the withholding tax rate exceeds the marginal income tax rate of the shareholder, the shareholder may opt to report the dividend in his income tax return instead. Economically connected expenses such as financing fees will no longer be deductible.

INTEREST DEDUCTIONS

Interest is deductible to the extent that it is payable on loans taken out to generate taxable income. Where interest is paid in order to finance a participation in another company, the above mentioned special provisions concerning business expenses which are directly related to tax-free dividends apply.

In order to combat abusive transfers of profits outside the German tax jurisdiction, an "interest barrier" limiting the deductibility of interest payments as business expenses has been introduced. Interest payments are generally deductible if they do not exceed interest income for the period. The excess amount is only deductible up to 30% of EBITDA as defined for tax purposes. An additional safe haven of EUR 3,000,000 is granted for excess interest expenses before the 30% barrier applies. An EBITDA carry-forward mechanism also exists.

The interest barrier is only applicable for companies belonging to a group. Such a group is deemed to exist if a German company may be consolidated with other companies. The interest barrier does not apply to companies that are part of a group if, under IFRS, the ratio of equity to total assets of the company is equal or higher than the ratio of equity to total assets for the group as a whole. In addition, a shortfall of up to 2% compared to the group ratio is permissible. The escape clause will not be applicable for corporations if more than 10% of the interest expenses are on related-party debt, ie to shareholders with participations of 25% or more.

LOSSES

In the year in which they are incurred, losses may, in principle, be deducted without restrictions. Remaining losses may be carried back to the preceding accounting period up to an amount of EUR 511,500 and, if there are still losses, they may be carried forward indefinitely to future years. However, in each future year, the deduction must not be more than EUR 1m plus 60% of any remaining profit. Loss carry-forwards may be forfeited by certain share transfers or corporate restructurings.

FOREIGN SOURCED INCOME

Foreign sourced income is generally taxable. In addition, Germany has a controlled foreign company (CFC) regime. Its objective is to ensure that profits of German controlled companies are not transferred to, or generated in, low tax jurisdictions. A low tax jurisdiction is deemed to be any country which taxes income at a rate of less than 25%. Where German residents hold more than 50% of the shares or the voting rights of an intermediate corporation with passive income, the income is deemed to be distributed to the German shareholders and taxed at their level if the intermediate corporation is located in a low tax jurisdiction. Under certain conditions, a participation of 1% in the foreign intermediate corporation is sufficient to trigger the CFC taxation.

Profit distributions by corporations and capital gains arising from the sale of these participations are deemed to be active income. Income derived by foreign holding companies is thus effectively exempt from CFC tax.

INVESTMENT ALLOWANCE/INCENTIVES

Qualifying investment aids are tax-free and available in selected areas from local authorities for the improvement of the regional economic structure. Investment grants are provided by the tax authorities for the acquisition of new buildings or depreciable, new movable assets in the new federal states.

C. FOREIGN TAX RELIEF

Even in the absence of a tax treaty, foreign tax on income derived by a German resident may be credited against his income or corporation tax liability. The tax relief must not exceed the German tax charged on the same profits. Alternatively, the foreign tax may be deducted from the income of the German resident.

D. CORPORATE GROUPS

Profits and losses of German group companies may be pooled for corporate tax and trade tax purposes if the requirements of the so-called 'Organschaft' are met. The controlling company must hold – directly or indirectly – the majority of the shares of the controlled company and there must be a profit and loss pooling agreement between the two companies.

E. RELATED PARTY TRANSACTIONS

Inter-company pricing between affiliated companies must be carried out on an arm's length basis. If this is not the case, the income of both companies is adjusted for tax purposes. Arbitration proceedings are available within the European Union.

Legislation is in force that specifies the duty to document the way in which a taxpayer arrives at the transfer prices on transactions with foreign closely related persons/enterprises. The documentation must encompass the nature and contents of the business relationship and the economic and legal basis underlying the arm's length prices. Specific legislation applies to a "transfer of functions" between intra-group companies.

F. WITHHOLDING TAX

Under domestic law, all dividends, regardless of whether they are paid to a resident or a non-resident, are subject to a 25% withholding tax plus surcharge of 5.5% of the tax due as a flat tax. This is reduced to nil in the case where the shareholder satisfies the conditions of the EU Parent/Subsidiary Directive (broadly that the shareholder is an EU resident company with a 10% or more interest in the company paying the dividend). Interest is subject to a 25% withholding tax plus surcharge of 5.5% of the tax due if it is paid to a resident. Interest paid to a non-resident is not subject to withholding tax. Royalties paid to a non-resident are subject to a 15% withholding tax plus a surcharge of 5.5% of the tax due. Certain German tax treaties provide for an exemption or a reduced rate (see below).

G. EXCHANGE CONTROL

There are no exchange control requirements.

H. PERSONAL TAX

Income tax is payable by German resident individuals on their worldwide income. Non-resident individuals are only required to pay tax on German-sourced income. Individuals are deemed resident if they have a residence in or their customary place of abode is in Germany. The latter is the case if the individual has spent more than 180 consecutive days of the relevant year in Germany.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, income from agriculture and forestry, income from self-employment, income from employment, certain capital gains, capital investment income, and rental and royalty income. Allowable deductions include personal allowances, deductions for business/professional expenses and contributions to specified (insurance) bodies.

Individual taxpayers suffer instalment payments which are withheld from their salaries by their employers. Self-employed individuals and those with non-salary income pay instalments on a quarterly basis with reference to the income realised in the previous year.

The tax rates effective for single taxpayers are as follows:

Taxable income (EUR)	Tax payable (EUR)
Less than 8,004	Nil
8,005 to 52,881	Progressive rates of between 14% and 42%
52,882 to 250,000	42%
More than 250,000	45%

The highest tax rate is 45% for taxable income of individuals that exceeds EUR 250,000 (EUR 500,000 for married couples).

Retained profits from a trade or business, agriculture or self-employment generated by individually-owned firms or partnerships are taxable upon application at a reduced tax rate of 28.25%. When profits are withdrawn, the amount withdrawn is subject to a further tax charge (tax rate 25%) in the assessment year of the withdrawal but is reduced by taxes already paid on the profits distributed.

Interest and dividend income is subject to a 25% flat withholding tax plus surcharge of 5.5% of the tax due only. Expenses connected with the receipt of investment income are not deductible but a lump sum of EUR 801 can be deducted. The shareholder may opt to report the interest in his income tax return if the withholding tax rate exceeds his marginal income tax rate.

If the taxpayer is married, the income of the taxpayer is combined with the income of the spouse. Then the tax on 50% of the combined income is doubled correspondingly.

In addition to the personal income tax, a surcharge is levied at the rate of 5.5% of the personal income tax.

Social security contributions are withheld from employees' salaries and wages. The employer and employee each generally contribute 50% of the total social security contributions. From 1 January 2010 the deductibility of medical insurance contributions has been reformed for income tax purposes to a large extent in favour of the taxpayer.

Members of the Roman Catholic, German Protestant, Lutheran and Jewish churches have to pay church tax. The tax rate amounts to about 8% or 9% of the annual income tax liability and varies according to the district of residence. It is a deductible expense for income tax purposes.

Assets transferred by gift or inheritance are subject to tax. If either the transferor or the recipient is resident in Germany, all transferred assets are taxed wherever situated. If neither party is a German resident, the tax is limited to property located in Germany. The Federal Republic of Germany keeps tax treaties with six countries for these purposes: Austria (expired 1 January 2008), Denmark, Greece, Sweden, Switzerland and USA.

With effect from 1 January 2009, the German national Inheritance and Gift Tax Act was significantly reformed. The tax rates and exemptions vary according to the relationship between the transferor and the recipient and the value of the assets. Where children or the spouse are the beneficiaries, the rates range between 7% (where the assets have a value of EUR 52,000 or less) and 30% (where the assets have a value of more than EUR 25,565,000). In the new legislation the rates for brothers and sisters have been reduced and vary between 15% and 43%. If the transferor and the beneficiary are unrelated, the rates vary between 17% and 50% respectively. The spouse of the transferor is granted a personal allowance of EUR 500,000 and the children of the transferor are granted an allowance of EUR 400,000.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)		Interest (%)	Royalties (%)	
Non-Treaty Countries:	25		0	20/15	(11)
Treaty Countries:					
Albania (14)	15/5	(1)	0	5	
Algeria	15/5	(3)	0	10	(13)
Argentina	15		0	15	
Armenia	15		0	0	
Australia	15		0	10	
Austria	15/5/0	(3) (6)	0	0	
Azerbaijan	15/5	(1)	0	10/5	(5)
Bangladesh	15		0	10	
Belarus	15/5	(2)	0	5/3	(9)
Belgium	15/0	(6)	0	0	
Bolivia	10		0	15	
Bosnia-Herzegovina	15		0	10	
Bulgaria (15)	15		0	5	

	Dividends (%)		Interest (%)	Royalties (%)	
Canada	15/5	(3)	0	10/0	(5)
China	10		0	10/7	(5)
Croatia	15/5	(3)	0	0	
Cyprus	15/10/0	(1) (6)	0	0/5	(5)
Czech Republic	15/5/0	(1) (6)	0	5	
Denmark	15/5/0	(3) (6)	0	0	
Ecuador	15		0	15	
Egypt	15		0	25/15	(5)
Estonia	15/5/0	(1) (6)	0	10/5	(5)
Finland	15/10/0	(1) (6)	0	0/5	(8)
France	15/5/0	(3) (6)	0	0	
Georgia	0/5/10	(7)	0	0	
Ghana	15/5	(3)	0	8	
Greece	25/0	(6)	0	0	
Hungary	15/5/0	(1) (6)	0	0	
Iceland	15/5	(1)	0	0	
India	10		0	0/10	(5)
Indonesia	15/10	(1)	0	15/10/7.5	(5)
Iran	20/15	(1)	0	10	
Ireland	10/0	(6)	0	0	
Israel	25		0	5/0	(5)
Italy	15/0	(1) (6)	0	5/0	(5)
Ivory Coast	15/18	(5)	0	10	
Jamaica	15/10	(1)	0	10	
Japan	15/10	(1)	0	10	
Kazakhstan	15/5	(1)	0	10	
Kenya	15		0	15	
Korea	15/5	(1)	0	10/2	(5)
Kuwait	15/5	(3)	0	10	
Kyrgyzstan	15/5	(1)	0	10	
Latvia	15/5/0	(1) (6)	0	10/5	(5)
Liberia	15/10	(1)	0	10/20	(5)
Lithuania	15/5/0	(1) (6)	0	10/5	(5)
Luxembourg	15/10/0	(1) (6)	0	5	
Macedonia (14)	15		0	10	
Malaysia (15)	15/5	(1)	0	10	
Malta	15/5/0	(3) (6)	0	0	
Mauritius	15/5	(1)	0	15	
Mexico	15/5	(3)	0	10	
Moldova	15		0	0	

G

	Dividends (%)		Interest (%)	Royalties (%)	
Mongolia	10/5	(3)	0	10	
Montenegro (10)	15		0	10	
Morocco	15/5	(1)	0	10	
Namibia	15/10	(3)	0	10	
Netherlands	15/10/0	(1) (6)	0	0	
New Zealand	15		0	10	
Norway	15/0	(1)	0	0	
Pakistan	15/10	(2)	0	10	
Philippines	15/10	(1)	0	15/10	(5)
Poland	15/5/0	(3) (6)	0	5	
Portugal	15/0	(6)	0	10	
Romania	15/5	(3)	0	3	
Russia	15/5	(3)	0	0	
Serbia	15	(1)	0	10	
Singapore	15/5	(3)	0	8	
Slovak Republic	15/5/0	(1) (6)	0	5	
Slovenia	15/5/0	(1) (6)	0	5	
South Africa (15)	15/7.5	(1)	0	0	
Spain	15/10/0	(1) (6)	0	5	
Sri Lanka	15		0	10	
Sweden	15/0	(6)	0	0	
Switzerland	15/0	(2)	0	0	
Syria (14)	15/5	(3)	0	12	
Tajikistan	15/5	(3)	0	5	
Thailand	20/15	(1)	0	15/5	(5)
Trinidad and Tobago	20/10	(1)	0	10/0	(5)
Tunisia	15/10	(1)	0	15/10	(5)
Turkey (14)	20/15	(3)	0	10	
Turkmenistan	15		0	0	
Ukraine	10/5	(2)	0	5/0	(5)
United Arab Emirates (12)	15/5	(3)	0	0	
United Kingdom (15)	15/0	(6)	0	0	
United States	15/5	(3)	0	0	
Uruguay (15)	15		0	15/10	(5)
Uzbekistan	15/5	(1)	0	5/3	(5)
Venezuela	15/5	(4)	0	5	
Vietnam	15/10/5	(4)	0	10/7.5	(5)
Zambia	15/5	(1)	0	10	
Zimbabwe	20/10	(1)	0	7.5	

1 Lower rate applicable where recipient holds an interest of at least 25%.
2 Lower rate applicable where recipient holds an interest of at least 20%.
3 Lower rate applicable where recipient holds an interest of at least 10%.
4 Lower rates applicable where recipient holds an interest of at least:
 (a) 25% or 70% (Vietnam); or
 (b) 15% (Venezuela).
5 The tax rates vary with the nature of the royalty/dividend.

G

6 The dividend is tax free within the EC where the recipient corporation holds an interest of at least 10% (Parent/Subsidiary EC Directive and domestic law).
7 The 5% rate applies where the dividend is paid to a company which holds directly at least 10% and has invested more than EUR 100,000 in the capital of the distributing company. The 0% rate applies where the dividend is paid to a company which holds directly at least 50% and has invested more than EUR 3 million in the capital of the distributing company.
8 The lower rate applies to copyright royalties for literary, artistic and scientific works, including films etc.
9 The higher rate applies to copyright royalties for literary, artistic and scientific works, including films etc
10 It is unclear if the Treaty between Germany and ex-Yugoslavia is still applicable.
11 Lower rate applicable where paid to a non-resident corporation.
12 Not yet in force (may be set in force retroactively from 1 January 2009)
13 The lower rate applies to brands and the higher rate to other royalties.
14 Not yet in force (may be set in force retroactively from 1 January 2011).
15 Existing treaty details. A new treaty has been signed but is not yet in force.

GHANA

Currency: Ghanaian Cedi (Gh¢) | Dial Code To: 233 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Accra	Frederick Bruce-Tagoe	21-221266 fbrucetagoe@pkfghana.com

A. TAXES PAYABLE

In 2001, a new tax law, The Internal Revenue Act 2000 (Act 592), was passed to administer Direct Taxes. The Internal Revenue Regulations, 2001 (L. I. 1675) was also introduced. There have been a number of amendments to the law and regulations.

The only notable national levies in the country are:
a) the National Health Insurance Levy of 2.5% imposed on certain goods and services
b) The National Fiscal Stabilization Levy of 5% imposed on profit before tax of companies and institutions of certain listed sectors of the economy. This was introduced in mid 2009 and was to last for 18months but has been extended to an additional year.

G

The National Health Insurance Levy is administered on the lines of the value added tax.

Taxes consist of the income taxes, sales and service taxes administered by the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA) and customs and excise duties administered by the Customs Division (CD) of the GRA.

COMPANY TAX

Unless specifically exempted in the law, companies (both resident and non-resident) are required to pay tax on income relating to business and investment, derived from, accrued in, brought into and received in Ghana after the necessary adjustment are made to it in line with the tax laws. The rate of tax is generally 25%. There are different rates applicable to certain companies (refer to ‘Incentives’ below).

Under the 2011 fiscal policy of the Government, institutions with tax-free status due to their non-profit making objectives are now going to have their income from commercial activities subjected to tax.

The corporate entity is taxed separately from its share holders.

All companies have to file returns four months after their accounting year. It is also required that they make quarterly tax payment on the current year’s income based on provisional assessment made by the DTRD or the company itself (where the DTRD has granted that permission).

CAPITAL GAINS TAX

Businesses are required to pay tax on gains made on realization of chargeable assets.

CHARGEABLE ASSETS

Chargeable assets include land (which is not for agriculture in Ghana), building, shares, goodwill, business and business assets, among others.

NON-CHARGEABLE ASSETS

Chargeable assets do not include trading stock, securities of a company listed on the Ghana Stock Exchange during the first 15 years of the establishment of the Stock Exchange, Classes 1, 2, 3 and 4 assets (e.g. vehicles, plant and machinery, air and sea transport, computers, etc).

EXEMPTIONS

The following exemptions apply:

(1) gains derived from mergers, amalgamation, re-organisation of the company where there is continuity of underlying ownership in the asset of at least 25%
(2) capital gains of up to Gh¢ 50.00)
(3) where the person uses up the amount received to acquire a replacement asset
(4) transfer of ownership of an asset to a former spouse in divorce settlement or genuine separation
(5) transfer of asset to spouse or certain relatives.

CALCULATION

The capital gain is calculated as the excess of consideration received from the realization over the cost base of the asset at the time of realization. The tax is imposed at the rate of 15%.

BRANCH PROFITS TAX

A branch of any foreign company doing business in Ghana is taxed like any corporate entity in Ghana. With the aim of preventing tax avoidance schemes (e.g. transfer pricing, thin capitalization and income-splitting), the Commissioner of the IRS is entitled to adjust chargeable income of the branch on the basis of the turnover of the whole group.

Where it repatriates its branch profit after tax, it will be required to pay 10% tax on the amount repatriated. This is in addition to any corporate tax paid.

SALES TAX/ VALUE ADDED TAX (VAT)

These are indirect taxes paid by consumers on some goods and services to the state through registered individuals or businesses. The rate is 12.5% on the value of goods and services. This excludes the National Health Insurance Levy of 2.5%.

Retailers are required to charge a flat rate of 3% (no input or output VAT is computed). The 2011 fiscal year budget has proposed a new threshold of GH¢ 90,000 for both goods and services. VAT Taxpayers who fall below the GH¢90,000 threshold will now fall into a new scheme of combined VAT and Income Tax assessment, details of which is to be made in the VAT Amendment Bill.

Under Excise Duty, a 20% environmental tax is to be imposed on plastic packaging materials and products, and excise duty on tobacco is to rise from 140% to 150%.

There are exemptions specified in the VAT law. Exempt supplies include agricultural products and inputs, printed matter, approved medical and pharmaceutical supplies, transport, financial services, land, building and construction. Imports are taxable. Exports are zero rated.

Effective 2011, deferred payment of VAT under the Bonded warehousing facilities is abolished, except for raw materials for manufacturing.

FRINGE BENEFITS TAX

With the exception of dental, medical, and health insurance expenses, all fringe benefits derived from employment are taxable.

Benefits relating to accommodation and car have their own treatment specified in the Tax Law.

For all other benefits, the open market value or a reasonable value is added to taxable income and taxed.

For some services provided to its employees (e.g. food offered in a canteen, office outings, transportation of employees, accident insurances and payments to retirement funds), the employer has the option to pay the income tax on account for the employee.

LOCAL TAXES

These are collected by the District, Municipal and Metropolitan Assemblies (authorities) from persons doing business within their localities. They are also responsible for the collection of property rates.

OTHER TAXES

GIFT TAX
Subject to certain exemptions, gift tax is payable by every person on the total value of taxable gifts received by the person by way of gifts within a year of assessment. The rate is to be increased from 5% to 15%.

STAMP DUTY
Stamp duty is paid (at various rates) by a person who undertakes certain transactions including the following transactions:
(a) conveyance or transfer on the sale of any property
(b) appointment of a new trustee
(c) natural resource lease or licence (eg mining and timber)
(d) Agreement or memorandum of agreement
(e) award of cost in a matter of dispute
(f) bill of exchange (eg issue of cheques)
(g) bill of lading
(h) insurance policy.

MINERAL ROYALTIES
Holders of mining leases are required to pay royalties at specified rates to the Government on a monthly basis. Before 2011, the payment was on quarterly basis.

COMMUNICATION SERVICE TAX
This is a tax imposed on communication service providers and is administered like Value Added Tax.

TAX STAMP
This is a tax imposed on operators in the informal sector based on turnover and nature of products but not on profit.

VEHICLE INCOME TAX
This is tax imposed on commercial vehicles paid on quarterly basis. It is a form of tax paid on account.

AIRPORT TAX
This is a tax imposed on both domestic and international travels. It varies based on the passenger class and the place of destination.

B. DETERMINATION OF TAXABLE INCOME

Chargeable income of a person is defined in the Internal Revenue Act 2000 (Act 592) as:

"the total of a person's assessable income, from each business, employment, and investment, less the total amount of deductions allowed to that person for the year under sections 13 to 22 (relating to general and specific deductions), s 39 (relating to reliefs), s 57 (relating to life insurance), and s 60 (relating to contributions to retirement funds)".

CAPITAL ALLOWANCES
Capital allowances are granted in respect of fixed assets (depreciable assets), both tangible and intangible, acquired by persons in businesses for each year of assessment.

To qualify for these allowances, however, the following conditions must be met:
(a) the assets should be capital in nature
(b) the asset should be owned by the business
(c) the asset should be in the business up to the end of the year
(d) the asset should be used in carrying on business during the period
(e) the Commissioner of IRS should be informed of any new asset acquired, one month after the usage in the business.

TREATMENT
The Internal Revenue Act 2000 has categorized depreciable assets into six classes. Classes (Pools) 1–4 assets are put in different pools and depreciated at various rates ranging from 20% to 80% on reducing- balance method. Class 5 (buildings) attract a rate of 10% on cost and Class 6 (intellectual or industrial property) is depreciated over its estimated useful life.

Class	Assets	Rate
1	Computers and data handling equipment	40%
2	Automobiles, plant and machinery used in manufacturing	30%

Class	Assets	Rate
	Assets in respect of long term crop planting costs	30%
3 (1)	Assets relating to minerals and petroleum Industry	80% of cost in year of purchase and 50% each year thereafter
4	Rail, water and air transport, plant and machinery, fixtures, furniture and equipment, and any other asset not included in any other class	20%
5	Buildings, structures and works of permanent nature other than those in Class 3	10% (straight line)
6	Intangible assets other than those in Class 3	Estimated use life
	1 the second year of any new asset, 5% of cost of asset is added to the written down value.	

DISPOSAL

When an asset belonging to Classes 1 to 4 is disposed off, the realized value is taken out of the pool it came out from before the rate of capital allowance is applied on the residue.

Where the sale of an asset leads to the wiping off of the written-down value of the pool but there is still an excess of the disposal proceeds, the excess is included in the income of the year and taxed.

Where all assets in a pool are disposed of but there were not enough proceeds to take care of the written down value, capital allowance is granted on the outstanding written down value to reduce the pool to zero at the end of the year.

In case of Classes 5 and 6 assets, a different method is adopted. This method ensures that businesses recover cost in the case of a loss on disposal and are also not overly taxed in the case of gains.

CAPITAL ALLOWANCE ON LEASED ASSETS

The lessee of an asset, whether under finance or operating lease, is not entitled to capital allowance on the asset. The rental payments made to the lessor are treated as allowable expense for tax purposes.

In the case of the lessor, capital allowance is claimed under an operating lease. The full amount of rent received is included in the lessor's income for the year. Where the arrangement is a finance lease, the lessor does not qualify for capital allowance. The amount of rent payment included in taxable income for the year is reduced by capital amounts determined by the Commissioner.

DEPRECIATION

Depreciation of any fixed asset is not an allowable deduction in arriving at the assessable income. This is compensated for by the granting of capital allowance.

STOCK/INVENTORY

For the purpose of tax, stock and work in progress is valued at the lower of cost or market value. However, any method of stock valuation accepted by accounting principle that is consistently applied is accepted.

CAPITAL GAINS AND LOSSES

Gains or Losses on disposal of assets, as reported in financial statements, are not taxable or allowable respectively. Gains are deducted from profits and losses added to profits. This is in line with the IRS law that does not recognize depreciation policies set out by businesses.

The pool system adopted by the IRS for capital allowance purposes makes it almost impossible to ascertain whether a loss or gain was made on the disposal of a particular asset. However, there are adequate provisions for recovery of full cost of fixed assets disposed of (refer to disposal of fixed assets under 'Capital allowance').

Classes 1 to 4 assets do not attract capital gains tax on disposal.

DIVIDENDS

A tax is paid by a resident or non-resident person or partnership who or which is paid a dividend by a resident company, other than dividend exempt, at 8%.

A capitalization of profit is treated as dividend paid to each of the company's shareholders in proportion to their respective interest in the company and is taxed at 8%.

Where a company (controlled by not more than five persons) records profit over a reasonable period but does not declare dividends, the Commissioner has the authority to treat part of the company income as distributed and demand tax on dividends.

EXEMPTION

Dividend paid by a resident company to another resident company where the recipient company controls directly or indirectly 25% of the voting power of the company paying the company. This exemption does not apply if the dividend paid is intended as a profit or dividend stripping arrangement.

INTEREST DEDUCTIONS

Interest incurred in respect of a borrowing employed by a business entity in the production of an income is a deduction allowed for the purpose of ascertaining the assessable income of the person.

LOSSES

TAX LOSSES

Tax losses are arrived at after adjusting losses reported in financial statements in line with tax principles. Manufacturing industries which export their products and farming and mining concerns are allowed to deduct the losses over a five-year period subsequent to the year in which the loss was incurred.

Until 2002, all business that recorded tax losses enjoyed this facility.

FOREIGN CURRENCY EXCHANGE LOSSES

Any foreign currency exchange loss, other than a loss of capital nature, in respect of any debt claim, debt obligation, or foreign currency holding, incurred for the purpose of producing an income is an allowable deduction but subject to the fulfillment of certain conditions.

FOREIGN SOURCED INCOME

Foreign sourced income brought into or received in Ghana by resident persons is included in that person's income for the year and taxed. However, the person is allowed the deduction of foreign tax credits or entitled to some reliefs where there is a double taxation agreement.

INCENTIVES

There are a number of incentives provided for in the IRS law and other laws and enactments geared towards the development of certain sectors of industry and of certain parts of the country. These incentives include reduced rate of taxes, exemption from the payment of duties and other taxes for specified periods, higher rate of capital allowance, among others. These cannot be exhaustibly dealt with but below are a few of such concessions granted.

1. Carry Over Losses

This applies to business engaged in farming, manufacturing or mining (refer to 'Losses' above).

This concession is also to be granted to venture capital investment on losses incurred on the disposal of shares, agro-processing, tourism and ICT industries from year 2006.

2. Locational Incentives For Manufacturing Business

Location within Accra and Tema	25%
Location in regional capitals of Ghana	18.75%
Location in free zone enclave	0%
Location elsewhere in Ghana	12.5%

3. Locational Incentives For Agro-Processing Business

Tax rates for manufacturing concerns vary depending upon the location of the business and are as follows:

Location within Accra and Tema	20%
Location in regional capitals of Ghana:	
– except the three northern regions	10%
– the three northern regions	0%
Outside Regional Capitals	0%

4. Sectorial Incentives (Reduced Tax Rates)
Tax rates vary depending upon the area (sector or industry) from which the income is coming from as shown below:

Hotel industry	22%
Export of non-traditional production	8%
Loans granted to a farming enterprise	20%
Loans granted to a leasing company	20%
Companies listed on the Ghana Stock Exchange	25%
Companies listed on the Ghana Stock Exchange after 1 January 2004	22% (for first 3 years)

5. Industrial Concessions (Exemption Period)
The income of a person from the following industry or sector of the economy is exempted from tax for the years stated against them:

Farming tree crops	10 years
Livestock	5 years
Farming cattle	10 years
Processing business	3 years
Rural banking	10 years
Construction for sale letting of residential premises	5 years
Cocoa farming Indefinitely Processing of cocoa by-products	5 years
Processing of waste materials	7 years
Agro-processing	5 years
Venture capital investments (effective 2006)	5 years
Real Estate Companies	(first 5 years)

Effective 2011, the Government is abolishing the five years' exemption granted to companies engaged in construction for letting or for sale of residential premises, except real estate developers who will partner the Ministry of Water Resources, Works and Housing to provide affordable houses.

G

C. FOREIGN TAX RELIEF

Foreign tax credits are available to relieve double taxation on overseas income. Credits are calculated separately for each source of business, employment and investment income and may not exceed the average rate of Ghanaian income tax of that person for the year of assessment applied to that person's taxable foreign income for the year.

D. CORPORATE GROUPS

Corporate groups, irrespective of their affiliations, prepare accounts separately and are taxed separately. Capital allowance is not transferable.

E. RELATED PARTY TRANSACTIONS

Although nothing in the law disallows related party transactions, the Commissioner has authority to disregard or reverse any transaction that is geared towards tax avoidance.

F. WITHHOLDING TAX

Tax is withheld at various rates for the following transactions:

Income: Residents	Rate
Payment of employees	graduated
Directors' fees	10%
Payment of interest (excluding individuals)	8%
Fees to part-time lecturers, teachers, examiners, etc	10%
Payment of dividend to shareholders	8%

Income: Residents	Rate
Commission to insurance and sales agents	10%
Commission to lottery agents and receivers	5%
Payment for goods and services supplied	5%
Rent	8%

Effective 2011, the Government has increased the withholding tax threshold on goods and services from GH¢50 to GH¢ 50.

However, withholding tax rate for foreign suppliers of service is increased from 5% to 15%.

Income: Non-Residents	Rate
Management and technical service fees	15%
Royalties, natural resource payments and rents	10%
Endorsement fees	15%
Dividends	8%
Repatriated branch after tax profits	8%
Interest	8%
Short-term insurance premium	5%

G. EXCHANGE CONTROL

Ghana has an Exchange Control Act that regulates, among other things, the following:
a) Use of foreign exchange among residents
b) Trading in gold (coins and/or bullion)
c) Exports and import on bank notes
d) Exports and export proceeds
e) Capital and money market instruments.

The DTRD Regulations set a formula for calculating the amount of profits that a foreign company may repatriate to its home country at every point in time. There are restrictions to the amount allowed to be repatriated.

H. PERSONAL TAX

Individuals are required to pay tax on gains or profit from employment, business or investment. For a resident person, he or she is to pay tax on income accruing in, derived from, brought into, or received in Ghana, and for a non-resident person on income accruing in, and derived from, Ghana whether the income is received in Ghana or not.

An individual is considered resident if he or she has stayed in Ghana for an aggregate period of 183 days or more in any 12 month period.

All incomes are aggregated and taxed after the various adjustments relating to the type of income earned are made. The aggregated income excludes capital gains, gifts and rent income.

The tax rates are graduated with rates ranging from 0% to 25%. Annual income up to Ghc 1,008 is taxed at 0%. Any income in excess of Ghc 16,200 is taxed at 25%.

In the 2011 fiscal policy of the Government, the exempt income is proposed to be Gh¢ 1,100 and the 25% rate will apply only for annual income exceeding Gh¢ 20,280. Reliefs for employees in respect of marriage, old age, child education aged dependants, and training cost have been revised upwards.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

In the absence of any treaty with the Government of Ghana, the provisions of the income tax law apply for the treatment of all tax matters. Thus, tax rates applicable on various incomes apply.

Where there is a treaty with the Government of Ghana, the terms of the treaty prevail over all provisions of the income tax law. However, where the rates of taxes set out in a treaty are higher than those of the laws of Ghana, the lower rates are used.

Currently, the notably double taxation treaties Ghana has are with the United Kingdom, France, Italy, South Africa, Belgium and Germany.

Tax Rates in percentages are as follows:

Income	Germany	South Africa	Belgium	Italy	Netherlands	UK	France
Technical/ Management fees	8	10	10	10	8	10	10
Interest	10	10	10	10	8	12.5	10
Royalties	8	10	10	10	8	12.5	10
Dividends:							
Recipient must hold at least 10% shares	5	5	5	5	5	7.5	7.5
All other cases	15	15	15	15	10	15	15

PENALTIES
FILING OF RETURN OF INCOME
Any company or a self-employed person who fails to provide a return of income to the DTRD within the time required is liable to pay a penalty as follows:

Company	Two (2) Currency Points for each day of default.
Self employed	One (1) Currency Points for each day of default.

PAYMENT OF TAX
The penalties for failure to pay tax on due date are as follows.
(a) up to three months – 10% of the unpaid tax
(b) exceeding three months – 20% of the unpaid tax.

A further penalty 5% of the tax and penalty shall be imposed if the total amount remains unpaid.

The penalties for failure to withhold tax and/or failure to pay withheld tax are as follows:
(a) up to three months – 20% of the unpaid amount;
(b) exceeding three months – 30% of the unpaid amount.

A further penalty of 5% of the tax plus penalty shall be imposed if the total amount remains unpaid.

GREECE

Currency: Euro (EUR)
Dial Code To: 30
Dial Code Out: 00

Member Firm:

City: Athens
Name: Alexandros Sfarnas
Contact Information: 210 748 0600 pkfathen@otenet.gr

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
Companies resident in Greece are subject to corporate income tax on their worldwide income and capital gains. Non-resident companies that have a permanent establishment in Greece are subject to corporate income tax on income and capital gains derived through the permanent establishment. A financial period is 12 months and usually coincides with the calendar year. In certain cases, however, it may start on 1 July and end on 30 June of the following year. Also, the financial period of a company in which a foreign enterprise has at least a 50% capital participation may coincide with that of the foreign enterprise.

The tax rates applicable to undistributed profits are as follows:

Public limited companies (SA)	24% in 2010, 23% in 2011, 22% in 2012, 21% in 2013, 20 % in 2014
Banks	24% as above
Limited liability companies (EPE)	24% as above
Branches of foreign companies	24% as above

Distributed profits are subject to income tax at 40%. This tax is classed as a corporate tax and not as a dividend tax.

Note:
It has been already announced that, starting from 2011, the corporate tax rate will be 20% and dividends will be subject to an additional withholding tax of 25%. This withholding tax will be a prepayment of income tax payable by the recipient of the dividends.

This law has not yet been approved at the time of going to press.

Income tax is payable in eight equal monthly instalments commencing in the fifth month from the end of the financial period in which the tax return must be filed.

CAPITAL GAINS TAX
Capital gains are not taxed separately but are added to the company's taxable income except for the following cases:
(1) Gains from the sales of shares quoted on a Stock Exchange are currently taxed at a rate of 0.15% of the sales proceeds. It had been proposed that the rate of tax on such disposals would be increased but the increase has been temporarily postponed.
(2) Sales of shares not quoted on a Stock Exchange are taxed separately at a rate of 5% on the sale value (i.e. gross proceeds). If this income is gained by a company, the above 5% tax is considered as a prepayment and the profits are taxed as any other taxable income.
(3) Profit from sales of (a) interests in any kind of company (except a public limited company), and (b) an enterprise as a whole, is taxed separately at a rate of 20%.
(4) Profit from the sale of a right, relevant to the operation of the enterprise, is taxed separately at a rate of 20%.

In cases (3) and (4), the profit is taxed together with other income if the seller is a public limited company.

SALES TAX/VALUE ADDED TAX (VAT)
VAT is charged on every supply of goods and services by a commercial enterprise, with the exception of the Aghion Oros area. The VAT rate is 23%, except for specific categories of goods and services for which the tax rate is 13% and 6.5% respectively. The above rates are reduced by 30% in certain circumstances. Public services (health, education, insurance etc.) are not subject to VAT. These services are considered VAT exempt. Exports of goods and services are zero-rated. VAT is collected at each stage of the process of production or distribution of goods and services. The burden of the tax falls on the ultimate consumer.

OTHER TAXES
Insurance business income is not subject to VAT but to turnover tax at a rate of 10%.

Each transfer of real estate is subject to transfer tax computed on the market value of the real estate at a rate of 10%. This tax is borne by the buyer. From 1 January 2006, buildings (sale of new buildings only) are subject to VAT at 23%. Other buildings are subject to transfer tax at 10%.

Taxpayers are subject to a yearly charge based on the value of real property held. Starting from 2010, the tax rates applicable to companies are as follows:
- Companies:
  Properties in general 6/1000
  Buildings owned and used for the purposes of a commercial activity 1/1000
  Hotels, for the business years 2010, 2011 and 2012, used for business purposes 0.33/1000
- Buildings owned and used by not-for-profit legal entities 1/100
- Individuals are subject to the charge on a progressive scale
- Transactions not subject to VAT are subject to stamp duty at rates from 1.2% to 3.6%.

Companies pay contributions to the social security organisation (IKA) for their employees. The contribution is computed on the employee's salaries at a rate of approximately 30%.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are determined by ascertaining total gross income and then subtracting allowable expenses.

These expenses must be wholly incurred for the purposes of the enterprise. Below are some of the allowed deductions.

DEPRECIATION
Fixed asset depreciation is computed annually at fixed rates, the most important of which are:

- plant and other buildings 5% – 8%
- machinery 11% – 15%
- furniture 15% – 20%, office machines 15% – 20%, computers 24% – 30% or 100%
- private cars 11% – 15%, trucks and buses 15% – 20%.

STOCK/INVENTORY
Stock is valued at the lower of acquisition cost or market value.

CAPITAL GAINS AND LOSSES
Capital losses are deducted from the taxable trading income.

DIVIDENDS
Before 2011, no tax was charged on the receipt of dividends but distributed profits were subject to corporate tax at 40%.Starting from 2011, it is anticipated that dividends will be subject to a dividend tax of 25% and the total of the company's profits before distribution will be taxed at 20%. However, at the date of going to press, this prospective change of law had not been passed.

INTEREST DEDUCTIONS
Interest on loans is generally tax deductible. Interest on loans from affiliated companies is tax deductible only to the extent that the loan does not exceed a debt:equity ratio of 3:1.

LOSSES
Losses incurred in a financial year may be carried forward to be set off against profits of the following five financial years.

FOREIGN SOURCED INCOME
Foreign sourced dividends are added to the taxable income of the company.

INCENTIVES
Tax incentives are given if a company makes productive investments. There are two kinds of investments: state grants and tax reliefs.

The total amount of the support depends on the size of the enterprise and the geographical area.

Both incentives require a decision from the related authorities. The amount allocated every year for both grants and tax reliefs is limited.

G

C. FOREIGN TAX RELIEF

The Greek tax liability is reduced by the tax actually paid in the foreign country on which the profits arose. Relief is restricted to the amount relating to the tax suffered on the profits in Greece.

D. CORPORATE GROUPS

There are no special tax provisions for corporate groups.

E. RELATED PARTY TRANSACTIONS

When income from a related party transaction, at home or abroad, is not at arm's length prices, a transfer pricing adjustment is carried out.

F. WITHHOLDING TAX

In the absence of Double Tax Treaties, withholding tax of 20% must be deducted from royalties paid to foreign enterprises or foreign persons not permanently established in Greece.

Withholding tax is also deducted from interest income at the following rates:
- 10% on bank deposits in Euro denominated accounts
- 25% on any other type of interest.

Double taxation agreements contain specific provisions that confine the above mentioned withholding taxes.

G. EXCHANGE CONTROL

According to the EU Directives, there are no longer any exchange controls. Such controls still exist for transfers of capital to non-EU countries.

H. PERSONAL TAX

An individual is subject to income tax on his total net income in Greece and abroad. Net income sourced in Greece is taxed irrespective of the residence of the individual. Income arising abroad is taxed if the relevant individual is a resident of Greece. The tax year is the calendar year.

Taxable income is established by deducting the following expenses, where applicable:
- Social security contributions
- Interest paid for buying a house (for the first time)
- Medical care expenses.

The remaining amount is taxed as follows:

Income Bracket (Euro)	Tax Rate %	Tax per Bracket (Euro)	Aggregate Income (Euro)	Aggregate Tax (Euro)
12,000	0	0	12,000	0
4,000	18	720	16,000	720
6,000	24	1,440	22,000	2,160
4,000	26	1,040	26,000	3,200
6,000	32	1,920	32,000	5,120
8,000	36	2,880	40,000	8,000
20,000	38	7,600	60,000	15,600
40,000	40	16,000	100,000	31,600
Over 40,000	45			

The following personal allowances are available:
- 1,500.00 Euro for one child, 3,000.00 Euro for two children and 11,500.00 Euro for three children.
- 20% of the cost of domestic rent up to 1,200.00 Euro.
- 20% of the cost of hospital expenses up to 6,000.00 Euro.
- 20% of the cost of insurance fees up to 240.00 Euro.
- 20% of alimony payments up to 3,000.00 Euro.
- Donations paid to the Greek State and to not-for-profit organisations on specific conditions up to 10% of the taxable income.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Under the tax treaties which have been concluded by Greece, the residents of certain foreign countries may enjoy reduced rates of withholding taxes on interest and royalties as follows.

	Interest (%)	Royalties (%)	(1)
Non-Treaty Countries:	10/25	20	
Treaty Countries:			
Albania	5	5	
Armenia	10	5	
Austria	8	7	
Azerbaijan	8	8	
Belgium	0/10	5	
Bulgaria	10	10	
Canada	10	10	
China	10	10	
Croatia	10	10	
Cyprus	10	0/5	
Czech Republic	10	10/0	(3)
Denmark	8	5	
Egypt	15	15	
Estonia	10	5/10	(2)

	Interest (%)		Royalties (%)	(1)
Finland	10		0/10	
France	10		5	
Germany	10		0	
Hungary	10		10	
Iceland	8		10	
India	–	(7)	–	(7)
Ireland	5		5	
Israel	10		10	
Italy	10		5/0	
Korea	8		10	
Kuwait	5		15	
Latvia	10		5/10	
Lithuania	10		5/10	
Luxembourg	8		7/5	
Malta	8		8	
Mexico	10		10	
Moldova	10		8	
Morocco	10		10	
Netherlands	10/8	(4)	7/5	(5)
Norway	10		10	
Poland	10		10	
Portugal	15		10	
Romania	10		7/5	
Russia	7		7	
Saudi Arabia	5		10	
Serbia	10		10	
Slovak Republic	10		0/10	
Slovenia	10		10	
South Africa	0/8		5/7	
Spain	0/8		6	
Sweden	10		5	
Switzerland	10		5	
Turkey	12		10	
Ukraine	0/10		10	
United Kingdom	0		0	
United States	–	(6)	0	
Uzbekistan	10		8	

1 Where the withholding tax rate on royalties is indicated as nil, no income tax is due. The withholding tax on rental payments may also be reduced under the provisions concerning royalties in various tax treaties. The text of the relevant treaty should be consulted.
2 The 5% applies to royalties paid for the use of industrial, commercial or scientific equipment. The 10% rate applies to all other royalties.
3 No tax on royalties on intellectual property.
4 8% if paid to a bank or other institution.
5 5% for copyright and film royalties.
6 Where the US resident receiving the interest is not engaged in a trade or business through a permanent establishment in Greece, the interest is exempt from tax in Greece to the extent that it does not exceed a rate of 9% pa. The exemption is not available (and the domestic withholding tax rate therefore applies) where the US corporation holds more than 50% of the voting power of the Greek payor.
7 The domestic rate applies. There is no reduction under the treaty.

GRENADA

Currency: Dollar (EC$)	Dial Code To: 1473	Dial Code Out: 011

Member Firm:

City:	Name:	Contact Information:
St George's	Henry A Joseph	440 4979 Hjoseph.pkf@caribsurf.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Grenadian resident companies are liable to income tax on all sources of non-exempt income wherever arising. A company is regarded as resident in Grenada if its central management and control is located and exercised in Grenada or if it was incorporated in Grenada. A non-resident company is taxed on income of a branch carrying on a trade or business in Grenada, i.e. the income arises in Grenada.

The rate of tax on companies is 30%. The tax year or 'year of assessment' is a period 12 months commencing on 1 January in each year. Companies are assessed tax on their income that arises in the basis period. Where the company usually makes up its accounts for a period other than the calendar year, this period will be substituted for the calendar year. The company is expected to submit its tax return by the end of March or three months following the year of assessment and pay any balance of tax due. The company is required by law to make monthly advanced payments of income tax based on the results of the preceding year (estimated tax). Any balance of tax is due and payable when the return is filed.

CAPITAL GAINS TAX

There is no income tax on capital gains secured on the disposal of capital assets. However, there is a transfer property tax of 5% of the value of property sold with or without improvement.

Aliens landholding tax: For foreign company buying into local company, the foreigner pays 15% and the local pays 10%.

Foreign buying into foreign: each pays 15%.

There is a 1% stamp duty charge.

BRANCH PROFITS TAX

Branches of non-resident corporation or companies doing business in Grenada are taxed on the profits arising in Grenada. The rate of tax is 30%.

SALES TAX/VALUE ADDED TAX

A new value added tax was introduced on 1 February 2010. The tax is on the sale of goods and services at the rate of 15% except for accommodation at hotels which is at 10% and telecommunications services at 20%. The tax applies to both input and output so that at the end of a month a credit may be claimed where the input is greater than the output.

LOCAL TAXES

National Insurance is payable on emoluments up to a maximum of EC$3,000 per month at rate of 4% from the employee (EC$120) and 5% from employer (EC$150). This compulsory contribution made both by employer and employee goes towards the provision of a pension at age 60 for women and 65 for men.

Stamp tax is paid on the gross income of businesses. The rates are as follows:

Gross annual income of over EC$30,000 but less than EC$100,000	0.25%
Gross annual income exceeding EC$100,000	0.5%

The charge shall not be less than EC$100 and is payable by 31 March of each year.

OTHER TAXES

Common External Tariff (CET) and Customs Service Charge (CSC) are imposed.

CET: 5% to 40% on the CIF value of the landed price of goods purchased outside of CARICOM.

Property tax is ad valorem, i.e. the property is assessed at market value and a taxable rate is applied based on the land use classification.

Category	Land rate %	Building rate %
Agricultural	0.0	0.0
Amenity	0.1	0.1
Commercial	0.5	0.3
Hotel	0.3	0.02
Industrial	0.3	0.2
Institutional	0.1	0.1
Residential	0.1	0.15
Reserve	0.1	0.0
Waste	0.1	0.0

B. DETERMINATION OF TAXABLE INCOME

The chargeable income of a company is determined by deducting all non-capital disbursement and expenses wholly and exclusively incurred in acquiring the income from all taxable income brought into charge. Domestic and private expenses are not allowable. Special deductions include the following.

CAPITAL ALLOWANCES

Capital allowances are granted for depreciation of equipment, plant and machinery and other assets used in the business at the following rates per annum:

Plant, machinery and equipment	10%
Air conditioning units, computers, elevators, ships, and other vessels	16.66%
Motor vehicles other than heavy vehicles	20%
Aircraft and equipment, heavy plant and machinery, public transport	25%

STOCK/INVENTORY

Stock and work-in-progress are valued at the lower of cost or net realisable value.

CAPITAL GAINS AND LOSSES

Capital gains are not taxed in Grenada.

DIVIDENDS

Dividends are not taxed in Grenada.

INTEREST DEDUCTIONS

Interest paid upon any money borrowed on capital employed in acquiring the income is deductible.

LOSSES

Losses sustained in a trade, profession or business carried on in the Island or through the ownership or occupation of land situated on the Island are allowed as expenses in arriving at the chargeable income of the person sustaining the loss. The loss should not be a capital loss. The loss is available to be set off against other income arising in the year of assessment and may be carried forward and deducted in ascertaining the assessable income of the next two years or until the assessed loss has been fully allowed, whichever is earlier. The deduction shall not exceed one half of the assessable income of the subsequent years.

FOREIGN SOURCED INCOME

Where income arises outside Grenada and such income is derived from any act incidental to business carried on in Grenada, such income shall be included in the assessable income of the business in Grenada whether received in Grenada or not. This includes:

(a) branch or agency profits from business outside Grenada
(b) interest, royalties and rents outside Grenada.

INVESTMENT ALLOWANCE/INCENTIVES

The Government of Grenada encourages the establishment and development of new businesses and offers a wide range of incentives to potential investors. All of these incentives and concessions are designed to make investments more profitable. Concessions are available under the following various enactments:

- Fiscal Incentives Act 1974
- Qualified Enterprise Act
- Investment Code Incentive Law 1983
- Hotels Aid Act 1954
- Common External Tariff (SRO 37/99)
- General Consumption Tax Act 7/95.

TOURISM SECTOR
There is full exemption from taxes on corporate profits for up to ten years. There is also exemption from customs duties (CET) and taxes (GCT) on articles of hotel equipment to equip and upgrade the hotel property, service vehicles, material for construction, repair, renovation or alteration to hotel properties.

MANUFACTURING SECTOR
There is full exemption from taxes on corporate profits for up to 15 years. There is also exemption from customs duties (CET) and taxes (GCT) on plant, machinery, equipment (including equipment for the transportation of goods), spare parts, raw materials and components.

SERVICE SECTOR
There is relief from duties (CET) and taxes (GCT) on equipment.

C. FOREIGN TAX RELIEF

There is no foreign tax relief in Grenada.

D. CORPORATE GROUPS

Tax liability in a group basis is not permissible. The liability of each company within the group is determined separately.

E. RELATED PARTY TRANSACTIONS

Related party transactions which are carried out for considerations not at arm's length, intended to secure a benefit or tax advantage or to reduce the tax payable, are counteracted by the Comptroller who will take appropriate actions to negate this advantage.

F. WITHHOLDING TAX

Taxes at the rate of 15% are required to be deducted from payments to non-residents of interest or discounts, royalty, annuities or other periodic payments, rental, lease premium or license, management charge and commission or fee. The tax so deducted shall be paid to the Comptroller within seven days from the date of the payment to the payee.

G. EXCHANGE CONTROL

There are no exchange controls in Grenada at this time. Foreign currency up to a maximum equivalent of EC$250,000 can be purchased from any of the commercial banks. Amounts in excess of this limit are subject to permission being obtained from the Ministry of Finance. This permission is generally not withheld and can be obtained within a short time period.

H. PERSONAL TAX

An individual who is resident, ordinarily resident and domiciled in Grenada is subject to income tax on his or her worldwide income as it arises. Non-residents are subject to tax on income accruing directly or indirectly from the carrying on of business in Grenada. Income from any source other than from the carrying on of business shall be liable to withholding tax and not form part of the assessable income.

RESIDENCE IN GRENADA
The residency requirements are as follows:

- permanent place of abode is in Grenada and he is physically present therein for some period of time in that year of assessment
- physical presence in Grenada for period of not less than 183 days in that year of assessment
- physically present in Grenada for some period of time in that year of assessment and such period is continuous with a period of physical presence in the immediately preceding or succeeding year of assessment of such duration as to qualify him for the resident status.

Broadly, an individual is domiciled in the country or state which he regards as his permanent home. He acquires a domicile of origin at birth, normally that of his father, and retains it until he acquires a new domicile of choice. To acquire a domicile of choice, a person must sever his ties with his domicile of origin and settle in another country with the clear intention of making it his permanent home.

In ascertaining the chargeable income of an individual who is resident in Grenada, the amount of $60,000 per annum is allowed as a deduction. A 30% tax rate is applied to the excess.

The Pay-As-You-Earn (PAYE) system of collection is in operation. The employers, who act as agents, deduct tax from employees' gross monthly emoluments. The tax so deducted must be remitted to the Inland Revenue Department by the 7th day of the month following the period for which the deduction was made. Any tax deducted and not paid within the time specified shall bear interest at the rate of 2% per month or part thereof for the period during which it remains unpaid.

Employees whose income was in excess of EC$60,000 are required to furnish annual income tax returns and attach certification from the employer by the end of March following the year of assessment.

All employees are also charged a National Reconstruction Levy (NRL) on income in excess of EC$1,000 per month at the rate of 3%.

GUATEMALA

Currency: Quetzal (GTQ)	Dial Code To: 502	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Guatemala City	Hugo Arevalo Perez	2332 8831 harevaloperez@pkfguatemala.com

A. TAXES PAYABLE

TAXES AND LEVIES

COMPANY TAX

Companies are subject to income tax only on their Guatemala source income and may choose to be taxed either under the general tax regime or the optional tax regime.

Under the general tax regime, companies are subject to tax on their gross income at a rate of 5%. Tax is paid through a withholding system and/or by direct monthly payments. Under the optional tax regime, tax is charged at 31% on gross income less deductible expenses.

The tax year is the calendar year. The tax return must be submitted within the first three months following the end of the tax year. Final payment of tax must be made by the filing date for the return. If the taxpayer chose to pay the tax by the withholding tax method under the general tax regime, this is withheld by those persons paying income to the company concerned. Where the taxpayer has opted to be taxed under the optional tax regime, advance payments of tax are required on a quarterly basis.

CAPITAL GAINS TAX

Companies taxed under the general tax regime pay tax at 10% on the gross proceeds derived from the sale of capital assets, whereas those opting to apply the optional tax regime pay tax on net gains at 31%.

BRANCH PROFITS TAX

There is no separate branch profits tax. Overseas companies with a permanent establishment in Guatemala pay tax on the profits of the permanent establishment under the same rules applied to Guatemala resident companies.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is levied on the domestic supply of goods and services and on imports of goods. The export of goods is zero rated. There is a single rate of 12% although certain supplies are exempt. These include:

- services supplied by institutions controlled by the Superintendent of Banks and stock exchanges including insurance and reinsurance operations
- the issue and transfer of certain securities
- contributions and gifts to non-profit institutions
- transactions between co-operatives and their participants

- imports of movable goods effected by co-operatives and exclusively destined for their activities
- imports under the temporary importation regime.

VAT returns must be submitted monthly, within the month following that to which the return relates. Any VAT due must be paid by the same due date.

FRINGE BENEFITS TAX
All benefits in kind are taxable on individuals receiving those benefits from their employers.

OTHER TAXES
NET ASSETS TAX
With some exceptions, a quarterly tax is levied on persons or entities which perform commercial or agricultural activities in Guatemala and derive a gross margin of more than 4% from those activities. Tax is payable on the greater of 25% of the value of net assets and 25% of gross income. If the value of net assets exceeds four times gross income, the tax base is 25% of gross income. Currently, the tax is levied at a rate of 1%.

REAL ESTATE TAX
An annual tax is payable on the owners of real estate and levied at the following rates:

Taxable amount (GTQ'000)	Rate
up to 2,000	0%
2,001 to 20,000	0.2%
20,001 to 70,000	0.6%
Over 70,000	0.9%

Tax is also charged on rural land declared to be idle (ie not used for agricultural purposes).

SOCIAL SECURITY CONTRIBUTIONS
Employer's social security is payable at a rate of 12.67% on the total salary of employees.

B. DETERMINATION OF TAXABLE INCOME

The information provided in this section applies only in respect of taxpayers opting to be taxed under the optional tax regime. Generally, costs and expenses may be deducted from gross income provided they do not exceed 97% of the total taxable income in the tax year. Any excess may be carried forward to the following tax year only.

CAPITAL ALLOWANCES
Tax deductions are available in respect of the depreciation of fixed assets used in the business. Generally speaking, only the straight-line method is allowed, although other methods may be used if agreed by the tax authorities. Maximum depreciation rates are set and include the following:

Assets	Rate
Buildings and construction	5%
Furniture and equipment	20%
Vehicles	20%
Computers (including software)	33.33%
Tools	25%

STOCK/INVENTORY
The following methods of stock valuation are allowed for tax purposes:
- production or acquisition cost
- balanced average of the opening inventory plus purchases in the period
- market value.

CAPITAL GAINS
See above discussion.

DIVIDENDS
The payment of dividends and profit distributions is not tax deductible. Similarly, dividends received which are paid out of profits already subject to corporate income tax are not taxable in the hands of the recipient.

INTEREST DEDUCTIONS

Interest payable is generally deductible provided it is paid on loans granted by banks or financial institutions. There are no specific thin capitalisation rules in Guatemala.

LOSSES

Losses, other than capital losses, may not be carried back or carried forward. Capital losses may be carried forward for five years under the optional tax regime and off-set against capital gains.

FOREIGN SOURCE INCOME

Tax is only chargeable on Guatemala source income.

INCENTIVES

Certain incentives are granted to industrial or commercial enterprises established in free zones. These include:

- an exemption from income tax for 12 years with respect to income from industrial or commercial activities carried out in free zones
- an exemption from VAT for transactions effected within or between free zones
- an exemption from stamp duties on the transfer of immovable property located in free zones when the enterprise is also located there.

C. FOREIGN TAX RELIEF

As only Guatemala source income is subject to tax, this section is not relevant.

D. CORPORATE GROUPS

There are no special tax provisions relating to groups of companies.

E. RELATED PARTY TRANSACTIONS

There are no specific transfer pricing rules. Restrictions apply to the prices which may be charged or paid in respect of exported and imported goods. Generally, the price of imports may not exceed the international price plus transportation and other costs, whereas the price of exports may not be less than the international price less transportation and other costs.

F. WITHHOLDING TAX

Guatemala source income derived by non-residents without a permanent establishment in Guatemala is generally subject to a final withholding tax at the rate of 31% on the gross amount. An exception is Interest income which is subject to a final withholding tax at the rate of 10% on the gross amount. Dividends paid to non-residents are exempt from tax provided that they are paid out of profits which have already been subject to income tax at the corporate level. Otherwise, they are subject to final withholding income tax at the rate of 10% on the gross amount.

G. EXCHANGE CONTROL

There are no exchange controls in Guatemala.

H. PERSONAL TAX

Both residents and non-residents are only subject to income tax on Guatemala source income. Employment income is treated separately but all other types of income are aggregated and subject to tax at 5% (on gross income) under the general tax regime and 31% (on taxable income) under the optional tax regime.

Dividends received which are paid out of profits which have already been subject to corporate income tax are not subject to tax in the hands of the recipient.

Capital gains are included in the individual's total income and subject to income tax under the general or optional regime. Under the general regime, capital gains are subject to tax at the rate of 10% on the gross amount. No tax is payable on the sale of movable goods used for the personal use of the taxpayer or his family.

Employment income is subject to monthly withholding taxes at progressive rates as follows:

Taxable income (GTQ)	Tax due on limit (GTQ)	Marginal rate on the excess
Up to 65,000	0	15%
65,001 to 180,000	9,750	20%
180,001 to 295,000	32,750	25%
Over 295,000	61,500	31%

Deductions are available for social security payable and personal allowances. The general personal allowance is GTQ 36,000.

The tax year is the calendar year. Returns must be filed within three months of the end of the tax year. However, individuals receiving only employment income which is subject to the monthly withholding tax system, and those with income of no more than GTQ 36,000, are not required to file a return.

Taxpayers using the optional tax regime must make advance tax payments on a quarterly basis. Taxpayers using the general tax regime must pay any tax outstanding within three months of the end of the tax year.

I. TREATY WITHHOLDING TAX RATES

Guatemala does not have any tax treaties in force.

GUERNSEY

Currency: British Pound (GBP) | Dial Code To: 44 | Dial Code Out: 00

Member Firm:

City: St Peter Port

Name: André Trebert

Contact Information: 01481 727927 andre.trebert@pkfguernsey.com

A. TAXES PAYABLE

G

COMPANY TAX

All companies incorporated in Guernsey are treated as either resident, and therefore chargeable to income tax, or given exempt status.

RESIDENT COMPANIES

Companies are resident for corporation tax purposes if they are incorporated in Guernsey or are managed and controlled in Guernsey. It should be noted that management and control of a company is by reference to share ownership, such that a non-Guernsey registered company will be treated as resident if its controlling shareholder is Guernsey resident.

For resident companies, the income tax rate was 20% until 31 December 2007. From 1 January 2008 the company standard rate of tax has reduced to 0% although certain types of Guernsey source income will continue to be taxed on companies. Income arising from Guernsey property development or Guernsey rental income will be taxable at the company higher rate of 20%. Also, the profits of utilities regulated by the Office of Utility Regulation are also subject to the 20% rate. Profits arising from certain banking activities and the provision of credit facilities are subject to tax at the company intermediate rate of 10%.

The tax year runs from 1 January to 31 December although companies may adopt a year end of their choice. From 1 January 2006, business profits are assessed on a current year basis. Tax is payable in two instalments on 30 June and 31 December in the Year of Charge or 30 days following the issue of the assessment if issued after these dates. Tax returns are issued at the beginning of January each year and should be submitted along with a copy of the profit and loss account and the balance sheet of the company for the usual accounting period ending in the previous year to 31 December. Where returns have not been submitted by mid-June, an estimated assessment will be raised that is based on the previous year's figures inflated by RPI.

EXEMPT COMPANIES

Prior to 1 January 2008, Guernsey registered companies which were beneficially owned by non-residents were able to claim exempt status by payment of an annual exemption fee of £600. Exempt companies pay no tax on income from sources outside Guernsey. Income arising from any source in Guernsey was subject to income tax (except for bank deposit interest) at the rate of 20%. With effect from 1 January 2008, exempt status was abolished for all privately owned companies. Thereafter, all Guernsey registered companies will be treated as resident for taxation purposes. Guernsey investment schemes, however, are still able to claim exempt status.

INTERNATIONAL COMPANIES

With effect from 1 January 2008, International Business Company Status (IBC) is abolished. Prior to 2008, an IBC was a company managed and controlled in Guernsey, wholly owned by non-residents and, although trading exclusively with, or arranging for trading operations between non-residents, a real presence could be demonstrated in Guernsey. Although the company was resident in Guernsey, it was not subject to the usual 20% tax. Instead, it was able to choose a rate that was above zero and not more than 30% to be agreed with the Guernsey tax authorities subject to a minimum tax charge of £1,000. As the rate of tax was capable of reaching 30%, a company could be subject to tax at a rate satisfying the controlled foreign company and anti-avoidance legislation of many countries.

PROTECTED CELL COMPANIES

During 1997, legislation was introduced to facilitate the creation of protected cell companies. Under the legislation, investors in, and creditors of, one particular cell of the company are protected from the liabilities (including the tax liability attributable to the profits) of other cells. The taxable profits of each cell are computed separately, with the profits and losses being apportioned between the cells in accordance with arrangements set out in the articles of association of the company or other relevant agreements affecting the company. Tax adjusted losses are allocated to individual cells in accordance with the liability for those losses concerned, although it should be possible to elect to surrender the loss against the profits of other cells.

CAPTIVE INSURANCE COMPANIES

Until December 2007 there were special rules for the taxation of overseas controlled captive insurance companies. There were three methods of taxation of captives in Guernsey. The captive insurance company could be assessed at 20% on net taxable profits and could postpone part of the tax due in accordance with the proportion of claims reserved. Alternatively, it could elect to be taxed on a sliding scale basis with income derived from underwriting activities outside Guernsey being excluded. The other alternative was to elect to be an exempt company in which case it would pay an annual fee of £600. These options ceased to apply with effect from 1 January 2008 and from this date companies are taxed at 0% unless in receipt of income taxable at either the 10% or 20% rates.

"ZERO 10" CHANGES

Companies owned by non-Guernsey resident shareholders and which have no taxable Guernsey source of income will not be required to submit annual financial statements to the States of Guernsey and will have no Guernsey tax liability. For trading companies with Guernsey resident shareholders, no Guernsey tax liability will arise until trading profits are distributed to the Guernsey resident shareholders. On making a distribution, the company will act as agent for the shareholder and will withhold tax at the individual standard rate of 20%. Investment income arising to companies with Guernsey resident shareholders will be deemed to be distributed to Guernsey resident shareholders who will be charged accordingly. Again the company will be required to pay tax as agent for the shareholder. Certain anti-avoidance measures mean that "trigger events" will result in undistributed profits being charged to tax. These "trigger events" are essentially share disposal, the cessation of business or the shareholder becoming non-resident. They will not apply if the company has made an irrevocable election to distribute at least 65% of its profits annually.

CAPITAL GAINS TAX

There is no capital gains tax in Guernsey.

BRANCH PROFITS TAX

There is no branch profits tax in Guernsey.

SALES TAX/VALUE ADDED TAX (VAT)

There is no sales tax or VAT in Guernsey.

FRINGE BENEFITS TAX

Benefits in kind are taxable on employees who receive benefits such as the provision of food, rent-free accommodation, and private use of a company motor vehicle. The tax on benefits in kind can be paid either by the employer or the employee.

LOCAL TAXES

Taxes are levied on a state level only.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, expenditure must be wholly and exclusively expended for the purposes of the business. Special rules apply in respect of the categories listed below.

DEPRECIATION
No deduction is permitted in respect of depreciation on capital items. However, annual allowances, calculated using the reducing-balance method, are allowed as follows:
- buildings – 1.25%
- plant and machinery – 20%
- motor vehicles – 25% (restricted to first £19,900 for vehicles purchased on or after 1 January 2006)
- various other items can also be written off at specified rates.

Where assets used within a business and on which annual allowances have been granted are disposed of, a balancing allowance or charge will arise where the sale proceeds are less than or exceed the original cost net of allowances given.

STOCK/INVENTORY
All trading stock on hand at the beginning of the year and all trading stock on hand at the end of that year must be taken into account in determining taxable income. Although there is no Guernsey legislation covering the valuation of stock, the income tax authority would follow principles established in the UK. Therefore, the acceptable methods of valuing inventory include FIFO and average cost but not LIFO.

DIVIDENDS
Until 31 December 2007, dividends received by resident companies from other resident companies were chargeable to tax. However, they carried with them a tax credit making them effectively tax free (for the treatment of dividends payable out of post 2007 profits see "Zero 10 changes" above). Dividends received from a UK resident company do not qualify for double tax relief and recipients are, therefore, taxed on the net amount received. Foreign dividends received qualify for unilateral tax relief which is calculated by applying the lesser of:
(i) three quarters of the Guernsey effective rate or
(ii) the foreign effective rate up to the amount of the grossed up foreign income brought into charge.

As dividends are paid out of taxed income, a deduction is not available for tax purposes for the payment of dividends.

G

INTEREST DEDUCTIONS
Interest is deductible to the extent that it relates to monies borrowed for the purpose of the business.

LOSSES
Losses can be carried forward indefinitely provided there is continuity of ownership and trade. Losses cannot be carried back for more than one year.

C. FOREIGN TAX RELIEF

Guernsey has double taxation agreements with the United Kingdom and Jersey. Excluding dividends received (see above), and debenture interest, double taxation relief is available on all other income taxed at source. Associated with its negotiations in relation to Tax Information Exchange Agreements, Guernsey has entered into limited double taxation arrangements relating to income, and mutual agreement procedures with:

Australia	Iceland
Denmark	New Zealand
Faroe Islands	Norway
Finland	Republic of Ireland
Greenland	Sweden

Unilateral relief is available on all foreign sourced income from countries other than those noted above, including dividends which have had withholding taxes deducted (see "Dividends" above).

TAX INFORMATION EXCHANGE AGREEMENTS (TIEAS)
Guernsey has signed TIEAs with the following countries:

Australia	Germany	Norway
United States of America	China	Greece
Portugal	Denmark	Greenland
Republic of Ireland	Faroe Islands	Iceland
San Marino	Finland	Netherlands
Sweden	France	New Zealand
United Kingdom		

D. CORPORATE GROUPS

During 1996, legislation was approved which allows for the transferring of loss relief between group companies and applies in respect of any accounting period ending on or after 1 January 1992. For loss relief purposes, companies form a group where one is beneficially entitled to 90% or more of the capital of another company, or 90% or more of the capital of each company is beneficially owned by another company or individual.

E. RELATED PARTY TRANSACTIONS

There is currently no transfer pricing or related party legislation in Guernsey.

F. WITHHOLDING TAX

Until 31 December 2007, withholding tax was required to be deducted from dividends paid to non-residents. UK companies may be able to claim UK unilateral relief for the underlying Guernsey tax on the company's profits. From 1 January 2008, no withholding tax applies to dividends paid by Guernsey companies to non-resident shareholders.

Many countries deduct withholding taxes at their standard national rate. Under the new zero-rate corporation tax regime, dividends paid by companies out of profits not taxed in Guernsey will be paid without deduction of Guernsey taxation (provided the rate of foreign tax suffered is 20% or more).

Under the EU Savings Tax Directive, prior to 31 June 2011, EU resident individual investors have the option of receiving bank interest gross by opting for an exchange of information on their savings income with their domestic tax authority or, alternatively, accepting a deduction of 20% withholding tax. With effect from 1 July 2011, there will be no tax retention option and exchange of information will be compulsory.

With effect from 1 January 2008, Guernsey rental income will be subject to withholding tax at the rate of 20% regardless of the tax residence status of the landlord. Also, profits arising to landowners from the development of Guernsey property will be subject to tax at the rate of 20%.

G. EXCHANGE CONTROL

Exchange control requirements were abolished in 1987.

H. PERSONAL TAX

Income tax is payable by individuals resident in Guernsey. Those who are resident and principally resident are taxable on their worldwide income.

Until 31 December 2009 persons who are resident but not principally resident are (subject to transitional provisions) taxable on Guernsey-sourced income and any other income from a source outside Guernsey that is brought into the island. With effect from 1 January 2010, an individual who is resident but not principally resident (see below) can elect to pay a minimum tax charge of £25,000 per annum on the basis that he has Guernsey source income of up to £125,000. If Guernsey income exceeds this amount, the tax charge will increase accordingly. There will be no liability to pay tax on foreign source income and Guernsey deposit interest. If the individual's tax liability on total worldwide income is less than the £25,000 minimum, then the taxpayer can elect to pay the lower amount. The same minimum applies to a married couple as it does to a single person.

From 1 January 2006, the rules on tax residence were simplified. The only test is the number of days spent in Guernsey. An individual will be treated as resident if he spends 91 days or more in Guernsey during a calendar year or he is in Guernsey for 35 days or more in any one calendar year and during the preceding four years he has been in Guernsey for 365 days or more.

From 1 January 2006, an individual who is resident will be treated as principally resident in a calendar year if he spends 182 days or more in Guernsey during the calendar year or he spends 91 days or more in Guernsey during a calendar year and has spent at least 730 days in Guernsey during the previous four calendar years. An individual will also be treated as principally resident in Guernsey in a calendar year if he spends at least 91 days in Guernsey during a calendar year and is not in another territory for a period of 91 days or more.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, dividends, rent and interest received.

Allowable deductions include fees and subscriptions to professional bodies and learned societies, pension scheme contributions, retirement annuity premiums, certain types of interest, charges including mortgages on rental property, and interest on the first £400,000 of a mortgage. Relief is also available on covenanted donations to registered charities.

All employed taxpayers and directors have tax instalments withdrawn from their salaries or wages under the Employees Tax Instalment Scheme by their employers. Self-employed individuals and those without salary or wage income pay their tax liability in two instalments on 30 June and 31 December each year. Fees paid to non-resident directors are not liable to Guernsey tax.

Individuals principally resident in Guernsey during a calendar year are entitled to relief from income tax at the standard rate for that calendar year in respect of personal allowances available according to their respective personal circumstances.

LIMIT ON TAX PAYABLE BY A GUERNSEY RESIDENT INDIVIDUAL

With effect from 1 January 2008, there is a limit placed on the amount of tax payable by a Guernsey resident individual. The limit was £250,000 but applied only to foreign-sourced income and Guernsey deposit interest. With effect from 1 January 2009, this limit is reduced to £100,000. Also, an additional limit of £100,000 was introduced to restrict the tax liability in relation to other Guernsey source income. These same limits apply to a married couple.

PERSONAL ALLOWANCES

The total amount of the personal allowances due to an individual for a calendar year is deducted from the total amount of his income that is chargeable to income tax and the balance is charged at the standard rate of 20%.

Where income is chargeable to tax, the main personal allowances available for 2011 are as follows:

Single person	£9,050 (aged 64 or over = £10,700)
Married couple	£18,100 (one aged 64 or over = £19,750, both aged 64 or over £21,400)
Dependent Relative Allowance	£2,900
Charge of Child Allowance (generally for single parents)	£6,150

G

PENSION SCHEMES – GUERNSEY RESIDENTS

Guernsey tax legislation allows for the establishment of a form of self-administered pension scheme known as a Retirement Annuity Trust Scheme. The contributor to the scheme, who may be resident or non-resident, is able to influence the investment of the pension funds, and take loans of up to 25% of the fund provided there is a normal commercial return and sufficient security. On retirement, between the ages of 50 and 75, there is no requirement for the trustees to purchase an annuity from an insurance company. The trustees may pay an annuity directly from trust funds. The annuity will be subject to tax at the normal Guernsey rate. Any trust funds remaining on the beneficiary's death are then available for distribution between family members in accordance with the terms of the trust.

These pension arrangements are also capable of being established as QROPS (Qualifying Recognised Overseas Pension Schemes).

At the time of writing, legislation is being drafted allowing greater flexibility on the drawing of benefits. It will be possible to draw a lump sum of up to 30% of the total fund. Where the funds arise as a result of Guernsey tax-relieved contributions, the tax-free element will be restricted to a fixed amount, currently £165,000. It is possible to commence drawing benefits as early as the age of 50 but no later than age 75. It will not be necessary to retire once benefits start to be drawn and the lump sum will no longer be linked to the commencement of an annuity.

Tax relief for contributions will be available against any source of income received by the contributor up to a limit of between £35,000 and £50,000 per annum (at the time of writing the level of relief is still to be determined).

PENSION SCHEMES – NON-GUERNSEY RESIDENTS

Pension schemes solely for non-Guernsey residents can also be established under Guernsey law. Such schemes offer a method of accumulating wealth free of any Guernsey income tax liability. The subsequent payment of benefits from the scheme will also be free of any Guernsey tax liability in accordance with s.40(ee) of the Guernsey Tax Law.

GUYANA

Currency: Guyanese Dollar (GYD) | Dial Code To: 502 | Dial Code Out: 001

Member Firm:

City:	Name:	Contact Information:
Georgetown	Harry Narine	225 8915 noelnarine@hotmail.com

A. TAXES PAYABLE

CORPORATION TAX
The tax rates are:
- Non Commercial Companies: 35% of Chargeable Profit. Losses may be carried forward indefinitely and set off is limited to 50% of the Chargeable Profits in future years.
- Commercial Companies: 45% of Chargeable Profits or 2% of Turnover whichever is higher. Any payment in excess of 45% of Profit is carried forward as a credit to be used to reduce the tax whenever it is higher than 2% of Turnover. A Commercial Company means a company at least seventy five percent of the gross income of which is derived from trading in goods not manufactured by it and includes commission agency and any telecommunication company. It also includes Banks and Insurance Companies other than long term Insurance business.

PROPERTY TAX (WEALTH TAX)
This is payable on the net assets of the company as at January 1, each year. Assets which attract Wear and Tear Allowances will be included at their Income Tax values. The rates on net property are as follows:
- The first G $1,500,000 is exempt
- The next G $5,000,000 is at 0.5%
- The remainder is at 0.75%.

A set off would be granted to investors who hold shares in local companies at the appropriate rate.

CAPITAL GAINS
The rate is 20% on the gain on disposal unless the asset was held for more than 25 years when it becomes exempt. Capital losses are carried forward indefinitely and could be set off against future capital gains until fully recouped. Gain on disposal of investments in local public companies is exempt.

BRANCH PROFITS
The after tax profits of a Branch of a Non-Resident Company is deemed distributable whether distributed or not and will be subject to withholding tax at 20% or at treaty rates unless the company has reinvested to the satisfaction of the Commissioner General such profits or any part thereof in Guyana.

VALUE ADDED TAX
The rate is 16%. Some items are zero rated and very few are exempt. Registration is required if the turnover exceeds G$10M per annum.

FRINGE BENEFITS
There are no specific rules for granting of tax free allowances except for overseas travel assistance which is described in the Income Tax Act. In practice, some management staff may obtain car and entertainment allowances but the amount would be limited to 10% of their remuneration in each case.

CAPITAL GAINS
The rate is 20% on the gain unless the asset is held for more than 25 years when the gain will be exempt. Capital losses are carried forward indefinitely until they are fully recouped. There is no limit on the losses to be claimed in each year.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
The rates for Wear and Tear Allowances for different categories of assets are as follows:
- Aircraft 331/3%
- Banks 10%
- Furniture and Fitting 10%

- Motor Vehicles 20%
- Office Equipment - Electrical 20%
- Other 15%
- Plant & Machinery 20%
- Computers 50%
- Buildings (Housing Machinery) 5% on cost.

The claim is computed on reducing balance basis except as stated otherwise. An accelerated write off is granted to pioneer industries and certain other undertakings. The rates for the initial allowances are:
- Plant, Equipment and Motor Vehicle 40%
- Industrial Buildings 10%.

There is a special regime for gold and diamond mining companies which enjoy a 20% write off on all assets for each year. There is no limit to the carried forward losses to be set off for each year.

DIVIDENDS
Dividends paid to residents are Tax Free. Dividends paid to Non-Residents are subject to withholding Tax at 20% or at treaty rates. For large and medium scale gold and diamond companies the rate is 6.25% under the special regime.

H. PERSONAL TAXATION

INCOME TAXES
here is a standard deduction of G$420,000 per annum after which the balance of chargeable income is taxed at 331/3%. There are no other allowances.

PROPERTY TAXES
Individuals are taxed on their net property as follows: (Wealth Tax)
- The first G $ 7.5M is exempt
- The next G $ 5.0M is at 0.5%
- The remainder is at 0.75%

The income tax value of the assets is used when computing net property.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Guyana has double taxation treaties with the United Kingdom, Canada and Caricom Countries. The withholding taxes applicable for each territory are as follows:
- On Dividends and Interest 15%
- On Other Payments 10%

HONG KONG

Currency: Hong Kong Dollar (HK$) | Dial Code To: 852 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Hong Kong	Celia Hui	2969 4015 celiahui@pkf-hk.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
PROFITS TAX
Profits tax shall be charged on every person (including corporations, partnerships and individuals) carrying on a trade, business or profession in Hong Kong. Income derived outside Hong Kong is generally exempt from tax. In the case of a financial institution carrying on business in Hong Kong, foreign sourced interest income is treated as taxable income in Hong Kong.

No distinction is made between residents and non-residents.

TAX YEAR
The tax year covers a period of 12 months commencing on 1 April and ending on 31 March of the following year. Profits earned by a person during an accounting year ending within the tax year will be deemed to be his profits for that tax year.

TAX RATES
The profits tax rates are as follows:

	2009/10 (year ended 31 March 2010)	2010/11 (year ended 31 March 2011)
Corporations	16.5%	16.5%
Persons other than corporations (subject to the progressive tax rates referred to in section C below)	15.0%	15.0%

DEEMED TRADING RECEIPTS

The following income of a non-resident person is deemed to be receipts from a trade, profession or business carried on in Hong Kong:

(1) Royalties receivable from the exhibition or use in Hong Kong of cinematograph or television film or tape, any sound recording or any advertising material connected with such film, tape or recording.
(2) Royalties receivable for the use of or right to use in Hong Kong a patent, design, trademark, copyright, formula or other property of a similar nature.
(3) Royalties receivable for the use of or right to use outside Hong Kong a patent design, trademark, copyright, formula or other property of a similar nature if the payee of such royalties has claimed a tax deduction in Hong Kong.
(4) Sums received or accrued in respect of the hire, rental or similar charges for the use of movable property in Hong Kong.

The assessable profits for cases (1) to (3) above are equal to 30% of the sum receivable by the non-resident person if the Inland Revenue Department is satisfied that no person carrying on a trade, profession or business in Hong Kong has, at any time, wholly or partly-owned the relevant intellectual property. However, if the above condition is not satisfied, the assessable profits will be the full amount receivable by the non-resident person.

BRANCH PROFITS TAX

There is no distinction between branch profits tax and corporation profits tax. Branch profits of foreign corporations are also taxed at the flat rate of 16.5% on Hong Kong sourced profits.

OTHER TAXES

Other important taxes imposed include the following:

PROPERTY TAX

Property tax is charged at a standard rate of 15% on the net assessable value of any land or buildings in Hong Kong. The net assessable value is the rents payable to the owner of the land or building after deducting the following amounts:

(a) unpaid rent
(b) government rates paid by the owner
(c) 20% of the assessable value after deduction of (a) and (b) above.

Any building occupied by the owner as residence is exempted from tax.

ESTATE DUTY

The Hong Kong Government has abolished the estate duty effective from 11 February 2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005. No estate duty will be imposed on the value of an individual's Hong Kong property passing on death.

STAMP DUTY

Stamp duty applies only to the following categories of transactions:

(a) contract notes on Hong Kong shares and marketable securities
(b) assignment of immovable property
(c) leases and assignment of leases of Hong Kong property
(d) insurance of bearer instruments.

Transactions in Hong Kong shares or marketable securities during the year 2010/11 will attract an ad valorem duty of HK$2 per HK$1,000 payable equally by the buyer and the seller.

Stamp duty on the transfer of immovable property is levied at the following rates:

Sales consideration (HK$)	Stamp duty rates 2010/11
1 – 2,000,000	HK$100
2,000,001 – 2,351,760	HK$100 + 10% of excess over HK$2M
2,351,761 – 3,000,000	1.50%

Sales consideration (HK$)	Stamp duty rates 2010/11
3,000,001 – 3,290,320	HK$45,000 + 10% of excess over HK$3M
3,290,321 – 4,000,000	2.25%
4,000,001 – 4,428,570	HK$90,000 + 10% of excess over HK$4M
4,428,571 – 6,000,000	3.00%
6,000,001 – 6,720,000	HK$180,000 + 10% of excess over HK$6M
6,720,001 – 20,000,000	3.75%
20,000,000 – 21,739,120	HK$750,000 + 10% of excess over HK$20M
21,739,121 or above	4.25%

SPECIAL STAMP DUTY

Subject to the enactment of the new legislation, the proposed special stamp duty applies to transactions of assignment of immovable residential property that was acquired by the seller on or after 20th November 2010 and was sold by the seller within 24 months from the date of acquisition.

Special stamp duty on the transfer of immovable residential property is levied at the following rates for different holding periods by the seller before the disposal:

(1) 15% if the property has been held for six months or less
(2) 10% if the property has been held for more than six months but for 12 months or less
(3) 5% if the property has been held for more than 12 months but for 24 months or less.

CAPITAL GAINS

There is no capital gains tax in Hong Kong and capital gains are not subject to corporate or personal income tax.

SALES TAX/VALUE ADDED TAX

There is neither sales tax nor value added tax in Hong Kong.

FRINGE BENEFITS TAX

There is no fringe benefits tax in Hong Kong.

H

LOCAL TAXES

There are no local taxes in Hong Kong.

B. DETERMINATION OF TAXABLE INCOME

Generally, in arriving at profits assessable to tax, deductions are allowed for revenue expenditure to the extent that they are incurred in the production of chargeable profits in the basis period. Special rules apply in respect of the following categories of expenditure.

CAPITAL ALLOWANCES

Capital allowances are available to a taxpayer who incurs qualifying capital expenditure on specified assets used in the production of chargeable profits.

The capital allowances can be classified into industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery, and refurbishment allowance as summarised below.

INDUSTRIAL BUILDING ALLOWANCE

An initial allowance of 20% is granted in the year of purchase for capital expenditure incurred on the construction of an industrial building or structure occupied for the purposes of a qualifying trade, and an additional allowance of 4% of the capital expenditure (on a straight-line basis) is given annually.

COMMERCIAL BUILDING ALLOWANCE

A building or structure used for the purposes of a trade, profession or business other than an industrial building or used as stock in trade can qualify for a commercial building allowance. An annual allowance of 4% of the capital expenditure incurred on the construction of the building is given.

DEPRECIATION ALLOWANCE ON PLANT AND MACHINERY

Depreciation allowance on plant and machinery is in the form of an initial allowance and an annual allowance.

An initial allowance of 60% is granted in the year of purchase on capital expenditure incurred in acquiring the plant and machinery.

The annual allowance is based on the reducing value of each class of plant and machinery (the 'pool'). A pool is made up of all items of plant or machinery carrying the same rate of depreciation. It is only necessary for the assets to be or have been owned and used in the production of chargeable profits to qualify for the deduction. The annual allowance is equal to the reducing value of the pool multiplied by the appropriate depreciation rate, currently at 10%, 20% or 30% per annum.

EXPENDITURE ON PRESCRIBED FIXED ASSETS

Capital expenditure incurred on certain prescribed fixed asset in any year of assessment is allowed to be fully written-off in the year it is incurred. 'Prescribed fixed assets' include computer hardware and software, and certain defined plant and machinery that are used specifically and directly for any manufacturing process.

EXPENDITURE ON PRESCRIBED ENVIRONMENTAL PROTECTION FACILITIES

With effect from the year of assessment 2008/09, capital expenditure incurred on certain prescribed environmental protection facilities is entitled to preferential tax deduction. Expenditure incurred on environmental protection machinery is allowed to be fully written-off in the year it is incurred whereas those on environmental protection installation is allowed to be deducted equally in five years of assessment.

REFURBISHMENT ALLOWANCE

With effect from 1 April 1998, a special allowance has been introduced to enable taxpayers to deduct 20% of the refurbishment expenditure annually over a five-year period.

Note that for industrial buildings and plant and machinery, both the initial allowance and the writing down allowance are available in a period in which the expenditure is incurred and the asset is brought into use (not just the initial allowance).

INVENTORY

All trading stock should be valued at the lower of cost or market value. Accepted valuation methods include FIFO and average cost but not LIFO, base stock method or replacement value. The term 'market value' would normally mean realisable value.

CAPITAL GAINS AND LOSSES

Capital gains and losses are not taxable or deductible in arriving at the assessable profits.

DIVIDENDS

Dividend income, whether from Hong Kong or overseas, is not taxable. Dividends paid to either a resident or non-resident of Hong Kong are not subject to any withholding tax.

INTEREST DEDUCTIONS

Interest expenses which fall within one of the following categories are deductible if incurred for the production of chargeable profits:

(a) Interest on money borrowed by a financial institution.
(b) Interest subject to Hong Kong profits tax in the hands of the recipient.
(c) Interest on money borrowed from a financial institution.
(d) Interest on money borrowed other than from a related person or corporation, wholly and exclusively for the provision of (i) plant and machinery that qualifies for tax depreciation allowances, or (ii) trading stock used in the production of chargeable profits.
(e) Interest paid on debentures.
(f) Interest paid to the holder of any instrument issued:
    (i) in the course of carrying on a business which is bona fide and marketable in either Hong Kong or major foreign financial centres approved by the Hong Kong tax authorities; or
    (ii) pursuant to any agreement or arrangement authorised by the Securities Commission under the Protection of Investors Ordinance.
(g) Interest on loans from a related corporation, where the creditor raised the borrowed amount entirely from the proceeds of an issue of debentures.

With effect from 25 June 2004, certain types of interest expense must satisfy the following two additional conditions to be tax deductible:

(1) The loan must not be effectively or actually secured by the lender or an associate of the lender.
(2) There is no arrangement in place that the interest payment will be ultimately paid back to the borrower or to a person connected with the borrower.

Both of conditions (1) and (2) apply to types (b), (c) and (d) interest expenses. For types (e), (f) and (g) interest expenses, they are required to satisfy condition (2) only.

LOSSES

Losses incurred can be carried forward indefinitely for set-off against any future assessable profits of the same entity. However, there are anti-avoidance provisions in the Inland Revenue Ordinance that restrict the use of tax losses where a change in shareholding was undertaken solely or predominantly for the purpose of utilising the losses to obtain a tax benefit. Losses cannot be carried back.

OFFSHORE INCOME

Generally, income derived from or arising outside Hong Kong is exempt from tax under the territorial taxation system.

TAX INCENTIVES

(a) The low tax rates and territorial basis of taxation adopted by Hong Kong are in themselves major incentives to foreign investors.
(b) Share trading profits derived by non-resident investors trading through share brokers in Hong Kong are exempt from profits tax.
(c) Interest income derived from deposits placed in Hong Kong with authorised financial institutions by any person carrying on business in Hong Kong is exempt from profits tax.
(d) Income derived from bona fide offshore funds managed in Hong Kong is exempt from profits tax.
(e) Scientific research expenditure, including payments to an approved research institute and payments for technical education, qualify as allowable deductions.
(f) Profits derived by a professional reinsurer from the business of reinsuring offshore risks will be entitled to a 50% reduction in the profits tax rate.
(g) Profits derived from qualified debt instruments with a maturity period of at least three years will also be entitled to a 50% reduction in profits tax rate and full exemption will be granted to certain qualified debt instruments having a maturity period of seven years or more.

D. CORPORATE GROUPS

Companies of the same group are assessed to profits tax separately. There is no group tax relief in Hong Kong.

E. RELATED PARTY TRANSACTIONS

With the issuance of the Departmental Interpretation and Practice Notes 46 regarding “Transfer Pricing Guidelines – Methodologies and Related Issues”, transfer pricing becomes a hot tax topic in Hong Kong. Although transfer pricing documentation is not now mandatory in Hong Kong, taxpayers should critically review and assess their historical, current and future transfer pricing risks in light of this guidance.

Profits on royalties and licence fees received by a related non-resident person from its Hong Kong associate may be deemed to be trading receipts in Hong Kong and therefore wholly chargeable to profits tax.

Furthermore, a non-resident person who does not carry on business in Hong Kong can be assessed to Hong Kong profits tax if he/she carries on his/her business with a closely connected resident person and the business is so arranged that the resident person earns either no profit or less than the ordinary profit which might be expected.

F. WITHHOLDING TAXES

Royalties and licence fees paid to non-residents for the use of certain intellectual properties in Hong Kong and payments to non-resident entertainers or sportsmen for their performance at commercial occasions or events in Hong Kong are subject to withholding tax of 16.5% on their assessable profits. There are no withholding taxes levied on dividends and interest.

G. EXCHANGE CONTROL

There are no exchange controls in Hong Kong.

H. PERSONAL TAX

SALARIES TAX

Salaries tax is charged on individuals in respect of all income arising in or derived from Hong Kong in relation to any office, employment or pension or payments for services rendered in Hong Kong. The tax charge is calculated at the lower of:

(a) 15% of chargeable income after deduction of charitable donations; or
(b) the applicable progressive rates on net chargeable income after the deduction of charitable donations and personal allowances. The progressive salaries tax rates for the year 2010/11 are as follows:

Net chargeable income (NCI) (HK$)	Progressive tax rate (%)
0 – 40,000	2
40,001 – 80,000	7
80,001 – 120,000	12
120,001 or above	17

Notes:
NCI = Taxable income – Allowable deductions – Personal allowances
Salaries tax payable = Net chargeable income × Progressive tax rates

Personal Allowances:	2009/10 HK$	2010/11 HK$
1. Single person	108,000	108,000
2. Married person	216,000	216,000
3. Child (each):		
– first and ninth child	50,000	50,000
– year of birth (each)	50,000	50,000
4. Dependent parent/grandparent:		
(a) Aged 55 to 59:		
– basic	15,000	15,000
– additional (for dependent living with taxpayer)	15,000	15,000
(b) Aged 60 or above:		
– basic	30,000	30,000
– additional (for dependent living with taxpayer)	30,000	30,000
5. Dependent brother/sister (a)	30,000	30,000
6. Single parent	108,000	108,000
7. Disabled dependent	60,000	60,000

Maximum amount of additionaldditional deductions:		
1. Self-education expenses (b)	60,000	60,000
2. Home loan interest	100,000	100,000
3. Elderly residential care expenses	60,000	60,000
4. Contribution to retirement schemes	12,000	12,000
5. Donations to charitable organization	35% of income	35% of income

Notes:
a. For whom no child allowance is being claimed.
b. The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.

OTHER INCOME TAXES

Under the Hong Kong tax system, various sources of income are taxed under separate categories (i.e. business income is subject to profits tax, rental income is subject to property tax and employment income is subject to salaries tax).

Sometimes it may be advantageous for an individual to elect to pay tax under 'personal assessment' if he/she has expenses which may be non-deductible against a particular source of income (e.g. mortgage interest payments) or allowable tax losses which cannot be completely absorbed by his/her business profits. Under personal assessment, all his/her assessable sources of income are aggregated in a single assessment.

Applicants must be permanent or temporary residents of Hong Kong. An election for personal assessment must be made within a stipulated time limit.

I. TREATY WITHHOLDING TAX RATES

As Hong Kong adopts the territorial tax system, income derived by a resident from overseas will not suffer double taxation in Hong Kong. Many countries which assess their residents on a worldwide basis will provide their residents with unilateral tax credit relief for any tax paid on income derived from their businesses in Hong Kong. Hong Kong also allows deduction of foreign tax paid on a turnover basis in respect of the same income chargeable to tax in Hong Kong. Under such circumstances, businesses operating in Hong Kong generally do not have problems with double taxation of income.

Nevertheless, the Hong Kong Government recognises that there are merits in concluding double taxation agreements with its trading partners, particularly in aviation and shipping industries. Hong Kong therefore has reached different double taxation relief arrangements with Bangladesh, Belgium, Canada, Croatia, Denmark, Estonia, Ethiopia, Fiji, Finland, Germany, Iceland, Israel, Jordan, Kenya, the Republic of Korea, Kuwait, the Lao People's Democratic Republic, Macao Special Administrative Region, Mainland China, Maldives, Mauritius, the Netherlands, New Zealand, Norway, the Russian Federation, Singapore, Sri Lanka, Sweden, Switzerland, the United Kingdom, the United Mexican States and the United States of America, etc. in order to avoid double taxation of airline and/ or shipping income.

The Hong Kong Government has also signed comprehensive tax arrangements applicable to income other than airline and shipping income. The following table summarises the withholding tax rates in Hong Kong that are applicable to dividends, interest and royalties as provided by the double taxation agreements:

	Date of signing	Effective date	Dividend (%)	Interest (%)	Royalty (%)
Non-Treaty Countries:			–	–	4.95
Treaty Countries:					
Austria	25.05.2010	Awaiting notification	–	–	3
Belgium	10.12.2003	Year of Assessment 2004/05	–	–	5
Brunei	20.03.2010	Awaiting notification	–	–	5
France	21.10.2010	Awaiting notification	–	–	10
Hungary	12.05.2010	Awaiting notification	–	–	5
Indonesia	23.03.2010	Awaiting notification	–	–	5
Ireland	22.06.2010	Awaiting notification	–	–	3
Japan	09.11.2010	Awaiting notification	–	–	5
Kuwait	13.05.2010	Awaiting notification	–	–	5
Liechtenstein	12.08.2010	Awaiting notification	–	–	3
Luxembourg (2)	02.11.2007	Year of Assessment 2008/09	–	–	3
Mainland China (3)	21.08.2006	Year of Assessment 2007/08	–	–	7
Netherlands	22.03.2010	Awaiting notification	–	–	3

	Date of signing	Effective date	Dividend (%)	Interest (%)	Royalty (%)	
New Zealand	01.12.2010	Awaiting notification	–	–	5	
Thailand	07.09.2005	Year of Assessment 2006/07	–	–	5/10/15	(4)
Vietnam	16.12.2008	Year of Assessment 2010/11	–	–	7/10	(5)
United Kingdom	21.06.2010	Awaiting notification	–	–	3	

1. If the royalty income is derived from an associate of the non-resident person, the withholding tax rate will be 16.5% on the whole amount of royalty payable to the non-resident person. But the Hong Kong Inland Revenue Department will still apply the reduced withholding tax rate if it is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly-owned the relevant intellectual property.
2. On 2 November 2007, the Hong Kong Government signed an agreement with Luxembourg for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Both governments have entered into the First Protocol to the Arrangement to clarify the different views on the interpretation of the Agreement on 11 November 2010, which is awaiting notification.
3. On 21 August 2006, the Hong Kong and the Mainland China central governments signed the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. This comprehensive double taxation arrangement replaces the previous one signed with the central government on 11 February 1998. Both governments have entered into the Second Protocol to the Arrangement to clarify the different views on the interpretation of the Agreement on 30 January 2008, which became effective on 11 June 2008. Both governments have entered into the Third Protocol to the Arrangement to clarify the different views on the interpretation of the Agreement on 27 May 2010, which is awaiting notification.
4. 5% tax rate applies to royalty made as a consideration for the use of, or the rights to use, any copyright of literary, artistic or scientific work.
   10% tax rate applies to royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 15% for royalty in all other cases.
5. 7% tax rate applies to royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 10% for royalty in all other cases.

HUNGARY

Currency: Hungarian Forint (HUF)

Dial Code To: 36

Dial Code Out: 00

Member Firm:

City: Budapest

Name: Zsolt Selényi

Contact Information: 1 391 4220
selényi.zsolt@pkf.hu

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

CORPORATE TAX

Hungarian resident companies are liable to corporation tax on all sources of income wherever arising and whether or not remitted to Hungary. A company is resident in Hungary if it is incorporated or has its place of management in Hungary. Branch offices are liable to corporate tax based on their local activity.

Generally, the tax and accounting years are both required to end on 31 December. However, in the case of Hungarian branch offices and subsidiaries of foreign registered companies, the business year may differ from the calendar year if the business year of the foreign registered company differs from the calendar year.

Tax is charged on the higher of the taxable profit for the year and the 'expected profit' at a rate of 19%. The expected profit is 2% of the difference between the total revenue and the cost of goods sold in the business year. A 10% discount rate is available up to a tax base of 500 million HUF (the 10% rate will be extended to the whole of the tax base as of 2013).

Resident companies are required to make advance payments of corporate tax. The self-assessment advance payments are based on the preceding year's tax results. Most taxpayers must make payments of up to 90% of their annual estimated tax liability by the 20th day of the last month of the tax year. All legal entities must file their tax return within 150 days of the balance sheet date. If the balance sheet date is 31 December, the deadline is 31 May and any tax paid in excess shall be repaid within 45 days of the taxpayer's claim.

CAPITAL GAINS TAX

Capital gains of companies are treated as ordinary income and taxed accordingly. From 1 January 2007, a participation exemption regime exempts the disposal of 'reported participations' from corporate income tax. A reported participation is one of at least 30% in the capital of the relevant company, except for controlled foreign companies. The exemption only applies to participations held for at least one year.

BRANCH PROFITS TAX

Based on the Act of Hungarian Branch Offices and Commercial Representative Offices of Foreign Registered Companies, branch offices receive the same treatment as domestic companies.

SALES TAX/VALUE ADDED TAX (VAT)

The general rate of VAT is 25%. A discount rate of 18% is applicable to milk, dairy products, bread and other bakery products. Pharmaceuticals, books, newspapers and district heating are rated at 5%. Financial and investment services are tax-exempt.

LOCAL TAXES

Local authorities are permitted to levy the following taxes on individuals and businesses in accordance with a framing law. Additionally, these taxes are deductible expenses in the computation of the taxable base.

BUILDING TAX

The owner of a building may have to pay up to HUF 1,100 per square metre of the surface area or 3.6% of the current value.

LAND TAX

The owner of land not built on may be taxed at up to HUF 200 per square metre or 3% of the current value of the land.

COMMUNAL TAX OF PRIVATE PERSONS

The owner of a building or land, as well as the tenant of a flat not owned by a private person, may be subject to this tax. The upper limit of the tax is HUF 12,000 per real estate or rental right.

LOCAL BUSINESS TAX

Economic activity may be taxed at up to 2% of net sales revenue less the purchase value of the goods sold, the value of services provided by sub-contractors and the cost of materials. For temporary activity, a lump sum of up to HUF 1,000 or 5,000 per day can be levied.

SOLIDARITY SURTAX

Credit institutions and financial companies pay 5% contribution of the interest on loans subsidised by the state.

Credit institutions are liable to another special tax based on their modified balance sheet total of 2009. The tax rate is 0.15% of the tax base up to 50 billion HUF, and 0.53% of the tax base above 50 billion HUF. Insurance companies, financial enterprises and investment manager companies are also liable to a special tax based on their revenues.

Credit institutions also pay 30% surtax on their pre-tax profit, but this can be deducted from the special tax.

SECTOR SPECIFIC SURTAX

A new sector specific surtax has been introduced. The affected sectors are store retailing, telecommunication and energy supply. These tax liabilities can be deducted from pre-tax profit, so they decrease the corporate income tax base.

B. DETERMINATION OF TAXABLE INCOME

Profits include all income and capital gains. The taxable basis is the accounting profit adjusted for prescribed items. Broadly, expenses incurred wholly and exclusively for business purposes are deductible. The accounting profit is adjusted in accordance with the rules of the corporation tax legislation, the most important of which are listed below.

DEPRECIATION

For tax purposes, the straight-line method is normally adopted. Assets purchased during the year should have depreciation time apportioned.

	Annual rate of depreciation (%)
Industrial structures	2
Agricultural structures	3, 5, 10, 15
Motor Vehicles	20
Computer equipment	33
Generally used computer equipment (computers used by the taxpayer)	50

Assets costing less than HUF 100,000 may be fully written off in the year of purchase. In the case of leased assets, the lessor is allowed to claim depreciation of 5% for buildings and 30% for machinery and equipment.

INVENTORY

Inventories are generally valued at the lower of cost and market value. Cost may be determined on the basis of FIFO or average cost.

CAPITAL GAINS AND LOSSES

See discussion above.

DIVIDENDS

There is no withholding tax on dividends paid to non-resident companies. Tax on dividends paid to non- resident individuals is regulated by double tax treaties.

INTEREST DEDUCTIONS

Interest paid by a company is treated as an ordinary business expense unless it falls under the provision of thin capitalisation. The proportional amount of interest on loans is not deductible for tax purposes if the amount of the loan is more than three times the borrower's own equity. Interest charges on bank loans are fully deductible.

H

LOSSES

Losses can be carried forward indefinitely but the Tax Office may investigate whether the taxpayers have exercised their rights in accordance with the intended purpose of these rights when carrying losses forward. Losses in earlier years must be used first. Losses may not be carried back against profits of previous years. No distinction is made between trading and capital losses. Loss carry-forward is also available to credit institutions.

FOREIGN SOURCED INCOME

Hungarian authorities levy taxes on resident companies on all profits arising from foreign sources in the same way as income from Hungarian sources. However, certain foreign dividends are exempt for Hungarian corporate income tax purposes.

INCENTIVES

INVESTMENT INCENTIVES

The following tax exemptions are available for Hungarian registered companies:

- For a maximum of ten years in the case of investment of at least HUF 3 billion in production plant in underdeveloped regions (e.g. where the unemployment rate is over 15%). This tax relief is available following the second tax year when the investment was placed into service only if the average number of staff employed by the taxpayer exceeds the average number of staff employed in the tax year preceding the commencement of the investment by at least 100 persons.
- For a maximum period of ten years in the case of investment of a value at least HUF 10 billion in production plant in any region. This tax relief is available following the second tax year when the investment was placed into service only if the average number of staff employed exceeds the average number of staff employed in the tax year preceding the commencement of the investment by at least 500 persons.

Note: With respect to the requirements of the EU connection, the above tax incentives are only available for investments made before 31 December 2002 and will cease to be available from 2012.

However, new tax incentives in line with EU standards have been available since 1 January 2004.

Tax incentives for innovative investments (developments) are granted by the Hungarian Government at the request of the taxpayer. These incentives are granted for all companies that meet the requirements set out in law. The value of the incentive is determined by the Ministry of Finance. The minimum value of the investment must be at least:

- HUF 3 billion or
- HUF 1 billion in certain regions determined by the Government or
- HUF 500 million for investment made by small and medium enterprises or
- HUF 100 million in the case of research and development, environment-protecting investments, film and video production or
- job creation (there is no minimum value).

The incentives are available for the year when the investment is made and in the following nine years.

TAX CREDITS ON DONATIONS

A tax saving of either 110% or 119% is available for companies on donations given to film productions, performing arts and certain sport clubs and associations (football, handball, basketball, hockey and water polo). This can be achieved through a 100% tax credit and a tax base decrease.

OTHER TAX ADVANTAGES

Micro, small and medium-sized companies may deduct investment expenses incurred for putting business assets into use up to a maximum of HUF 30m if: (i) the company qualifies as a micro, small or medium size company at the end of the tax year and (ii) the owners of the company are exclusively private persons throughout the whole tax year.

- Small and medium sized companies may reduce their tax liability by 40% of interest paid (maximum HUF 6 million per tax year) on loans granted by financial institutions for purchasing tangible assets.
- A reserve for investments is available for companies. Amounts classified as investment reserve are tax-exempt but can only be used for investment purposes in the following four tax years of making the reserve.

C. FOREIGN TAX RELIEF

Domestic law provides unilateral relief in the form of credits for foreign taxes paid. In addition, there are international treaties for avoiding double taxation.

D. CORPORATE GROUPS

All taxable entities that have a registered seat or permanent establishment in Hungary and belong to the same group can choose VAT grouping. The members of the group will be recognised as a single taxable person and they will file one consolidated VAT return.

There are no group taxation provisions for corporate income tax purposes.

E. RELATED PARTY TRANSACTIONS

Transfer pricing rules allow the tax authorities to adjust taxable profits where transactions between related parties are not at arm's length. Transfer pricing documentation must be prepared if there are controlled transactions with related parties.

F. WITHHOLDING TAX

Withholding tax is not deducted from dividends, royalties and interest paid to non-resident companies.

G. EXCHANGE CONTROL

There is no exchange control in Hungary.

H. PERSONAL TAX

Resident individuals are taxed on their worldwide income, although special rules apply to foreign nationals residing in Hungary only for employment purposes. Non-residents are taxed only on their income from Hungarian sources.

Individuals with a Hungarian citizenship are deemed to be Hungarian residents. If residency cannot be determined by citizenship, rules of permanent residence and regular place of stay must be used.

A flat rate of 16% applies to all income of private individuals, including both the consolidated tax base and separately taxed income (i.e. interest, dividend, etc). The tax base is increased by the tax base addition in 2011 and 2012 in the case of consolidated income. The tax base addition is 27% in 2011 and will be halved to 13.5% in 2012. The tax base addition will be fully abolished from 2013.

Income includes all items of income from whatever source derived. Fringe benefits are treated as taxable income. There is a 16% personal income tax on fringe benefits (a 27% healthcare contribution or social security contribution is payable as well). Benefits specified in the law include the value of meals provided at the workplace exceeding HUF 18,000 per month per person, childcare services and certain accommodation facilities provided and operated by the employer.

A certain range of fringe benefits are taxed at a rate of 16% and neither healthcare nor social security contribution is payable on them. These fringe benefits include vacation vouchers, local travel passes, hot meal vouchers, etc.

Tax credits are available to ensure that the minimum wage is exempt from personal income tax. There is a new child tax allowance scheme: 62,500 HUF per child will be deductible from the monthly consolidated tax base if the employee has one or two children, and 206,250 HUF per child will be deductible if the employee has at least three children, under some circumstances.

Resident expatriates are taxed on 100% of their compensation.

Social security contributions are paid both by the employer and employee. Employers pay 27% on gross income of their employee and employees pay 17.5% on the same base.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

	Dividends (%)		Interest (%)		Royalties (%)	
Non-Treaty Countries:						
Corporations	0		0		0	
Individuals	16		16		16	
Treaty countries (1):						
Albania	5/10		0		5	
Armenia (18)	5/10	(2)	10		5	
Australia	15		10		10	
Austria	10		0		0	
Azerbaijan	8		8		8	
Belarus	5/15		5		5	
Belgium	10		15		0	
Brazil	15		10/15	(3)	15/25	(4)
Bulgaria	10		10		10	
Canada	5/10/15		10		0/10	(5)
China	10		10		10	
Croatia	5/10		0		0	
Cyprus	5/15		10		0	
Czech Republic	5/15		0		10	
Denmark	5/15		0		0	
Estonia	5/15		10		5/10	(6)
Egypt	15/20		15		15	
Finland	5/15		0		5	
France	5/15		0		0	
Germany	5/15		0		0	

	Dividends (%)	Interest (%)	Royalties (%)
Greece	10	10	10
Iceland	5/10	0	10
India	10	10	10
Indonesia	15	15	15
Ireland	5/15 (8)	0	0
Israel	5/15	0	0
Italy	10	0	0
Japan	10	10	0/10 (9)
Kazakhstan	5/15	10	10
Kuwait	0	0	10
Latvia	5/10	10	5/10 (6)
Lithuania	5/15	10	5/10 (6)
Luxembourg	5/15	0	0
Macedonia	5/15	0	0
Malaysia	10	15	15
Malta	5/15	10	10
Moldova	5/15	10	0
Mongolia	5/15	10	5
Montenegro (10)	5/15	10	10
Morocco	12	10	10
Netherlands	5/15	0	0
Norway	10	0	0
Pakistan	15/20	15	15
Philippines	15/20	15	15 (11)
Poland	10	10	10
Portugal	15/10 (12)	10	10
Romania	5/15 (13)	15	10
Russia	10	0	0
Serbia (10)	5/15	10	10
Slovakia	5/15	0	10
Slovenia	5/15	5	5
Singapore	5/10	5	5
South Africa	5/15	0	0
South Korea	5/10	0	0
Spain	5/15	0	0
Sweden	5/15	0	0
Switzerland	10	10	0
Thailand	20/15 (14)	10/25 (15)	15
Tunisia	10/12	12	12
Turkey	10/15	10	10
Ukraine	5/15	10	5
United Kingdom	15/5	0	0
United States	15	0	0
Uruguay	15	15	10/15 (17)
Uzbekistan (7)	10	10	10
Vietnam	10	10	10

Notes:

1 The above rates under the heading 'Treaty' apply only to individuals. There are no withholding tax rates on corporations.
2 This rate applies if the recipient company owns directly at least 25% of the capital in the Hungarian company.
3 The 10% rate applies to interest from loans and credits granted by a bank for at least eight years in connection with the selling of industrial equipment or the installation of industrial or scientific units and with public works.
4 'Royalties' include technical fees. The higher rate applies to trademarks.
5 The lower rate applies to cultural royalties, excluding films.
6 The lower rate applies to:
   (a) industrial, commercial and scientific equipment rentals
   (b) royalties for transmission by satellite, cable, optic fibre or similar technology.
7 The treaty is effective from 1 January 2010
8 This rate applies if the recipient company owns directly at least 10% of the capital in the Hungarian company.
9 The lower rate applies to copyright royalties including films.
10 The treaty of 2001 concluded between Hungary and the former Federal Republic of Yugoslavia.
11 The tax rate may be lower if the lowest rate of Philippine tax that may, under similar circumstances, be imposed on royalties derived by a resident of a third State is less than this.
12 This rate applies if the recipient company has owned directly at least 25% of the capital in the Hungarian company for at least two years.
13 This rate applies if the recipient company owns directly at least 40% of the Hungarian company.
14 This rate applies if the recipient company owns directly at least 25% of the capital in the Hungarian company, which is engaged in an industrial undertaking.
15 The lower rate applies to interest received by any financial institution.
16 This rate applies if the recipient company holds at least 10% of the voting stock in the Hungarian company.
17 The 10% rate applies to technical services.
18 Not yet in force

INDIA

Currency: Rupee (Rs)	Dial Code To: 91	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Chennai	S Hariharan	44-28112985-88 hari@pkfindia.in
Mumbai	S Mythily	22-26591730/26590040 mythily@pkfindia.in
Bangalore	M Seethalakshmi	80-25590553 seethalakshmi@pkfindia.in
Hyderabad	Viswanadh Kuchi	9490189743 viswanadh.k@pkfindia.in
Coimbatore	G Shankar	422 2449677 shankar@pkfindia.in

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The Indian tax year is a financial year from 1 April to 31 March.

The amount of tax payable is computed after reckoning income tax at prescribed rates and Surcharge (SC) computed on income tax at 7.5% (2.50% for non-Indian companies) for companies having income over Rs 10m . The aggregate of income tax and surcharge (wherever applicable) is further increased by 3% (2% Education cess (EC) and 1% Secondary and Higher Education Cess (SHEC)).

All tax rates mentioned hereinafter in this Tax Guide are net effective rates, inclusive of SC, EC and SHEC specified above and have been rounded off to two decimal places.

COMPANY TAX

Domestic companies are subject to income tax on all sources of income and capital gains wherever arising.

Foreign companies are subject to income tax only on their income from Indian sources.

Company tax is levied as follows:	Rates
Domestic companies	33.22%
Foreign companies	42.23%

Note: Where the total income of the domestic or foreign company does not exceed Rupees ten million, no surcharge is levied. In such cases, the effective rate of tax for domestic companies and foreign companies is 30.9% and 41.2% respectively.

However, the following income of foreign companies is taxed at the following specified rates on a gross basis and not at 42.23%.

Royalty and Fees for Technical Services (subject to certain conditions):	
• Royalty and Fees for Technical Services received pursuant to an agreement made	
– after 31 May 1997 but before 1 June 2005 (if the payment exceeds Rs 10m)	21.12%
– after 1 June 2005 (if the payment exceeds Rs 10m)	10.56%
If the payment does not exceed 10m then the rates would be 20.6% and 10.3% respectively.	
• Interest Income	21.12%
• Income from units of Mutual Funds purchased in foreign currency	21.12%
• Income from Global Depository Receipts (GDRs)	10.56%
• Income by offshore funds (overseas company)	10.56%
Income of Foreign Institutional Investors (FIIs) in listed securities:	
– Short term capital gains in respect of transactions chargeable to Securities Transaction Tax	15.84%
– Short term capital gains in cases other than the one mentioned above	31.67%
– Long term capital gains (other than those subjected to Securities Transaction Tax)	10.56%
– Other income	21.12%

Dividends received from domestic companies and incomes distributed by mutual funds on or after 1 April 2003 are exempt from tax.

SECURITIES TRANSACTION TAX

Securities transaction tax (STT) is applicable to the purchase or sale of equity shares, derivatives, units of equity-oriented funds through a recognised stock exchange or the sale of a unit of an equity-oriented fund to a mutual fund.

With effect from 1 June 2006, the STT is payable equally by the purchaser and seller at 0.125% of the transaction value on delivery based transactions. On non-delivery based transactions in equities or units of an equity oriented fund it is payable by the seller at 0.025%. In case of sale of options in securities,

STT is levied at the rate of 0.017% of the option premium to be paid by the seller. In case of sale of options in securities where the option is exercised, STT is levied at 0.125% of the settlement price and is paid by the purchaser. In case of sale of futures in securities, STT at 0.017% is to be paid by the seller. In the case of sale of units of an equity oriented fund to the mutual fund, it is payable by the seller at 0.25%.However, with effect from Oct 1,2009 STT will not be applicable in respect of transactions entered into by any person for or on behalf of New Pension System Trust.

The transaction value is determined as follows:

- options – aggregate of strike price and option premium
- futures – traded price
- other securities – purchase/sale price.

STT is to be collected by the Recognised Stock Exchange for taxable securities or prescribed person the mutual funds in case of sale of units to the mutual funds and paid to the Government.

STT so paid is allowable as deduction in computation of taxable income under the head profits or gains from business or profession with effect from 1 April 2009.

CAPITAL GAINS TAX

Gains arising from transfer of a long-term capital asset, i.e. assets held for a period of more than three years (one year in case of shares/securities of companies/mutual funds listed on a recognised stock exchange in India) are regarded as long-term capital gains. Long-term capital gains are computed by deducting the cost of the capital asset and expenses of transfer (adjusted for inflation as per the prescribed factors) from the sale value of the asset.

Gains arising from the transfer of capital assets held for a period less than three years (one year in the case of shares, securities of companies listed on a recognised stock exchange in India, a unit of the Unit Trust of India or a unit of a Mutual Fund or a Zero Coupon bond) are regarded as short-term capital gains. Short terms capital gains are calculated in the same way as long-term gains except that no adjustment is allowed for indexation.

Long-term capital gains arising from sale of equity shares, units of equity-oriented funds on a recognised stock exchange or sale of a unit of an equity-oriented fund to mutual fund (chargeable to STT) are exempt.

Long-term capital gains on the sale of other assets are taxed separately at the following rates:

Particulars	**Rates**			
	Where the income of the taxpayer does not exceed 10m		**Where the income of the taxpayer exceeds 10m**	
Long-term capital gains:	**For foreign companies**	**For Indian companies**	**For foreign companies**	**For Indian Companies**
For listed securities or units or zero coupon bonds	10.30% without indexation or 20.60% with indexation whichever is lower.	10.30% without indexation or 20.60% with indexation whichever is lower	10.56% without indexation or 21.12% with indexation whichever is lower	11.33% without indexation or 22.66% with indexation whichever is lower
For others	20.60%	20.60%	21.12%	22.66%

Short-term capital gains:	**For foreign companies**	**For Indian companies**	**For foreign companies**	**For Indian companies**
For listed securities or units or zero coupon bonds (subject to securities transaction tax)	15.45%	15.45%	15.83%	17.00%
For others	41.20%	30.90%	42.23%	33.99%

Long-term capital losses can only be set off only long-term capital gains. Short-term capital losses can be set off against any capital gains. Capital losses can be carried forward for a period of eight years for set off against capital gains of the same type in subsequent years. There are no provisions for carrying losses backwards.

TONNAGE TAX FOR SHIPPING INDUSTRY

The tonnage tax scheme for eligible shipping companies (dredgers included) was introduced with effect from 2005/06 and provides for a tonnage-based presumptive tax. Indian shipping companies now have the option to pay taxes on tonnage income in place of normal taxable income. There is a lock in period of 10 years. If a company opts out, it is debarred from re-entry for 10 years.

Tonnage income is to be taxed at the normal corporate tax rate. Tax is payable even if there is a loss in a year. Tonnage income is separately calculated for each qualifying ship by multiplying the number of days in the previous year with the daily tonnage income as per specified slab rates.

DIVIDEND DISTRIBUTION TAX
Domestic companies that declare, distribute or pay dividends are subject to dividend distribution tax at 16.61% on the amount of such dividends.

However, income distributed by a specified company or mutual fund is taxable at differential rates as follows:
- income distributed from the Money market/liquid funds is taxable at 27.68%
- income distributed from other mutual funds to individuals or HUFs is taxable at 13.84% and to others at 22.15%.

However, no additional tax is payable on income distributed to unit holders of equity oriented funds.

BRANCH PROFITS TAX
Profits of a branch office of a foreign company in India are taxed in India on income received and/or accrued in India (net of allowable expenses) at the rate applicable to Foreign Companies, namely 42.23%.

SALES TAX
Sales tax (now VAT) is levied on the sale of goods, transfer of right to use goods (lease transactions), as well as the transfer of materials in execution of works contracts and hire purchase. The term 'goods' includes moveable property and even intangible property such as copyright, trademark, patents, etc. The sales tax is levied on inter state as well as intra state sales. The interstate sales tax levied by the central government is known as central sales tax (CST) and intra state sales tax levied by respective state governments is known as local sales tax (LST/VAT). VAT has replaced existing local sales tax laws in almost all the states of India with effect from April 2005.

VAT is a multi-point levy affording tax credit on purchases at each stage to be set off against tax payable on sales. Under VAT, the rates are uniform in all the VAT states at 0%, 1%, 4% and 12.5% except in a few states. However, liquor, petrol or diesel are taxable at the rate of minimum 20% and may vary from state to state while gold and bullion are taxable at the rate of 1%. It is proposed that CST, which has been reduced to 2% with effect from June 2008, will be gradually phased out in order to allow movement of goods freely from one state to another state. The Finance Minister in the Union Budget of 2006/07 proposed the introduction of a national level goods and services tax (GST) regime by 1 April 2010.GST however has not been implemented as on date and is expected to implemented by 1 April 2011.

LOCAL TAXES
STAMP DUTY
Stamp Duty is payable at the prescribed rates on instruments recording certain transactions, including transfers of immovable property, shares, etc. Generally, stamp duty is levied by respective states as per the state Act. In the absence of such a state enactment, the provisions of the central Act (i.e. Indian Stamp Act 1899) apply.

LAND AND PROPERTY TAX
Land and Property Tax is levied by each state separately.

OCTROI DUTY
This duty is a municipal levy, levied on entry of goods into municipal areas for use, sale or consumption within the municipal limits. Octroi rates differ for different local areas. Goods are classified into groups for levying the octroi at different rates. Currently, octroi is being levied only in certain states.

ENTRY TAX
Like octroi, entry tax is levied upon entry of specified goods within state limits for use, sale or consumption within the state. Presently, it is levied only by certain states on specified goods. The rate of levy varies from state to state and is VATable in the VAT states.

OTHER TAXES
EXCISE DUTY OR CENTRAL VALUE ADDED TAX (CENVAT)
CENVAT is payable on the manufacture of goods in India. CENVAT is generally applicable on an ad valorem basis at the prescribed rates on the 'transaction value' of the goods. Most goods are subject to basic excise duty of 10 %. There may be other duties applicable on the manufacture of certain specified goods. Concessional rates are prescribed or exemptions granted for certain category of goods.

SERVICE TAX
Service Tax is levied at 10.3% of the value of various categories of services (presently more than 100 services are covered). Generally, the liability to pay service tax is on the service provider. However, in certain services (such as when the service provider is outside India and the recipient is a business in India), the tax liability arises on the recipient of the service. Service tax paid on input services used by the service provider for rendering taxable output service is eligible for credit.

CUSTOMS DUTY
Customs Duty is payable on goods imported into India. The normal rate of Customs Duty is 10%. However, in some cases such as liquor and tobacco, special rates in excess of 10% are also charged. In addition to basic Customs Duty, an Additional Duty (as equivalent to excise duty of 8-14%) and a Special Additional Duty at 4% are also levied on imports. Further, Anti-Dumping and Safeguard Duty is also levied on import of certain specified products.

B. DETERMINATION OF TAXABLE INCOME

In the case of non-resident taxpayers engaged in certain businesses, income is assessed on a presumptive (deemed income) basis as follows:

	Business income as a percentage of gross receipts
Services in connection with exploration of mineral oils	10%
Operation of aircrafts	5%
Civil construction or erection of plant and machinery or testing/ commissioning in connection with turnkey power projects (for companies only)	10%
Operation of ships	7.5%

DEDUCTION/ALLOWANCES
In computing business income, expenditure from which tax is to be deducted but not done would be allowable only in the year of remittance of tax deduction. Several deductions are allowed while computing business income which includes the following.

CAPITAL ALLOWANCES
Certain capital expenditures qualifies for deduction. For instance, capital expenditure on research and development (other than land) qualifies for full tax write off and in certain cases, eligible for at weighted deduction of 125%, 150%, 175% or 200% subject to fulfilment of prescribed conditions. Expenditure incurred on merger/ demerger of an undertaking is allowed as a deduction in five equal instalments beginning with the year in which the merger/demerger takes place.

DEPRECIATION
A depreciation allowance is available as per the following rates depending on the nature of the asset and classification into specified blocks:

Buildings (depending upon its nature)	5%, 10%, 100%
Furniture and fixtures	10%
Plant and machinery	15%, 30%, 40%, 50%, 60%, 80%, 100%
Intangible assets (patents, trademarks know-how, licences, copyrights, etc.)	25%
Ships	20%

Additional depreciation of 20% on the cost of new plant and machinery (other than ships or aircraft) is allowable only in the year of commissioning for manufacture.

Assets used for less than 180 days in the year of acquisition are entitled to half of the normal depreciation allowance (including additional/enhanced depreciation). Depreciation not set off against current year's income can be carried forward for set off against any future income for an unlimited period.

STOCK/INVENTORY
The valuation of closing stock is normally done on the basis of cost or market value, whichever is lower. The accepted valuation methods include FIFO and weighted average cost method. The valuation basis is to be consistently followed.

INTEREST DEDUCTIONS

Interest paid on the borrowings used for business purposes is tax deductible. For new businesses, interest incurred prior to commencement of commercial production is to be capitalised. Interest paid on amounts borrowed for investment in securities is allowed as a deduction from interest income.

EXPENDITURE INCURRED FOR EXEMPT INCOME

Expenditure incurred in earning an income exempt from income tax is not allowed as a deduction.

LOSSES

Business losses can be set off against any other income in the same assessment year and against business profits in subsequent assessment years subject to certain conditions. However, business losses cannot be set off against salary income with effect from the year 2005/06.

Speculative losses can be set off only against speculative income. Unabsorbed business losses can be carried forward for adjustment against future business profits/speculative income for a period of eight assessment years following the year of loss. However, speculative losses can be carried forward for four years only. Transactions carried out electronically on a recognised stock exchange in derivatives will not be regarded as speculative.

There are no provisions for carrying losses backwards.

MINIMUM ALTERNATE TAX (MAT)

In the case of companies, if the tax payable on their taxable income for any assessment year is less than 18.54% of their 'book profit'(if book profit does not exceed Rs 10 m),or 19.9305% of book profit (if book profit exceeds Rs 10 m), an amount equal to 18.54% of the book profit (if book profit does not exceed Rs 10 m) or 19.9305% of book profit (if book profit exceeds Rs 10 m) is regarded as their tax liability.

The tax so paid could be carried forward and set off against normal tax (in excess of MAT for that year) of future years up to ten years but from the financial year 2010-11 said carry forward shall not apply to a limited liability partnership which has been converted from a private company or unlisted public company.

'Book profit' means net profit as per the profit and loss account as adjusted (increased or reduced) by certain specified items which includes income tax paid or payable and the provisions made for unascertained liabilities, amounts carried to any reserves, provisions for meeting unascertained liabilities, losses brought forward or unabsorbed depreciation, deferred tax, interest on tax , surcharge, education cess, income exempt from tax, non-taxable profits from export of goods, computer software etc.

However, the following are included within book profits, despite being exempted from normal income tax:

- profits of undertakings located in free trade zones, software and hardware technology parks
- profits from the export of computer software
- long-term capital gains arising from the transfer of listed equity shares/units.

MAT is applicable in respect of Export Oriented Unit Schemes (EOU) but not Special Economic Zones (SEZ).

CORPORATE RESTRUCTURING

MERGER

Specific provisions have been made in the Income Tax Act 1961 (the Act) in relation to corporate merger/amalgamations. Corporate restructuring is tax neutral subject to the fulfilment of certain conditions.

DEMERGER

Under the Act, 'demerger' means any transfer by a demerged company of one or more undertakings to another company (resulting company) pursuant to a scheme of arrangement under sections 391 and 394 of the Companies Act. With effect from 1 April 2000, the transfer of shares in a scheme of demerger has been made tax neutral subject to fulfilment of certain conditions.

SLUMP SALE

The Act defines 'slump sale' to mean the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities. Profits or gains arising from slump sale are taxable as long-term capital gains if the undertaking is owned and held by the assessee for more than 36 months prior to date of transfer. Otherwise, they are taxable as short-term capital gains.Net Worth of the undertaking so transferred shall be deemed to be the cost of acquisition, No Indexation benefit is allowed on case of a Slump sale.

BUYBACK
Buyback refers to the purchase of own shares by a company from its shareholders in lieu of consideration. Consideration received by a shareholder from the company for purchase of its own shares is taxable as a long-term capital gain, if shares were held for more than 12 months prior to transfer to the company. Indexation benefit is available for long term capital gains. Otherwise, they are taxable as short-term capital gains in the year in which the shares are purchased by the company.

FOREIGN SOURCED INCOME
Profits derived by a foreign branch of an Indian enterprise are taxable in India. However, credit is allowed for foreign taxes paid by the branch in India either under the tax treaties or under the Act.

INCENTIVES
TAX HOLIDAY
A tax holiday is available in respect of profits derived from exports by a 100% export oriented undertaking, or an undertaking located in a free trade zone, export processing zone, special economic zone, software technology park, etc. The tax holiday is available in respect of profits derived by non-SEZ units up to Assessment year 2011-12.

In the case of an undertaking located in a SEZ commencing activities on or after 1 April 2003, the tax incentives are available as follows:

First five years	–	100% of profits
Next two years	–	50%of profits
Last three years	–	50% of profits or amount transferred to credit of SEZ Re-Investment Allowance reserve whichever is lower

In the case of new units located in a Special Economic Zone commencing activities on or after 1 April 2006, the tax incentives available are as follows:

First five years	–	100% of profits
Next five years	–	50% of profits or amount transferred to credit of SEZ Re-Investment Allowance reserve whichever is lower.

PROFITS OF INDUSTRIAL UNDERTAKINGS
A tax holiday for a specified number of years is available in respect of either the entire or part of the profits derived by an industrial undertaking located in a backward state or district or an industrial undertaking engaged, inter alia, in any of the following activities:
- infrastructure facility
- industrial parks
- generation or distribution of power
- power transmission
- renovation of existing network for transmission of power
- gas distribution network
- hospitals in rural area
- hotels and convention centres in specified area
- undertaking establishments in the North Eastern State carrying on specified business
- Undertakings deriving profits from operating and maintaining hospitals in places other than urban agglomerations.

C. FOREIGN TAX RELIEF

UNILATERAL TAX CREDIT WHERE THERE IS NO TAX TREATY
Where a resident of India has paid tax in any country with which India does not have a tax treaty, credit is available in India for such tax payments.

TAX CREDIT UNDER TAX TREATIES
India has entered into tax treaties with several countries. Under the applicable tax treaty, Indian residents paying taxes in other countries can claim credit in India for foreign tax payments.

D. CORPORATE GROUPS

There are no provisions in India for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions with non-residents are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a deduction for the excess portion.

A detailed set of transfer pricing regulations are provided in Indian domestic tax laws for computing income from international transactions between associated enterprises on an 'arm's length basis'.

F. WITHHOLDING TAXES

Tax at the prescribed rates is required to be deducted at source from payments of rent (for use of land, building, machinery, plant, equipment, furniture or fittings), salary, professional fees, fees for technical services, royalty, interest , commission, etc to residents.

Tax is also required to be deducted from payments to non-residents, of salaries, rent, interest, capital gains, royalties, dividends, fees for technical services or other taxable income. The rates are the same as those listed in Section A under the caption 'Capital tax'.

ADVANCE RULINGS

In order to determine the tax liability in India in advance, and thereby to avoid litigation and uncertainty in tax matters, a mechanism of 'Advance Rulings' is available to non-residents in relation to Indian transactions. Indian residents can also seek advance rulings on transactions undertaken or proposed to be undertaken with non-residents.

For this purpose, an 'Authority for Advance Rulings' (AAR) has been constituted which is headed by a retired judge of the Supreme Court of India. The advance ruling is binding on the applicant and on the tax authorities. Application can be made to the AAR seeking a ruling on any question of fact or law on payment of a prescribed fee. An advance ruling cannot be sought on a question which is pending for adjudication before the tax authorities, appellate tribunal or a court of law in India. The ruling is generally delivered within six months of making the application and is made in writing giving reasons for the decision of the AAR. A similar mechanism is available to non-residents under excise, customs, service tax and sales tax laws.

G. EXCHANGE CONTROL

The foreign exchange regulations have been substantially liberalised in India whereby no license is required for setting up an industry except in a few cases, such as electronic aerospace and defence equipment, industrial explosives, hazardous chemicals, distillation and brewing of alcoholic drinks, cigars and cigarettes, items reserved for small-scale sector, industries/sectors reserved for the public sector, etc. India has amongst the most liberal and transparent policies on Foreign Direct Investment (FDI) among the emerging economies. The FDI policy has been rationalised on an ongoing basis to avoid multiple layers of regulatory approvals to facilitate foreign investment. FDI can be divided into two broad categories:
(1) FDI under Automatic Approval route
(2) FDI with prior approval of the Government.

Under the automatic approval route, no government approval is required if the FDI is within the notified sectoral caps. In such situations, only intimation needs to be given to the Reserve Bank of India within 30 days of making the investment. However, if the FDI is above the prescribed sectoral cap, approval of government through the Foreign Investment promotion Board (FIPB) is required.

FDI is allowed under the automatic route in almost all activities/sectors except the following, which require FIPB approval:
- activities/items that require an Industrial License (except some cases);
- proposals in which the foreign collaborator has an existing financial/technical collaboration in India in the'same' field;
- all proposals falling outside notified sectoral policy/caps.

In certain cases, such as distillation and brewing of alcohol, industrial explosives, manufacture of hazardous chemicals, etc., FDI is permitted without FIPB approval subject to obtaining an industrial license from the appropriate authority.

However, FDI is prohibited in the following cases:
- gambling and betting
- lottery business
- atomic energy
- retail trading (except in single brand retail)
- agricultural or plantation activities or agriculture (excluding floriculture, horticulture, development of seeds, animal husbandry, etc and plantations, other than tea plantations).

H. PERSONAL TAX

The scope of taxable income varies depending upon the residential status of the assessee. Resident taxpayers are classified into two categories:
- ordinarily resident
- not ordinarily resident.

The residential status of individual taxpayers depends upon the number of days spent in India as follows.

An individual is resident in India if he spends:
- at least 182 days in India during the tax year; or
- 60 days in India during the year and at least 365 days in the preceding four years.

Non-resident taxpayers pay tax only on Indian income. Income of a non-resident shall be deemed to accrue or arise in India under section 9(1)(v)(relating to interest paid outside India) or section 9(1)(vi)(relating to royalty paid outside India) or section 9(1)(vii)(relating to fees for technical services paid outside India), shall be included in his total income regardless of whether:

a) The non-resident has a residence pr place of residence or place of business or business connection in India or

b) The non-resident has rendered services in India.

The assessment year is the period of 12 months from 1 April to 31 March. Income earned in the period of 12 months or less immediately preceding the assessment year is taxed in the assessment year. In certain cases, income is taxed on a presumptive basis, wherein the income under each head is computed separately and aggregated to arrive at the gross total income, after allowing permissible deductions under each head.

For Resident Men (below the age of 65 years)

Income	Tax rates
Up to 160,000	Nil
160,001-500,000	10%
500,001-800,000	Rs 34,000 plus 20%
Above 800,000	Rs 94,000 plus 30%

For Resident Women (below the age of 65 years)

Income	Tax rates
Up to 190,000	Nil
190,001-500,000	10%
500,001-800,000	Rs 31,000 plus 20%
Above 800,000	Rs 91,000 plus 30%

For Senior citizens (Men or women who are 65 years or more at any time during the Previous Year)

Income	Tax rates
Up to 240,000	Nil
240,001-500,000	10%
500,001-800,000	Rs 26,000 plus 20%
Above 800,000	Rs 86,000 plus 30%

No Surcharge is payable. The tax computed above is increased by 3 % (2% for Primary Education Cess and 1% for Secondary Education Cess).

Non-resident Indians (NRIs) earning long-term capital gains on specified assets acquired in convertible foreign exchange are taxed at 10.3% and on other assets at 20.6%. Any other income from investments is taxed at 20.6%. As far as investment income and LTCG is concerned, NRIs can opt to be taxed under the normal provisions of the Act.

Any sum of money or property, the aggregate value of which exceeds Rs 50,000, received without consideration by an individual on or after 1 April 2006, is taxable except amounts received:

- from relatives
- on the occasion of marriage
- under a will/ inheritance
- in contemplation of death of the payer
- from any local authority
- from any fund or foundation or university or other educational institution or hospital or other medical institution or other prescribed institutions
- trust or institutions registered with the Indian revenue authorities.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (Tax under domestic law is 0% and hence would prevail over these rates) (%)	Interest (%)	Royalty (%)	Technical service fees
Treaty Countries:				
Armenia	10	10	10	10
Australia	15	15	10/15/20	10/15/20
Austria	10	10	10	10
Bangladesh	10	10	10	– (2)
Belarus	10/15	10	15	15
Belgium	15	15/10	10 (5)	10 (5)
Botswana	7.5/10	10	10	10
Brazil	15	15	15/25	– (2)
Bulgaria	15	15	15/20	20
Canada	15/25	15	10 -20	10-20
China	10	10	10	10
Cyprus	10/15	10	15	10
Czechoslovakia	10	10	10	10
Denmark	15/20	10/15	20	20
Egypt	– (1)	– (1)	– (1)	– (2)
France	10 (5)	10 (5)	10 (5)	10 (5)
Finland	15	10	15 /10	10/15
Germany	10	10	10	10
Greece	20	20	30	– (2)
Hungary	10	10	10	10
Indonesia	10/15	10	15	– (2)
Iceland	10	10	10	10
Ireland	10-15	10	10	10
Israel (5)	10	10	10	10
Italy	15/20	15	20	20
Japan	10	10	10	10
Jordan	10	10	20	20
Kazakhstan (5)	10	10	10	10
Kenya	15	15	20	17.50

	Dividends (Tax under domestic law is 0% and hence would prevail over these rates) (%)	Interest (%)	Royalty (%)	Technical service fees
Kuwait	10	10	10	10
Korea	15/20	10/15	15	15
Kyrgyzstan	10	10	15	15
Libya	20	20	30	– (2)
Luxembourg	10	10	10	10
Malaysia	10	10	10	10
Malta	10/15	10	15	10
Mauritius	5/15	20/0	15	– (2)
Mongolia	15	15	15	25
Montenegro	5/15	10	10	10
Myanmar	5	10	10	–
Morocco	10	10	10	10
Namibia	10	10	10	10
Nepal	10/20	10/15	15	– (2)
Netherlands	10 (5)	10 (5)	10 (5)	10 (5)
New Zealand	15	10	10	10
Norway	15/20	15	10	10
Oman	10/12.5	10	15	15
Philippines	15/20	10/15	15	– (2)
Poland	15	15	22.5	22.5
Portugal	10	10	10	10
Qatar	5 -10	10	10	10
Romania	15/20	15	22.5	22.5
Russian Federation	10	10	10	10
Saudi Arabia	5	10	10	– (2)
Serbia	5/15	10	10	10
Singapore	10/15	10/15	10	10
Slovenia	5-15	10	10	10
South Africa	10	10	10	10
Spain	15	15	10/20	10/20
Sri Lanka	15	10	10	10
Sudan	10	10	10	– (2)
Sweden (5)	10	10	10	10
Switzerland5	10	10	10	10
Syria	5/10	10	10	– (2)
Tajikistan	5/10	10	10	– (2)
Tanzania	10/15	12.5	20	– (2)
Thailand	15/20	10/20	15	– (2)
Trinidad and Tobago	10	10	10	10
Turkey	15	10/15	15	15
Turkmenistan	10	10	10	10
Uganda	10	10	10	10
Ukraine	10-15	10	10	10
United Arab Emirates	5/15	5/12.5	10	– (2)

	Dividends (Tax under domestic law is 0% and hence would prevail over these rates) (%)	Interest (%)	Royalty (%)	Technical service fees
United Arab Republic	10	20	30	– (2)
United Kingdom	15	10/15	10/15/20	10/15/20
United States	15/20	10/15	15/10/20	15/10/20
Uzbekistan	15	15	15	15
Vietnam	10	10	10	10
Zambia	5/15	10	10	– (2)

1 Taxable in the country of source as per domestic rates.
2 No separate provision in tax treaty.
3 Taxable only in the country of residence as per domestic rates.
4 Rate not mentioned, hence normal rates apply.
5 'Most favoured nation' clause applicable.

NON-TREATY COUNTRIES
For transactions entered into with residents of countries with whom India does not have a Tax Treaty, tax needs to be withheld as per rates specified in Indian domestic tax law provisions (which are given here under the head 'Company Tax').

DIRECT TAX CODE (DTC)
Direct Tax Code (DTC) proposals are currently under consideration of the Ministry of Finance of India and are likely to materialise in Financial year 2011-12. The enactment of DTC may result in sweeping changes in India's Income Tax laws and consequently, several tax rates and clauses mentioned in this guide may undergo changes.

INDONESIA

Currency: Rupiah (Rp) | Dial Code To: 62 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Jakarta	Paul Hadiwinata	(21) 7252780 pkf-indo@centrin.net.id

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
A company will be considered taxable in Indonesia if it has a presence and conducts business in that country. Resolution of this question depends on whether the entity has a 'permanent establishment' in Indonesia. This term is widely defined to include a place of management, branch, representative office, office building, agent, factory or workshop, construction or mining site. Where such a presence exists the permanent establishment is taxable on its worldwide income. Where similar businesses as that carried on by the permanent establishment are conducted in Indonesia, care must be taken to ensure that the 'force of attraction' principle does not result in that business income being taxed in the permanent establishment.

Company tax is payable by monthly instalments. The collection of tax from interest, royalties, rentals and dividends, professional service fees, technical and management service fees, construction service fees, installation service fees, repair and maintenance service fees is by way of withholding tax. Where the recipient is a tax resident of Indonesia, the tax withheld is taken into account in determining the company's final tax liability (except for tax of interest from bank and space rentals which are treated as final tax). Where the recipient is not a resident, the tax withheld represents a final tax.

Under the Income Tax Law No. 36 Year 2008, which takes effect 1 January 2009, corporations are taxed at single rate of 28% and it will be reduced to 25% in 2010. Corporations with an annual gross income up to Rp 50 billion are entitled to a tax discount of 50% of the standard rate on taxable income derived from the portion of gross income up to Rp 4.8 billion.

As for the public companies, corporate tax deduction at 5% will be granted when meeting the following requirements:

1) Minimum listing requirement is 40%;
2) The minimum public ownership is 300 individuals where each individual holds less than five percent of the paid-in shares; and
3) The above two conditions must be fulfilled at least in six months (183 days) in a tax year.

CAPITAL GAINS TAX

Capital gains and losses are in the main included as ordinary income and taxed accordingly, except for transactions in stock on the Indonesian stock market and on private property. The gain/loss is ignored and tax is instead charged on the transaction value as follows:

Stock	0.1% of transaction value	–	final, except for founder shares sold by founder = 0.5% of transaction value
Private property:			
Land and building	5% of transfer value	–	final tax for individuals and foundations non-final tax for corporations

BRANCH PROFITS TAX

Branch profits are taxed at the same rate as corporate profits. However, a withholding branch profit tax of maximum 20%, subject to protection under double tax agreement, is also payable on after tax income in addition to the corporate tax. This additional tax is payable irrespective of whether the profits are remitted. Refer to 'Withholding Taxes' below for variations to the above rate.

An exemption from withholding tax may be granted to a permanent establishment which reinvests its net profit in Indonesia.

SALES TAX ON LUXURY GOODS

The tariff of sales tax on luxury goods is a minimum 10% and a maximum of 75% (200% effective 1 April 2010) whether imported or domestically produced. But exports, even where classified as luxury goods, are taxed at a zero per cent tariff. The tax is collected at the manufacturer/import level. Payment of the sales tax is required by the 15th day of the following month and returns need to be submitted by the 20th day of the following month.

Luxury items subject to sales tax	Tax rate (%)
Perfumery	20
Cosmetics, skin and hair products	10
Specified luxury devices using electric power, batteries or gas for household use	10
Photographic and cinematographic devices, video camera, digital camera	10
Electric and non-electric music instruments	20
Transmitters and receivers	10, 20
Luxurious houses, apartments, condominiums, town houses	20
Luxurious devices using electric power, batteries or gas for household use and recreation not included in the 10% category	20
Specified sporting goods and games	10, 30, 50
Specified clothes and goods made of leather	40
Suitcases, executive bags and boxes, purses with the import value more than Rp 500,000	40
Watches, clocks	40
Carpets made of specified materials	40, 50
Alcoholic beverages, fermented flavoured drinks	40, 75
Ships, vessels and yachts	30, 40, 75
Aircrafts	50
Firearms, air and gas weapons, except for nation's use	40, 50
Goods made of crystal, marble or granite	40, 75
Goods made of gemstones, pearls, and diamonds	75
Motor vehicles with the capacity of 10 up to 15 passengers	10

Luxury items subject to sales tax	Tax rate (%)
Motor vehicles of 1500 cc to 2500 with the capacity of fewer than 10 passengers	20
Sedan or station wagon with the cylinder up to 1500 cc	30
Motor vehicles other than sedan and station wagon with the cylinder of 2500 cc up to 3000 cc	40
4-wheel drive motor vehicles with the cylinder of 1500 cc up to 3000 cc	40
Special purpose vehicles for golf	50
Motorcycles with the cylinder capacity of 250 cc up to 500 cc	60
Special purpose vehicles to be used in the snow, beach, mountains and the like	60
Sedan and station wagon with the capacity of more than 3000 cc	75
Diesel sedan and station wagon with the capacity of more than 2500 cc	75
Motorcycles with the capacity cylinder of more than 500 cc	75
Caravan trailer and semi trailer for housing and camping	75

VALUE ADDED TAX (VAT)

VAT at the general rate of 10% is imposed on importers, manufacturers, wholesalers and retails and on the provision of most services. While the VAT laws permit amendments of the rates for individual items, currently the products with a rate other than 10% are cigarettes and used cars. Services such as package deliveries and travel agents are taxed at 1%, while factoring is imposed at 5% on the fees received. Exports are effectively excluded from VAT by being subject to the tax at a nil rate.

Under VAT Law Number 42 Year 2009, which took effect from 1 April 2010, the export of services is subject to 0% VAT. However the Ministry of Finance (MoF) Regulation further defines that **the zero-rated** VAT is only applicable to the following services:

1) Sub Contracting Service with certain requirements:
   - The buyer or recipient of taxable service is outside the Customs area and is a Non-Resident Taxpayer and does not have a Permanent Establishment as specified in Income Tax Law
   - Specification and material are provided by the buyer or the recipient of the taxable service
   - Materials are defined as raw materials, work in process and or supporting material to be further processed into finished taxable goods
   - Ownership of finished goods is in the hand of the buyer or the recipient of the taxable service
   - The sub-contracting entrepreneur delivers the products by request from the buyer or the recipient of the taxable service to outside the Customs area.
2) Construction Services including construction planning, construction work and construction supervision located outside the Customs area.
3) Repair and Maintenance Services which are attached to services of movable goods utilized outside the customs area.

VAT is payable by the end of the following month of the relevant transaction prior to the submission deadline of the monthly tax return. In the case of certain services rendered by non-residents of Indonesia such as the use of intangible taxable goods and/or offshore services, the recipient of these services has an obligation, by way of self assessment, to pay and report import VAT by the 15th of the following month. Goods excluded from VAT:

- Basic necessities
- Mining taken from natural resources
- Food served in hotels and restaurants (not include catering services)
- Money, gold and securities.

Services excluded from VAT:

- Medical, social and religious services
- Postal and account transfer services
- Banking, insurance and non-banking financial leasing
- Educational services
- Finance leasing
- Art and entertainment services
- Radio and television broadcasting services, other than advertisements
- Public transportation services, i.e. land, sea and domestic air transportation (effective 1 April 2010)
- Manpower and recruitment services

- Hotel and boarding house services
- Services provided by the government related to public administration and formality requirements.
- Parking services (effective 1 April 2010)
- Public telephone (by coin) services (effective 1 April 2010)
- Food and catering services (effective 1 April 2010).

Deferral of VAT:
- the VAT as machinery imported for manufacture is deferred indefinitely..
- the VAT on equipment imports for specified industries (e.g. hotels, transport) can be deferred for 18 months.

FRINGE BENEFITS TAX (FBT)/BENEFITS IN KIND
Benefits in kind received by employees including discounted or free housing are not taxable on the employee nor deductible to the provider/employer. The same is also true for food and beverages provided to employees in the workplace and employee benefits required for job performance such as protective clothing and uniforms, transportation costs to and from the place of work, accommodation for ship crews and the like, and also for housing provided in remote areas approved by the Minister of Finance. 50% of the costs of company cars and cellular phones provided to employees are deductible by way of depreciation of assets over the useful life (eight years and four years) of the asset. Cellular phone top-up vouchers and repair expenses can be claimed as a deduction at 50%.

LOCAL TAXES
Provincial tax is charged mostly 10%, i.e. hotel and restaurant services, parking services.

OTHER TAXES
DOCUMENTARY STAMP TAX
Stamp Duty is of a nominal amount of Rp 6,000 or Rp 3,000. The type of documents upon which stamp duty is payable include:
- letters of agreement etc, prepared for the purpose of evidencing acts, facts or conditions of a civil nature
- national deeds, etc
- all documents bearing a sum of money including letters of promise to pay, securities or cheques.

STAMP DUTY ON LAND RIGHT TRANSFER
Effective from 1 January 1998, land right transfer is subject to stamp duty at the rate of 5% of the purchase cost.

LAND AND BUILDING TAX
Land and building tax is payable annually on land, buildings and permanent structures although the effective rates are typically 0.5% of the value of the property.

IMPORT DUTIES
Import duties are payable at the following rates:

Group	Goods	Rate (%)
Automobiles	Passenger and commercial vehicles	15 – 55
Electronics goods		15
Footwear		20 – 25
Ethyl alcohol and alcoholic drinks	Ethyl alcohol, beer, wine, spirits	40 – 150
Agricultural products	Animal and vegetable products	10 – 15
Other	Chemicals, pharmaceutical products, rubber, etc	5 – 15

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated under normal accounting principles adjusted for specific tax rules. A deduction is allowed for all outgoings and expenses incurred for obtaining, collecting and maintaining taxable income.

Deductions are not allowed in relation to the following items:
- benefits in kind such as free housing etc (see also ‘Fringe benefits tax/benefits in kind’ above)
- income tax payments (including penalties)
- capital expenditure (see‘ Depreciation’ below)
- private expenses

- non-business gifts, aid and donations, except 'zakat' (islamic alms) and other compulsory religious donations approved by the government
- employers' contributions for life, health, and accident insurance and contributions to non-approved pension funds unless the contributions are treated as taxable income of employees
- provisions (except for financial institutions)
- dividends.

INVESTMENT INCENTIVES
Taxpayers investing in certain business sectors and/or in certain areas/locations may be entitled to taxation incentives in the form of:
- a reduction in net income up to a maximum of 30% (5% per year in six years) from the total investment realised
- accelerated depreciation and amortisation
- tax loss compensations for a longer period but not exceeding 10 years
- a reduction in withholding taxes on dividends to 10% unless a lower rate applies under the relevant tax treaty.

DEPRECIATION
Where fixed assets (either tangible or intangible) have a beneficial life of greater than one year, tax relief for the cost of acquisition is available through depreciation. The following depreciation rates are applicable:

Beneficial life	Straight-line method (%)	Declining-balance method (%)
A. Non building:		
1 – 4 years	25	50
4 – 8 years	12.5	25
8 – 16 years	6.25	12.5
16 – 20 years	5	10
B. Building:		
Permanent	5	–
Non-permanent	10	–

(Note that depreciation of property is taken into account commencing the month, instead of the year, that the property is acquired which means that the first year depreciation is accounted for on a pro rata basis, while the net book value is depreciated accordingly over its remaining beneficial years, unless it is retired or sold within its beneficial life.)

STOCK/INVENTORY
Taxpayers may value inventory using either the 'first-in, first-out' (FIFO) or Average Cost Methods. Whichever method is selected, it must be consistently applied.

CAPITAL GAINS AND LOSSES
Gains and losses on capital items are taxable in Indonesia without special treatment being afforded to such items, except for gains and losses on sales of share certificates of listed companies and on sales of land and building as previously mentioned.

DIVIDENDS
An exemption exists under particular circumstances for dividends received by companies incorporated in Indonesia where the payer is also an Indonesian company. In the absence of a tax treaty, withholding tax at 20% is levied on dividend payments to non-residents. Reference should be made to the section on withholding tax and the individual treaties.

INTEREST DEDUCTIONS
While the Minister of Finance is empowered to prescribe required debt equity ratios for foreign companies, no limit has been set to date. Due to the existence of this power, however, caution should be exercised to ensure debt is not considered equity with the result that the related interest and borrowing costs are disallowed.

LOSSES
While loss carry backs are not permitted, losses may be carried forward for up to five years. The period over which losses are able to be carried forward can be extended by decree from the Minister of Finance.

C. FOREIGN TAX RELIEF

When an Indonesian resident has foreign branches (or earns other foreign source income), the income of those branches will be taxable in Indonesia. Where such income has been subject to foreign tax, tax credits will be granted, subject to a maximum of the Indonesian tax payable on the income concerned.

D. CORPORATE GROUPS

The consolidation of returns is not allowed.

E. RELATED PARTY TRANSACTIONS

The revenue authorities will disallow a deduction for excessive/non-arm's length transactions between related parties.

F. WITHHOLDING TAX

Generally, residents are subject to a creditable withholding tax of 15% with any balance being payable or refundable, while non-residents are subject to a final withholding tax of 20%. Withholding taxes are collected when the taxable transaction takes place or payment becomes due. The rates of withholding tax are as follows:

	Residents (1)	Non-residents (1)
Dividends (2)	15	20
Interest	15	20
Royalties	15	20
Prizes and awards	15	20
Rental and other income related to the use of property, other than land/space rental	2	20
Technical, management, consulting, and other services	2	20

1. All percentage rates are on gross amounts unless otherwise noted.
2. Withholding tax on dividends paid to Indonesian corporate shareholders will be exempt only if the following conditions are met:
   (i) the dividend is sourced from retained earnings
   (ii) the recipient holds 25% share or more in the payer.
3. A 100% withholding tax is imposed, in addition to the applicable tax rate, to the individuals or corporations, other than non-tax residents, which do not posses tax identification number (NPWP).

Note: Effective 1 January 2009, dividends distributed to individual resident taxpayer are subject to final tax at maximum rate of 10%.

FINAL WITHHOLDING TAXES

The following transactions are subject to a final withholding tax. These taxes apply to residents and permanent establishments of non-residents.

•	Sale of listed shares (1)	0.1% of the gross proceeds
•	Additional tax on sale of listed Founder shares'; by a founder shareholder (1)	0.5% of the IPO price
•	Sale of land or buildings (1)	5% of the sales value (final tax for individuals, foundations and corporations). An extra 5% stamp duty for the land and/or building acquisition rights is payable by the purchaser
•	Interest or discount on Government CDs and savings deposits and interest or discount on bonds (2)	20% (except for banks and certain approved pension and mutual funds; and loan interest on simple houses)
•	Asset revaluation approved by the Tax Office	10% of the difference between the book value and the revalued amount of the assets (unless the tax losses which will firstly be applied against the revaluation difference)
•	Prizes from lotteries	25% of gross proceeds
•	Land and/or building rental (include service charge)	10% of gross proceeds

1 These rates also apply to non-residents (subject to the application of a double tax treaty).
2 No withholding tax is payable in respect of savings, deposits or Government CDs with a principal amount up to Rp 7,500,000.

By the issuance of Government Regulation No. 51 dated 20 July 2008, Construction Services are subject to final tax with the following tax rates:
a) 2% on Constructing Construction services provided by qualified small enterprises
b) 4% on Constructing Construction services provided by non-qualified enterprises
c) 3% on Constructing Construction services provided by enterprises other than those mentioned in (a) and (b) above
d) 4% on Construction Planning and Supervisory services provided by qualified enterprises
e) 6% on Construction Planning and Supervisory services provided by non-qualified enterprises

(Note that the above Government Regulation is effective backdated as of January 1, 2008)

WITHHOLDING TAX ARTICLE 22

Article 22 income tax is typically applicable to the following:
1 The import of goods. A creditable withholding tax of 2.5% for importers with an import license or 7.5% imposed if the importer does not possess the appropriate import license.
2 The sale of goods to the government requiring payment from the State Treasury, the State Budget General Directorate, or certain state owned companies; the tax rate applied for this transaction is 1.5% from its selling prices
3 The sale/purchasing of steel, automotives, cement, and paper products with its tax rate accordingly for the purchasing of steel: 0.30%, automotive products : 0.45%, cement : 0.25% and paper products : 0.10% from its selling prices.
4 The sales of Pertamina products and business bodies other than Pertamina operating in the sector of gasoline in the kind of premix and gas to their distributor and/or agent. The rate is 0.25% or 0.30% from its selling prices depending on the category of the products.
5 The transfer of goods made by The National Logistics Agency (Bulog) in the form of sugar and flour powder.
6 The sale/purchase of high value luxury goods is subject to 5% tax.
7 Industries and Exporters Operating in Forestry, Plantation, Agriculture and Fishery with respect to the purchase of goods for the need of their industry and export from collector traders. The rate is 0.25% from its buying price (excluded VAT).

An additional 100% withholding tax is imposed on the individuals or corporations, other than non-tax residents, which do not posses tax identification number (NPWP).

G. EXCHANGE CONTROL

While the importation of capital is relatively uninhibited, foreign investment must be approved. Similarly, foreign currency can be transferred essentially free of control although minor reporting requirements do exist.

Importantly, repatriation of capital other than resulting from the sale of existing shares to Indonesians is prohibited for the period the investor enjoys any tax holiday.

H. PERSONAL TAX

Indonesians are taxed on their worldwide income. Non-residents are only taxed on income derived from Indonesia. An individual will be a resident of Indonesia if they are present in Indonesia for more than 183 days or reside in Indonesia during a fiscal year and intend to stay in Indonesia. Certain tax treaties modify the above rules.

Individual taxable income is progressively taxed at the following rates:

Taxable income (Rp)	(Rp)
0 – 50,000,000	0 + 5% on excess
50,000,001 – 250,000,000	2,500,000 + 15% on excess
250,000,001 – 500,000,000	32,500,000 + 25% on excess
Above 500,000,000	95,000,000 + 30% on excess

An additional 20% tax is imposed to the individuals, other than non-tax residents, who do not posses tax identification number (NPWP).

ALLOWABLE DEDUCTIONS

In determining the annual taxable income of an individual, the following may be deducted from gross income:

	(Rp)
Occupational support: 5% of gross income, up to maximum of	6,000,000
Pension: 5% of gross income, up to maximum of	2,400,000
Non taxable income (effective 1 January 2009):	
For the taxpayer	15,840,000
Additional for a married taxpayer	1,320,000
Additional for each lineal family member related by blood marriage who is a full dependent up to a maximum of three	1,320,000 each

A married female employee is only allowed non-taxable income for herself if she has a certificate from the local authorities that her husband does not work.

Non-resident individuals are subject to a final tax of 20% where the payments represent compensation for work performed in Indonesia regardless of where paid.

Lump sump pension payments and severance pay on individual residents are subject to final tax on the gross amount at the following rates:

LUMP SUM PENSIONS PAYMENTS

Taxable income	(Rp)
0 – 50,000,000	exempt/non-taxable income
Above 50,000,000	5%

Severance pay

Taxable income	(Rp)
0 – 50,000,000	exempt/non-taxable income
50,000,001 – 100,000,000	5%
100,000,001 – 500,000,000	2,500,000 + 15% on excess
Above 500,000,000	62,500,000 + 25% on excess

However, pension payments made to non-resident individuals are taxed under Article 26 of Income Tax Law at a rate of 20% on the gross amount.

Where home leave or education costs are reimbursed, the amount of the reimbursement is taxable in full on the employee.

Note: that food and beverage provided at the work place by the employer to the employees are not subject to tax but deductible for the employer.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Withholding taxes are levied on corporations and individuals, residents and non-residents as follows:

	Dividends			
	Portfolio (%)	Holdings (%)	Interest (%)	Royalties (%)
Resident corporations	0	0	15	15
Resident individuals	15	15	15	15
Non-resident corporations and individuals non-treaty	20	20	20	20
Treaty Countries:				
Algeria	15	15	15/0	15
Australia	15	15	10/0	15/10
Austria	15	10	10/0	10

	Dividends			
	Portfolio (%)	Holdings (%)	Interest (%)	Royalties (%)
Bangladesh	15	10	10	10
Belgium	15	10	10/0	10
Brunei Darussalam	15	15	15/0	15
Bulgaria	15	15	10/0	10
Canada	15	10	10/0	10
China	10	10	10/0	10
Czech Republic	15	10	12.5/0	–
Denmark	20	10	10/0	–
Egypt	15	15	15/0	15
Finland	15	10	10/0	15/10
France	15	10	15/10/0	10
Germany	15	10	10/0	15/10
Hungary	15	15	15/0	15
India	15	10	10/0	15
Iran	7	7	10/0	12
Italy	15	10	10/0	15/10
Japan	15	10	10/0	10
Jordan	10	10	10/0	10
Korea, Republic of	15	10	10/0	15
Korea, Democratic People's Republic of	10	10	10/0	10
Kuwait	10	10	5/0	20
Luxembourg	15	10	10/0	12.5
Malaysia	15	15	15/0	15
Mexico	10	10	10/0	10
Mongolia	10	10	10/0	10
Netherlands	10	10	10/0	10
New Zealand	15	15	10/0	15
Norway	15	15	10/0	15/10
Pakistan	15	10	15/0	15
Papua New Guinea	20	15	15/10/0	15
Philippines	20	15	15/10/0	15
Poland	15	10	10/0	15
Portuguese	10	10	10/0	15
Qatar	10	10	10	5
Romania	15	12.5	12.5/0	15/12.5
Russia	15	15	15/0	15
Seychelles	10	10	10/0	10
Singapore	15	10	10/0	15
Slovak Republic	10	10	10/0	15/10
South Africa	15	10	10/0	10
Spain	15	10	10/0	10
Sri Lanka	15	15	15/0	15
Sudan	10	10	15/0	10
Sweden	15	10	10/0	15/10
Switzerland	15	10	10/0	12.5
Syria	10	10	10	20/15

I

	Dividends			
	Portfolio (%)	Holdings (%)	Interest (%)	Royalties (%)
Taiwan	10	10	10/0	10
Thailand	20	15	15	15
Tunisia	12	12	12/0	15
Turkey	15	10	10/0	10
Ukraine	15	10	10/0	10
United Arab Emirates	10	10	5/0	5
United Kingdom	15	10	10/0	15/10
United States	15	10	10/0	10/0
Uzbekistan	10	10	10/0	10/0
Venezuela	15	10	10/0	20/10
Vietnam	15	15	15/0	15

The above rates provide only a guide and it is necessary to consult the individual treaties and legislation.

IRELAND

Currency: Euro (EUR)

Dial Code To: 353

Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Dublin	Donal O'Leary	1 496 1444 d.oleary@pkf.ie

A. TAXES PAYABLE

COMPANY TAX

Irish Corporation tax is payable by Irish resident companies on income and capital gains derived from all sources. Non-resident companies are taxed on Irish source income, on income or gains from a branch or agency in Ireland and also on certain other gains (see below).

All Irish incorporated companies are deemed resident in Ireland, subject to certain exceptions. However, a company not incorporated in Ireland may also be deemed Irish resident if its central management and control resides in Ireland. A 12.5% rate of corporation tax is applied to the trading income of companies, with a rate of 25% applying to other income such as rent or investment income. A reduced rate of 10% applied to certain existing manufacturing companies. However, this has been phased out and no longer applies from 1 January 2011.

Corporation tax is payable in two stages with the first payment due one month before the end of the accounting period but not later than the 21st day of the month in which that day falls. The balance is payable nine months after the end of the accounting period with the corporation tax return. Each company must submit a corporation tax return to the Inspector of Taxes by the 21st day of the ninth month following the accounting year end. Failure to do so will result in a statutory surcharge and restriction on the use of certain reliefs or allowances such as loss relief.

Large companies with a corporation tax liability of more than €200,000 in their previous accounting period are obliged to pay preliminary corporation tax, amounting to 90% of the final liability for the current accounting period, one month before the end of the current accounting period (but not later than the 21st of the relevant month). For accounting periods commencing on or after 14 October 2008 this preliminary corporation tax is due in two instalments. The first instalment will be payable in the sixth month of the accounting period and the amount payable will be 50% of the corporation tax liability for the preceding accounting period (or 45% of the corporation tax liability for the current accounting period). The second instalment will be payable in the 11th month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period.

A small company can base its preliminary tax on 100% of its prior year liability. The definition of a small company is one whose liability for the prior year was less than €200,000.

New companies incorporated after 14 October 2008 and commencing a new trade in 2009/2010 will be exempt from corporation tax on income and chargeable gains for the first three years The relief is now limited to the amount of employer's PRSI paid by a company in an accounting period subject to a maximum of €5,000 per employee and an overall limit of €40,000. Marginal relief will apply where corporation tax payable by a new company for a period is between €40,000 and €60,000. This relief will not apply where an existing trade is acquired. It will also cease to apply where part of a newly established trade is passed to a connected party. Companies carrying on excepted trades and close service companies will not qualify for this exemption. Finance Bill 2010 proposes to extend the availability of this relief for a further year.

Capital gains of Irish resident companies are subject to corporation tax except for gains. Non-resident companies are taxable on the sale of certain assets including:
(a) land and buildings in Ireland
(b) minerals in Ireland or any rights to same
(c) assets situated in Ireland which are used for the purpose of a trade carried on in Ireland through a branch
(d) unquoted shares deriving their value or the greater part of their value from (a) or (b) above.

Capital losses on the sale of assets can be set against capital gains arising in the same accounting period and any excess can be carried forward and applied in subsequent accounting periods against future capital gains.

BRANCH PROFITS TAX
Profits of an Irish branch or agency of a non-resident company are subject to Irish tax. For tax treaty purposes, a permanent establishment may exist within Ireland if, for instance, an individual operates within Ireland on behalf of the foreign company and is concluding contracts and making major business decisions without the authorisation of the head office of the foreign company. As a general rule, a branch operation can be equated to a permanent establishment.

SALES TAX/VALUE ADDED TAX (VAT)
A company is obliged to register for VAT if its turnover from the sale of goods exceeds €75,000 or if its turnover from the provision of services exceeds €37,500. The threshold for VAT in Ireland for a trader with no establishment in Ireland is nil, subject to a number of exceptions.

The standard rate of VAT is 21% with a lower rate of 13.5% applying to certain goods and services. There is also a 0% rate of VAT that applies to certain goods/services. VAT returns are generally made on a bi-monthly basis. However, a company which is constantly in a repayment position may obtain approval to make returns on a monthly basis. For smaller businesses, the frequency of filing VAT returns has been reduced effective from July 2007. The option to file on a half-yearly basis and every four months will be available where certain conditions are met. VAT is not recoverable on non-business expenditure nor on certain other expenditure such as cars, petrol, hotel accommodation, meals. VAT on conference- related accommodation expenses are allowed from 1 July 2007 onwards if certain conditions are satisfied.

PAYROLL TAX
All employers are obliged under the Pay As You Earn (PAYE) system to deduct Income Tax and Pay Related Social Insurance (PRSI) contributions from employees.

The PRSI Changes for the 2011 Tax Year can be summarised as follows:
- The employee's annual earnings ceiling has been abolished thereby making PRSI payable on all income.
- The Health Contribution has been abolished and replaced with a new Universal Social Charge (See Section B (IV) for further details).
- People with a nil liability, such as persons in receipt of occupational pensions, should be returned at Class M.
- The self-employed rate (Class S) is increased to 4% and the Class S 'floor' increased from €3,174 to €5,000.
- PRSI Classes B, C and D will pay PRSI at 0.9% up to €1,443 a week and 4% above €1,443 a week.

In addition, employers must pay Pay Related Social Insurance (PRSI) of 10.75% on the amount paid to each employee, subject to a reduced rate of 8.5% if income is under €356 per week.

RELEVANT CONTRACTS TAX (RCT)
RCT is a tax regime that applies to payments made by a principal contractor to a subcontractor under a relevant contract (this is a contract to carry out work in the

construction, forestry or meat processing industry). RCT applies to both resident and non-resident contractors operating in the construction, forestry or meat processing industry. RCT does not apply to professionals such as architects, surveyors etc.

RCT is a tax deduction system whereby a principal contractor:
Deducts tax from payments to subcontractors for whom the principal contractor does not hold a relevant payments card and
Maintains a record of payments to all subcontractors regardless of whether he/she holds a relevant payments card for them.

Finance Act 2011 provides that the current paper based RCT system will be replaced by a new electronic system. The new system will have three RCT rates 0%, 20% and 35% depending on the subcontractor's compliance record.

STAMP DUTY

Stamp duties fall into two main categories:

1) Duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property, share transfer forms and certain agreements. Depending on the nature of the document, the duty is either ad valorem or of fixed amount. Prior to 31 December 2009, the duties in this category were denoted by means of stamps affixed to or impressed on the document. Following the introduction of the eStamping system, all instruments must be stamped by means of attaching the stamp certificate, obtained under the eStamping system, to the instrument.
2) Duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards (e.g. Credit, ATM, Laser and Charge cards) and levies on certain insurance premiums and certain statements of interest.

RESIDENTIAL PROPERTY

The most common charge to stamp duty which affects individuals is the stamp duty on the purchase of residential property. With effect from 8 December 2010 the following Stamp Duty rates apply to residential property:

Aggregate Consideration	Rate of Duty
First €1,000,000	1%
Excess over €1,000,000	2%

As a result of the new reduced rates of stamp duty, a number of reliefs and exemptions which previously existed have been abolished with effect from 8 December 2010. The reliefs and exemptions which have been abolished are as follows:

- First Time Buyer Relief
- Exemption for new houses under 125 sq m. in size
- Consanguinity relief (relief for relatives) on residential property transfers
- Exemption for residential property transfers valued under €127,000
- Relief for transfer of a site to a child.

NON-RESIDENTIAL PROPERTY

Non-Residential Property is any property other than residential property, stocks or marketable securities or policies of insurance. The rates of Stamp Duty applicable for non-residential instruments executed after 15 October 2008 are as follows:

Aggregate Consideration	Rate of Duty
Up to €10,000	Exempt
€10,001 to €20,000	1%
€20,001 to €30,000	2%
€30,001 to €40,000	3%
€40,001 to €70,000	4%
€70,001 to €80,000	5%
Over €80,000	6%

STOCKS AND MARKETABLE SECURITIES

A transfer of stock or marketable securities of any company incorporated in the State is liable to stamp duty at 1% of the consideration paid. Where the transfer takes place electronically through the CREST system a 1% charge also arises. Any instrument executed on or after 24 December 2008 which transfers stock or marketable securities on sale where the amount or value of the consideration is €1,000 or less is exempt from stamp duty.

There is no stamp duty where property is transferred between associated companies, subject to certain conditions.

OTHER TAXES
These include customs and excise duties and local taxes such as rates (i.e. property tax).

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined by ascertaining assessable income and then subtracting all allowable deductions. As a general rule, expenses incurred wholly and exclusively for the purpose of the business are deductible. However, specific rules apply in respect of certain categories.

DEPRECIATION
Book depreciation is disallowed. However, companies can claim capital allowances (i.e. tax depreciation) on expenditure relating to certain types of assets including plant and machinery, motor vehicles and qualifying industrial buildings.

PLANT AND MACHINERY
An allowance of 12.5% per annum can be claimed on a straight-line basis. The plant and machinery must be purchased (not leased) and any grants receivable are deducted from the expenditure before arriving at the amount eligible for the capital allowance.

INDUSTRIAL BUILDINGS ALLOWANCE
An annual allowance of 4% can be claimed on a straight-line basis. Industrial buildings generally refer to manufacturing facilities but also include hotels and certain other structures. The allowance is available in respect of the qualifying cost less any grants received.

MOTOR VEHICLES
There is an allowance of 12.5% per annum on a straight-line basis. The maximum amount of qualifying expenditure in relation to a new motor car is €24,000. There is no restriction for vans, trucks and other non-passenger vehicles. The capital allowances available on expenditure incurred on or after 1 July 2008 on private cars used for business purposes are based on the carbon emission level of the car. The rate of allowances or straight-line method of relief has not changed.

Category	Car
A, B & C	Carbon dioxide emissions up to 155g/km
D & E	Carbon dioxide emissions between 156g/km and 190g/km
F & G	Carbon dioxide emissions 191g/km or more

For expenditure after 1 January 2007 the “specified amount” is €24,000.

Capital allowances at 12.5% on the straight-line basis will be granted as follows:

Category	Allowance granted on
A, B & C	The specified amount that is €24,000 no matter what the car cost.
D & E	1. Where the car cost is less or equal to the specified amount that is €24,000, 50% of that amount.
	2. Where the cost is more than the specified amount that is €24,000, half the specified amount.
F & G	Nil, that is, no capital allowances are available.

Where the Revenue is not satisfied as to the level of emissions, it will automatically treat it as a category G car and no allowances will be granted.

The treatment of proceeds on disposal is adjusted in proportion to the amount of the expenditure that qualified for allowances.

STOCK/INVENTORY
Stock and work in progress are valued at the lower of cost or market value on a FIFO basis. LIFO is not available.

DIVIDENDS
Dividends between Irish resident companies are exempt from corporation tax.

Prior to the introduction of Finance Act 2008 dividends paid to an Irish company from non-Irish resident companies were subject to corporation tax at a rate of 25%. Subsequent to the FII GLO case, the Finance Act 2008 introduced changes to this position by providing that dividends paid by a company located in the EU or in a country with which Ireland has a double taxation treaty to an Irish company will be chargeable to corporation tax at the of 12.5% to the extent that the dividend is paid out of "trading profits".

A withholding tax at the standard rate of income tax (20%) applies to dividends paid to individuals resident in Ireland and certain non-residents.

INTEREST DEDUCTIONS

Interest paid on borrowings for the purposes of a trade is deductible for tax purposes if certain conditions are met. Interest payments to certain foreign parent and associated companies may be treated as distributions and consequently not allowed as a deduction against Irish profits under particular circumstances.

The recent Finance Act introduced new provisions which deny a trading deduction for interest on funds borrowed from a connected company where those funds are used to acquire assets from another connected company. Similar anti-avoidance measures are introduced for rental companies funding the acquisition of an asset from a group company by means of a connected party loan.

LOSSES

Trading losses can be carried forward indefinitely, even on a change of ownership of a company, provided no major change takes place in the nature or conduct of the trade. Losses incurred in a trade can be offset against other trading income in the same accounting period or the preceding accounting period. Trading losses can be offset against non-trading income on a' value basis' (i.e. taking account of the applicable corporation tax rate so that, for example, only half the amount of the losses subject to the 12.5% rate may be set off against income subject to the non-trading rate of 25%).

FOREIGN SOURCED INCOME

Foreign sourced income is normally liable to Irish corporation tax. There are no special rules relating to controlled foreign companies.

INCENTIVES

Up to November 2011, there were generous tax exemptions available for patent income. This has been abolished with effect from 24 November 2011.

TAX INCENTIVE SCHEMES
EMPLOYMENT AND INVESTMENT INCENTIVE SCHEME

The Finance Act 2011 introduced significant changes in relation to the Business Expansion Scheme (BES) which exists in Ireland. This relief is an Income Tax relief given for qualifying investments in qualifying companies. The changes result in the old BES provisions being replaced with a new Employment and Investment Incentive Scheme (EIIS). While much of the legislative framework of the "old" BES provisions have been replicated in the EIIS provisions, there are some fairly significant aspects of the EIIS that have been introduced for the first time.

The most significant differences between the schemes as are follows:

- Unlike BES the EIIS should be available to a substantial number of SMEs across different industry sectors. This has been achieved largely by replacing the current provisions, which confine the relief to very specific qualifying trades, with the requirement that companies are simply carrying on a trade (and taxed accordingly). It should be noted, however, that companies engaged in a number of specific activities will continue to be excluded. These include land dealing companies, those engaged in financial services, film production and the operation or management of hotels, and nursing homes, to name a few.
  Closely held professional services companies are also excluded from the EIIS.
- The required holding period for investments has been reduced from 5 to 3 years. The quantum of tax relief afforded will remain at the marginal income tax rate but only where certain employment targets (linked to increases in both employee numbers and emolument levels) or research and development targets have been achieved. The relief is therefore phased as an initial Income Tax relief at a rate of 30% with an additional 11% available only at the end of the 3-year holding period if the above mentioned targets are met.
- The maximum level of funding that a company can raise through the EIIS will be €10m (this compares with €2m under the BES). Similarly, the maximum amount which can be raised by a company in any one year has been increased to €2.5m (up from €1.5m under BES).
- The maximum annual Income Tax relief for an individual remains at €150,000,
- It is proposed that the EIIS will expire on 31 December 2013.

The legislation must receive approval from the European Union prior to being implemented in Ireland.

RESEARCH & DEVELOPMENT
Accounting periods commencing on or after 1 January 2009

Finance (No 2) Act 2008 increased the R&D credit for all qualifying expenditure to 25% where the expenditure is incurred in an accounting period commencing on or after 1 January 2009. Finance (No 2) Act 2008 also made changes to the way in which R&D credits are calculated for building expenditure in accounting periods commencing on or after 1 January 2009. New provisions creating greater flexibility in the use of credits were also introduced with effect from 1 January 2009.

R&D for the purposes of the relief includes basic research, applied research or experimental development. These activities must seek to achieve scientific or technological advancement and involve the resolution of scientific or technological uncertainty.

A company which carries on a trade in Ireland, undertakes R&D activities in Ireland or within the EEA and incurs the expenditure shall be entitled to the credit. The credit can be used when the company commences to trade and has a corporation tax liability.

If the company does not have a Corporation Tax liability then it is possible to receive a refund of the Research & Development tax credit, up to certain limits, over a 33 month timeframe.

PROPERTY-BASED TAX INCENTIVES
Ireland operates a number of property based tax incentives whereby investments in certain qualifying properties can qualify for tax relief. Examples of the types of properties which can qualify for relief are as follows:

- Multi-Story Car Parks
- Hotels
- Hospitals
- Nursing Homes
- Residential Properties located in qualifying areas (Section 23-type properties)
- Qualifying Student Accommodation (Section 50).

Please note that the above is a non-exhaustive list.

Investors in properties which qualify for tax relief are essentially entitled to write off the qualifying cost of their investment against rental income and, in certain circumstances, against all income over a certain number of years.

A number of significant changes have been introduced in the Budget 2011 to the entire range of property and area based tax incentives. There are two categories of changes. The first relates to what is commonly described as “section 23 type relief” and the second relates to the various schemes of accelerated capital allowances which apply.

The Minister of Finance has decided that the commencement of all of these measures will now be subject to a commencement order. This means the restrictions may only take effect following the preparation and publication of an economic impact assessment on the proposed changes. The earliest that the measures may come into effect is 60 days following the publication of an economic impact assessment of the measures.

The changes will apply to Section 23-type reliefs and to all property-based accelerated capital allowances schemes. Broadly speaking, the changes can summarised as follows:

- It is intended that Section 23-type relief and all property based capital allowances schemes offset only against income from the property itself and will not be available to shelter other rental income. This restriction would also apply to a loss generated by such reliefs from an earlier period.
- After implementation, Section 23 relief could no longer be transferred to a new purchaser of the property but the claw-back of the relief on sale would remain.
- At the end of the tax life of each property (usually seven or 10 years), any unused allowances would be extinguished and not available for future use.
- Capital allowances schemes which run for a period of greater than 10 years which have not ended by the implementation date will be truncated to seven years from when the allowances were first given, with an additional 20% restriction on allowances.

- The Minister for Finance also announced his intention to introduce a guillotine clause whereby all Section 23-type reliefs and accelerated capital allowances schemes are to be abolished with effect from 1 January 2015. This would result in any Section 23-type relief or accelerated capital allowances that remained unused as of the 31 December 2014 being abolished. Please note that no legislation has actually been introduced to implement this measure. It is intended that such legislation will be introduced in the future.

The changes outlined above are subject to commencement order and, as of the 1 February 2011, are not in effect. The earliest that the measures may come into effect is 60 days following the publication of an economic impact assessment of the measures.

C. FOREIGN TAX RELIEF

Irish resident companies can obtain a credit for foreign tax suffered in territories with which Ireland has a tax treaty. There are currently 62 agreements in place, of which 56 are in effect. Unilateral relief is also available in respect of overseas tax suffered under certain circumstances.

D. CORPORATE GROUPS

Trading losses can be transferred within a group in the same accounting period provided a shareholding test is satisfied.

E. RELATED PARTY TRANSACTIONS

Transfer Pricing regulations were introduced in Ireland and have effect from 2011. The transfer pricing legislation endorses the OECD Transfer Pricing Guidelines and the arm's length principle has been released which brings the Irish tax regime into line with OECD guidelines. There principal aspects of the legislation are as follows:

- The regime is confined to related party dealings that are taxable at Ireland's corporate tax rate of 12.5% (i.e. trading transactions)
- A so called "grandfather" clause is included whereby arrangements entered into between related parties prior to 1 July 2010 are excluded from the regime
- The provisions apply to large businesses – SMEs are excluded
- Companies are required to have documentation available in relation to their transfer pricing policies
- the rules apply –
  - for accounting periods beginning on or after 1 January 2011
  - in relation to transactions the terms of which are agreed on or after 1 July 2010.

In addition to the above, under current legislation, certain disposals of assets between connected parties are deemed to be for market value.

F. WITHHOLDING TAXES

See above text regarding withholding tax on dividends paid by Irish companies. Payments of certain types of royalties and rents to non-residents are subject to withholding tax at 20%.

Dividends, interest and royalties paid by Irish companies to residents of EU countries or countries with which Ireland has a double tax agreement are, subject to meeting certain conditions, exempted from withholding tax or liable at a reduced rate.

Tax at 20% is deducted from payments made by Government and State Bodies in respect of most professional services.

In relation to deposit interest, certain financial institutions are required to withhold tax at 27% from interest paid or credited on deposit accounts of residents on or after 1 January 2011 and at 30% in the case of certain longer term savings products. Previously the retention tax rate was 25%. Companies within the charge to Irish tax may opt to receive such interest gross.

The exit tax rate on life assurance policies and investment funds is 27% for annual or more frequent payments and 30% for less frequent payment (one year +). These rates apply to payments, including deemed payment, made on or after the 1 January 2011.

G. EXCHANGE CONTROLS

There are no exchange controls.

H. PERSONAL TAXES

INCOME TAX

An individual is resident for a tax year if either of the following two tests is satisfied:

- Present for more than 183 days in Ireland; or
- Present for more than 280 days in total in that year and the preceding year. Presence in either year for fewer than 30 days is disregarded.

In the year of arrival, an election for residence can be made where there is an intention of continuing to reside in Ireland.

At birth, a person acquires a domicile of origin and, subsequently, having acquired the age of majority, a person can acquire a domicile of choice if he/she settles in another country and makes it his/her permanent home.

All individuals, resident and domiciled in Ireland must pay income tax on worldwide income and capital gains tax on worldwide gains, regardless of whether or not the income is remitted into the State.

An individual loses ordinary residence status after having been non-resident for three consecutive tax years and regains it after being resident for three consecutive tax years.

Up to 31 December 2007 an individual who was Irish resident but non-domiciled was liable to Irish tax in full on income arising in Ireland and the UK and on 'foreign income' but only to the extent that the foreign income was remitted to Ireland. This was known as the remittance basis of taxation. However, with effect from 1 January 2008, the remittance basis was extended to UK source income.

The remittance basis of taxation also applied to an individual who was a citizen of Ireland but not ordinarily resident in Ireland. Finance Act 2010 removed the ability of Irish citizens to qualify for the remittance basis of taxation by virtue of being non-ordinarily resident, with effect from 2010.

Prior to 20 November 2008, the remittance basis applied for capital gains tax purposes to a person who was either resident or ordinarily resident in the State but not domiciled in the State in respect of gains arising outside of Ireland and the UK. Gains arising in Ireland and the UK in such circumstances were taxable in full. However, in respect of disposals made on or after 20 November 2008, the remittance basis of taxation will apply to all gains arising to all non-Irish domiciled persons who are either resident or ordinarily resident in the State in respect of non-Irish situated assets. Therefore, gains in relation to UK assets are subject to the remittance basis with effect from 20 November 2008.

From 1 January 2006, so much of the income of a foreign office or employment of an individual as is attributable to the performance in Ireland of the duties of that office or employment is taxable in Ireland regardless of whether it is remitted or not, and must be taxed at source by the foreign employer. An exception applies for individuals resident in a treaty country where certain conditions are satisfied and the duties of that office or employment are performed in Ireland for not more than 60 working days in total in a year of assessment or for a continuous period of not more than 60 working days.

Finance (No 2) Act 2008 provided for a limited reintroduction of the remittance basis in respect of certain employment earning which are not remitted to the State. The Finance (No 2) Act 2008 provisions were limited in application as they only applied to employees who were nationals of, and employees of companies in, non-EEA countries and with which Ireland had entered into a Double Taxation Agreement. In addition they also require the employee's assignment in Ireland to be of a duration of at least three years. Finance Act 2010 extended the scheme to include EU and EEA nationals (other than Irish domiciled individuals) who come to live and work in Ireland on or after 1 January 2010. In addition, the require period of assignment was reduced from three years to one year.

The new legislation offers a system which will allow a tax refund to be claimed in certain circumstances. However, PAYE must be operated and an Income Tax refund claimed subsequently. Where all the conditions are satisfied, an employee may make a claim for the tax due on his or her employment (Schedule E) income for the year (as subject to PAYE) to be calculated on the higher of:

- The employment (Schedule E) income that was remitted to Ireland in that year or
- €100,000 plus 50% of the balance of the employment (Schedule E) income in excess of €100,000.

DOMICILE LEVY

Finance Act 2010 introduced a new Domicile Levy to ensure that individuals with substantial ties to Ireland would make a contribution to the Exchequer, irrespective of their residence status.

The levy is €200,000 and applies from the tax year 2010 to every 'relevant individual'. In order to be a relevant individual for a tax year the following conditions must be met:

1) the individual is domiciled in and is a citizen of Ireland in that tax year;
2) the worldwide income of the individual for the tax year is greater than €1 million;
3) the individual's final Irish income tax liability is less than €200,000; and
4) the market value of the Irish property owned by the individual on 31 December in the tax year exceeds €5 million.

Irish income tax paid by an individual will be allowed as a credit against the levy. The levy is payable on a self-assessment basis on or before 31 October in the year following the valuation date, i.e. 31 December each year.

Anti-avoidance provisions are included in the legislation to prevent transfers of Irish situate property for less than market value on or after 18 February 2010 to spouses, minor children, discretionary trusts and other entities.

Most individual taxpayers who are not self-employed have tax deducted at source from their earnings by their employer (PAYE). Self-employed individuals pay income tax directly to the tax authorities on an annual basis on 31 October each year. The tax year runs from 1 January to 31 December.

Tax rates and bands for individuals in tax years 2010 and 2011

Personal Circumstances	Tax Year 2010	Tax Year 2011
Single / Widowed without dependent children	€36,400 @ 20%, balance @ 41%	€32,800 @ 20%, balance @ 41%
Single / Widowed qualifying for One Parent Family Tax Credit	€40,400 @ 20%, balance @ 41%	€36,800 @ 20%, balance @ 41%
Married Couple - one spouse with income	€45,400 @ 20%, balance @ 41%	€41,800 @ 20%, balance @ 41%
Married Couple - both spouses with income	€45,400 @ 20% (with an increase of €27,400 max), balance @ 41%	€41,800 @ 20% (with an increase of €23,800 max), balance @ 41%

Note: The increase in the standard rate tax band is restricted to the lower of €27,400 in 2010 and €23,800 in 2011 or the amount of the income of the spouse with the lower income. The increase is not transferable between spouses.

INCOME LEVY

The income levy, which came into effect on 1 January 2009, was abolished with effect from 31 December 2010. Prior to being abolished the Income Levy was payable on gross income, including notional pay, before any relief for any capital allowances, losses or pension contributions.

All individuals were liable to pay the income levy if their gross income exceeds the threshold of €15,028 pa, (€289 per week) or if they exceeded the income exemption limit of €20,000 pa for an individual aged 65 or over.

The Income Levy rates applicable for 2010 were as follows:

Rates applicable for 2010

Per Year	Per Week	Per Month	Rate of Income Levy
Up to €75,036	Up to €1,443	Up to €6,253	2%
From €75,037 to €174,980 inclusive	From €1,444 to €3,365 inclusive	From €6,254 to €14,582 inclusive	4%
In excess of €174,980	In excess of €3,365	In excess of €14,582	6%

As noted above the Income Levy was abolished with effect from 31 December 2010 and was replaced by the Universal Social Charge (USC).

UNIVERSAL SOCIAL CHARGE

The legacy income levy and health levy have now been consolidated into one Universal Social Charge (USC) from 1 January 2011. The USC is a tax payable on gross income, including notional pay, after any relief for certain capital allowances, but before pension contributions.

All individuals are liable to pay the Universal Social Charge if their gross income exceeds the threshold of €4,004 pa (€77 per week).

There are a number of exemptions from the USC which are as follows:

- Where an individual's total income for a year does not exceed €4,004
- All Dept of Social Protection payments
- Payments that are made in lieu of Dept of Social Protection payments such as Community Employment Schemes paid by the Department of Enterprise, Trade and Innovation or Back to Education Allowance paid by the Department of Education and Science
- Income already subjected to DIRT.

The USC rates for effective from the 1 January 2011 are as follows:

Income Ranges	Under 70	Over 70
Less than €4,004	0%	0%
First €10,034	2%	2%
€10,034 to €16,016	4%	4%
€16,016 to €100,000	7%	4%
Over €100,000* (self-assessed income only)	10%	7%

* At the end of January 2011 the Minister for Finance announced his intention to increase the rate of USC from 7% to 10% on income over €100,000 for self-employed individuals aged under 70 (for those over 70 years of age the top rate is increased from 4% to 7%). At the time of writing this guide, clarification as regards who the additional 3% will apply to has not yet been issued.

Some additional points of significance include:

- no USC exemption for medical card holders, but their top rate is capped at 4%
- the tax-free element of termination payments will be exempt from the USC
- salary and pension payments paid under a PAYE exclusion order to individuals resident in a treaty country will be exempt
- deposit interest is not subject to the USC
- social welfare and similar payments will be exempt.

PENSION CONTRIBUTIONS

There is tax relief available on contributions made by individuals to pensions. This is limited annually to a percentage of an individual's salary depending on age and is also restricted by an overall salary cap. This salary cap has been decreased in recent years and currently stands at €115,000.

Finance Act 2011 introduced new provisions which ensure that there is no relief from the USC or employee's PRSI for personal pension contributions made. Employers will only receive relief of 50% of Employer PRSI on employee contributions. Previous to the Finance Bill, there was relief available at 100% of employee contributions.

Employers' contributions to employees' PRSAs will be treated as a benefit-in-kind for USC purposes. There is no liability to PRSI or USC on employer contributions into occupational schemes.

Tax free pension lump sums are capped at €200,000 as per the recent Finance Act.

RETIREMENT LUMP SUMS

Tax free ex-gratia termination payments are available to individuals up to an amount calculated with reference to length of service and salary levels.

The tax-free amount of these payments is capped at €200,000. This cap was decreased to this level in the Finance Act 2011.

CAPITAL ACQUISITIONS TAX

Capital Acquisitions Tax (CAT) applies to gifts and inheritances. It arises, broadly speaking, where the donor or the donee/successor is resident (or ordinarily resident) or the property is situated in Ireland. Where the individual is non-domiciled, he does not come within these provisions unless he has been resident for five consecutive years.

There are three different thresholds for exemption from the tax depending upon the relationship (if any) between the people concerned. The current rate of CAT is 25% with effect from 8 April 2009.

Group	Relationship to Disponer	Group Threshold from 1 Jan 2010 to 7 Dec 2010	Group Threshold from 8 Dec 2010
A	Son/Daughter	€414,799	€332,084
B	Parent*/Brother/ Sister/Niece/ Nephew/Grandchild	€41,481	€33,208
C	Relationship other than Group A or B	€20,740	€16,604

*In certain circumstances a parent taking an inheritance from a child can qualify for Group A threshold.

Prior to 4 February 2010, a person who was primarily accountable for CAT was obliged to deliver a return within four months of the valuation date where the aggregate of all taxable gifts exceeds 80% of the group threshold.

Finance Act 2010 changed the ‘pay and file’ dates to bring them in line with the payment dates for other taxes such as CGT and Income Tax. From 4 February 2010, the payment dates were:

Valuation Date	Pay and File Date
01 January – 31 August	31October of the same year
01 September – 31 December	31 October of thefollowing year

However, Finance Act 2011 further amends the ‘pay and file’ deadline for CAT returns from 31 October to 30 September.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Source country tax rates in Irish tax treaties for dividend, interest and royalty payments

Country	Year	Dividends	Interest	Royalties
Albania	Not yet in force	5/10	0/7	7
Australia	1984	15	10	10
Austria	1964	10	0	0/10
Bahrain	2010	0	0	0
Belarus	2010	5/10	0/5	5
Belgium	1973	15	15	0
Bosnia Herzegovina	Not yet in force	0	0	0
Bulgaria	2002	5/10	0/5	10
Canada	2006	5/15	0/10	0/10
Chile	2009	5/15	5/15	5/10
China	2001	5/10	0/10	6/10
Croatia	2004	5/10	0	10
Cyprus	1952	0	0	0/5
Czech Republic	1997	5/15	0	10
Denmark	1994	0/15	0	0
Estonia	1999	5/15	0/10	5/10

Country	Year	Dividends	Interest	Royalties
Finland	1990	0/15	0	0
France	1966	10/15	0	0
Georgia	2011	0/5/10	0	0
Germany	1959	15	0	0
Greece	2005	5/15	5	5
Hong Kong	Not yet in force	0	10	3
Hungary	1997	5/15	0	0
Iceland	2005	5/15	0	0/10
India	2002	10	0/10	10
Israel	1996	10	5/10	10
Italy	1967	15	10	0
Japan	1974	10/15	10	10
Korea	1992	10/15	0	0
Kuwait	Not yet in force	0	0	5
Latvia	1999	5/15	0/10	5/10
Lithuania	1999	5/15	0/10	5/10
Luxembourg	1968	5/15	0	0
Macedonia	2010	0/5/10	0	0
Malaysia	2000	10	0/10	8
Malta	2010	5/15	0	5
Mexico	1999	5/10	0/5/10	10
Moldova	2011	5/10	0/5	5
Montenegro	Not yet in force	0/5/10	0/10	5/10
Morocco	Not yet in force	6/10	0/10	10
Netherlands	1965	0/15	0	0
New Zealand	1989	15	10	10
Norway	2002	0/5/15	0	0
Pakistan	1968	10/No Limit	No Limit	0
Poland	1996	0/15	0/10	10
Portugal	1995	15	0/15	10
Romania	2001	3	0/3	0/3
Russia	1996	10	0	0
Serbia	2011	5/10	0/10	5/10
Singapore	Not yet in force	0	0/5	5
Slovak Republic	2000	0/10	0	0/10
Slovenia	2003	5/15	0/5	5
South Africa	1998	0	0	0
Spain	1995	0/15	0	5/8/10
Sweden	1988	5/15	0	0
Switzerland	1965	10/15	0	0
Turkey	2011	5/10/15	10/15	10
United Kingdom	1976	5/15	0	0
United Arab Emirates	Not yet in force	0	0	0
United States	1998	5/15	0	0
Vietnam	2009	5/10	0/10	5/10/15
Zambia	1967	0	0	0

ISLE OF MAN

Currency: British Pound (GBP) | Dial Code To: 44 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Douglas	John Nugent	01624 652000 mail@pkfiom.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Income tax is payable by Isle of Man (IOM) resident companies on income derived from all sources. Non-resident companies are required to pay tax on IOM-sourced income only, excluding income from approved financial institutions up until 5 April 2006.

In general, resident companies are companies incorporated in the IOM and companies whose central management and control is in the IOM. All companies incorporated in the IOM are resident there.

With effect from 6 April 2006 the general rate of income tax for companies is 0%. Only income from banking business and income from Isle of Man land have a positive rate of tax. The rate of tax on these two sources of income is 10%. For accounting periods commencing on or before 5 April 2008 companies may have to pay a distributable profits charge in respect of profits accumulated on behalf of resident shareholders. There are special rules for the application of this charge. If the charge does apply, the rate is 18% of investment profits and 9.9% of trading profits. The distributable profit charge was abolished for accounting periods commencing on or after 6 April 2008. From 6 April 2008 profits can, in certain circumstances, be attributed to and taxed upon Isle of Man resident shareholders. The tax year runs from 6 April to 5 April. For accounting periods ending on or after 6 April 2007, tax returns are due one year and one day after the end of the accounting period and the tax is due by the same date.

TAX-FREE COMPANIES

The special types of tax-free companies such as exempt companies were withdrawn from 6 April 2006 and replaced by general zero-rating as above.

CAPITAL GAINS TAX

There is no tax on capital gains in the IOM and gains are not included in ordinary taxable income.

BRANCH PROFITS TAX

IOM companies with foreign branches remain taxable on their worldwide income although relief for foreign tax paid may be available. IOM branches of foreign companies will be subject to IOM income tax on the profits attributable to the branch. The rates of tax above apply to all companies, including branches of foreign companies, so that the zero rate applies where applicable.

SALES TAX/VALUE ADDED TAX (VAT)

Value Added Tax is imposed on items at a standard rate of 17.5% (20% from 4 January 2011). The VAT rules are identical to those applying in the UK. Both the UK and IOM form a common area for the purposes of VAT and Customs Duties.

FRINGE BENEFITS TAX (FBT)

There is no fringe benefits tax on employers in the IOM. Employees may be subject to income tax on any benefits they receive from their employers.

LOCAL TAXES

Local rates are imposed on properties. Local authorities determine the rate.

OTHER TAXES

The IOM government also imposes customs and excise duties. For these purposes, the IOM is regarded as being part of the European Union. The UK and the IOM form a common area for customs duties purposes.

National Insurance contributions are payable by employers in the IOM. Contribution rates are similar to those that apply in the UK. Employees also pay contributions.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by aggregating its taxable income and then subtracting all allowable deductions. Generally, to be deductible, the outgoings must be incurred wholly and exclusively for the purpose of a trade. Statute provides that some items are specifically non-deductible, e.g. depreciation. Special rules apply in relation to the categories listed below.

CAPITAL ALLOWANCES
Tax relief is given for the cost of plant and machinery acquired for the purposes of a business in the form of capital allowances. Capital allowances are also available for certain industrial and agricultural buildings and tourist premises. A 100% allowance is available in the first year in which the expenditure is incurred. Where the 100% allowance is not claimed in full, a writing-down allowance is available in subsequent years, at the following rates:

Plant and machinery used in a trade	25% reducing balance basis
Industrial buildings	4% straight-line basis
Agricultural buildings	4% straight-line basis
Tourist premises	10% straight-line basis

DEPRECIATION
Depreciation is not available as a tax deduction. Instead, capital allowances can be claimed as a deduction against taxable profits.

STOCKS/INVENTORY
Stock levels are normally taken into account in determining the profits of the trade in accordance with normal commercial principles of accounting.

CAPITAL GAINS AND LOSSES
There is no capital gains tax in the IOM.

DIVIDENDS
Dividends received by IOM resident companies are generally taxable at the zero % rate.

INTEREST DEDUCTIONS
All types of interest paid by IOM resident companies to IOM lenders are tax deductible. Interest paid to non-IOM lenders is tax deductible if incurred for the purposes of the company's trade. There are no thin capitalisation rules but there are anti-avoidance provisions which may be in point where interest is incurred purely to mitigate tax. One of these provisions disallows tax deductions for interest arising on loans, the purpose or one of the purposes of which is the reduction of the liability of any person to income tax.

A maximum deductible amount of £10,000 per individual applies from 6 April 2010 for borrowings other than those of a trade or property rental business. This limit does not apply to companies.

LOSSES
Trading losses can be carried forward indefinitely provided a continuity of business test is satisfied. There are also provisions for loss relief within groups of companies (see below).

FOREIGN SOURCED INCOME
The IOM does not have CFC legislation. However, it does have general anti-avoidance legislation which will tax an IOM resident on income received by a non-resident entity in which the IOM resident has an interest if the income arises to the non-resident entity as a result of steps taken to avoid IOM tax.

INCENTIVES
It is possible for certain industrial undertakings to obtain a tax holiday for up to five years.

C. FOREIGN TAX RELIEF

Double tax relief is available for foreign tax paid. It may be set off against the IOM tax payable. Where the income is received from the UK, relief may be available under the UK-IOM Double Tax agreement.

D. CORPORATE GROUPS

Losses including capital allowances in respect of trading companies may be transferred from one IOM resident company to another IOM company within a group.

Two companies are members of a group if one is a 75% subsidiary of the other or both are 75% subsidiaries of a third company. Consolidated tax returns cannot be submitted.

E. RELATED PARTY TRANSACTIONS

The IOM does not have any specific transfer pricing rules. However, as noted above, where expenditure has not been incurred wholly or exclusively for the purposes of a trade, a tax deduction may not be available.

F. WITHHOLDING TAX

Non-residents are subject to IOM non-resident income tax on all IOM-sourced income except income received from approved financial institutions such as banks and fund managers. The Assessor of Income Tax may require a person who makes a payment of taxable income to a non-resident to deduct income tax from it at a rate specified by the Assessor. The general rate of withholding tax for payments by companies has been reduced to zero with effect from 6 April 2006. A 20% rate applies to rents of Isle of Man land paid to non-resident individuals. A 10% rate applies to rents of IOM land paid to non-resident companies. These rates also apply to interest paid out of rents of IOM land.

G. EXCHANGE CONTROL

There are no exchange control rules in the IOM.

H. PERSONAL TAX

Income tax is payable by IOM resident individuals on their worldwide income from all sources. Non-resident individuals are only required to pay IOM income tax on IOM-sourced income excluding income from approved financial institutions and most sources of income from IOM companies.

An individual is regarded as a resident in the IOM if he spends an aggregate of six months in any tax year in the IOM. In addition, an individual who visits the IOM over four or more consecutive years for an average of three months in each year will also be considered an IOM resident.

Income tax is assessable on income less any allowable deductions. The rules for allowable deductions for individuals engaged in a trade are similar to those for companies. In addition, individuals are able to take advantage of deductions in respect of pension premiums, generous personal allowances and interest paid to an IOM lender of up to £10,000 per person per annum.

Employees have tax deducted from each salary and wage payment by their employers under the Income Tax Instalment Payments (ITIP) scheme.

The basis of assessment for individuals changed with effect from 5 April 2004. Self-employed individuals and individuals with income other than salaries now pay income tax on a current year basis with tax due 6 January following the end of the year assessment. A payment on account is made based on 105% of the previous year's liability (less ITIP) which is payable by 6 January in the year of assessment.

With effect from 6 April 2006, the income of a married woman is no longer automatically aggregated with that of her husband. Wives are now taxed as separate individuals. However, a couple can elect to be jointly assessed. If they do so, they will be jointly assessed on both their incomes with both personal allowances and 10% bands being available in the joint assessment. Where, immediately prior to 6 April 2006, husband and wife were jointly assessed, they will be deemed to have made the election to continue to be jointly assessed.

The tax rates are as follows:

Taxable Income (£)	Rate (%)
0 – 10,500	10
0 – 21,000 for jointly assessed married couples	10
Above 10,500 or above 21,000 as applicable	20

In addition, a personal allowance of £9,300 (£18,600 for jointly assessed married couples) is also granted. The 10% tax rate and the above personal allowances are not available to non-resident individuals (but see below).

There is a cap on personal income tax liabilities. No one individual can have a liability for a tax year of more than £115,000.

There is no tax in the IOM on gifts and no inheritance tax liability for the estates of IOM resident individuals.

TAXATION OF NON-RESIDENT INDIVIDUALS
From 2010/11 the small personal allowance available to non-residents has been abolished. An individual receiving IOM income but who is not resident in the Isle of Man was entitled to a personal allowance of £2,120 in 2009/10. Non-residents are only charged to income tax on IOM source income.

From 2006/07 onwards, as an alternative to taxing the total income less personal allowance, tax may be charged on the IOM source income of a non-resident subject to a limit of:
(1) tax due on IOM income reduced by any excluded income plus
(2) tax deducted at source from any excluded income (likely to be nil).

If this alternative is lower, the alternative will apply.

Excluded income includes dividends, bank interest, social security benefits and National Insurance retirement pension.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Payor	Dividends (%)	Interest (%)	Royalties (%)
(a)	*Companies:*			
	UK	0	0	0
	Non-Treaty	0	0	0
(b)	*Individuals:*			
	UK	N/A	20	20
	Non-Treaty	N/A	20	20

ITALY

I

Currency: Euro (EUR) | Dial Code To: 39 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Bari	Gugliemo Antonacci	080 555 9125 g.antonacci@pkf.it
Milan	Salvatore Del Vecchio	02 43981751 s.delvecchio@mgpstudio.it
Rome	Initial contact-Milan office	02 43981751 s.delvecchio@mgpstudio.it

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
As a rule, corporate income tax is payable by all resident companies on income from any source, whether earned in Italy or abroad. Non-resident companies are subject to corporate income tax (IRES) only on income earned in Italy. IRES is 27.50%. Companies are also subject to a regional tax on productive activities (IRAP) at the rate of 3.90% although regional authorities may increase or decrease the standard rate by up to one percentage point. It is envisaged that IRAP will be gradually eliminated in the near future.

An additional 6.5% (from fiscal year 2010) corporate income tax charge is levied on companies (i) having revenues higher than EUR 25 million in the relevant fiscal period and (ii) carrying on their activities in one of the following fields:
– research and exploitation of hydrocarbon
– oil refining, production and sale of petrol, gasoline, gas, lubricating oil, liquefied gas of petrol and natural gas
– production and sale of electricity.

Company tax returns, which cover both IRES and IRAP, must be filed within nine months of the statutory year end by electronic transmission. An advance tax payment is due by the 16th day of the sixth month of the accounting period equal to 40% of the previous year's income tax liability. A second advance payment of 60% is due by the end of the eleventh month of the company's financial year. Any remaining amount would be due by the 16th day of the sixth month after the end of the period.
For income tax purposes the company can chose either a calendar or a fiscal year. For VAT and withholding tax purposes, the calendar year always applies.

BRANCH PROFIT TAX
Italian branch profits of foreign companies are fully liable to IRES and IRAP.

FISCALLY TRANSPARENT COMPANIES
Italian limited liability and joint stock companies may opt for this regime and be treated as fiscally transparent companies. In order to qualify for this treatment, joint stock companies must hold between 10% and 50% of the voting rights in another Italian company for a continuous 12-month period, whereas Italian limited liability companies must have gross incomes totalling no higher than Euro 7.5 million and be owned by a maximum of 10 private shareholders. Non-resident companies (regardless of their legal form) may also opt for such a regime only if entitled to apply the EU Parent-Subsidiary Directive to the dividends paid by the Italian controlled company.

Under the above regime, the 'transparent' company is not taxed on its own income for corporate income tax purposes. Income produced by its subsidiaries is directly allocated to the parent company according to its percentage of ownership, whether or not these profits have been remitted to it by way of dividend. The election is irrevocable for three years and must be communicated to the Tax Authorities.

CONTROLLED FOREIGN COMPANIES
Italian tax law includes a comprehensive set of rules on controlled foreign companies (CFC). These rules are aimed at avoiding hiving off income to foreign subsidiaries located in certain low tax jurisdictions. These are countries typically considered as tax havens i.e. those listed in the so-called "black-list". The profits earned by a CFC located in a tax haven country have to be imputed to the Italian resident parent company/individual regardless of any dividend distribution.

The CFC rule is also applied to entities resident in jurisdictions other than on the black list (even EU) if their effective rate of taxation is lower than 50% of the effective Italian tax rate that would be applied if they were resident in Italy and have more than 50% passive income (i.e. interest, royalties, dividends). The application of the rule may be avoided by filing a tax ruling proving that the foreign entity does not represent an artificial structure unduly aimed at achieving a tax benefit.

To escape the CFC rule, two exceptions can be met:

1. Market Link
If the activity of the CFC is mainly carried out towards local customers or suppliers.

2. Adequate level of CFC taxation
If the Italian company can prove that the CFC does not result in the allocation of income to a tax haven.

CAPITAL GAINS
Capital gains realised by the company are generally taxable as normal business income subject to IRES and IRAP and capital losses are generally deductible. Tax on gains may be spread over five years for assets owned for more than three years. Capital gains on assets owned for less than three years are taxed in the year in which they are realised. Capital gains arising from stock transfers are 95% exempt, under specific conditions, where they relate to financial assets owned for an uninterrupted period of at least 12 months.

FRINGE BENEFITS
Fringe benefits are included in the taxpayer's total aggregated income.

MINIMUM TAXABLE INCOME
Companies with an annual turnover of less than EUR 7.5 million are subject to an automatic evaluation in accordance with the so-called Sector Studies (Studi di Settore). This is to determine whether the company's income is higher than that stated in the tax return but it is not sufficient for assessing a greater taxable base. Any amended assessment must be founded on concrete evidence.

NON-OPERATING OR DORMANT COMPANIES

Such companies are subject to a minimum tax charge as far as IRES and IRAP are concerned. The company must declare an income for the tax period which cannot be lower than the amounts calculated by multiplying percentages to certain balance sheet items. If this amount is higher than the taxable income declared, the company is taxed on this figure. Furthermore, a VAT receivable is not refunded if these non-operating circumstances persist for three years.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is levied on transfers of goods and services by enterprises or professionals in the course of their business within Italy and on all imports into Italy.

The standard VAT rate is 20%. Other rates applied are 4% and 10%. Items exported or destined for export are not subject to VAT. A specific VAT regime is applied to real estate transactions.

As an alternative to the nomination of a VAT Representative (which remains the only procedure allowed by extra-EU companies), non-resident EU companies can apply for a “Direct VAT Identification”. This enables the non-resident to settle any VAT payment directly in Italy or claim back any VAT credit. The direct VAT identification procedure is intended to facilitate the payment of Italian VAT liabilities by the non-resident. This procedure was discontinued with effect from 25 September 2009 in cases where a non-resident EU company has a permanent establishment in Italy.

From 1 January 2010, the basic “place of supply” rule for supplies of services to “VAT registered persons” is that such supplies are deemed to be made where the customer is established and the related VAT is due in accordance with the so-called “reverse charge” procedure.

Services subject to reverse charges also have to be included on Intrastat forms, subject to some exceptions. The reporting period is filed on a monthly or quarterly basis, depending on the company’s turnover.

TAX CLAIMS

The taxpayer has the right to seek recourse against assessments and undue payment demands etc by appealing to the tax courts through three ranks of justice. The tax assessment can be settled by paying a lower penalty before appealing to the Tax Court.

LOCAL TAXES

I

Real estate tax (ICI) is payable annually in two instalments (June and December) on the value of real estate property owned by companies. It has a variable rate ranging from 0.4% to 0.9% on property value, depending on each county council’s assessment.

Registration tax is levied on the registration of any written contract or deed. The percentage varies depending on the type of deed. A higher rate of 7% applies to contributions or transfers of real estate. Registration tax is not applicable if the contract is subject to VAT, except for real estate rental contracts whereby VAT and 1% registration tax are applicable.

OTHER TAXES

From 2008 onwards, stamp duty on the transfer of shares, bonds and similar securities has been repealed.

PAYMENTS DUE BY VAT REGISTERED ENTITIES

VAT registered persons are required to effect all tax and social security payments electronically, whether or not an intermediary is involved, by means of a standard form (F24).

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is based on the result of its business profits, which consists of the net income determined during a financial period, adjusted as required by the Tax Act. Non-resident companies are taxed in Italy on certain types of income earned from sources in Italy.

CAPITAL ALLOWANCES

Depreciation of tangible assets is permitted on a straight-line basis calculated by applying the co-efficient established by the Ministry of Finance to the cost price, reduced by half for the first tax year. Tangible property with an acquisition cost of less than EUR 516.46 may be written off in the year of purchase.

STOCK/INVENTORY

Inventory is valued at cost of purchase. Companies may apply any acceptable method of inventory pricing, i.e. FIFO, average, continuous average, etc. If the cost of purchase is lower than the market value as of the previous month, the stock can be valued using this method.

DIVIDENDS

(a) Companies are taxed at 5% on dividends received regardless of where the company paying the dividend is resident (except black-listed countries).
(b) Individuals and partnerships are taxed on only 49.72% of the value of dividends received if they own more than 20% of the share capital of the company paying the dividend. If they own less than 20%, the dividend is taxed at a fixed rate of 12.5%.

INTEREST DEDUCTIONS

Interest expenses, including interest on leasing costs but excluding capitalised and non-deductible interest and net of the interest income accounted in the same tax period, are not deductible if they exceed 30% of the Company's statutory EBITDA i.e. the earnings resulting from its "core business".

Interest expenses that exceed the aforementioned limit may be carried forward, with no time limit, and used to offset taxable income within the 30% limit as above in succeeding tax years. Any surplus interest deductions (interest cost lower than the 30% EBITDA) may be carried forward starting from 2010.

LOSSES

Net operating losses may be carried forward for five years starting from the year in which they originated. This rule only applies for company income tax (IRES) and not for IRAP. Losses accumulated for the first three years from the commencement of a company's business activity may be carried forward indefinitely.

FOREIGN SOURCE INCOME

Only 5% of the value of dividends received from controlled foreign companies is liable to IRES. This 95% exemption is not available if the source of the dividends is a company resident under a 'privileged tax regime' outside the EU. A full exemption is applicable to the dividends paid by a CFC resident in a tax haven already taxed under the transparency method.

INCENTIVES

Italian law provides for various forms of incentives to support economic investment in the south of Italy, other depressed areas in the centre/north, and in those areas struck by catastrophes such as earthquakes or floods.

BLACK LIST

All transactions with subjects residing in black-listed countries must be communicated to the Tax Authorities.

The deduction of the cost is subordinated to specific conditions or to previous ruling procedures.

C. FOREIGN TAX RELIEF

Foreign taxes may generally be credited against the tax liability suffered in Italy on the same income. Any excess foreign credits can be carried forward or backwards for eight years.

D. CORPORATE GROUPS

Provisions for the consolidation of resident and non-resident company results were introduced in 2004. These provisions allow for the consolidation of income between group companies at both domestic and international level, resulting in a single tax liability for the parent company.

The option is irrevocable for a three-year period where only Italian resident companies are involved and for a five-year period for a worldwide consolidation (or three years if subsequently renewed).

The companies participating in the group consolidation are jointly liable for taxes, penalties and interest assessed on the aggregate income. The consolidated income is taxed at the parent company level.

E. RELATED PARTY TRANSACTIONS

Transactions with foreign affiliated companies are closely scrutinised in order to determine whether transfer prices are at arm's length. There are ministerial guidelines which suggest various limits on payments between affiliates. A set of documentation, consistent with OECD standards, is required from those companies that make cross-border operations with controlled foreign companies. The documentation must contain detailed information and data about the transactions as well as their compliance with the so-called "arm's length principle". Although this documentation is not mandatory, it would provide penalty protection to companies should they communicate to the Tax Authorities that they have this documentation on hand for consultation. Furthermore, they must also communicate to the Tax Authorities as to whether they have this documentation available for previous tax periods that are still subject to assessment.

F. WITHHOLDING TAX

Domestic companies making certain types of payments (eg interest, royalties, professional fees, etc) are required to withhold taxes at various rates.

Italian legislation has implemented the EC Directive 2003/49/CE (Parent/Subsidiary Directive). No withholding tax is levied on dividends paid to a parent company in another EU Member State if both the parent and the subsidiary are 'qualifying' companies under the Directive and the parent has held at least 10% of the capital of the subsidiary continuously for at least one year.

The EU Interest & Royalties Directive has also been incorporated into domestic law. Outbound interest and royalties are exempt from any Italian tax provided that the recipient is an associated company of the paying company and is resident in another EU Member State or such a company's permanent establishment is situated in another Member State. Two companies are "associated companies" if (a) one of them holds directly at least 25% of the voting rights of the other or (b) a third EU company holds directly at least 25% of the voting rights of the two companies. The relevant companies must have a legal form listed in the Annex of the Directive and be subject to a corporate income tax. A one-year holding period is required..

In general, dividends distributed to non-residents are subject to a final 27% withholding tax. For dividends paid to residents of EU countries and those listed in the "white list", a special withholding tax rate of 1.375% applies. This rule applies only to profits earned starting from fiscal year 2008. Any dividends paid that represent profits from previous fiscal years will be subject to previous years' rules.

In line with the EC Parent/Subsidiary Directive, no withholding tax is levied on dividends paid to a parent company in another EU Member State if both the parent and the subsidiary are qualifying companies under the Directive and the parent has held at least 10% of the capital of the subsidiary continuously for at least one year.

G. EXCHANGE CONTROL/ANTI-MONEY LAUNDERING

There are no exchange controls in Italy. However, banks and financial institutions are required to monitor any deposit/withdrawal over EUR 15,000 for anti-money laundering purposes. This duty has recently been extended to audit firms, professionals, etc.

With effect from 31 May 2010, cash payments over EUR 5,000 (lowering the previous limit of EUR 12,500) are no longer permitted. This limit is applicable to all categories.

Penalties range from 1% to 40% of the amount transferred with a minimum penalty of EUR 3,000 (and EUR 15,000 when cash payments are greater than EUR 50,000).

H. PERSONAL TAX

Resident individuals are subject to a personal income tax called IRPEF on their worldwide income.

Individuals carrying on a business or profession are liable to IRAP which is not deductible from IRPEF. Non-resident individuals are subject to tax only on their Italian source income.

Individuals are considered resident for fiscal purposes in Italy if they are registered at the official Register of Population; their principal place of business and interests is located in Italy; or if they remain in Italy for more than six months in any calendar year.

Progressive rates for IRPEF are as follows:

Taxable Income (EUR)	Rate (%)
Up to 15,000	23
15,001 – 28,000	27
28,001 – 55,000	38
55,001 – 75,000	41
Over 75,000	43

In addition to the above progressive rates, a regional surcharge (variable rate from 0.9% to 1.4%) is payable and an additional municipal tax could be charged and fixed locally.

The tax period in Italy is the calendar year and tax is due over two advance payments made during the tax year with the balance due by 16 June of the following year. IRPEF is withheld at source from employee salaries and wages. The payment of taxes on account and settlement functions under a similar system as for companies.

There is no wealth tax in Italy. Gift and inheritance tax has come back into force with a range of tax rates and exemptions.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Non-Treaty Countries:						
from:	12.5		12.5		30	
to:	27		27		–	
Treaty Countries:						
Albania	10		0/5	(5)	5	
Algeria	15		0/15	(5)	5/15	(4)
Argentina	15		0/20		10/18	
Armenia	5/10		10		7	
Australia	15		10		10	
Austria	15		0/10	(5)	0/10	
Azerbaijan	10		10		5/10	(4)
Bangladesh	15/10		0/10/15		10	
Belarus	15		0		0	
Belgium	15		15		5	
Bosnia and Herzegovina	10		10		10	
Brazil	15		15		15/25	
Bulgaria	10		0		5	
Canada	15		0/15	(5)	0/10	(4)
China	10		10		10	
Croatia	15		10		5	
Cyprus	15		10		0	
Czech Republic	15		0		0/5	
Denmark	0/15		0/10	(5)	0/5	
Ecuador	15		0/10	(5)	5	
Egypt	27	(6)	0/25	(5)	15	
Estonia	15/5		10		5/10	
Finland	10/15		0/15	(5)	0/5	(4)
France	5/15		0/10		0/5	(4)
Georgia	5/10		0		0	
Germany	10/15		0/10		0/5	
Ghana	15/5		10		10	
Greece	15		0/10	(5)	0/5	

	Dividends (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Hungary	10		0		0	
Iceland	15/5		0		5	
India	15/25		0/15	(5)	20	
Indonesia	15/10		0/10	(5)	10/15	
Ireland, Republic of	15		10		0	
Israel	15/10		10		0/10	(4)
Ivory Coast	15		15		10	
Japan	15/10		10		10	
Jordan	10		10		10	
Kazakhstan	15/5		0/10	(5)	10	
Korea	15/10		0/10	(5)	10	
Kuwait	0/5		0		10	
Latvia	15/5		10		10/5	
Lithuania	15/5		0/10	(5)	5/10	
Luxembourg	15		0/10	(5)	10	
Macedonia	15/5		0/10	(5)	0	
Malaysia	10		15		15	
Malta	15		0/10	(5)	0/10	
Mauritius	5/15		12.5/27	(6)	15	
Mexico	15		0/15	(5)	0/15	(4)
Montenegro	10		10		10	
Morocco	15/10		10		5/10	(4)
Mozambique	15		0/10	(5)	10	
Netherlands	5/10/15		0/10	(5)	5	
New Zealand	15		0/10	(5)	10	
Norway	15		0/15	(5)	5	
Oman	10/5		0/5	(5)	10	
Pakistan	15/25		30		30	
Philippines	15		0/10/15		25	
Poland	10		0/10	(5)	10	
Portugal	15		0/15	(5)	12	
Romania	10		0/10	(5)	10	
Russia	5/10		10		0	
Saudi Arabia	10/5		0/5		10	
Senegal	15		15		15	
Serbia	10		10		10	
Singapore	10		12.5		20/15	
Slovak Republic	15		0		0/5	
Slovenia	15/5		10		5	
South Africa	15/5		0/10	(5)	6	
Spain	15		0/12	(5)	4/8	(4)
Sri Lanka	15		0/10		10/15	
Sweden	10/15		0/15	(5)	5	
Switzerland	15		12.5		5	
Syria	10/5		0/10		18	
Tanzania	10		15		15	
Thailand	15/20		0/10		5/15	(4)
Trinidad and Tobago	10/20		10		0/5	

I

	Dividends (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Tunisia	15		0/12		5/12/16	
Turkey	15		15		10	
Ukraine	15/5		0/10	(5)	7	
United Arab Emirates	15/5		0		10	
United Kingdom	5/15		0/10		8	
United States	5/15		10/0		5/8	
Uzbekistan	10		0/5	(5)	5	
Venezuela	10		0/10	(5)	7/10	(4)
Vietnam	5/10/15		0/10	(5)	7.5/10	
Zambia	15/5		10		10	

1 Due to discrepancies between treaties, especially in terms of the different rates applicable to various levels of control, it is necessary to refer to the relevant treaties.
2 The appropriate rates of interest frequently depend upon the source of payment and accordingly the above is intended as a guide only.
3 The rates specified refer to the gross amount of royalties paid.
4 The lower rate applies to copyright royalties, excluding films etc.
5 The 0% rate applies to interest paid by public bodies.
6 The domestic rate applies; there is no reduction under the treaty.

JAMAICA

Currency: Dollar ($) | Dial Code To: 1876 | Dial Code Out: 011

Member Firm:

City: Kingston | Name: Aulous F Madden | Contact Information: 922 1074, Aulous@cwjamaica.com

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES

COMPANY TAX

Jamaican resident companies are liable to income tax on all sources of non-exempt income wherever arising. A company is regarded as resident in Jamaica if its central management and control is located and exercised in Jamaica.

A non-resident company is taxed on income of a branch carrying on a trade or business in Jamaica, i.e. the income arises in Jamaica.

The rate of tax on companies is 33.3%. The tax year or 'year of assessment' is a period of 12 months commencing on 1 January in each year. Companies are assessed tax on their income which arises in the basis period and this normally coincides with the year of assessment. Where the company usually makes up its accounts for a period other than the calendar year, the Commissioner of Income Tax will allow this period to be substituted for the calendar year.

The company is expected to submit its Return by 15 March following the year of assessment and pay any balance of tax due. The company is required by law to make payment of tax based on the results of the preceding year (estimated tax). Payment of estimated tax is due in four equal instalments on 15 March, 15 June, 15 September and 15 December. Any balance of tax is payable by the following 15 March when the Return is due for filing.

CAPITAL GAINS TAX

There is no Income Tax on capital gains secured on the disposal of capital assets. However, there is a transfer tax of 6% of gross consideration or market value when title passes.

Effective 1 June 2005, the transfer tax payable at death will be simplified and the rate reduced as follows:

(i) the first $100,000 value of the estate – no tax
(ii) balance over $100,000 – 7.5%.

BRANCH PROFIT TAX

Branches of non-resident corporation or companies doing business in Jamaica are taxed on the profits arising in Jamaica. The rate of tax is 33.3%.

SALES TAX/VALUE ADDED TAX (VAT)
General consumption tax (GCT) is generally imposed at the standard rate of 16.5% on the supply in Jamaica of goods or services by a 'registered taxpayer' and on the importation of goods or services by any person for consumption in Jamaica. It is proposed that with effect from 1 January 2010, the standard rate be increased to 17.5%. A large number of goods and services are zero rated, which means that the supplier does not charge GCT on the supply but may credit GCT on incoming supplies against the tax chargeable on non-zero-rated supplies he makes. In addition, many goods and services are GCT exempt.

Certain goods are subject to special consumption tax (SCT) and not GCT. This is levied on the manufacture for sale in Jamaica and the import into Jamaica of prescribed goods such as petroleum products, cigarettes, spirits and beer.

LOCAL TAXES
Since 1 October 2003, maximum emoluments subject to National Insurance (NIS) was increased to J$500,000 per annum at 2.5% (maximum J$12,500 per annum or J$1,042 per month). This compulsory deduction is made both by employer and employee and goes towards the provision of a pension at age 60 for women and 65 for men who have retired. If still employed, however, the NIS pension is deferred for a further period of five years or the date that employment ceased whichever is earlier.

National Housing Trust (NHT) is payable by the employee at 2% of taxable emoluments. The contributions together with any accrued bonus or interest are refundable to the contributor on an annual basis after seven years and fully on retirement. Note that the expatriate employee is refunded the full sum when he leaves the island. Self-employed persons pay NHT on 3% of chargeable income. Employer makes a like contribution of 3% of gross emoluments.

Similar to NHT, the education tax is payable at 2% of taxable emoluments. Contributions continue until age 65 years (men and women). Contributions are not refundable. Self-employed persons pay education tax at 3% of chargeable income. There is no age limit. Employer makes a like contribution of 3% of gross emoluments.

When the employer's payroll is J$86,667 annually or J$7,222 or more monthly, tax of 3% is made as a contribution to the National Training Program. Companies which provide training and employment for one or more participants are permitted to deduct the amount of remuneration for each participant of J$75 per week. Since 7 March 1994, the annual payroll limit has been increased to $173,328 or $14,444 monthly.

OTHER TAXES

Custom fees, excise and stamp duties are imposed. Land is taxed on the unimproved value basis.

The Construction Industry and Tillage are subject to a levy of 2% of contract price payable to the Commissioner of Inland Revenue. This is treated as payment on account of tax liability of the payee but, if there is no liability or lesser liability to tax, the excess is not refundable nor can it be used to set off against any tax liability.

B. DETERMINATION OF TAXABLE INCOME

The chargeable income of a company is determined by deducting all non-capital disbursement and expenses wholly and exclusively incurred in acquiring the income from all taxable income brought into charge. Domestic and private expenses are not allowable.

Special deductions include the following.

DEPRECIATION
Capital allowances are granted for depreciation of equipment, plant and machinery and other assets used in the business at the following rates using the reducing balance method:

- Plant, machinery and equipment:
  (a) first year allowance (initial allowance) – 20% of expenditure incurred in basis period
  (b) annual allowance – 10%.
- Private cars:
  (a) first year allowance – nil
  (b) annual allowance – 12.5% of cost (not exceeding J$3,200 i.e. $400).
- Trade vehicles:
  (a) first year allowance – 12.5% of cost
  (b) annual allowance – 12.5% of cost (straight-line).
- Industrial buildings:
  (a) first year allowance – 20% of cost

(b) annual allowance – 5%, 3%, or 2.5% dependent on type of construction and whether housing machinery.

- Other buildings:
  (a) first year allowance – nil
  (b) annual allowance – 5%, 3%, or 2.5% dependent on type of construction and whether housing machinery.

ACCELERATED DEPRECIATION
Accelerated depreciation is given to qualifying businesses in respect of machinery and plant in order to stimulate investment and production by way of tax relief. A special capital allowance of 100% of the capital expenditure over two years incurred by the qualifying business enterprise on the purchase of certain machinery will be granted.

STOCK/INVENTORY
Stock and work-in-progress are valued at the lower of cost or market value on a 'first-in, first-out' (FIFO) basis.

CAPITAL GAINS AND LOSSES
See discussion above.

DIVIDENDS
In addition to the tax on the company's profits, a further tax is payable when any distribution or dividends are made. If distribution or dividends are made to another company, the rate of withholding is 33.3%. If, however, this is made to an individual, the rate is 25%.

The rate of withholding tax is modified if distributions are made to residents of double taxation treaty countries. The negotiated rates provided in the relevant articles are applicable. As of 1 April 2002, the rate of tax payable on dividend income derived from companies listed on the Jamaica Stock Exchange is nil.

As from 1 July 2009, dividends payable by resident unlisted companies to non-resident shareholders (individual and companies) are subject to tax at rates appropriate to them and the companies making such distributions are required to deduct tax due and account for it to the Inland Revenue Department.

Dividends and distributions made from profits which are relieved or exempt from tax by virtue of various incentives legislation would not be subject to tax unless they are, in fact, taxable in the country of the taxpayer's residence.

Capital distribution or capital dividends are not subject to income tax but are, however, subject to transfer tax (rate 7.5%).

INTEREST DEDUCTIONS
Interest paid upon any money borrowed on capital employed in acquiring the income is deductible.

LOSSES
Losses sustained in a trade profession or business carried on in the Island or through the ownership or occupation of land situated on the Island are allowed as expenses in arriving at the chargeable income of the person sustaining the loss. The loss should not be a capital loss. The loss is available to be set off against other income arising in the year of assessment and may be carried forward indefinitely until fully written off.

As of 1 January 2006, losses may be carried forward for only five years instead of in perpetuity.

While losses arising from non-approved agricultural activity may be carried forward indefinitely, they are not available for set off against any other income.

FOREIGN SOURCE INCOME
Where the company is resident in Jamaica, i.e. its central management and control is situated in Jamaica, the income of such company wherever it arises is subject to tax in Jamaica. This includes:
(a) branch or agency profits from business outside Jamaica
(b) dividends, interest, royalties and rents outside Jamaica.

INCENTIVES
Various tax incentives are available to qualifying foreign and local investors to:
(a) facilitate industrial development
(b) exploit and develop local resources
(c) improve competitiveness of Jamaican international trade
(d) promote economic growth and provide employment and economic development.

The various tax incentives are provided in the under mentioned laws:

- Export Industry Encouragement Act
- Industrial Incentives Act
- Motion Picture Industry Incentives Act
- Hotel Incentives Act
- Resort Cottages Incentives Act
- International Finance Companies (Income Tax Relief) Act
- Jamaica Export Free Zones Act.

C. FOREIGN TAX RELIEF

Unilateral relief by the credit method is granted to residents and non-residents against income tax payable in Jamaica on any income which is also subject to Commonwealth income tax. For residents of Jamaica, the maximum credit is one-half of the Jamaican income tax rate: 16.67% in the case of corporations and 12.5% in the case of individuals.

If the Commonwealth income tax rate on the income concerned does not exceed half the Jamaican rate (16.67% and 12.5%), full relief is granted for the Commonwealth tax. Jamaican residents who are liable to pay Jamaican tax on income in respect of which United Kingdom tax is also payable are entitled to relief equal to the amount by which Jamaica tax exceeds half the rate of United Kingdom tax payable. If the Jamaican rate exceeds the United Kingdom rate, the relief is equal to half of the United Kingdom rate.

Unilateral relief is generally provided by way of deduction for taxes payable in other overseas territories.

Where a claim for double taxation relief is made under a treaty, the Jamaican income tax is reduced by the appropriate amount of the credit for foreign tax. The credit may not exceed tax at the Jamaican rate on the income concerned computed under Jamaican income tax principles, before any allowance of credit.

D. CORPORATE GROUPS

Tax liability in a group basis is not permissible. The liability of each company within the group is determined separately.

E. RELATED PARTY TRANSACTIONS

Related Party Transactions which are carried out for considerations not at arm's length and are intended to secure a benefit or tax advantage or to reduce the tax payable, are counteracted by the Commissioner, taking appropriate actions to negate this advantage.

F. WITHHOLDING TAX

See 'Dividends' above.

G. EXCHANGE CONTROL/ANTI-MONEY LAUNDERING

There are no exchange controls in Jamaica at this time.

H. PERSONAL TAX

An individual who is resident, ordinarily resident and domiciled in Jamaica is subject to Income Tax on his worldwide income as it arises. Non-residents are subject to tax on income arising from Jamaica.

Residence is determined by physical presence in Jamaica for period of six months. Regular visits of substantial periods may make such visitor a resident, even though the stay is less than six months.

Broadly, an individual is domiciled in the country or state which he regards as his permanent home. He acquires a domicile of origin at birth normally that of his father and retains it until he acquires a new domicile of choice. To acquire a domicile of choice, a person must sever his ties with his domicile of origin and settle in another country with the clear intention of making it his permanent home.

A commonwealth citizen not ordinarily resident in Jamaica or any resident not domiciled in Jamaica is taxed on unearned income only to the extent that is remitted to Jamaica.

The Pay-As-You-Earn (PAYE) system of collection is in operation. The employers, who act as agent for the Commissioner of Income Tax, deduct tax from salaries, wages and other emoluments of employees and account for tax so deducted by the 14th day of the month following the period for which the deduction was made. Failure to do so will result in the employer being charged interest at 40% and a penalty of 50% of the sum payable from the day after the due date to the date of payment.

Self-employed individuals pay their taxes in advance by four quarterly instalments based either on the chargeable income of the previous year or their estimated chargeable income of the current year. The instalments are due on 15 March, 15 June, 15 September and 15 December. Any balance of tax is payable on filing of the Returns on the following 15 March. There is total exemption of emoluments paid to individuals who are suffering from a disabling permanent physical handicap or a disabling permanent mental handicap but are capable of being gainfully employed.

There is also exemption of J$45,000 from superannuation allowance or pension under either a statutory pension scheme or an approved retirement scheme. This is now increased to J$80,000 per annum from 1 July 2009.

Further, there is an old age allowance of J$45,000 to an individual who attained the age of 65 at any time during the year of assessment. This was increased to J$80,000 per annum from 1 July 2009.

Tax shall be levied and paid for each year of assessment at the following rates:

For the first J$200,304	nil
For each dollar exceeding J$200,304	25 cents

Effective 1 January 2009, the threshold is increased to J$220,272.
Effective 1 July 2009 - 31 December 2009, the threshold is increased to J$320,736.
Effective 1 January 2010, the threshold is increased to J$441,168.

As a temporary measure, effective 1 January 2010, for a period up to March 2011, individuals earning income above J$5,000,000 annually will be charged the following increase of personal income tax:

$441,169 – $5,000,000	Rate of Tax	25%
$5,000,001 – $10,000,000	Rate of Tax	27.5%
Above $10,000,000	Rate of Tax	35%

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

J

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:			
Companies	33.3	33.3	33.3
Individuals	25	25	25
Treaty Countries:			
Canada	22.5/15	12.5	10
Caricom (1)	Nil	15	15
China	5	7.5	10
Denmark	15/10	12.5	10
France	10/15	10	0
Germany	15/10	12.5	10
Israel	22.5/15	15	10
New Zealand	15	12.5	10
Norway	15	12.5	10
Sweden	22.5/10	12.5	10
Switzerland	15/10	10	10
United Kingdom	22.5/15	12.5	10
United States	15/10	12	10

1 Treaty negotiated with Caricom countries but only Trinidad and Tobago, Belize, Jamaica, St Lucia, and Barbados have ratified. Benefits apply only to these countries.

JAPAN

Currency: Yen | Dial Code To: 81 | Dial Code Out: 00

Member Firm:
City: Tokyo
Name: Eiko Nakamoto
Contact Information: 33234 0396
en@mbc-nac.co.jp

A. TAXES PAYABLE

COMPANY TAX

Domestic corporations are those whose head or main office is located in Japan. Companies incorporated in Japan under the Corporate Law or under other special laws are required to locate their head office in Japan. Such domestic corporations are subject to tax on their worldwide income.

Foreign corporations are all corporations which are not domestic corporations. A corporation having its head or main office outside Japan is a foreign corporation even if its business operations are in Japan. Foreign corporations are subject to corporation tax on Japanese source income, including income relating to the exploration for oil in the continental shelf.

Foreign corporations are subject to either corporation tax or final withholding tax on Japanese source income, depending on the type of income and the extent of the foreign corporation's activities in Japan. Foreign corporations are not subject to tax on liquidation income.

The rate of national tax for Japanese corporations is 30% unless the paid-in capital of the corporation is Y100 million or less, in which case the first Y8 million of income is only taxed at 18% (22% from April 2011).

Tax is imposed on a current year basis. The tax year adopted is generally that specified in a company's constituent documents with the standard year being a calendar year. However, it should be noted that other periods are also allowed, including periods of 12 months or less. Japanese branches of foreign corporations are required to adopt the accounting period used by their foreign head office. Final tax is payable when lodging the final corporation tax return, usually required within two months of the end of the accounting period. Extensions of time to lodge can be sought although interest at 7.3% or less is payable where such an extension is obtained.

Interim tax returns and payments are required if a corporation has a fiscal period longer than six months. Ordinarily, provisional taxes are computed as one half of the tax liability of the previous year but a reduction is available where the interim tax returns are filed to reflect bi-annual results of operations for the current year.

BLUE RETURN FILERS

Preferential tax treatment is given to companies who file 'Blue Returns'. A company which undertakes to maintain specified bookkeeping records and documentation and gains approval from the Director of the District Tax Office can file a Blue Return, the associated benefits of which are as follows.

- Tax losses may be carried forward for seven years or carried back to the previous year (temporarily suspended except for companies with paid-in capital of Y100 million or less (except for a subsidiary of a large scale company).
- The revenue authorities cannot seek to adjust taxable income without a physical review of the books and records of the company and must state the reason for such an adjustment.
- Allowance of reserves, special depreciation and tax credits as stipulated in the Special Taxation Measures Law.

Importantly, a new company must seek registration for Blue Form returns within the earlier of three months from incorporation or the end of the initial accounting period.

SALES TAX/VALUE ADDED TAX (VAT)

Vendors are liable for a consumption tax (value added tax) of 4% of sales, including imports of goods and services. Only a limited number of goods and services are zero rated. Exemptions apply to leases of land, education and medical treatment. Exports and certain specific services invoiced to non-residents are zero rated. In addition, a new local consumption tax is also collected at the rate of 25% of the national consumption tax. The net result will be a 5% rate of consumption tax.

LOCAL TAXES
INHABITANT TAX
Inhabitants Taxes are local prefectural and municipal taxes. These taxes are computed as a percentage of the corporation tax before tax credits. Each prefecture and municipality may elect an inhabitants tax rate within the range shown below:

Rates	
Prefecture	5.0% to 6.0%
Municipality	12.3% to 14.7%
Tokyo Metropolitan (combined)	17.3% to 20.7%

In addition to the above, local governments charge a per capita levy on inhabitants with standard rates that vary from Y70,000 to Y3,800,000 depending upon the amount of the paid-in capital and the number of employees.

ENTERPRISE TAX
Prefectures can elect to levy an Enterprise Tax. The tax base is business income and liquidation income as computed for corporation tax purposes, with certain adjustments such as the exclusion of income from a business carried on in a foreign country. Enterprise tax is deductible in computing taxable income for corporation and enterprise tax purposes.

Size-based taxation has been newly introduced and this taxation is applied only to large corporations with paid-in capital of more than Y100 million and for the business years beginning on or after 1 April 2004. For such large corporations, enterprise tax consists of the traditional enterprise tax levied based on the taxable income and the newly introduced enterprise tax levied based on the capital etc. (i.e. paid-in capital and capital surplus) and value added (i.e. wages, interest and rental expenses).

Tax rates vary depending on whether or not the corporation is a large corporation with paid-in capital of more than Y100 million and depending on the prefecture:

Taxable periods beginning after 1 October 2008

	Standard (%)	Maximum (%)	Local Corporate Special Tax
(1) Company whose paid-in capital is Y100 million or less			
Taxable Income:			
First Y4,000,000 per annum	2.7	2.95	
Next Y4,000,000 to Y8,000,000 per annum	4	4.365	(Taxable Income* Tax rate)* 81%
Above Y8,000,000 per annum	5.3	5.78	
(2) Company whose paid-in capital is more than Y100 million			
(a) Income base (taxable income):			
First Y4,000,000 per annum	1.5	1.69	
Next Y4,000,000 to Y8,000,000 per annum	2.2	2.475	(Taxable Income*Tax rate)*148%
Above Y8, 000,000 per annum	2.9	3.26	
(b) Added value base:			
The sum of wages, net interest expense and net rental expense	0.48	0.504	0.504
(c) Capital base:			
The sum of paid-in capital and capital surplus	0.2	0.21	0.21

OTHER TAXES
FAMILY HOLDING COMPANY SURTAX
Family holding companies are liable for surtax on earnings not distributed in excess of specified limits at the following rates:

Excess Income	Rates
First Y30,000,000 per annum	10%
Next Y70,000,000 per annum	15%
Over Y100,000,000 per annum	20%

A Japanese company in which more than 50% of the shares are held by the first shareholders' group is a family holding company and is subject to the surtax. A family holding company with paid-in capital of Y100 million or less (when its 100% parent company's stated capital is JPY500m or more, 'Intra-group transaction taxation' in the year of 2010 tax reform takes away this benefit) whose net equity is 50% or less of its total assets is not subject to this special corporate surtax for accounting periods which begin on or after 1 April 2003 but before 1 April 2006.

BUSINESS OFFICE TAX

Companies whose business premises exceed 1,000 square meters and or employ in excess of 100 employees in designated cities are subject to a tax on business activity based on space or gross payroll respectively. It is within the discretion of the city authorities whether or not to charge the tax. Additions can be made to the list of designated cities for the purpose of this tax but the city must have a population of at least 300,000. The tax is imposed on:

(a) construction or extension of business premises (a one-time payment due from the owner of the building)
(b) ongoing businesses.

The rate of tax is Y600 per square meter of floor space in business use plus 0.25% of the total remuneration paid to employees.

FIXED ASSETS TAX

Real property and tangible depreciable fixed assets are subject to a fixed assets tax at the standard rate of 1.4% with an upper limit of 2.1% (1.7% for real property in specified large cities).

LANDHOLDING TAX

Landholding tax is also levied at the national and municipal level.

TOTAL EFFECTIVE TAX RATE

By way of example of how the major taxes interrelate and accumulate, set out below is the effective tax rate calculation sample for a Japanese or foreign corporation having a paid-in capital in Y100 million or less.

J

		Rate (%)
A.	Corporation Tax	30.0
B.	Inhabitant Tax (17.3% × A)	5.19
C.	Enterprise Tax	9.6
D.	Effective rate (= (A + B + C)/(1 + C))	40.87

Note: Enterprise tax is deductible for corporation tax purposes for the period in which it is paid.

B. DETERMINATION OF TAXABLE INCOME

Income is ordinarily determined in accordance with generally accepted accounting principles, with certain adjustments made to comply with the tax law. Income and expenses are recorded on an accruals basis, with deductions from gross income for all reasonable expenses, costs and losses. Restrictions apply to the deduction of entertainment expenses.

DEPRECIATION AND DEPLETION

Depreciation is allowed in respect of all tangible assets, other than land and specified intangible assets. Depreciation on tangible assets is calculated using the straight-line or declining-balance method at the option of the taxpayer. However, for buildings, only straight-line method may be used. Intangible assets are generally amortised on a straight-line basis. The legislation specifies the period over which assets are to be depreciated and the rates for both the straight-line and declining-balance methods. Minor assets that cost Y100,000 or less are deductible as an expense. In addition to ordinary depreciation, special depreciation in the form of increased initial depreciation and accelerated depreciation is available in certain cases.

INVENTORY VALUATION

Inventory valuation methods acceptable for tax include an item's individual cost, FIFO, LIFO, weighted, moving or straight average, most recent purchase, retail and lower of cost or market. Importantly, the tax treatment must replicate that adopted for the statutory accounts.

LOSSES

Corporations filing a 'Blue Return' are eligible for loss carry-over treatment. In general, losses may be carried forward seven years or carried back one year. The carry-back provisions have been suspended for accounting periods ending after 1 April 1992. However, a Blue Return status corporation with paid-up capital of Y100 million or less (except for a subsidiary of a large scale company) can carry back a net loss incurred in the business year to the previous year. The loss is limited to the loss incurred for each business year within the five years after the initial business year.

FOREIGN SOURCE INCOME

Japanese corporations are taxable on their worldwide income when earned. However, corporations are generally entitled to claim tax credits against corporation and inhabitants tax for foreign income taxes paid (direct credit).

For subsidiaries in low or nil tax countries or jurisdictions whose profits are not distributed, such profits are taxed in the hands of the Japanese parent on an accruals basis, with any associated foreign tax credits being available.

OVERSEAS INVESTMENT

Japanese corporations investing in certain companies involved with developing countries or in prospecting for or developing natural resources may be able to establish a tax deductible reserve of 30% or 90% of the amount invested. After the reserve has been maintained for five successive years, the amount of reserve multiplied by the number of month of the business year, divided by 60, must be restored to taxable income in succeeding years following the year of reserve accrual.

TAX CREDIT INCENTIVES – CAPITAL INVESTMENT

Corporate tax credits of 7% of the acquisition cost are available on designated energy efficient machinery and equipment acquired by small to medium sized corporations. The total credit available, however, is limited to 20% of the corporate tax. The credit was only applied to qualifying capital equipment acquired by 31 March 2012.

C. FOREIGN TAX RELIEF

Relief is available for foreign taxes on foreign source income and capital gains whether or not Japan has concluded a tax treaty with the foreign country. Where a tax treaty exists it will specify the method of relief. In the absence of a treaty the domestic Japanese tax legislation allows a tax credit or deduction from taxable income. Under Japanese domestic law, foreign taxes not eligible for foreign tax credit are deductible. Treaties following the OECD model normally provide relief in the form of either a credit or exemption from tax.

D. CORPORATE GROUPS

The Japanese consolidated tax regime (a part of the corporate tax reform act for the year 2002) was enacted on 1 August 2002. The revised Corporate Tax Law and the Corporate Tax Law Enforcement Order are applicable to consolidated years ending on or after 31 March 2003, with transitional rules in respect of consolidated years beginning between
1 April 2002 and 30 June 2003, and ending on or after 31 March 2003.

Under the consolidated tax regime, an affiliated group of companies (a 'Consolidated Group') can report and pay national corporate income tax as one unit. For these purposes, a Consolidated Group means a Japanese parent company and its 100% directly or indirectly owned Japanese subsidiaries. An application for consolidated filing is at the tax payers' choice but, if made, must include all of the parent's eligible subsidiaries. Once started, consolidated filing should in principle continue indefinitely, unless a specific event (such as change of ownership) causes the qualifying conditions for consolidated filing to be failed, or an application to discontinue is approved by the Commissioner of National Tax Administrative Agency.

The group's national corporate income tax liability will be computed on a consolidated basis by aggregating the separate taxable income or loss of the member companies, and then making various consolidation adjustments. The consolidated national corporate income tax liability will then be determined by applying the normal corporate income tax rate to the consolidated taxable income, adjusted for consolidated tax credits. The total liabilities will then be allocated among the members. The parent company will file the consolidated return and pay the national corporate income tax on behalf of the group, although the member companies remain jointly and severally liable for the Consolidated Group's national corporate income tax liability. Local corporate income taxes levied on member companies will continue to be paid on an individual basis although the amount payable will be affected by the existence of the consolidation.

The consolidation tax regime provides for certain benefits such as the deduction of losses of individual member companies from the total income of the Consolidated Group (for national corporate income tax purposes only); deferral of gains on intra-group transfer of certain assets; and non-taxability of the dividends received from other member companies (regardless of the interest expense attributable to the dividend income). On the other hand, some features of the consolidated tax regime may result in an unpredictable tax burden on the introduction of tax consolidation or when a company joins the Consolidated Group in future, thus putting some restrictions on future M&A (mergers and acquisitions) activity by the group. Therefore, understanding these issues will become very important for tax professionals and tax payers when considering an application for consolidation.

And a company with registered capital of JPY100M or less can take various preferential tax treatments (e.g., reduced tax rate for first JPY8M of income, one year loss carry back), however, 'Intra-group transaction taxation' in the year 2010 tax reform takes away such tax benefits when its 100% parent company's stated capital is JPY 500M or more.

E. RELATED PARTY TRANSACTIONS

All transactions between related companies are required to be conducted on an arm's length basis with the meaning of 'arm's length price' depending upon the transaction. Any difference arising between the price of the actual transaction and that regarded as the arm's length price is taxable or not deductible as applicable. The transactions covered by the provisions include the purchase and sale of inventory, the provision of services and financial facilities such as the making of loans and guarantee facilities.

F. WITHHOLDING TAXES

Domestic corporations are subject to 20% withholding tax on dividends and interest and certain other income. Foreign corporations are subject to withholding tax (generally at the rate of 20%) on dividends, interest, royalties, income from immovable property, rentals from industrial or commercial equipment, and certain other income. This tax may generally be taken as a credit against the ultimate tax liability of the recipient. It should be noted that where the foreign corporation has a permanent establishment in Japan, certain types of income (e.g. rent, royalties) are exempt from withholding tax if taxed together with income from Japanese business income. As indicated, the tax may generally be taken as a credit against the ultimate tax liability of the recipient. However, as noted in the 'Inter-company Dividends' section, no tax credit for income tax withheld on dividends is allowed in the case of foreign corporations.

H. PERSONAL TAX

While similarities between the taxation of companies and individuals do exist in Japan, the above refers largely to companies. Accordingly, outlined below are the basic rules and rates applicable to individuals. Given the complexity of this area, it is necessary to stress the need to seek professional advice. Non-resident taxpayers are taxed only on their Japanese source income. Non-permanent resident taxpayers are taxed on both Japanese source income plus that part of non-Japan source income that is paid in and/or remitted to Japan. A permanent resident taxpayer is taxed on his worldwide income.

Individuals are generally classified on the following basis:

Period of Residence	Classification
Up to 12 months	Non-resident
12 months to 60 months	Non-permanent resident
More than 60 months	Permanent resident

National individual tax:

Taxable income (Yen)	Rate	Deduction (Yen)
0 – 1,950,000	5%	–
1,950,000 – 3,300,000	10%	97,500
3,300,000 – 6,950,000	20%	427,500
6,950,000 – 9,000,000	23%	636,000
9,000,000 – 18,000,000	33%	1,536,000
Above 18,000,000	40%	2,796,000

Calculation: Taxable income × tax rate –deduction = national tax.

Retirement income, interest and timber income are each taxed separately from other income.

I. TREATY WITHHOLDING TAX RATES

	Dividends (%)	(1)	Interest (%)		Royalties (%)	
Treaty Countries:						
Australia	10/5/0		10		5	
Austria	20/10		10		10	
Bangladesh	15/10		10		10	
Belgium	15/10		10		10	
Brazil	12.5/0		12.5		12.5/15/25	
Bulgaria	15/10		10		10	
Canada	15/5		10		10	
China	10/0		10		10	
Czech Republic	15/10		10		0/10	
Denmark	15/10		10		10	
Egypt	15		–	(2)	15	
Fiji	–	(2)	–	(2)	10	
Finland	15/10		10		10	
France	10//5/0		10		0	
Germany	15/10		10		10	
Hungary	10/0		10		0/10	
India	10/0		10		10	
Indonesia	15/10		10		10	
Ireland	15/10		10		10	
Israel	15/5		10		10	
Italy	15/10		10		10	
Korea, Republic of	15/5		10		10	
Luxembourg	15/5		10		10	
Malaysia	15/5		10		10	
Mexico	15/0/5		10/15		10	
Netherlands	15/5		10		10	
New Zealand	15/0		–	(2)	–	(2)
Norway	15/5		10		10	
Pakistan	5/7.5/10		10		10	
Philippines	15/10		10		15/10	
Poland	10/0		10		0/10	
Romania	10/0		10		10/15	
Singapore	15/5		10		10	

J

	Dividends (%)	(1)	Interest (%)		Royalties (%)
Slovak Republic	15/10		10		0/10
South Africa	15/5		10		10
Spain	15/10		10		10
Sri Lanka	20/0		–	(2)	0/7.5
Sweden	15/5/0		10		10
Switzerland	15/10		10		10
Thailand	20/15		10/25		15
Turkey	15/10		10/15		10
United Kingdom	10/0/5		10		0
United States	10/0/5		0/10		0
Vietnam	10/0		10		10
Zambia	0		10		10

1 The lower rate applies to dividends paid to foreign corporations that own a particular percentage of share capital or voting power in the Japanese company paying the dividend. Please refer to the relevant treaty to determine the exact conditions required for the lower rate to apply.
2 The domestic rate applies – there is no rate specified in the treaty.

JERSEY

Currency: British Pound (GBP) Dial Code To: 44 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
St Peter Port, Guernsey	André Trebert	01481 727927 andre.trebert@pkfguernsey.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

All companies incorporated in Jersey or managed and controlled in Jersey are treated as resident and, therefore potentially chargeable to income tax. Some companies can elect for exempt status. These are collective investment funds and also, for calendar years up to and including 2008, certain Jersey registered companies owned by non-residents. The annual exemption fee is currently £600. Under exempt status, income tax is not payable on income arising outside Jersey and, by concession, income arising from bank deposits in Jersey is not taxable. Other income arising in Jersey is subject to Jersey tax.

On 1 January 2009, the exempt and international company regimes were abolished and all Jersey registered companies became resident for taxation purposes, except collective investment schemes that may make an exempt status election. A new zero rate of corporation tax has been introduced for all companies, except for companies with certain classes of income. This new corporate tax regime is known as Zero 10.

Financial services entities are subject to a 10% rate and are defined as:

- All entities carrying out banking businesses through a permanent establishment in Jersey, whether through a Jersey company, a branch or some other structure
- All entities carrying on the business of trust business through a permanent establishment
- All entities carrying on investment business, independent financial advice and similar activities through a permanent establishment
- All entities carrying on the business of funds administration or funds custody services through a permanent establishment.

It should be noted that clerical functions such as invoicing operations, management and administration services and entering into contracts in respect of a company's international business do not amount to the carrying on of a business through a permanent establishment in the Island.

Public utility companies such as those providing electricity, water, gas, telecommunications and postal services continue to be taxed at 20%. From January 2011, profits arising from the importation of oil will also be subject to tax at the rate of 20%.

Jersey rental income and profits from property development and the exploitation of land in Jersey also continue to be taxed at the rate of 20%.

All other companies are liable at the rate of 0%. The new regime applies to accounting periods ending in 2009 and thereafter.

The income tax rate for all Jersey resident companies for calendar years up to and including 2008 was 20%.

The tax year runs from 1 January to 31 December, although companies may adopt a year end of their choice. Income is assessable on a preceding year basis. There are special opening and closing year rules which may also apply to successions. Assessments are notified to the company in the year following the year of assessment and tax is payable on the following day.

Jersey incorporated companies may be treated as non-Jersey resident for tax purposes from 2007, where they are both centrally managed and tax resident in another country or territory subject to tax on its income at a tax rate of 20% or higher.

The basis of assessment has now changed from a prior year basis to a current year basis with the year of assessment 2009 being the first such year. The year of assessment 2008 was a transitional year in which an average of the income for 2007 and 2008 is assessed.

CAPITAL GAINS TAX

There is no capital gains tax in Jersey. Capital gains are not included in ordinary taxable income.

BRANCH PROFITS TAX

There is currently no branch profits tax in Jersey. However, please note the changes above introduced under the Zero 10 regime. There are special rules for overseas life assurance companies.

SALES TAXES/VALUE ADDED TAX (VAT)

With effect from 1 May 2008, a Goods and Services Tax (GST) has been introduced to offset the loss in revenue on the introduction of the Zero 10 corporation tax regime. GST is a form of sales tax on the domestic consumption of imported and locally produced goods and services. Until 31 May 2011, there is a standard rate of 3%. From 1 June 2011, the rate of GST will increase to 5%. GST will be collected from customers by registered businesses when they make supplies of those goods and services which are specified by Law as taxable at the standard rate. There are three categories of supplies:

Standard-rated supplies – e.g. the sale of new and used goods including those under a hire purchase agreement, renting and hiring out of goods, business stock used for private purposes, the provision of services (e.g. hairdressing or hotel accommodation), charging admission for access onto premises, and imported goods.

Exempt supplies – e.g. financial services, insurance, postal services, medical and pharmaceutical supplies made by registered professionals or institutions, and supplies to charities.

Zero-rated supplies – e.g. exports, the supply of a dwelling, supplies made on medical prescription and international services.

FRINGE BENEFITS TAX

On 1 January 2004, the taxation of benefits in kind was introduced. Taxable benefits include, amongst other things, the private use of a company motor vehicle, rent-free accommodation and free board and lodging. Employees are responsible for payment of tax on benefits.

LAND TRANSACTIONS TAX

A new Land Transactions Tax was introduced on 1 January 2010 in order to collect a form of stamp duty on share transfer transactions involving immovable property in Jersey. The primary purpose of the law is to achieve equity between the financial cost to purchasers of property by share transfer or freehold.

As there is no requirement to register the transfer of shares, the charge takes the form of a Tax rather than Stamp Duty. A legal obligation is placed on the purchaser of a property by share transfer to pay a tax exactly equal to the amount of Stamp Duty which would have been paid on the purchase if it had been freehold property.

There are lower rates for first time buyers, charities, the transfer of matrimonial property from joint to sole ownership (or vice versa), and transfers from a deceased person's estate. Non-resident purchasers of shares are not exempt from the tax.

The rates of tax applied range from 0.5% (where the value of the transaction does not exceed £50,000) to £22,000 in respect of the first £1 million. Thereafter new bands have been introduced increasing the charge to 3.5% on any property value between £1 million and £1.5 million, to 4% on the next £500,000 and 5% on any remaining value exceeding £2 million. These increases are in line with increases in stamp duty on freehold property transactions.

LOCAL TAXES
Taxes are levied on a state level only.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, expenditure must be wholly and exclusively expended for the purposes of the business. Special rules apply in respect of the categories listed below:

DEPRECIATION
No deduction is permitted in respect of depreciation on capital items. However, annual allowances, calculated using the reducing-balance method, are allowed as follows:
- Plant and machinery – 25%; glasshouses – 10%
- Motor vehicles – 25% (cost reduced to £21,000 for expensive cars).

If, in any year, there are insufficient profits to cover balancing allowances, which are treated as a deduction from profits, any unrelieved amount is carried forward and treated as an allowance for the following year. This allowance can be carried forward indefinitely, if necessary.

STOCK/INVENTORY
UK principles are followed such that the value of the stock is normally the lower of cost and market value. Acceptable methods of valuing inventory include FIFO and average cost but not LIFO.

DIVIDENDS
Dividends paid are not deductible in calculating the profits of a company but are paid out of after tax profits. With effect from January 2009, dividends paid out of Jersey company profits carry a tax credit in relation to the tax paid by the company at either the 0%, 10% or 20% rates. Dividends received from a UK resident company do not qualify for double tax relief and individuals are taxed on the net amount received.

J

No unilateral relief is available to resident companies on receipt of foreign dividends and, thus, the net dividend is taxable (in other words, relief is given for foreign tax suffered by way of deduction). However, relief may be granted by concession on foreign dividend income if the absence of it would prevent bona fide commercial transactions (e.g. because dividends paid to a holding company by an overseas subsidiary would be doubly taxed). With effect from 1 January 2009, this income is liable to Jersey tax at the standard corporate tax rate of 0% when received by a Jersey company.

DEEMED INTERIM DIVIDENDS – JERSEY TRADING COMPANIES LIABLE AT 0%
An individual resident in Jersey owning more than 2% of the ordinary share capital of a Jersey trading company is liable to pay tax on deemed interim dividends. A Jersey trading company subject to the rules relating to deemed interim dividends is one which is taxed at 0% and is not an investment holding company. Where such a company distributes less than 60% of its relevant profits, it will be treated as having distributed 60% of the profits. The Jersey resident shareholder owning more than 2% of the ordinary share capital will be liable to pay tax on the deemed dividend.

DEEMED FINAL DIVIDEND – JERSEY TRADING COMPANIES LIABLE AT 0% AND JERSEY FINANCIAL SERVICES COMPANIES LIABLE AT 10%
A further deemed dividend will arise on the occurrence of one of the following trigger events:
- The individual ceases to own more than 2% of the ordinary share capital of the company
- The winding up of the company or the death of the shareholder
- Where the company is treated as a company subject to full attribution for the following year
- The owner of the shares ceases to be resident in Jersey.

FULL ATTRIBUTION FOR INVESTMENT HOLDING COMPANIES
Income arising to investment holding companies is attributed to Jersey resident shareholders. An individual resident in Jersey who owns more than 2% of the ordinary share capital in a company that is subject to full attribution is liable to pay

tax on his/her proportion of the company's relevant profits as if that portion was the individual's own profits. Relevant profits mean the balance of income, profits and gains chargeable to tax on the company at 0%.

SHAREHOLDER LOANS

A loan made to a Jersey resident shareholder or a member of the shareholder's family is liable to income tax if it is made by a company subject to 0% or 10% (other than a company which is subject to the full attribution rules) unless it is made at a commercial rate of interest. The shareholder is entitled to a credit when the loan is repaid, equal to the amount of tax paid on the loan.

INTEREST DEDUCTIONS

From 1 January 2004, interest tax relief has been abolished with certain exceptions. Interest will continue to be deductible to the extent that it relates to monies borrowed for the purpose of the business. Mortgage interest relief will also continue to be deductible but only on loans up to £300,000 on an individual's principal private residence.

LOSSES

Losses can be carried forward indefinitely provided there is a continuity of ownership and trade. Losses can only be carried back against profits of the immediately preceding year. Losses can also be group relieved in the same year.

C. FOREIGN TAX RELIEF

Jersey has double taxation arrangements with the United Kingdom and Guernsey. Double taxation relief is available on all income taxed at source excluding UK dividends received and UK debenture interest. Double taxation agreements have also recently been signed with Malta and Estonia.

Associated with its negotiations in relation to Tax Information Exchange Agreements (TIEAs), Jersey has entered into limited double taxation arrangements relating to income and mutual agreement procedures with:

Australia	Germany	New Zealand
Denmark	Greenland	Norway
Faroe Islands	Iceland	Republic of Ireland
Finland	Netherlands	Sweden

Unilateral relief is available on all foreign sourced income from countries other than those noted above, including dividends which have had withholding taxes deducted (see Dividends above).

TAX INFORMATION EXCHANGE AGREEMENTS (TIEAS)

Jersey has signed TIEAs with the following countries:

Australia	Greenland	Portugal
China	Iceland	Republic of Ireland
Denmark	Mexico	Sweden
Faroe Islands	Netherlands	Turkey
Finland	New Zealand	United Kingdom
France	Norway	United States of America
Germany		

D. CORPORATE GROUPS

Tax provisions relating to groups of qualifying companies were introduced with effect from January 2009. These provisions allow losses of a group company to be offset against the profits or gains of another company in the same group. A claim for relief must be made within one year following the year of assessment in which the loss period ended. Companies will be treated as being in the same group where one holds directly or indirectly more than 50% of the ordinary share capital of the other company, or where one company (company A) owns directly or indirectly more than 50% of the ordinary share capital of the two other companies (company B and company C).

E. RELATED PARTY TRANSACTIONS

There is no transfer pricing or related party legislation in Jersey.

F. WITHHOLDING TAX

Withholding tax is to be deducted from dividends and deemed dividends paid to Jersey residents by Jersey companies out of profits taxed at less than 20%. No withholding tax is deducted from dividends paid out of profits taxed at 20% or more (such as trading profits that arose prior to 1 January 2009). Jersey resident shareholders are entitled to a 20% tax credit on all dividends and deemed dividends they receive from Jersey resident companies. However, the company has to include a statement on the dividend vouchers showing its effective rate of tax. Shareholders who are in a repayment situation, charities and those not liable to Jersey tax (i.e. non-residents, until 2009) will only be able to claim a tax credit at the effective rate. With effect from 1 January 2009, non-resident shareholders are not liable to Jersey tax on dividends paid to them.

Until they were abolished at the end of 2008, income tax did not need to be deducted from dividends paid by exempt companies.

A collective investment fund must deduct income tax from any dividend paid to a Jersey resident shareholder.

Withholding tax at the standard rate of 20% is deducted from certain interest payments, although there is no withholding tax on interest on short-term loans (less than one year) or paid to, or by, a resident bank. With effect from January 2009, interest payments to non residents are not subject to Jersey withholding tax.

Withholding tax is deducted from patent royalties at the standard rate of 20%. There is no withholding tax on other royalties. With effect from January 2009, royalty payments to non residents are not subject to Jersey withholding tax.

Jersey has entered into various agreements with several EU countries under the EU Savings Directive. In accordance with the agreements, EU resident individual investors have the option of receiving bank interest gross by opting for an exchange of information on their savings income with their domestic tax authority, or, alternatively, accepting a deduction of withholding tax at the current rate of 20%. The withholding rate increased from 15% to 20% on 1 July 2008 and will increase again on 1 July 2011 to 35%.

G. EXCHANGE CONTROL

There are no exchange control rules in Jersey.

H. PERSONAL TAX

Income tax is charged on Jersey-resident individuals in respect of worldwide income and profits regardless of whether such profits or income are remitted to Jersey. There is, however, a statutory relief in the case of individuals who are resident, but not ordinarily resident in Jersey, so that foreign income not remitted escapes taxation.

There is no statutory definition of residence or ordinary residence in Jersey. However, regard is paid to UK law and practice and, generally, individuals are treated as resident in a year if they are present in Jersey for more than six months or if they are present for three months or more, on average, over a period of four consecutive years.

If an individual maintains a place of abode in Jersey, he is regarded as resident in any year that he stays in that abode. Any time that his visits span a complete calendar year, he will be classed as ordinarily resident. He is also regarded as ordinarily resident if his visits are habitual (after four years) unless his centre of life is abroad, e.g. has a home, business or professional activities abroad and is spending less than three months a year in Jersey.

Income from offices and employment is assessable on an arising basis. Income tax is levied on the assessable income of the individual less personal allowances and deductions at a rate of 20%.

Earned income arising outside of the island is assessable on the basis of the net amount arising after the deduction of any foreign tax charged and any necessary expenses but there is a special half-rate tax chargeable on pensions in respect of which tax of a Commonwealth territory has been paid.

Income is exempt if it does not exceed £12,790 for a single person (£14,270 for those aged 63 and over) or £20,510 for married couples (£23,480 for those aged 63 and over). Marginal relief is available where income exceeds the exemption limit on small incomes, whereby the tax charged is not to exceed 27% of the excess.

Where these limits are exceeded by the individual or couple concerned, personal allowances are available as follows:

	2010	2011
Single person	£520	£0
Married person	£1,040	£0
Child allowance	£3,000 (each child)	£3,000 (each child)

The Enhanced Child Allowance for a parent whose child is in full time higher education in 2011 is £6,000.

There is an Additional Personal Allowance for single parents of £4,500 for 2011. From 1 January 2006, an income tax instalment scheme (ITIS) has been introduced. The effect is that tax is deducted from salary on an ongoing basis.

"20% MEANS 20%"
With effect from 2007 the granting of personal allowances for high earners is being withdrawn in phases up to 2010 and 2011 will be the first year without any personal allowances. The gradual withdrawal of these allowances will mean that, over a five year period, higher earners will see a year-on-year increase in their tax liability. The withdrawal of allowances is applied by limiting the tax allowances to 4/5ths of the total allowance in year one and thereafter a further 1/5th of the allowance is withdrawn in each of years two to four with a complete withdrawal in year five. Where a taxpayer's income exceeds certain exemption thresholds, a form of marginal relief will be available whereby a tax charge of 27% is applied to the amount in excess of the threshold. Provided the charge under this calculation is less than the charge calculated using the annual personal allowances, the marginal relief is available.

The personal tax allowances that will remain are:
- Child Allowance
- Single Parent Allowance (known as Additional Personal Allowance)
- Employment Expenses
- Pension Contributions
- Life Assurance on policies made before 1 January 2007.

HIGH NET WORTH INDIVIDUALS
Until 31 December 2010, individuals who were new to the island applying for a "1(1)K licence" to live in Jersey were taxed on their Jersey source income at 20%. The first £1,000,000 of non-Jersey source income was also taxed at 20% but the next £500,000 was taxed at 10% and non-Jersey source income above the £1.5 million level was taxed at just 1%.

Following approval from the Island's Government, with effect from 1 January 2011, the minimum contribution for the issue of future 1(1)(k) licences has been set at £125,000. Future new residents will be taxed on their worldwide income at the rate of 20% on the first £625,000 and at the rate of 1% on any income in excess of this amount.

JORDAN

Currency: Dinar (JD) | Dial Code To: 962 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Amman	Mohammad Khattab	6 5621 322/6/9 mkhattab@pkf.jo

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
The Jordanian Tax year is a financial year from 1 January to 31 December.

COMPANY TAX
Domestic companies are subject to income tax on all sources of income wherever arising.

Foreign companies are subject to income tax only on their income from Jordanian sources.

Export sales of goods only are income tax exempted until 31 December 2015. Before 2007, export sales of goods and services were exempted.

Dividends received from domestic companies are exempt from tax.

Company tax is levied as follows:

	Rate
Domestic companies:	
Banks	30%
Communication companies, financial companies, exchange companies, Insurance companies and financial lease business	24%
Other than	14%
Foreign companies operating:	
Banks and financial institutions	30%
Communication companies, financial companies, exchange companies, Insurance companies and financial lease business	24%
Other than	14%
Foreign companies non-operating:	0%
Royalty and fees for technical services (subject to certain conditions) (1)	
Royalty and Fees for technical services	10%

1 For Royalty and Fees for Technical Services where income by way of Royalty or Fees for Technical Services is received by foreign companies (or any other non-resident) pursuant to agreements executed after 31 March 2003, such income would be taxable on net basis if it is effectively connected to permanent establishment in Jordan.

SECURITIES TRANSACTION TAX

Securities Transaction Tax (STT) is applicable to transactions of purchase or sale of equity shares, derivatives, units of equity oriented fund through recognized stock exchange or sale of a unit of an equity oriented fund to Mutual Fund.

With effect from 1 January 2002, STT is payable equally by purchaser and seller at 0.05% of transaction value.

CAPITAL GAINS TAX

In general, all sources of capital gains including securities, assets and properties are not taxable on personal basis. For businesses the proceeds from trading of such items are included in the business taxable income, with the exception of dividends received which are not subject to income tax.

TONNAGE TAX FOR SHIPPING INDUSTRY

Jordan has a tonnage tax scheme for shipping companies which provides for a tonnage-based presumptive fee of 2.5%. Jordanian shipping companies pay taxes on tonnage income in addition to normal taxable income.

DIVIDEND DISTRIBUTION TAX

Domestic companies that declare, distribute or pay dividends are not subject to dividend distribution tax.

BRANCH PROFITS TAX

Jordanian branches of foreign companies are taxed in Jordan on income received and/or accrued in Jordan (net of allowable expenses) at the rate applicable to Foreign Companies.

SALES TAXES/VALUE ADDED TAX (VAT)

Sales tax is levied on the sale of goods, transfer of right to use goods, lease transactions and also transfer of materials in execution of works are considered as deemed sales and are liable to sales tax. In this regard, ‘goods’ refer to movable property and even include intangible property such as copyright, trademark, patents etc.

The sales tax is levied on inter-state as well as intra-state sales. The inter-state sales tax collected by the Central Government is known as central sales tax (CST) and intra-state tax collected by respective state governments is known as local sales tax (LST). Varying rates of sales tax are prescribed on different products. Most of the states levy sales tax at the first point of sales in the state. Consequently, subsequent sale of goods within the state are exempt from tax. The rate of sales tax is either 4% or 16%. State government initiative to promote industrial growth provides sales tax exemption, deferred payment facilities and sales tax set off.

Export sales and trading within a qualified Free Zone are sales tax exempted transactions in Jordan.

FRINGE BENEFITS TAX
There is no separate fringe benefits tax. Benefits provided by employers to their employees are generally taxed in the hands of the employees as perquisites, computed in the prescribed manner. Employers are obligated to withhold payable income tax on all benefits provided to employees on their behalf. If the company adapts provident funds or insurance plans, employers are required to contribute.

LOCAL TAXES
STAMP DUTY
Stamp duty of 0.6% is payable on all transactions with governmental and publicly traded corporations.

LAND AND PROPERTY TAX
No tax is levied on land property except for improvement taxes. However, real estate property is subject to tax at a variable rate between 2%-5% of a credited value.

OTHER TAXES
CUSTOMS DUTY
Customs duty is payable on goods imported into Jordan. The rates of basic customs duty may reach up to 300% depending on the governmental strategy.

RESEARCH AND DEVELOPMENT
Publicly traded corporations are required to withhold 1% of annual income to be used for research and development purposes in Jordan.

WEALTH TAX
Wealth tax is not applicable in Jordan.

GIFT TAX
Gift Tax is levied on certain gifts such as lottery prizes and other similar winnings. The rate is 10% plus 1% service charge if such income exceeds JOD 1,000.

B. DETERMINATION OF TAXABLE INCOME

The scope of income varies depending upon the residential status of the taxpayers. Resident taxpayers are classified into two categories – ordinarily resident and not ordinarily resident. The residential status of individual taxpayers depends upon the number of days spent in Jordan and on the location of management and control in case of other taxpayers. To be a resident taxpayer, a person should stay more than 183 days of the year in Jordan. Non-resident taxpayers pay tax only on Jordan income.

The assessment year is the period of 12 months from 1 January to 31 December. Income earned in the period of 12 months or less immediately preceding the assessment year is taxed in the assessment year.

J

DEPRECIATION
Depreciation allowance is available as per the following rates depending on the nature of asset:

Buildings (depending upon its nature)	4% to 10%,
Furniture and fixtures	2.5% to 15%
Plant and machinery	10% to 25%,
Intangible assets (patents, trademarks, know-how, licences, copyrights, etc)	According to IFRS
Ships	20%

Assets used for less than 180 days in the year of acquisition are entitled to half of the normal depreciation allowance. Depreciation not set off against current year's income can be carried forward for set off against any future income for unlimited period.

STOCK/INVENTORY
The valuation of closing stock is normally done on the basis of cost or market value, whichever is lower. The accepted valuation methods include FIFO, weighted average cost or other valuation methods in accordance with IFRS. The valuation basis is to be consistently followed.

INTEREST DEDUCTIONS
Interest paid on the borrowings used for business purposes is tax deductible as mentioned below. For new businesses, interest incurred prior to commencement of commercial production is to be capitalised. Interest paid on amount borrowed for investment in securities is allowed as deduction from interest income as mentioned below (Point A).

(POINT A)
Interest paid by taxpayer other than banks, financial companies and financial leasing companies provided that the deduction shall not exceed the total debt to the higher of paid in capital and average equity as follows:

Tax period	Ratio
2010	6:1
2011	5:1
2012	4:1
2013 and later	3:1

MAINTENANCE DEDUCTIONS
Assets actual maintenance amount spent within the tax period provided that it does not exceed 5% of its value and if it's exceed 5% from assets value shall be added the exceed amount to the assets balance for depreciation purposes.

EXPENDITURE INCURRED FOR EXEMPT INCOME
Expenditure incurred in earning an income exempt from income tax is not tax deductible.

LOSSES
Business losses can be set off against any other income in the same assessment year and against business profits in subsequent assessment years subject to certain conditions. However, losses cannot be carried forward for more than six years.

Speculation losses can be set off only against speculation income. Unabsorbed business and speculation losses can be carried forward for adjustment against future business profits/speculation income for a period of eight assessment years following the year of loss. There are no provisions for carrying losses backward.

MINIMUM ALTERNATE TAX (MAT)
MAT is not applied yet in Jordan.

CORPORATE RESTRUCTURING
Book profit is taxable for slump sale.

FOREIGN SOURCED INCOME
Profits derived by a foreign branch of a Jordanian enterprise are tabled at 20% of annual income after foreign tax.

INCENTIVES
The Investment Promotion Act provides tax exemptions on certain new projects. In case of an undertaking located in a Special Economic Zone, the tax incentives for the first ten years are normally 75%.

FOREIGN EXCHANGE EARNINGS
These are only taxable for companies.

C. FOREIGN TAX RELIEF

UNILATERAL TAX CREDIT WHERE THERE IS NO TAX TREATY
Where a resident of Jordan has paid tax in any country with which Jordan does not have a tax treaty, credit is not available for such tax payment in Jordan.

TAX CREDIT UNDER TAX TREATIES
Jordan has entered into tax treaties with several countries. Under applicable tax treaty, Jordanian residents paying taxes in other countries can claim credit in Jordan for foreign tax payments.

D. CORPORATE GROUPS

There are no provisions in Jordan for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a deduction for the excess portion.

F. WITHHOLDING TAX

Tax at the prescribed rates is required to be deducted at source from payment of rent, salary, professional fees, interest, commission, etc to Jordanian residents. Tax is also required to be deducted from payments to non-residents of salaries, rent, interest, royalties, fees for technical services or other taxable income.

G. EXCHANGE CONTROL

There are no exchange control rules in Jordan.

H. PERSONAL TAX

Income tax is payable by resident and non-resident individuals on taxable income, as discussed above. Tax is deducted at source from salary income with the following deductions being available.

Individuals deduction	JOD 12,000 for the taxpayer
Spouse & dependents	JOD 12,000 for the dependents regardless of their number

Note: There are no deductions for companies.

Tax Rates for individuals: Taxable income (JOD)	Rate
Up to 12,000	7%
Above 12,000	14%

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Under the Jordanian domestic laws, the withholding tax rates for non-treaty countries are as follows:

Non-treaty countries	Rates
Dividends	0%
Interest	5%
Royalty	10% (add 16% sales tax)
Fees for technical services	10% (add 16% sales tax)

In nearly all cases, the double tax agreements between Jordan and overseas territories do not reduce the rates of withholding tax applicable below those listed above.

J
K

KAZAKHSTAN

Currency: Tenge (KZT) Dial Code To: 727 Dial Code Out: 7

Member Firm:

City:	Name:	Contact Information:
Almaty	Assiya Konurbayeva	258 59 39 mail@sapa-audit.kz

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.

A company is considered resident if it is established under Kazakhstan law or if it has its governing body or place of actual management in Kazakhstan.

Tax is charged on all business income generated in Kazakhstan and abroad (including capital gains) with relief for tax deductible expenses. The standard rate of corporate income tax for 2011 is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

The tax year is the calendar year. Annual income tax returns must be filed by 31 March following the end of the tax year. Companies are required to make advance payments of tax on a monthly basis.

The following categories of tax payers have the right not to assess and make advance payments of corporate income tax:

- taxpayers whose tax adjusted income for the period two years before the one in question does not exceed 325,000 times a monthly calculation index as determined under Kazakhstan tax law each 1 January
- newly-established tax payers – for the tax period in which the company registered with the state justice authorities as well as in the following tax period
- non-resident companies newly registered with the tax authorities as taxpayers operating in Kazakhstan via a permanent establishment and not via a branch or representative office – in the tax period in which the company was registered with the tax authorities as well as in the following tax period.

CAPITAL GAINS TAX

Income from the sale of assets (fixed assets) is taxed as part of ordinary income of the company and not subject to separate taxation.

BRANCH PROFITS TAX

Overseas companies with permanent establishments in Kazakhstan are required to pay corporate income tax on the profits generated by their permanent establishments. In addition, the overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.

SALES TAXES / VALUE ADDED TAX (VAT)

VAT is charged on the domestic supply of goods and services and the import of goods. The current rate of VAT is 12%. The following transactions are subject to a zero rate:

- Export of goods
- Turnover from production under subsurface management contract providing for VAT exemption for imported goods
- International transport services.

The tax Code defines certain supplies as exempt from VAT, including:

- the supply of land and buildings used for residential purposes, with the exception of the sale of premises under non-residential premises
- financial services including security transactions, banking and other transactions performed by banks and institutions authorised under their licence to perform particular banking transactions and transactions performed by other non-licenced entities within the framework of authority set by legislative acts of Kazakhstan
- Financial leasing of assets provided that certain requirements are met
- Medical and veterinary goods and services as per the list of goods and services set by the Government of Kazakhstan
- Services and works in the area of culture, science and education
- The services of lawyers and public notaries
- Others.

The tax period for Value Added Tax is the calendar quarter. VAT payers are required to submit their VAT returns to the local tax authorities for each tax period not later than the 15th day of the second month following the tax period.

The payment of VAT for each tax period must be effected not later than 25th of the second month following the tax period.

EXCISE TAX

This is payable by individuals and corporate entities that produce or import certain products, including gasoline and diesel fuel, or who produce or assemble certain vehicles.

Exported products are exempt from excise duty. Duty is payable on a calendar month basis and is due by the 20th day of the month following the end of the tax reporting period. A declaration must also be provided by the 15th day of the second month following the tax reporting period.

OTHER TAXES

REAL ESTATE TAX

Real estate tax is payable by legal entities and individuals who own:

1) buildings and structures regarded as fixed assets or property investments under the international standards of financial reporting and Kazakhstan Law on accounting and financial reporting
2) buildings and structures that are the property of the state but which have been transferred temporarily into private ownership for the purposes of improvement.

The standard rate for legal entities is 1.5%. Individual entrepreneurs and legal entities applying the simplified regime are subject to the rate of 0.5%. Not-for-profit organizations and organizations operating in the social sector are subject to a rate of 0.1%.

Individual persons are subject to a tax of 0.05% to 1% on a progressive scale.

The tax is paid on a quarterly basis, with the exception of individuals, who must pay by 1st October of the tax year in which the tax arose.

LAND TAX

This is payable by individuals and legal entities that either own land or have an interest in land, including :

- a right of ownership
- a right of permanent land use
- a right to a primary grant of temporary land use.

Tax rates are determined under the Tax Code, subject to reduction or increase by local agencies within the limits prescribed by the Tax Code. The tax reporting period for land tax is the calendar year. Legal entities and sole traders must make quarterly payments in advance and provide a declaration no later than 31 March following the end of the tax reporting period.

TAX ON VEHICLES

This is payable by individuals and entities who own or lease vehicles which are subject to state registration in Kazakhstan.

Tax rates are determined on a monthly basis and are based on engine size, capacity or number of seats.

Legal entities must pay the charge by 5 July of the tax period concerned and provide a declaration no later than 31 March following the end of the tax reporting period.

SOCIAL TAX (PAYROLL TAX)

This is payable by all employers at a flat rate of 11%.

SOCIAL SECURITY CONTRIBUTIONS

These are payable by the employer at a rate of 5% on the income of the employee, subject to a maximum of 10 times the minimum monthly wage.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION

Tax deductions are available for depreciation of fixed assets including intangible assets and investment properties.

K

SHARES/NET COST

Accounting for inventories for the purposes of taxation is performed in accordance with international standards of financial reporting and Kazakhstan Laws on accounting and financial reporting.

DIVIDENDS

Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).

There is no withholding tax on dividends paid to non-residents or resident individuals providing that the following conditions are met:

- the shares on which the dividends are paid have been held for a period of not less than three years; and
- 50% or more of the share capital equity of the company paying the dividends is not owned by persons carrying on mineral extraction and other sub-soil mining activities in Kazakhstan.

INTEREST DEDUCTION

Interest expenses are generally deductible, although there is a general restriction, where the debt:equity ratio exceeds 9:1(until 1 January 2012). This restriction applies to interest payable to related parties and persons incorporated in low-tax countries.

LOSSES

Trading and capital losses may be deferred for a period up to 10 years. Losses from the sale of shares and securities may be utilised against gains arising from the sale of such assets.

FOREIGN SOURCED INCOME

Overseas income and gains are taxable along with domestic income and gains under normal Kazakhstan tax rules. A controlled foreign company regime exists to attribute a proportion of the profits of overseas companies to Kazakhstan companies holding at least a 10% interest in the overseas company. These rules apply where the overseas company pays tax at less than 10% or where there are confidentiality laws in the relevant foreign jurisdiction.

C. FOREIGN TAX RELIEF

The income taxes paid overseas by resident taxpayers on foreign-sourced income are creditable against corporate or individual income tax in Kazakhstan if the document certifying the payment of tax overseas is made available.

The amount available for offset is the lower of the following:
1) amount of overseas tax paid on foreign-sourced income overseas
2) amount of tax assessed in Kazakhstan on foreign-sourced income.

D. CORPORATE GROUPS

There are no special provisions relating to the taxation of groups of companies in Kazakhstan.

E. RELATED PARTY TRANSACTIONS

Certain transactions are subject to transfer pricing rules which impose arm's length pricing for tax purposes. These include the following transactions involving a related party where:
1) the other entity is incorporated in a low-tax jurisdiction
2) the transaction is a barter transaction
3) where the other entity has recognised losses according to its tax returns for the two tax periods immediately preceding the year of transaction
4) where the other party benefits from tax incentives or preferential tax rates other than ordinary (if related to cross-border transactions)
5) transactions involving the off-set of debts
6) between related parties.

F. WITHHOLDING TAX

All income paid from Kazakhstan sources to non-resident persons, other than that attributable to a Kazakhstan permanent establishment, is subject to withholding taxes. The relevant rates are as follows:

K

Dividends	15%	
Interest	15%	
Royalties	15%	
Insurance premiums (payable on policies insuring risks in Kazakhstan)	10%	(1)
Insurance premiums (payable on policies reinsuring risks in Kazakhstan)	5%	
International transport services	5%	
All other income	20%	

(1) Expected to increase to 15% from 2012

G. EXCHANGE CONTROL

The basic principles of exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control. The basic principles are as follows:

Exchange transactions between residents are unlawful, with the exception of transactions defined in the list, for example:
- fees paid to bank for performing exchange transactions and fines (penalties) paid on contracts on bank services in a foreign currency
- transactions associated with the acquisition, sale and payment of premiums on redemption of securities denominated in a foreign currency
- purchase and sale of fine gold bars
- payment and remission of cash under commission contracts in relation to exports and imports using transferable letters of credit as the mode of payment;
- transactions associated with the payment of taxes and other compulsory under Kazakhstan law.

Residents may enter into transactions with non-residents in the national or a foreign currency as agreed between them in accordance with the exchange regulations of Kazakhstan.

Residents may issue promissory notes in a foreign currency on transactions with non-residents.
Non-residents may, without any restrictions, receive and remit dividends, commission fees and other income on deposits, securities, loan and other exchange transactions entered into with residents and performed in accordance with this Law.

Exchange transactions between non-residents are allowed without any restrictions provided they meet set requirements. In particular, payments and remissions on exchange transactions between residents and non-residents must be made through accounts with authorised banks with some exceptions.

Any foreign cash received by resident and non-resident legal entities from transactions performed in Kazakhstan must be credited to an account with an authorised bank.

Residents and non-residents may buy and sell foreign currency with banks authorised to conduct exchange transactions and other authorised organizations in accordance with the procedures set down by the National Bank of Kazakhstan.

Capital flow transactions and opening of accounts are subject to notification or registration requirements.

Payments between residents and non-residents on commercial loans associated with the export or import of goods for a time period exceeding 180 days must be registered. Payments between residents and non-residents in settlement of exported and imported services must also be registered. The notification is to be made by the authorised bank servicing such payments.

These exchange requirements do not apply to commercial loans associated with export and import transactions where transaction certificates have been drawn up.

Direct investments by non-residents into and by residents outside Kazakhstan are subject to registration. Direct investment is defined as investment of cash, securities, property, property rights including intellectual property rights and other property as payment for shares of a legal entity if the person investing owns or will own as a result of such investment, 10% or more of the voting shares (10% or more votes of the total number of shareholder votes) of such a legal entity.

Residents are required to notify the National Bank of Kazakhstan of any exchange transactions associated with acquisition of securities, investing into share capital and exchange transactions involving derivative financial instruments.

Financial loans made by residents to non-residents and by non-residents to residents for a time period exceeding 180 days are subject to registration.

Other capital flow transactions include:
1) acquisition of property rights for real estate with the exception of movable property
2) acquisition of exclusive intellectual property rights
3) assignment of cash and other property for trust management or to fulfill obligations under a joint venture.

Payments made by residents to non-residents (and vice versa) in connection with acquiring real estate and intellectual property rights, as well as through the assignment of cash and other property for trust management are also subject to the notification requirement.

The National Bank of Kazakhstan registers exchange transactions to be registered if the following requirements are met:
1) the value of the assets acquired or liabilities incurred by a resident of Kazakhstan from or to a non-resident exceeds an equivalent of USD $500,000
2) the value of assets transferred from Kazakhstan to a non-resident exceeds an equivalent of USD $100,000
3) the amount of payment or bank transfer by a resident to a non-resident (or vice versa) on transactions in financial derivative instruments or in connection with settlements on export or import services exceeds an equivalent of USD $100,000.

H. PERSONAL TAX

Resident individual persons pay income tax on their worldwide income, whereas non-resident individual persons pay tax on their income sourced in Kazakhstan.

An individual person is considered resident if he or she:
- resides permanently in Kazakhstan (ie spends at least 183 days there out of a 12-month period ending in the tax year); and
- is a payer of individual income tax at the rate of 10% on all income with the exception of dividends (subject to 5% tax from source).

Individuals generating income from business activities are subject to a tax similar to corporate income tax, although small and medium businesses are subject to a special tax regime.

Capital gains arising on the sale of the following are subject to a 10% tax:
- real estate
- transportation vehicles owned for less than a year by the taxpayer
- securities and share in a legal entity.

TAX ON ADDITIONAL BENEFITS GRANTED BY EMPLOYER TO EMPLOYEE

Certain benefits granted by an employer to employees in kind or as material benefits are treated as part of the employee's taxable income. These include:
- Providing employees with goods and services at a reduced rate
- Written-off debts
- Cost of property received from the employer without charge. For services provided on a free-of-charge basis the taxable benefit is the expense incurred by the employer in connection with providing such services
- Payment by employer for goods and services provided to the employee by third parties
- Employer's expenses towards payment of insurance premiums under insurance contracts of its employees

Personal deductions available to all employees as follows:
- an amount equal to the minimum wage per month
- amounts paid by the taxpayer as mandatory pension contributions
- amounts paid as voluntary pension contributions to the taxpayer's personal pension scheme
- premiums paid under accumulative insurance contracts
- interest payable on loans received by individual residents from housing construction savings
- banks for the purposes of improving living conditions in the territory of the Republic of Kazakhstan
- expenses for certain medical services (except cosmetic surgery).

K

Employment taxes are withheld from an employee's income on a monthly basis. Persons generating income other than employment income are required to file a tax return for each calendar year. This tax return has to be submitted not later than 31 March of the following year. Individuals conducting business activities have to pay tax calculated on a monthly basis by the 20th of the month following the month that the tax relates to. Any tax arrears at the end of the tax year have to be settled within ten days from filing tax return. Employees are required to make retirement contributions in the amount of 10% of their gross monthly remuneration not exceeding 75,000 times the minimum wage.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The withholding tax rates for non-treaty countries are as follows.

Country	Dividends (%)	(1)	Interest (%)	Royalties (%)	Branch profits (%)	
Austria	15/5	(1)	10	10	5	(3)
Azerbaijan	10		10	10	2	
Belarus	15		10	15	5	
Belgium	15/5	(1)	10	10	5	
Bulgaria	10		10	10	10	
Canada	15/5	(1)	10	10	5	
China (People's Republic)	10		10	10	5	
Czech Republic	10		10	10	5	
Estonia	15/5	(2)	10	15	5	
Finland	15/5		10	10	–	

Country	Dividends (%)	(1)	Interest (%)	Royalties (%)	Branch profits (%)	
France	15/5	(1)	10	10	5	
Georgia	15		10	10	5	
Germany	15/5	(2)	10	10	5	(3)
Hungary	15/5	(2)	10	10	5	
India	10		10	10	10	
Iran	15/5	(4)	10	10	5	
Italy	15/5		10	10	5	
Japan	15/5		10	10	–	
Korea, Republic of	15/5	(1)	10	10	–	
Kyrgyzstan	10		10	10	10	
Latvia	15/5	(2)	10	10	5	
Lithuania	15/5	(2)	10	10	5	
Malaysia	10		10	10	10	
Moldova	15/10	(2)	10	10	5	
Mongolia	10		10	10	10	
Netherlands	15/5/0	(5)	10	10	0/5	(6)
Norway	15/5	(1)	10	10	5	
Pakistan	15/12.5	(1)	12.5	15	0	
Poland	15/10	(4)	10	10	10	
Romania	10		10	10	–	(7)
Russia	10		10	10	10	
Singapore	10/5	(8)	10	10	5	
Slovak Republic	15/10	(9)	10	10	5	
Sweden	15/5	(1)	10	10	5	
Switzerland	15/5/0	(5)	0/10	10	0/5	(6)
Tajikistan	15/10	(9)	10	10	10	
Turkey	10		10	10	–	
Turkmenistan	10		10	10	5	
Ukraine	15/5	(2)	10	10	5	(3)
United Kingdom	15/5	(1)	10	10	5	(10)
United States	15/5	(1)	10	10	5	
Uzbekistan	10		10	10	10	

1 Unless indicated otherwise, the lower rates in this column apply if the recipient company owns at least 10% of the capital or the voting power of the paying company, as the case may be.
2 This rate applies if the recipient company owns at least 25% of the capital or the voting power of the paying company, as the case may be.
3 Branch profits tax is levied at 5% on 50% of the after tax profits.
4 The rate applies if the recipient company owns at least 20% of the capital or the voting power of the paying company, as the case may be.
5 The zero rate applies if the recipient company owns 50% of the capital of the paying company and that participation has a value of at least US$ 1 million, and the head office's state of residence has secured the participation. The 5% rate applies if the recipient company owns at least 10% of the capital of the paying company.
6 Branch profits tax is not levied if the profit of the permanent establishment does not exceed US$ 100,000.
7 The treaty provides for branch profits tax imposed at the domestic rate.
8 This rate applies if the recipient company has a direct holding of at least 25% of the capital of the company paying the dividends.
9 This rate applies if the recipient holds at least 30% of the capital of the paying company.
10 Branch profits tax is not levied if the profit of the permanent establishment does not exceed £70,000.

K

KENYA

Currency: Shilling (KES) | Dial Code To: 254 | Dial Code Out: 00

Member Firm:
City: Nairobi
Name: Martin Kisuu
Contact Information: 20 4446616-9
mkisuu@ke.pkfea.com

A. TAXES PAYABLE

COMPANY TAX
Company tax is based on computed tax profits as follows:

Turnover tax	3% of turnover (with effect from 1 January 2007 for turnover of up to Kshs 5,000,000)
Resident companies	30%
Non-resident companies	37.5%.

CAPITAL GAINS TAX
Not applicable as this tax is presently suspended in Kenya.

BRANCH PROFITS TAX
Branch of a foreign entity: 37.5%.

SALES TAXES/VALUE ADDED TAX (VAT)
The tax rate is 16% and 0%. Exports zero rated and there is a lower rate of 12% for industrial fuel and electricity. Some goods and services such as unprocessed agricultural products and financial services are exempt.

FRINGE AND EMPLOYMENT BENEFITS TAX
Generally, non-cash benefits are taxable on the higher of the cost incurred by the employer and the fair market value. The taxable value is added to the emoluments for tax purposes. Exempt if aggregate total does not exceed Kshs 36,000 per annum.

MOTOR VEHICLES
The benefit is the higher of 2% per month of the initial cost of the vehicle and prescribed rates. For leased vehicles the benefit is the cost of leasing.

HOUSING
For non-executive directors the benefit is the higher of 15% of total income (emoluments - for a whole time service director), market value and rent paid. For agricultural employees it is 10% of emoluments. For other employees it is the higher of rent paid and 15%of emoluments.

LOANS TO EMPLOYEES
These are taxed at corporate tax rate on difference between the interest rate prescribed by the Commissioner and the actual rate paid by employee.

OTHER BENEFITS
The taxable benefit of furniture is 1% of cost per month, telephone 30% of cost per month, employee share ownership plan (ESOPs) the difference between the market price of shares and offer price at date option is granted.

LOCAL TAXES
Employment income is taxed on a withholding tax basis known as Pay As You Earn (PAYE) at a graduating scale of 10%-30%.

OTHER TAXES
LAND RATES
Land rates are based on the percentage of the site value.

NATIONAL SOCIAL SECURITY FUND (NSSF)
Contributions are set at 5% of monthly income up to a maximum of Kshs.400 per month, half paid by the employer and the balance by the employee.

NATIONAL HOSPITAL INSURANCE FUND (NHIF)
Payments are set at graduated scale rates starting at Kshs150 per month to a maximum of Kshs 2,000 per month depending with employee income.

SINGLE BUSINESS PERMIT:

Depending on the type of business this costs a minimum of Kshs 2,000 to a maximum of Kshs100,000.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

The rates for capital allowances are as follows:

Wear and tear:	Rate
Tractors/heavy vehicles	37.5%
Computers	30%
Other motor vehicles, aircrafts	25%
Ships, plant, machinery, furniture and equipment	12.5%
Telecommunication equipment	20%
Industrial building allowances:	
Factories (2.5% up to 2009)	10% from 1 January 2010
Prescribed hotels-(up to 2006 was 4%)	10% from 1 January 2010
Prescribed low-cost residential housing developments	5%
Hostels or approved educational building-(from 2007 was 10%)	50% from 1 January 2010
Commercial Buildings	2.5% from 12 June 2009
Commercial Buildings with services	25% from 12 June 2009
Residential Buildings	5% from 12 June 2009
Residential Buildings with services	25% from 1 January 2010
Computer Software	20% from 1 Jan 2010
Farm works	50% from 1 January 2007
Investment deductions eligible for building and machinery for manufacture (from 2008)	100%
Investment deductions eligible for construction of a building or purchase and installation of machinery of 200m or over outside Nairobi, Mombasa & Kisumu	150%
Manufacturing under Bond – combined investment deduction	100%
Shipping investment deduction	40% of cost of ship
Mining allowance (on capital expenditure or mining)	
Year 1	40%
Years 2–7	10%
Purchase of filming equipment by licensed film producers	50% (from 1 January 2010)

DEPRECIATION

This is an accounting expense not allowable for tax purposes but wear and tear allowances as shown above are given instead.

STOCK/INVENTORY

The cost of sales is deducted as allowable expenditure before arriving at taxable profits.

CAPITAL GAINS AND LOSSES

Gains are not taxable and losses are not allowable since the suspension of capital gains tax.

DIVIDENDS

Dividends are taxed on a withholding tax basis which is final tax. Expenses are therefore not allowable on the dividends income or any other income of the taxable person. Dividends are tax exempt for resident companies controlling more than 12.5% shareholding. Dividends received by financial institutions are exempt.

However, compensating tax (corporation tax) may arise if non-taxed income is distributed, e.g. capital gain or profits on capital allowances. It is worked out through an annual dividends tax account which traces the movement of dividends received or paid and taxes paid.

INTEREST DEDUCTIONS

Interest incurred wholly and exclusively in the production of income is allowable. However, where a company is controlled by a non-resident person together with four or fewer resident persons, the interest deductibility is restricted only to the extent that the total indebtedness of the company does not exceed three times the paid-up share capital and revenue reserves or an amount of deemed interest (thinly capitalised). Realised foreign exchange losses are deferred as long as the firm is thinly capitalised.

LOSSES

Tax losses in Kenya used to be carried forward perpetually to be allowed against future income. However, a five year time limit has been introduced effective 1 January 2010 inclusive of the year incurred. The loss is only allowed on income from the same specific source. These sources are:

(a) income from renting or occupation of immovable property
(b) income from employment
(c) income from agriculture, horticulture, forestry, etc
(d) income from withdrawals from a registered pension/provident fund by employer
(e) business activities.

Losses are, however, not transferable from one entity to another.

FOREIGN SOURCED INCOME

Income that is not income accrued or derived from Kenya is not assessable in Kenya except:

(a) employment income for an employee who at the time of employment was a resident person in respect of any employment by him outside or inside Kenya
(b) business activities carried out across borders
(c) foreign bank branches' income on investments or trading abroad using locally generated income.

INCENTIVES

Capital deductions are as given under 'Capital allowances' above.

There are currently double taxation treaties with UK, India, Germany, Zambia, Norway, Sweden, Denmark and Canada.

A ten year tax holiday is available to certain designated enterprises that undertake activities consisting of the manufacture of goods for exports only (under the export processing zones). At the end of the tax holiday, a reduced rate of tax of 25% is available.

A lower rate of corporation tax at 27% for the first three years for companies newly listed on a securities exchange, with at least 20% of the issued share capital listed. Tax exemptions apply for organisations undertaking charitable, medical, alleviation of poverty, and religious activities.

C. FOREIGN TAX RELIEF

Foreign tax relief is limited only to countries with double taxation relief.

D. CORPORATE GROUPS

Generally for tax purposes, a corporation tax rate of 30% and applies to all incorporated companies irrespective of groups in Kenya. The rate is 37.5% for non-resident companies.

E. RELATED PARTY TRANSACTIONS

Related party transactions are allowable expenses if incurred wholly and exclusively in the production of income and taxed as income if earned or accrued in Kenya as business activities. Transfer pricing rules were brought into operation with effect from 1 July 2006.

F. WITHHOLDING TAX

The relevant rates are as follows:

	Resident	Non-Resident
Artists and entertainers	–	20%
Management fees	5%	20%
Professional fees	5%	20%
Royalties	5%	20%

	Resident	Non-Resident
Dividends (nil for shareholders with >12.5%)	5%	10%
Equipment Leasing	3%	5%
Interest (bank)	15%	15%
Interest (Housing bond-HBI)	10%	15%
Interest Two-year government bearer bonds	15%	15%
Other bearer bonds interest	25%	25%
Rents – buildings(immovable)	N/A	30%
Rents – others (except aircraft)	3%	15%
Pensions/provident schemes (withdrawal)	10-30%	5%
Insurance commissions	10%	20%
Consultancy and agency (from 1 July 2003)	5%	20%
Contractual (from 1 July 2003)	3%	20%
Message transmission	–	5%

G. EXCHANGE CONTROL

The Foreign Exchange Control Act was repealed in 1995 and therefore no restrictions are now in place.

H. PERSONAL TAX

The tax rates for 2005–2009 are as follows:

Yearly income (Kshs)	Rate
0 to 121,968	10%
121,969 to 236,880	15%
236,881 to 351,792	20%
351,793 to 446,704	25%
Over 446,704	30%

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The withholding tax rates are as follows:

	United Kingdom (%)	Germany & Canada (%)	Denmark, Norway, Sweden & Zambia (%)	India (%)
Management and professional fees	12.5	15	20	17.5
Royalties	15	15	20	20
Dividends	10	10	10 (i)	10
Interest	15	15	15	15
Pension and retirement annuities	5	5	5	5
Entertainment and sporting events	20	20	20	20
Promoting entertainment or sporting events	20	20	20	20
Rent - immovable property	30	30	30	30
Rent - Other than immovable property	15	15	15	15

(i) 0% if dividend subject to tax in Zambia

REPUBLIC OF KOREA

Currency: Korean Won Dial Code To: 82 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Seoul	Philip K Woo	2 558 8737 philip_woo@daehyuncpas.co.kr

A. TAXES PAYABLE

CORPORATE INCOME TAX

Corporate income taxes vary according to the status of the corporation. A corporation (having its head office, its principal office or place of effective management in Korea) is a domestic corporation and is defined as a resident corporation. A non-resident (foreign) corporation may be deemed to have a domestic place of business (i.e. a permanent establishment) in Korea if it has any fixed place in Korea where the business of the entity is wholly or partly carried on.

Additionally, a domestic place of business is deemed to exist where a corporation is represented by a dependent agent in Korea who has the authority to conclude contracts, or fills the orders or secures orders on its behalf. Furthermore, an agent of independent status who performs acts that are an important part of the business of a specific foreign principal will also create a domestic place of business of the principal. Exceptions to the above include where the fixed place is used only for purchasing, storage of property not for sale, advertising, publicity, collecting or providing information, or other activities that are preparatory or auxiliary to the conduct of the business.

Non-resident foreign corporations which do not have a domestic place of business in Korea are generally taxed through the withholding tax mechanism. Under this system, a flat rate on gross receipts from Korean sources is applied.

Both resident corporations and non-resident corporations who have permanent establishments in Korea are liable for corporation tax. Interim corporate income taxes must be paid within eight months from the commencement of the accounting year for the performance of the first six months of the fiscal year. Any remaining corporate income taxes are then payable within three months from the fiscal year-end. Annual and interim corporate tax returns must also be filed along with the tax payments.

The corporate income tax rates are as follows:

Taxable Income (million)	Tax rate (%)
Income up to W200	10
Income over W200	22

In addition to the basic tax rate, there is a resident surtax (inhabitant tax) of 10% of the corporate income tax liability. The effective maximum rate is 24.2%.

CORPORATE INCOME TAX FOR FOREIGN CORPORATIONS

Foreign corporations with a permanent establishment in Korea must pay corporate income tax on income from Korean sources in the same manner as that applied to a domestic corporation as stated above. However, if the foreign corporation has a branch in Korea and the tax treaty between Korea and the country in which the foreign corporation is a resident allows imposition of a branch profit tax (BPT), then a branch profit tax is imposed on the adjusted taxable income of the Korean branch of the foreign corporation. This branch profit tax is levied in addition to the regular corporation tax under the Corporation Tax Law. The standard rate of BPT is 20%, although reduced rates of between 5% and 15% apply where provided for by a tax treaty. The tax is based on the 'adjusted taxable income' being taxable income less regular corporate income tax and an amount deemed to have been reinvested for the operation of the permanent establishment based on the deemed capital base of the branch as if it were a separate comparable enterprise.

CAPITAL GAINS TAX

Capital gains are included in corporate taxable income and capital losses are deductible from taxable income.

There is a limited exemption for non-resident portfolio investors in shares in Korean companies. This generally applies to investors owning less than 25% of the issued shares (or securities) of the company throughout the five years prior to the transfer of the shares. This exception only applies where the disposal is to a non-Korean resident without a place of business in Korea and where there are reciprocal arrangements available in the vendor's country of residence.

VALUE ADDED TAX (VAT)
Value added tax is levied on the supply of most goods and services in Korea and on the importation of goods at a rate of 10%. Certain favoured or essential supplies are exempted. Export goods and services are subject to VAT but the tax rate is reduced to zero per cent. VAT returns must be filed quarterly.

Valid documentation must be provided to claim the input tax credit such as credit card payment receipts or VAT invoices. Cash-register receipts are no longer accepted as valid documentation.

Small traders who are not allowed input tax credit may, under the present law, deduct 15% to 40% of the input tax amount from the total VAT payable.

INHERITANCE AND GIFT TAXES
Individuals and non-profit companies that acquire property through inheritance or bequest are liable for Inheritance Tax. A gift tax is payable by resident beneficiaries and non-resident beneficiaries who receive property located in Korea. Both taxes are imposed at varying rates based on the tax value of the property.

MINIMUM TAX
A minimum tax liability is set for corporate tax payers, with some exceptions. The minimum amount payable is 10% of the taxable income of Won 10 billion or less and 11% of the taxable income above Won 10 billon and of Won 100 billion or less and 14% of taxable income above Won 100 billion (7% flat-rate for small and medium-sized enterprises (SMEs)) before various exemptions and deductions prescribed in the Special Tax Treatment Control Law and other laws.

Individuals are also subject to a minimum tax of 35% of the taxable income before various exemptions and deductions under the Special Tax Treatment Control Law.

LOCAL TAXES
Local taxes consist of both provincial taxes and city and county taxes. Examples of these taxes include acquisition and registration tax, inhabitant tax, (a surtax on income tax and corporation tax plus a flat rate tax on capital), licence tax, business place tax, local education tax, various property taxes, automobile tax, local development tax, etc.

Composite land tax has been merged into property taxes and Comprehensive Real Estate Holding Tax has been newly introduced as a national tax.

OTHER TAXES

Customs duties are imposed on imported goods. Stamp taxes apply to special documents including contracts and permits. Certain commodities such as specific luxuries and high-priced durable consumer goods, whether imported or produced locally, are subject to special consumption taxes. A securities transaction tax is imposed at the time of transfer of the securities. However, if domestic securities are traded on foreign stock exchanges like the New York stock exchange, NASDAQ, Tokyo Stock exchange, etc, then the securities transaction tax is exempted. An education tax is levied as a surcharge on certain tax liabilities such as special consumption tax, transportation tax and liquor tax and imposed as a separate tax on banking and insurance businesses.

B. DETERMINATION OF CORPORATION TAXABLE INCOME

Taxable income of a corporation is defined as gross income less the cost of goods sold or services provided and other amounts that are allowed as deductions. Gross income consists of gains, profits, income from trade and commerce, dealings in property, rents, royalties, and income derived from any transactions carried on for gain or profit. Expenses incurred in the normal operations of a business are generally deductible, subject to specific exclusions. Special rules apply with respect to the categories listed below.

INVENTORY VALUATION
Inventories are generally stated at the lower of cost or net realisable value or cost, although securities and shares must be valued using the cost method (devaluation could be allowed in some cases). When applying the cost method, any one of six valuation methods, including FIFO, can be elected for tax purposes. The tax office should be notified of the valuation method selected. Failure to notify will result in the FIFO method being applied. Inventory valuation methods must be consistent for book and tax purposes.

DEPRECIATION

For tangible fixed assets, either the fixed percentage declining-balance method or the straight-line method may be elected by notifying the taxpayer's choice to the tax authorities. For buildings and intangible fixed assets, the straight-line method must be used. For mining rights, either of the units of production method or the straight-line method may be used. Elections can be made to determine an asset's useful life. However, it must fall within a range of 25% variance to the useful life prescribed by the Corporation Tax Law. Useful asset lives are stipulated in regulations made under the Corporation Tax Law. This can be increased or decreased to a 50% variance for certain heavily used or high technology assets by prior agreement with the tax authorities. Book depreciation is not required to conform to tax depreciation and there are no provisions requiring recapture of depreciation upon sale of properties.

CAPITAL GAINS AND LOSSES

See discussions above. Net gains and losses are normally considered to form part of normal taxable income.

DIVIDENDS

Korean corporations are generally taxed on all dividends received. However, for the purpose of avoiding double taxation on dividend income, there are two exceptional provisions in corporate income tax law as follows:

(1) In the case of a holding company established in accordance with anti-trust and fair trade law, dividends received from subsidiaries are granted a partial exemption as follows:

Type of subsidiary	Percentage of shares held in subsidiary	Proportion of dividends excluded from taxable income
Non-listed corporation (venture company)	100%	100%
	Above 80%	100%
	(20%) 40% – 80%	80%
Listed corporation	100%	100%
	Above 40%	100%
	20% – 40%	80%

(2) In the case of a domestic corporation other than holding companies, receiving dividends from another domestic corporation, a partial exemption is provided as follows:

Type of domestic corporation	Proportion of shares of subsidiaries owned by a corporation other than holding companies	Proportion of exclusion of dividends from taxable income
Non-listed corporation	100%	100%
	Above 50%	50%
	50% or below 50%	30%
Listed corporation	100%	100%
	Above 30%	50%
	30% or below 30%	30%

INTEREST DEDUCTIONS

Interest incurred in the normal operation of an enterprise is deductible as long as the related loan is used for business purposes. However, exceptions exist for interest incurred relating to borrowings of which interest payee is unknown for non-business purposes and construction.

LOSSES

Loss carry over for ten years is permitted. Loss carry back is not permitted. However, small and medium enterprises can also use a one-year carry back for losses incurred. This carry back enables them to request a refund of any corporation tax paid in the preceding year.

FOREIGN SOURCED INCOME

Income of an overseas branch is included in the taxable income of the domestic corporation, while income of a foreign subsidiary is only recognised by a domestic corporation upon the declaration of a dividend. Gains from the sale of shares of a foreign subsidiary are included in the taxable income of a domestic corporation as are interest and royalties from a foreign subsidiary.

INCENTIVES

Tax incentives are provided under the special tax treatment control law (STTCL). There are a number of tax incentives in Korea related to a small and medium enterprise's business performance, international capital movement, investment promotion, business restructuring, public business promotion and foreigners' investment etc.

Tax incentives in the new regime are aimed at promoting foreign investments which:

- utilise highly advanced technology or industry-supporting service businesses to improve the international competitiveness of Korean industries
- are made in locations designated for foreign investors (Foreign Investment Zones (FIZs); or enter into the areas of business designated by presidential decree (Free Trade Zone or Free Economy Zone or Industrial Complex) with investment amount of US$ 5 million to US$ 30 million or more depending upon the categories of business such as manufacturing, tourism etc.

The special tax incentives are:

- 100% income tax exemption for foreign-owned companies for three to five years depending upon the investments and businesses entered into. If the company is not 100% foreign-owned, the exemption is limited to the percentage of foreign shareholding.
- Any dividends paid to foreign investors are exempted from tax for the same time periods and rates as outlined above.
- Withholding tax on royalty payments to a supplier of technology under a technology inducement contract is exempt for five years. The contract must be reported to and approved by the government and the exemption applies from the date of acceptance by the government.
- Capital goods imported as an equity investment in a foreign-owned company will be exempted from import customs duty, where certain conditions are met for three years from the commencement of its business.
- A full exemption from acquisitions tax, registration tax, property tax and aggregate land tax is provided to foreign-owned companies for five years (or three in free trade zone etc) from the commencement of its business and 50% exempted for the following two years.

Under the STTCL, there are many tax incentives designed to encourage investment into specific industries within Korea.

OTHERS

The deduction of entertainment expenses is limited in two ways.
Firstly, threshold limits apply to restrict the amount that can be claimed as a deduction. These thresholds vary depending on the annual revenue of the particular taxpayer.

Secondly, where entertainment expenses exceed KRW 10,000 or KRW 200,000 for clients' wedding or funeral-related expenses per payment, a deduction can only be claimed where the expenses are adequately substantiated by a cash receipt, a corporate credit card or a formal invoice issued under the value added tax law. A cash receipt system has been introduced in which details of cash transactions between a vendor issuing receipts and a consumer are reported to the National Tax Service (NTS) by the vendor and the consumer is allowed a deduction from income on his or her tax return based on the amount of the cash transactions. This aim of this regime is to improve compliance by the self-employed.

C. FOREIGN TAX RELIEF

Taxes imposed by foreign governments on income recognised by a domestic taxpayer are allowed as a credit against Korean income taxes or as deductible expenses in computing the taxable income. In most cases, those foreign taxes will be applied as a credit. However, there is a limit (per country limit and total limit are optional) on the amount of credit for foreign taxes paid. The amount of the tax credit is limited to the lower of the foreign taxes actually paid and the additional tax in Korea resulting from the inclusion of the foreign income. Unused foreign tax credits can be carried forward for a maximum of five years.

D. CORPORATE GROUPS

Korea is about to introduce the consolidated tax return on or after 1 January 2010. Details of this are as follows:

- Consolidated group may calculate taxable income as if the consolidated group is one entity (applicable from the fiscal year starting on or after 1 January 2010)
- Eligible entities: A domestic corporation and its 'completely controlled' subsidiaries (collectively 'a consolidated group')
- Complete control: 100% of ownership directly or along with its completely controlled subsidiaries. (with a limited exception on ownership ratio up to 5%)
- Once the consolidated tax return filing is approved by tax authorities, all completely controlled subsidiaries shall be included in the consolidated group
- All members in a consolidated group shall have the same fiscal year
- Due date for consolidated tax return filing: End of the fourth month from the fiscal year end (30 April for calendar year company).

E. RELATED PARTY TRANSACTIONS

Where an act of a corporation or its calculation of corporate income unreasonably reduces the tax burden and a domestic related party is involved, the tax authorities can recalculate the corporation's taxable income based on arm's length prices.

For cross-border related party transactions, detailed pricing rules apply from 1 January 1996 which closely follow US principles. A correlative adjustment to avoid double taxation internationally is allowed when certain conditions are met. This law also provides for the negotiation of advance pricing agreements.

Several other anti-avoidance provisions, including thin capitalisation and controlled foreign corporations (CFC) rules, have applied since 1 January 1997. The thin capitalisation rules disallow interest deductions in respect of interest paid on loans to overseas parents where the debt to equity ratio exceeds 3:1 (6:1 for financial institutions). There is also an exception for loans which comply with the arm's length principle.

The CFC rules generally apply where a Korean company owns at least 20% of a subsidiary's share capital and the effective offshore tax rate of the subsidiary is 15% or less. There is an exception for bona fide businesses carried on through an office, shop or factory.

F. WITHHOLDING TAXES

Taxes are usually withheld at a rate of 14% from dividends, interest and royalties paid to non-residents.

G. EXCHANGE CONTROL

The Foreign Exchange Transaction Regulation (FETR) was revised with respect to payment or receipts for trades, services, and capital transactions including portfolio inbound investment, effective 1 June 1998.

Under the revised FETR, a resident borrower should report to a foreign exchange bank when he borrows dollars or other foreign currencies from an overseas lender under arrangements in force for more than one year. A report should be made to the MOFE when the borrowing per case exceeds US$30,000,000. In addition to these revisions, the Ministry of Finance and Economy undertook another major revision that became effective on 1 April 1999. Such revision included more extensive de-regulation on cross-border payments and receipts, such as allowing Won currency to be used in foreign trade and the use of dollars in domestic transactions.

H. PERSONAL TAX

All individuals in Korea are classified as either residents or non-residents for income tax purposes. A resident is an individual having Korean domicile or a place of residence in Korea for one year or more, an individual having an occupation that would generally require him to reside in Korea for one year or more, or an individual whose family accompanies him to Korea and who maintains substantial assets in Korea.

Generally, residency is determined on a 'facts and circumstances' test that is evaluated on a case by case basis.

A non-resident is an individual other than a resident.

Korean citizens and residents for tax purposes are subject to Korean income tax on worldwide income including employment income, business profits, dividends and other passive income, severance pay, forestry income and capital gains. An expatriate who is a non-resident is taxed only on Korean sourced income. A non-resident is denied some of the personal deductions granted to residents and citizens. Domestic employers are required to withhold personal income tax at source on regular payments of wages and salaries to their employees.

The following tax table summarises the personal income tax rates applied to worldwide income, severance pay and forestry income for 2008. Higher tax rates apply to some capital gains. Standard deductions and tax credits apply to employment income. Non-residents are taxed by withholding at rates varying from 2% to 25%.

In addition to these tax rates, inhabitant tax is levied at 10% on the income tax liability.

Annual taxable income base tax (KRW)	Tax rate on excess
0 – 12,000,000	6%
12,000,001 – 46,000,000	15%
46,000,001 – 88,000,000	24%
Above 88,000,000	35%

The tax year for individuals is based on the calendar year starting 1 January to 31 December.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES*

	Interest (%)		Dividends (%)		Royalties (%)	
Non-Treaty Countries (1)						
Non-resident corporations and individuals	25		25		25	
Treaty Countries:						
Albania	10		10	(1)	10	
Algeria	10		15	(1)	10	(8)
Azerbaijan	10		7		10	(23)
Australia	15		15		15	
Austria	10		15	(1)	10	(8)
Bangladesh	10		15	(1)	10	(8)
Belarus	10		15	(1)	5	
Belgium	10		15		10	
Brazil	15	(1)	15		15	(14)
Bulgaria	10		10	(1)	5	
Canada	10		5/15	(1)	10	
Chile	15	(22)	10	(1)	10	(23)
China	10		10	(1)	10	
Croatia	5		10	(1)	–	(26)
Czech Republic	10		10	(1)	0/10	(7)
Denmark	15		15		15	(7)
Egypt	15	(7)	15	(1)	15	
Fiji	10		15	(1)	10	
Finland	10		15	(1)	10	
France	10		15	(1)	10	
Germany	10		15	(1)	10	(8)
Greece	8		15	(1)	10	
Hungary	–		10	(1)	–	
India	15	(4)	20	(1)	15	
Indonesia	10		15	(1)	15	
Ireland	–	(26)	15	(1)	–	(26)
Israel	10	(16)	15	(1)	5	(13)

K

	Interest (%)		Dividends (%)		Royalties (%)	
Italy	10		15	(1)	10	
Japan	10		15	(1)	10	
Jordan	10		10		10	
Kazakhstan	10		15	(1)	10	
Kuwait	10		10		15	
Laos	10		10	(1)	5	
Lithuania	10		10	(1)	10	
Luxembourg	10		15	(1)	15	(2)
Malaysia	15		15	(1)	10/15	(3)
Malta	10		15	(1)	–	(26)
Mexico	15	(10)	15	(1)	10	
Morocco	10		5 /10	(1)	5 /10	(18)
Myanmar	10	(24)	10		15	(25)
Nepal	10	(21)	15	(1)	15	
Netherlands	15	(4)	15	(1)	15	(3)
New Zealand	10		15		10	
Norway	15		15		10/15	(3)
Oman	5		10	(1)	8	
Pakistan	12.5		12.5	(1)	10	
Papua New Guinea	10		15		10	
Philippines	15	(5)	15	(1)	10/15	(19)
Poland	10		10	(1)	10	
Portugal	15		15	(1)	10	
Romania	10		10	(1)	10	(12)
Russian Federation	–		10	(11)	5	
Saudi Arabia	5		10	(1)	10	(23)
Singapore	10		15	(1)	15	
Slovak Republic	10		10	(1)	10	(20)
Slovenia	5		15	(1)	5	
South Africa	10		15	(1)	10	
Spain	10		15	(1)	10	
Sri Lanka	10		15	(1)	10	
Sweden	15	(4)	15	(1)	15	(3)
Switzerland	10		15	(1)	10	
Thailand	10		15/20	(6)	15	
Tunisia	12	(4)	15		15	
Turkey	15	(4)	20	(1)	10	
Ukraine	5		15	(1)	5	
United Arab Emirates	10		10	(1)	–	
United Kingdom	10		15	(1)	10	(8)
United States	12		15	(1)	10/15	(9)
Uzbekistan	5		15	(1)	2/5	(13)
Venezuela	10		10	(1)	10	(23)
Vietnam	10		10		15	(15)

* This table only covers selective treaty countries.
1 Rates may vary if the payment is made to a company owning shares in the paying company.
2 10% on royalties for using industrial, commercial or academic equipment or information.

K

3 15% on royalties for copyright and10% on royalties for patents.
4 Dependent upon the term of the loan the rate may vary.
5 10% on public bonds and debentures.
6 15% if paid to a company controlling10% or more of the shares of an industrial concern, 20% if the paying company is an industrial concern or if the dividend is paid to a company controlling 25% or more of the shares of the paying company, and 25% for other dividends.
7 0% on royalties for copyright.
8 2% on royalties for industrial equipment.
9 10% on royalties for literary, dramatic, musical or artistic work including films.
10 10% on bank loans until 5 November1999, 5% on bank loans thereafter.
11 5% if paid to a company investing US$ 100,000 or more and controlling 30% or more of the shares of the paying company.
12 7% on royalties for patents, trademarks, designs or utility models and secret formulae or secret processes.
13 2% on royalties paid for the use of machinery.
14 25% for royalties for using trademark.
15 5% on royalties for patents, trademarks, designs or utility models and secret formulae or secret processes.
16 7.5% on interest from banking institute and 0% on government or public bonds.
17 10% on royalties for using industrial equipment.
18 5% on royalties for copyright.
19 10% on royalties under Philippines Investment Promotion Law.
20 0% on royalties for copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting.
21 0% on interest arising in a Contracting State and derived by the Government of the other Contracting State including political subdivisions and local authorities thereof, the Central Bank of that other State or any financial institution performing functions of a governmental nature.
22 10% on interest derived from loans granted by banks and insurance companies.
23 5% on royalties which are paid for the use of, or the right to use, industrial, commercial or scientific equipment.
24 0% on interest arising in a Contracting State and paid to the Government and any other institution performing functions of a governmental nature of the other Contracting State.
25 10% on royalty for the use of, or the right to use, any patent, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
26 The domestic rate applies. There is no reduction under the treaty.

KUWAIT

Currency: Dinar (KD)	Dial Code To: 965	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Kuwait	Tareq M Bouresli	226 55 777 tareq@pkf-kuwait.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
CORPORATE INCOME TAX

The Tax Decree of 1955 (Amiri Decree No 3 of 1955) as amended by Law No 2 of 2008 and the Executive Byelaw issued by the ministerial order No 29 of 2008 governs taxation in Kuwait along with various tax treaties with a number of foreign nations. These decrees are supplemented by Directives issued by the Director of Income Taxes. Under the above, foreign companies described in the decree as ‘bodies corporate’ which carry on business or trade in Kuwait are taxable. The term ‘bodies corporate’ refers to an association that is formed and registered under the laws of any country or state and is recognised as having a legal existence entirely separate from that of its individual members. Partnerships fall within this definition.

No income tax is imposed on companies incorporated either in Kuwait or in other Gulf Co-operation Council (GCC) countries and wholly owned by nationals of Kuwait or other GCC countries. The members of GCC are Bahrain, Kuwait, Oman, Qatar, Kingdom of Saudi Arabia and United Arab Emirates. Under Law No 19 of 2000, a 2.5% tax is imposed on the annual net profits of Kuwaiti companies listed on the Kuwait Stock Exchange as National Labour Support Tax.

Foreign companies can carry on business in Kuwait either through an agent or joint venture or as a minority shareholder in a locally registered shareholding company. Tax is levied on the foreign company's share of the profit plus any amounts receivable for interest, royalties, commissions, technical services, management fees etc.

Upon commencement of business, foreign companies are required to register themselves with Director of Income Taxes within 30 days and apply for a Tax Card. A taxpayer may follow one calendar year comprising 12 consecutive months as the first accounting period. For the first and last accounting periods, it is possible to obtain approval for a period shorter or longer than 12 months up to a maximum period of 18 months.

A tax declaration is to be submitted in Arabic to the Director of Income Taxes in a specified format, accompanied by audited financial statements and other specified documents. The Director of Income Taxes requires that the declaration and the supporting statements are certified by an accountant in practice in Kuwait who is also registered with the Ministry of Commerce and Industry.

If a foreign company has more than one activity in a similar line of business in Kuwait, either directly or indirectly through subsidiary companies, income from all activities is to be aggregated for tax purposes. Business losses can not be carried forward for more than three years. The applicable flat tax rate is 15% on taxable income. However, no tax is payable if the taxable income is below KD 5,250. It is possible to pay the tax due in four equal instalments if not paid as one deposit together with the Tax Declaration.

TAX INCENTIVES

Kuwait has a number of tax incentives as follows:

(a) Leasing and Investment Companies Law No 12 of 1998 allows the formation of investment and leasing companies having their principal place of business in Kuwait, with Kuwaiti or foreign shareholders. The law grants a five-year tax holiday to non-Kuwaiti founders and shareholders of such companies, beginning on the date of establishment of the companies.

(b) Direct Foreign Capital Investment Law (DIFCL) No 8 of 2001 provides a tax holiday up to ten years with respect to non-Kuwaiti shareholders shares of the profits from the qualifying projects. An additional tax holiday for a similar period is granted for further investment in an already approved project.

(c) Businesses set up in the Kuwait free trade zone for carrying on specified operations are exempt from taxes on operations conducted in the zone and foreign entities can own 100% of such businesses.

(d) Kuwait has begun to use build, operate, and transfer (BOT) method in respect of some large infrastructure projects. Tax and tariff concessions may be built into a BOT contract.

As per circular No 50 of 2002, issued by the DIT regarding treatment of exempted companies, the exempted companies shall, however, comply with the provisions of submission of tax declaration, inspection and assessment procedures like other companies in order to be eligible for exemption.

B. DETERMINATION OF TAXABLE INCOME

Tax liabilities are generally computed on the basis of profits disclosed in audited financial statements adjusted for tax depreciation and other deductions of all expenses and costs spent on realising such income. The tax inspector has a right to disallow any expenses that are deemed excessive on inspection conducted during assessment.

GROSS INCOME

Gross Income will include:

a) Income derived from rendering of services in Kuwait
b) Income from leasing of property located in Kuwait
c) Income from operating any manufacturing, industrial, or commercial enterprise in Kuwait
d) Income from purchasing and selling property, goods and maintaining a permanent office in Kuwait where contracts of purchase and sale are executed
e) Income earned from selling, renting etc any trade mark, design or copyright
f) Profits from disposal of assets
g) Commissions from representation or brokerage
h) Profits from any contracts performed in Kuwait.

DEDUCTIONS

TAX DEPRECIATION

The permissible rates of depreciation, applied using the straight-line method, include 4% a year for building, 20% for plant and machinery, 15% to 20% for motor vehicles and 15% for office furniture.

BUSINESS EXPENSES
For expenses to be deductible, they must be incurred in the generation of income in Kuwait. Such expenses must be supported by adequate documentary evidence. Such expenses include:
(a) Salaries, wages and end of service benefits
(b) Taxes and fees except Income Tax
(c) Grants, donations and subsidies paid to licensed Kuwaiti public or private agencies
(d) Expenses of Head Office.

The following expenses are normally disallowed for tax purposes:
(a) Personal or private expense or any other expense not related to business
(b) Criminal penalties
(c) Reimbursable Losses
(d) Provisions as opposed to accruals are not accepted for tax purposes. Thus terminal benefits are only deducted when paid out and debts are only being written off for tax purposes once they are proved irrecoverable
(e) Interest is accepted if it is paid directly by the branch to a bank in Kuwait and is reasonable in relation to the activities of business in Kuwait
(f) Salaries paid outside Kuwait to staff working abroad, except where the contract specifically requires technical work to be performed abroad
(g) Transfer pricing of materials and equipment imported. The tax authorities deem the following profit margins for the imported materials:
    - imports from head Office: 10% to 15% of related revenue
    - imports from related parties: 6.5% to 10% of related revenue
    - imports from third parties: 3.5% to 6.5% of related revenue.

The deemed profit as above is normally subtracted from the cost of materials and equipment claimed in the tax declaration.

HEAD OFFICE OVERHEADS
The tax authorities allow the following deductions from income as a contribution towards expenses incurred by the head office of a foreign company:
(a) For contractors and consultants operating through an agent: 1.5% of revenue, reduced by any amounts paid or payable to sub-contractors
(b) For foreign companies participating with Kuwait companies in the execution of a contract: 1% of the foreign company's share of the contract revenue reduced by amounts paid to sub-contractors
(c) For insurance companies: 1.5% of the net premiums
(d) For banking Institutions: 1.5% of direct revenue realised in Kuwait.

C. FOREIGN TAX RELIEF

No specific unilateral measures exist for the avoidance of double taxation but, if taxable income has suffered foreign tax, the foreign tax will usually be allowed as a deduction from income.

F. WITHHOLDING TAX

There are no withholding taxes in Kuwait. There are, however, retentions made on payments due to foreign companies until such time as they satisfy their Kuwait customer that they have dealt with their Kuwaiti tax obligations. Under Ministerial Order No 44 of 1985, all government departments, public bodies and privately owned and government owned companies are required to withhold final payments due to entities, which should not be less than 5% of the total contract value, until such entities present a tax clearance from the DIT. Failure to comply with these rules could result in disallowance of the related contract costs by DIT.

H. PERSONAL TAX

There is no personal income/wealth tax in Kuwait.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Kuwait has entered into tax treaties with several countries for avoidance of double taxation. Kuwait is a signatory of the Arab Tax treaty and the GCC Joint Agreement, both of which allow for avoidance of double taxation in most areas. Comprehensive double taxation treaties are available with Austria, Belarus, Belgium, Canada, China, Cyprus, Croatia, Ethiopia, France, Germany, Hungary, Indonesia, Italy, Jordan, Korea, Lebanon, Mauritius, Mongolia, Netherlands, Pakistan, Poland, Romania, Russia, Serbia and Montenegro, Singapore, Switzerland, Syria, Tunisia, Turkey, Ukraine and United Kingdom. Kuwait has also concluded limited double taxation agreements in respect of income arising from international sea and/or air transport with several countries.

LATVIA

Currency: Lats (LVL) | Dial Code To: 371 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Riga	Maruta Zorgenfreija	6733 3647 maruta.zorgenfreija@pkf-latvia.lv

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in Latvia if it is registered, or required to be registered, in Latvia. Resident taxpayers are subject to corporate income tax on their worldwide income. Foreign entities are subject to tax on income earned in Latvia. Branches of foreign entities are subject to tax on worldwide income attributable to the branch.

Companies may choose the accounting and taxation period which does not necessarily have to be the calendar year and the length of the taxation (accounting) period is 12 months. Only the first accounting period can be longer than 12 months (subject to a maximum of 18 months). Taxable income is based on accounting profit which is adjusted according to the provisions of the Corporate Income Tax Act. Tax is charged on profits at the rate of 15%. Companies are required to make advance payments of tax based on the prior year tax amount.

Shipping companies may alternatively apply tonnage tax.

CAPITAL GAINS TAX

Capital gains are treated as ordinary income and taxed accordingly (see company tax). Gains are tax exempt if derived from the sale of securities quoted on a recognised stock exchange in Latvia or another EEA country.

BRANCH PROFITS TAX

Branch offices are treated as domestic companies. Branches of foreign entities are subject to tax on worldwide income attributable to the branch.

SALES TAX/VALUE ADDED TAX (VAT)

The general rate of VAT is 22% (from 1 January 2011). A reduced rate of 12% is applied to certain products and services such as medical goods (according to the list approved by the Cabinet of Ministers), baby food, supplies of books, mass media, inland public transportation services, hotel services (accommodation), supplies to individuals of heating, and natural gas. Exports and related services are zero-rated. Several types of supplies are VAT exempt. These include sale of land (except development land with building permission issued after 31 December 2009) and used real estate; supply of medical services; rental of apartments to individuals; and most banking and insurance services.

Intra-Community supply of goods (to a customer registered as a VAT payer in another Member State) is zero-rated.

A transaction that involves a Latvian taxable person acquiring goods in Latvia from a taxable person registered in another Member State will qualify as an intra-Community acquisition within the meaning of the VAT Act. When the Latvian taxable person receives the goods from a supplier, this person will charge VAT on the acquisition and will recover this amount as input tax in the same month (reverse charge accounting).

The VAT registration threshold from 2011 is LVL 35,000 (previously LVL 10,000). From 2011 there is a 20% restriction on deducting input tax on light passenger cars that are purchased, rented or imported and on their running costs including fuel and repairs (except where the car is used for passenger and carrying goods, taxi services, lease services, and some other specialised services).

FRINGE BENEFITS TAX

Most fringe benefits granted to employees are subject to payroll taxes. A few benefits are tax exempt. These include health and accident insurance premiums paid on agreements concluded by employers on behalf of their employees; and contributions to private pension funds or life insurance premiums on the employee's behalf. Health and Life insurance premiums and contributions to private pension plans that are no higher than 10% of gross remuneration of an employee in the taxation year are not subject to payroll taxes. Certain conditions need to be met and health and accident insurance premiums may not exceed LVL 300.

LOCAL TAXES
Local authorities are permitted to levy stamp duties. They may be levied on the following: obtaining a building permit; placements of advertisements at public locations; organising public trading events etc.

REAL ESTATE TAX
Real estate tax is paid by Latvian and foreign companies and individuals that have title (registered with the Land Registry) or legal possession of real estate in Latvia i.e. land, buildings and engineering structures - roads, bridges, pipelines, communication lines, power station structures, fencing etc.

The standard rate of real estate tax is 1.5%.

Tax is calculated on the cadastral value of land, buildings, and engineering structures.

Some classes of real estate are exempt of tax, such as state or municipal real estate used for performing certain functions.

Newly built or reconstructed buildings used for business purposes qualify for a one year tax relief from the date that the construction is completed.

From 1 January 2010, residential houses and apartments not used in businesses are also subject to real estate tax.

A progressive rate has been set for residential houses and any parts of non-residential buildings that are functionally used for living and not used in a trade or business:
- 0.2% of cadastral values up to 40,000 lats
- 0.4% of cadastral values exceeding 40,000 but not exceeding 75,000 lats-
  0.6% of cadastral values exceeding 75,000 lats.

A double rate of 3% applies to uncultivated land capable of agricultural use.

OTHER TAXES
Stamp duty is payable on registration of title to real estate with the Land Book at 2% of purchase price (or cadastral value if higher), up to a maximum of LVL 30,000.

B. DETERMINATION OF TAXABLE INCOME

Taxable income includes income from all activities of the company and capital gains. The accounting profit before tax (as per the income statement) is adjusted in accordance with the corporate income tax rules.

DEPRECIATION
For tax purposes, tangible fixed assets used in a business should be depreciated using the reduced balance method. The rates are as follows:

Type of assets	Rate (%)
Buildings, structures and perennial plantings	10
Technology and energy installations, fleet, railway	20
Computer hardware and software	70
Oil exploration and extraction platforms	15
Aircraft, light motor vehicles in general	30
Other fixed assets	40

Starting from year 2006, there is an incentive for the acquisition of new production technological equipment. For tax depreciation purposes, the amount to be depreciated is the cost of equipment multiplied by a coefficient.

The coefficient to be applied in respect of equipment acquired in 2009 to 2013 is 1.5.

Such equipment may not be sold within the next five years from acquisition in order to benefit from the enhanced allowances.

No capital allowances are available on investment property accounted for at fair value.

From June 2007 a representative vehicle (car) worth more than (cost exceeds) LVL 25,424 excluding VAT may not be depreciated for tax purposes and all costs associated with their usage and maintenance shall be treated as non-deductible expenses for income tax purposes.

From 2010 there are incentives for shareholders to reinvest profits in companies. Businesses are able to reduce their taxable income by a notional amount of interest that a taxpayer would have to pay on a loan equal to his prior-year undistributed profit. This adjustment is calculated by multiplying the annual weighted average rate of interest on loans in lats issued to non financial Latvian businesses as determined by the Bank of Latvia for the tax period, and undistributed profits from previous periods beginning after 31 December 2008.

Intangible assets should be depreciated on a straight-line basis over the following period:

Type of intangible assets	Years
Concessions	10
Patents, licenses and trademarks	5
Research and development costs	1

Any other intangible assets, which are not included in the above categories, cannot be depreciated for tax purposes.

STOCK/INVENTORY

Inventories are generally valued at the lower of cost and market value. Cost may be determined on the basis of FIFO or weighted average cost (as per accounting rules). Unrealised loss (amount of write-down to market value) is not deductible for income tax purposes.

CAPITAL GAINS AND LOSSES

Capital gains are, in general, taxable as ordinary income. However, gains derived from the sale of publicly traded securities are exempt from tax. Capital losses on taxable securities (other than publicly traded securities) may only be set off against gains on other taxable securities. Net capital losses on securities of a tax year may be carried forward for eight years to be set off against gains on other taxable securities. However, losses from the sale of securities are deductible in the current year if the company has held these securities for at least 12 months and there has been only one such transaction in the taxation period.

From 2009, payment of tax on profits arising on the sale of an asset may be deferred if the company acquires a functionally similar asset within 12 months before or after the old equipment is disposed of. The gain is rolled over into the base cost of the new asset and becomes chargeable when the new equipment is sold. This provision does not apply to works of art, antiques, jewellery, investment properties, long term investments held for sale; motorcycles, watercraft, aircraft, and light passenger vehicles.

Capital losses on other assets are deductible from ordinary income.

DIVIDENDS

Dividends received from resident companies are not taxed in the hand of resident corporations. Dividends earned by foreign shareholders are subject to a 10% withholding tax in Latvia unless a reduced rate is allowed under a particular double tax treaty. Tax is withheld at the time of dividend payment. Dividends paid by Latvian companies to EU-resident companies are exempt from withholding tax.

INTEREST DEDUCTIONS

There are thin capitalisation rules for interest deductions. Interest charges exceeding statutory limits are not deductible for tax purposes. There are two restrictions on interest deduction with which the company should comply (if taxable income requires adjustments under both criteria, it should be adjusted only for the larger amount):

- interest paid is disallowed to the extent that it exceeds the amount of the relevant loan multiplied by 1.2 times the average short-term bank interest rate for the last month of the taxable period, as determined by the Central Statistics Board
- taxable income should be adjusted where the associated liabilities exceed four times the shareholders' equity at the beginning of the tax year, less any revaluation reserve and any other reserves not made as a result of profit.

The restriction does not apply to interest paid to credit institutions, including EU registered credit institutions.

From 1 January 2010 the following interest payments are fully deductible:

– Interest paid on borrowings from credit institutions in Latvia, other Member States, EEA member states or countries with which Latvia has an effective double tax treaty (DDT)

– Interest paid on borrowings, leases from a financial institution which
    1) is a resident of Latvia, EU Member State, EEA or a country with which Latvia has a DDT
    2) provides lending services or finance leases and is monitored by the particular country's bodies formed to supervise credit institutions or the financial sector;
– Interest paid on debt securities in public trading.

Any amount exceeding the allowed interest for the tax period cannot be carried forward.

LOSSES
Tax losses generally can be carried forward for eight years.

A loss on disposal of shares (except shares of public listed companies) may only be set off against gains on other taxable securities. The loss can be carried forward for eight years in chronological order and set against profits from the sale of other shares (except shares of public listed companies which are treated separately). However, if shares have been held for more than 12 months and the company does not make regular sales of shares (no more than once a year), any loss can be treated as deductible for income tax purposes.

FOREIGN SOURCED INCOME
Tax is levied on resident companies on all profits arising from foreign sources in the same way as income from Latvian sources.

INCENTIVES
Research and development costs related to the economic activity of the taxpayer may be written off in the year in which they are incurred. Where the value of a project is not included in the value of fixed assets, research and development costs include costs related to the preparation of technical documentation.

C. FOREIGN TAX RELIEF

Foreign income tax suffered at source may be credited against the corporate income tax charge calculated for a taxation year. Relief for tax paid abroad is available upon presentation of documents provided by the competent tax authority of the country concerned and evidencing the amount of foreign tax suffered. The amount credited is calculated for each country separately and may not exceed the Latvian tax on such income.

D. CORPORATE GROUPS

If a number of specific criteria are met, a loss-making resident company within a group can transfer tax losses for the current year to another resident member company generating taxable profits. Each company should file a separate appendix to the income tax return after group relief has been applied. Direct or indirect ownership of at least 90% is a necessary condition for membership of a group. The parent must be a resident individual or legal entity or resident in a country with which Latvia has a double tax treaty. The main conditions that must be met in order to transfer tax losses include:

- the two resident companies involved in the transfer of the tax loss must be members of the same group for the whole taxation year in which the loss has been incurred
- these companies must have the same taxation year end
- they must not have tax debts.

E. RELATED PARTY TRANSACTIONS

In respect of related party transactions, the following are not deductible for tax purposes: loss on sale/purchase of goods/fixed assets/services at below/above market price to/from non-resident related parties or resident related parties enjoying tax holidays. The same applies to transactions between related companies (residents) that form a tax group.

From 2011, adjustments may be made to reduce profits chargeable to tax where a company enters into a transaction with a related person, a related foreign company, a resident company enjoying tax holidays, or other company belonging to the same tax group and the transaction has not been entered into on arm's length terms. The provision applies if the transaction partner is a Latvian resident or resident of other EU country or EEA country with which Latvia has a DTT, and if the company (tax payer) files with the State Revenue Service confirmation from the tax authorities of the other country that taxable income has been increased to reflect arm's length pricing.

F. WITHHOLDING TAX

Withholding tax is levied on the following payments made by Latvian residents to non-residents:

Dividends	10% (0% if payments to EU or EEA registered companies)
Management and consulting services	10%
Interest payments to related companies (non banks)	10% (if payments to EU related companies - 5%)
Bank interest payments to related banks	5%
Copyright	15% (10% if EU registered related company)
Other intellectual property	5%
Rental payments (in respect of property located in Latvia)	5%
Sale of real estate	2% of proceeds of sale (includes also income from sale of shares of companies where real estate comprises more than 50% of company's total assets)

The rates given above are standard rates. If a double tax treaty exists between Latvia and the relevant country, reduced rates or exemptions may be applied. A Latvian company paying the income to a non-resident company can apply these exemptions/ lower tax rates only if the recipient of income has submitted the valid residence certificate stating that the recipient is resident in that country (certificate to be approved by tax authorities) before the actual payment is made.

A residence certificate should be approved by the local State Revenue Service office and is valid for five fiscal years.

Withholding tax is levied at the overall corporate income tax rate (15%) on all payments to entities located in tax havens unless specifically exempt.

G. EXCHANGE CONTROL

There is no exchange control in Latvia.

H. PERSONAL INCOME TAX

In 2011 Latvian residents are liable to personal income tax at a flat rate of 25% (in 2010 the tax rate was 26%) on their worldwide income. This includes all income (except capital gains) after deductions such as social insurance contributions paid by employees, allowances, deductible expenses unless specifically exempt. Non-residents are liable to personal income tax at a flat rate of 25% on their Latvian source income. The tax year is the same as the calendar year. The same rate of 25% generally applies to salary income and to trading income. (There are special rules for micro-companies).

All residents are entitled to a monthly non-taxable personal allowance which, in 2011, amounts to LVL 45, and an allowance for each dependent of LVL 70.

Tax in respect of salaries, bonuses and most other types of payments made by Latvian companies is withheld at source and remitted to the tax authorities. If the recipient of income is registered as a sole trader, he/she is responsible for calculating and paying income tax.

From 1 January 2010 amendments to the Personal Income Tax Act took effect with respect to income from capital. According to these amendments, tax is withheld at source from interest and dividends at a rate of 10%. Bank interest and dividends from Latvian and EU registered companies were previously tax exempt. Dividend income is deemed to be earned when the dividend distribution decision is made (except in respect of dividends of public listed companies). The withholding tax must be paid to the tax authorities by the 5th day of the following month.

From 2010 tax is charged on capital gains at 15%.

A capital gain is the difference between the selling price and acquisition cost of a capital asset, or the difference between any surplus assets received on a company's liquidation and the original investment, or the down payment on a sale that is not completed. Capital assets include shares, investments in partnerships, and other financial instruments, investment fund certificates, debt instruments, real estate, intellectual property.

Non-resident individuals shall pay tax on income (capital gain) from selling real estate and other capital assets, except financial instruments turnover of which is regulated under the Law on the Market of Financial Instruments. However, a disposal of shares in a company is deemed to be a disposal of real estate (and thus subject to 15% tax) when real estate comprises more than 50% of the company's total assets either during the year of disposal or in the previous year. The proportion of real estate is calculated at the beginning of the year.

Taxation of benefits from private use of company vehicles has been abolished. Instead, from 2011, the merchants have to pay light corporate vehicle tax on cars owned or held (owner or holder registered with the Road Traffic Safety Authority); the taxable amount depends on the engine capacity only.

SOCIAL INSURANCE CONTRIBUTIONS

Social insurance contributions are paid by both the employer and employee. The total rate for resident employees is 35.09% of gross employment income (including salary, bonuses, benefits in kind etc.), 11% of which is paid by the individual (withheld from gross salary) and 24.09% by the employer. Special rules apply to Latvian residents employed by foreign companies, foreign nationals employed by foreign companies (performing work in Latvia) and self-employed individuals.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends	Interest	Royalties
Treaty Countries:			
Albania	10/5	5/10	5
Armenia	10/5	10	10
Austria	10/5	10	5-10
Azerbaijan	10/5	10	5-10
Belarus	10	10	10
Belgium	15/5	10	5-10
Bulgaria	10/5	5	5-7
Canada	15/5	10	10
China	10/5	10	10
Croatia	10/5	10	10
Czech Republic	10/5	10	10
Denmark	10/5	10	5-10
Estonia	15/5	10	5-10
Finland	15/5	10	5-10
France	15/5	10	5-10
Georgia	10/5	10	10
Germany	10/5	10	5-10
Greece	10/5	10	5-10
Hungary	10/5	10	5-10
Iceland	15/5	10	5-10
Italy	10/5	10	5-10
Ireland	15/5	10	5-10
Israel	15/5	5/10	5
Kazakhstan	15/5	10	10
Korea	10/5	10	5-10
Kyrgyzstan	10/5	5/10	5
Lithuania	15	0	0
Luxembourg	10/5	10	5-10
Macedonia	10/5	5	5-10
Malta	10/5	10	10
Moldova	10	10	10
Montenegro (4)	10/5	10	5-10
Morocco	10/6	10	10
Netherlands	15/5	10	5-10

	Dividends	Interest	Royalties
Norway	15/5	10	5-10
Poland	15/5	10	10
Portugal	10	10	10
Romania	10	10	10
Serbia (4)	10/5	10	5-10
Singapore	10/5	10	7.5
Slovak Republic	10	10	10
Slovenia	15/5	10	10
Spain	10/5	10	5-10
Sweden	15/5	10	5-10
Switzerland	15/5	10	5-10
Tajikistan	10/5/0	7	5-10
Turkey	10	10	5-10
Ukraine	15/5	10	10
United Kingdom	10/5	10	5-10
United States	15/5	10	5-10
Uzbekistan	10	10	10

1 The maximum final withholding tax rate on dividends paid by Latvian companies to non-resident companies is 10% (The treaty rate does not apply if the statutory rate is lower). In the case of some treaties, a reduced rate (usually 5%) may apply where a non-resident shareholder holds a set minimum of the share capital and votes in the Latvian company (usually 25%). If the shareholder is a company and a resident in another EU Member State or EEA country, no withholding tax is due on dividend payments.

2 Non-treaty rate: 10% applies if the recipient is a related party (5% if the recipient is a related company resident in the EU); 5% applies if the payment is made by commercial banks registered in Latvia to related parties.

3 In respect of royalties, generally, 15% applies on royalties for literary works, including movies, videos and recordings paid to non-treaty corporations. 5% applies to payments for all other types of intellectual property. Withholding tax rate of 5%, 7%, 7.5% or 10% is applied to royalties paid to companies of treaty countries; the rate depends on the type of royalties. If payments are made to EU resident companies a 5% rate applies.

4 The treaty concluded between Latvia and the former Serbia and Montenegro.

LEBANON

Currency: Pound (L£) | Dial Code To: 961 | Dial Code Out: 00

Member Firm:

City: Beirut
Name: Elie Chartouni
Contact Information: 1 493 220
info@pkflb.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Lebanese resident companies are subject to Lebanese corporate tax on profits of any business carried on in Lebanon at a tax rate of 15%.

Individuals and Partners in a private company are subject to tax on profits, after deduction of family allowances, on a progressive scale as follows:

- 4% on income below L£ 9,000.000
- 7% on the income bracket between L£ 9,000,000 and 24,000,000
- 12% on the income bracket between L£ 24,000,000 and 54,000,000
- 16% on the income bracket between L£ 54,000,000 and 104,000,000
- 21% on the income bracket above L£ 104,000,000.

Business income tax is imposed on net business income earned in the preceding year. Tax Returns of limited liability companies must be filed by 31 May in the year following the year of income.

CAPITAL GAINS TAX
Gains on the sale of fixed assets are principally taxed at a rate of 10%.

BRANCH PROFITS TAX
Branches of foreign companies are liable to the same income tax as Lebanese companies in respect of their profits realised in Lebanon. Profits earned by branches of foreign companies are deemed to be distributed dividends and are subject to 10% distribution tax on the amount of the profit after deduction of business income tax.

SALES TAXES/VALUE ADDED TAX (VAT)
VAT applies to imports and the supply of goods and services in Lebanon. The rate is 10% although there are many goods and services exempted from the tax.

FRINGE BENEFITS TAX
There is no fringe benefits tax in Lebanon.

LOCAL TAXES
There are no local taxes in Lebanon.

OTHER TAXES
STAMP DUTY
Stamp duty is payable on documents at a rate of 0.3% unless otherwise provided by law. The general rate applies to issue share capital, leases and other agreements, etc. The rate is reduced to 0.15% in respect of commercial bills.

TAXATION ON TEMPORARY LABOUR
Lump sum wages are subject to 3% tax, regardless of its amount and without any deductions. What is meant by lump sum wages of temporary labour is the amount paid to perform temporary quantitative work based on pieces or quantity.

TAXATION OF PUBLIC CONTRACTORS
All contractors awarded public works are taxed, regardless of their entities' legal status, on a 10% deemed profit basis at a maximum tax rate of 15%.

NSSF
Contributions to social security fund are as follows:
- Family allowances: 6% of the employee monthly salary with a ceiling of L£1,500,000 per month
- Sickness: 9% of the employee monthly salary with a ceiling of L£1,500,000 per month out of which the employee pays 2%
- Termination indemnity: 8.50% of the employee's total monthly salary.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits consist of all revenues earned by the enterprise after deduction of all charges necessary for carrying out the business.

DEPRECIATION
The amount of annual depreciation of fixed assets is fixed by the Ministry of Finance. The taxpayer may choose the rate he or she regards as appropriate, providing it falls within these minimum and maximum depreciation rates. Depreciation rates vary from 2% to 30% depending on the type of assets. Depreciation of land and goodwill is not acceptable for tax purposes.

STOCK/INVENTORY
Inventory of goods is valued at cost for tax purposes.

DIVIDENDS
Income tax law provides tax on distribution of dividends by Lebanese limited liability companies at a rate of 10% of the dividend paid. The distribution tax is payable regardless of whether the paying company is exempt from business income tax. Under certain conditions the rate is reduced to 5%.

INTEREST DEDUCTIONS
Interest on business loans is normally deductible.

LOSSES
Losses can be carried forward for a period of three years following the year in which they were incurred.

FOREIGN SOURCED INCOME
Income tax in Lebanon is territorial in general. Only profits realised in Lebanon and income derived from an activity in Lebanon is subject to Lebanese income tax.

INCENTIVES
The following enterprises are exempt from corporate tax: education institutions, co-operative associations, trade unions, Lebanese maritime and airline companies, public institutions which do not compete with the private sector, holding companies and offshore companies.

Medium and long-term credit banks are exempted from corporate tax in respect of the first seven years of operation.

Offshore companies are liable to an annual lump sum of L£ 1,000,000 that is to be paid to the income tax department.

Holding companies are subject to an annual tax computed on its total share capital plus reserves as follows:
- 6% on the first L£ 50,000,000
- 4% on the second L£ 30,000,000
- 2% on amounts exceeding L£ 80,000,000 providing that the total tax amount does not exceed L£ 5,000,000.

In addition, certain industrial activities are exempt when they relate to the economical development of the country and they fulfil certain legal requirements.

TAXATION BASED ON TURNOVER
Certain enterprises are not taxed on the actual net profits realised but apply a percentage of the annual turnover to arrive at their taxable profits. This is the case for:
- insurance companies
- contractors, in respect of sums received from work undertaken for the account of governmental institutions.

TAX ON INTERESTS RECEIVED
Interest received from bank deposit accounts, certificates of deposit, Lebanese treasury bills, debentures, etc is subject to a tax of 5%.

C. FOREIGN TAX RELIEF

There are no unilateral measures for the avoidance of double taxation.

D. CORPORATE GROUPS

Corporate groups are not generally recognised in Lebanon.

E. RELATED PARTY TRANSACTIONS

Any income indirectly transferred abroad to an enterprise established outside Lebanon, which controls or is controlled by the Lebanese corporation, may be added back to taxable income by the tax authorities unless it is at an arm's length transaction.

F. WITHHOLDING TAX

Remuneration paid to non-residents for services rendered in Lebanon are subject to a withholding tax at a rate of 7.50%. This rate is reduced to 2.25% when the sums paid relate to business activities.

G. EXCHANGE CONTROL

There are no restrictions concerning the repatriation of profits, income and capital nor are there any restrictions on the convertibility of currency.

Residents can freely import and export national banknotes. They may own, deal in, export and import gold. Residents may own foreign currencies and foreign securities, and may maintain bank balances abroad.

Non-residents can freely import and export national banknotes. They may maintain foreign currency accounts with banks in Lebanon.

H. PERSONAL TAX

Income tax law imposes a tax on all wages, salaries and other remuneration and consideration of services rendered in Lebanon. The tax is imposed on an income received in a preceding year after deduction of family allowances. The fiscal year is a Gregorian calendar year.

Individual income tax rates on wages and salaries are as follows:

Income (L£)	Rate
1 to 6,000,000	2%
6,000,001 to 15,000,000	4%
15,000,001 to 30,000,000	7%
30,000,001 to 60,000,000	11%
60,000,001 to120,000,000	15%
More than 120,000,001	20%

Every traveller leaving Lebanon through airports or harbours is subject to a departure fee of L£ 50,000 for economy class and L£ 70,000 for business and first class.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

In order to avoid double taxation of some income, treaties have been entered into with various countries to regulate bilateral relations.

The Lebanese double taxation treaty network is one of the widest in the Middle East region with more than 30 treaties signed with different countries.

Title	Signed
Algeria	26 March 2002
Armenia	16 September 1998
Bahrain	7 August 2003
Belarus	19 June 2001
Bulgaria	1 June 1999
Cuba	4 February 2001
Cyprus	18 February 2003
Czech Republic	28 August 1997
Egypt	17 March 1996
France	24 July 1962
Gabon	20 February 2001
Iran	22 October 1998
Italy	22 November 2000
Jordan	31 October 2002
Kuwait	21 January 2001
Malaysia	20 January 2003
Malta	23 February 1999
Malta - Amending Protocol	16 April 2009
Morocco	20 October 2001
Pakistan	31 August 2005
Poland	26 July 1999
Qatar	23 November 2005
Romania	28 June 1995
Russia	7 April 1997
Senegal	19 October 2002
Sudan	9 March 2004
Sultanate of Oman	12 April 2001
Syria	12 January 1997
Tunisia	24 June 1998
Turkey	12 May 2004
UAE	17 May 1998
Ukraine	22 April 2002
Yemen	29 September 2002

LIBERIA

Currency: Liberian Dollar (LRD) | Dial Code To: 231 | Dial Code Out: 00

Member Firm:
City: Monrovia
Name: Nim'ne Mombo
Contact Information: 6-835-784
76-225-401
nemombo@yahoo.com

A. TAXES PAYABLE

COMPANY TAX

Corporate income tax, payable quarterly in advance, is calculated at 2% or 4% of gross quarterly revenue, depending on income level. Advance payments on higher incomes (greater than L$500,000) are calculated at 2% and at 4% for lower annual income amounts. The payments are creditable against annual tax liability at yearend. Excess payments may be credited against other taxes and/or against future taxes or refunded if taxpayer prefers a refund and requests it.

Tax is levied as follows:

(a) Annual Business Registration for a foreign-owned company is US$1,000. For a company owned by Liberian nationals, the rate is L$4,200 (equivalent to US$56 at current prevailing exchange rate).

(b) The Company Tax is 25% of net taxable income. Advance payment is calculated at 4% of gross revenue if past or expected annual revenue is less than US$500,000; or 2% of gross revenue if past or expected gross income is US$500,000 or more. This prepayment is creditable against actual tax liability computed at year end (31 December). Excess payments are refundable or credited against future corporate income tax liability or by prior agreement with Tax Office against other taxes.

(c) Rent tax is assessed at 10% of amount paid.

CAPITAL GAINS TAX

Capital Gains Tax is not applicable.

BRANCH PROFITS TAX

No specific branch profits tax applies in Liberia. To operate in Liberia, a "permanent" establishment is required which, for tax purposes, is treated the same as a domestic corporation and is subject to taxes outlined above.

SALES TAX/VALUE ADDED TAX

There are none as such. However, some (but not all or very many) goods and services are taxed at 7% of gross charge. Seller has option to bill a single inclusive price or to separate elements of the charge, i.e basic amount plus tax. If all inclusive, then sales amount = amount charge/1.07.

FRINGE BENEFITS

Under the old law, basic salary was grossed up to 120% as the basis for computing personal income tax, regardless of actual commercial value of fringe benefit. Under the current law, the commercial value of fringe benefits plus actual earnings is determined to comprise taxable income. The new law is widely considered to be excessive, unfair and impracticable and not generally followed. There is a proposed change (back to old law or modified version of it) which is to be considered by national legislation in 2010.

LOCAL TAXES

These taxes vary by locality but generally consist of assessments for garbage collection and other sanitation charges.

OTHER TAXES

Generally, the only other taxes are:

- immigration – residency and work permits for non-nationals
- airport taxes – usually included in price of air ticket.

B. DETERMINATION OF TAXABLE INCOME

The following are allowed in the determination of taxable income:

- Capital allowances
- Depreciation - Tax office provides the allowable rates
- Stock/Inventory – Cost of goods sold must be calculated
- Capital gains and losses are determined at the same rate as regular taxable income
- Dividends are fully tax exempt if from one domestic corporation to another. Otherwise, if recipient is a resident taxpayer it is not treated separately but

includable in gross income for purpose of determining net taxable income. It is taxed at 15% if remitted overseas to non-resident taxpayer
- The deduction for interest paid is fully allowable
- Losses may be carried forward up to five years
- Foreign-sourced income is generally excludable unless income earning "activity" takes place in Liberia
- Incentives are not generally applicable but, where applicable, are excluded from taxable income.

C. FOREIGN TAX RELIEF

If a company or individual is filing as a resident taxpayer, then 100% of taxes paid overseas are credited, provided the revenue to which the taxes pertained is not derived from Liberia. No special tax treaty is required. This provision is not applicable for non-residents.

D. CORPORATE GROUPS

There are no special provisions for corporate groups.

E. RELATED PARTY TRANSACTIONS

Imports are subject to review by an independent assessor for duty purposes. Duty is paid on assessed value regardless of actual invoiced value. On that basis, any related expense accepted and treated as generally applicable for standard accounting purposes is allowed. Remittances relating to other charges (eg, licence fees etc) are taxable at 15% of amount paid.

F. WITHHOLDING TAXES

1. Personal income tax withholding tax is on a progressive scale
2. Social Security Taxes are 3.00% for the employee and 4.7% for the employer on employee gross earnings.

G. EXCHANGE CONTROL

There are no exchange controls. Liberia has two national currencies, the Liberian dollar and the US dollar. The exchange rate between these two currencies is dictated by the market, although the Central Bank of Liberia does regularly intervene by selling/buying one currency against the other. Otherwise, exchange rates are strictly market determined.

There is no remittance control, except that maximum cash allowable on person or in luggage of traveler is US$10,000 (ten thousand US dollars) or its Liberian dollar equivalent.

H. PERSONAL TAX

Personal tax is assessed according to a progressive scale specified in tax law of Liberia.

L

I. TREATY AND NON-TREATY WITHHOLDING TAXES

See item C above.

LIBYA

Currency: Libyan Dinar (LYD)	Dial Code To: 231	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Tripoli	Lassaad Marouani	216 20 30 59 06 pkf.marwani@gnet.tn

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies are liable to corporate income tax on their profits stemming from any business they carry on in Libya. Foreign companies not carrying on business in Libya but deriving certain types of income from Libya are subjected to company tax.
1. Jehad tax = taxable income X 4%
2. Income tax = taxable income X 20%

SALES TAX/VALUE ADDED TAX

There is no VAT.

LOCAL TAXES
There is a tax jehad (tax defence) on companies. It applies to the annual taxable benefit society and it is 4% on taxable income.

REAL ESTATE TAX
The purchase of real estate is subject to a registration duty of 2% on the purchase.

Any contract take place in Libya for anything other than a direct supply must be registered with the Tax Department within 60 days of signing the contract. A duty of 1% + 0.5% from the 1% of the total contract value is payable. For example:

Contract value	100,000 LYD
Duty stamp (1% of100,000)	1,000 LYD
0.5% (0.5% of 1000)	5 LYD
Total tax payable	1005 LYD

CAPITAL GAINS TAX
Capital gains are treated as income and are taxed at the same rate of company tax.

B. DETERMINATION OF TAXABLE INCOME

INCENTIVES
The Libyan tax legislation has established a certain number of incentives to investment and creation of projects in certain sectors of activity, either by Libyan or foreign promoters being resident or non-resident or in partnership according to the overall development strategy. These are mainly aimed at accelerating growth rate and job creation. Free zones are mainly in the Mesrata area.

C. FOREIGN TAX RELIEF

According to the Libyan tax legislation, revenues from foreign-sources that were subject to tax payment in the country of origin are not taxed. Non-resident legal entities are taxable on their Libyan source income. The taxable capital gain is the difference between the sale price and the purchase cost. Relief from foreign taxes in Libya depends on whether a double tax treaty has been concluded by Libya.

RESTRICTION ON FOREIGN INVESTMENT
Foreign investors have the choice between:

- Setting up a Branch Office which requires the participation of a Libyan partner company or individual and is technically open in all fields of business. Due to a 2006 General People's Committee (GPC) decree (#443), the branch manager or deputy manager must be a Libyan national and the office must be either a joint stock or limited liability company.
- Setting up a Joint Venture/Joint Stock Company which allows for participation in "all economic activities". To establish a joint stock company requires a minimum capital investment of 1 million Libyan Dinars (LD). Libyan ownership in Joint Stock Companies must be a minimum of 51%. The majority of the company's board of directors, as well as its director, must also be Libyan nationals.

All foreign companies seeking to do business in Libya after 14 November 2006 (companies present and operating in Libya before 14 November 2006 and projects specifically approved by the GPC to operate otherwise) are required to enter as joint ventures with a Libyan entity. Foreign ownership in these joint venture companies can be up to 65%. This GPC decision does not apply to companies coming into Libya under the terms of Law #5 of 1997 or representative offices and companies entering under Law #7 of 2004. Application of this law is still unclear, particularly as it pertains to the opening of branch offices in Libya. Law 443 remains controversial, particularly as several major foreign firms have thus far resisted government efforts to force compliance.

Law No. 5 of 1997 allows for 100% foreign equity ownership of companies licensed under the law. It provides for various preferences for licensed projects such as an exemption from corporate income tax for five years with a possible extension of three years provided net profits are reinvested in the project. It provides exemptions from some customs duties and excise taxes on exported goods and allows for foreign ownership of land. Investors are also afforded some protection against expropriation and permitted access to arbitration.

In 2006, a Decree lowered the floor on foreign capital investment qualifying for entry under Law #5 to 5 million LD (2 million LD if 50% or more of the project is owned by Libyans) (GPC Decree # 86 of 2006). Through Law No. 5 (1997), "Encouragement of Investment Decision," the government attempted to diversify its oil-dependent economy, encourage technical training of Libyan nationals and enhance regional development. Sectors targeted under this law include but are not limited to agriculture, industry, tourism, services and health.

The provisions of Law No. 5 attempt to lower the tax and customs fee burden on qualifying companies. For example:
- Imported machinery, tools and other capital equipment are exempt from all customs duties and taxes
- Any equipment, spare parts, or primary materials needed for the project operation are exempt for a period of five years
- The affected project is exempt from income tax on its activities for a period of five years from the date of the commencement of production or work
- Goods directed for export are exempt from excise tax and from the fees and taxes imposed on exports
- Stamp duty tax is exempt on commercial documents
- Finally, profits from the project will enjoy the same exemption if reinvested.

EXPATRIATING PROFITS
The foreign investor has the right to repatriate dividends and net profits generated by the project and the capital invested if the project reaches maturity or upon liquidation or sale of the business or within six months after the date of investment if the project is not feasible due to circumstances that are not attributable to him.

F. WITHHOLDING TAXES

The only withholding tax in Libya is on interest at 5%.

G. EXCHANGE CONTROLS

The transfer is regulated by the Central Bank of Libya. In major cases, an authorisation from a bank is necessary.

More flexible than before, it is managed by the Directorate of exchange controls attached to the Libyan Central Bank. Since 16 June 2003, Libyan authorities have managed to establish in the capital market a single exchange rate. Its value is approximately 1 euro = 1.6 LYD. The Libyan dinar is not a convertible currency and is used for current operations in the country. However, the foreign investor has the right to open an account in convertible foreign currencies with a commercial bank or the Bank for Arab Jamahiriya abroad.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on income of an individual. This kind of tax applies to salaries, wages, benefits and bonuses which occur from employment in Libya.

L

FRINGE BENEFITS TAX
Fringe benefits are considered to be a part of the salary paid to an employee and are thus subject to social security and income taxes. Fringe benefits taxable are evaluated on the basis of their market value.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Libya has signed a few agreements on avoidance of double taxation.

LUXEMBOURG

Currency: Euro (EUR)	Dial Code To: 352	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Luxembourg	Ronald Weber	453 8781 Ronald.weber@pkfwb.eu

A. TAXES PAYABLE

COMPANY TAX
Luxembourg resident companies are subject to tax on their worldwide income. A company is deemed resident in Luxembourg if it has its corporate address or its central management in Luxembourg.

Non-resident companies are only taxable on specific Luxembourg-sourced income such as:
- income attributable to a permanent establishment located in Luxembourg

- income derived from ‘ambulant’ activities requiring a special licence and carried on in the country (i.e. mobile activities such as hairdressing and the provision of fairground attractions)
- professional income from sports or cultural events taking place in the country
- income from agriculture or forestry carried on in the country
- income from professional services carried on in the country (i.e. doctors, solicitors, accountants)
- dividends, interest from profit sharing loans and interest from bonds if the paying agent is the State or a resident individual or company (exception: securitisation vehicles)
- interest from loans secured on Luxembourg real estate
- rental income from real estate or goods located in Luxembourg or recorded in a public domestic register (aeroplanes, ships, patents, copyrights, surface rights, emphythéoses, brands, cars) or used by a permanent establishment located in Luxembourg
- capital gains from the sale of real estate located in Luxembourg
- capital gains from the sale of shareholdings of 10% or more in resident companies (except SICARs):
  - if acquired less than six months prior to disposal or
  - if the seller was resident in Luxembourg for more than 15 years and became non-resident less than five years prior to disposal.

The general effective corporation tax rate for resident companies is 22.05%. This consists of corporate tax of 21% and a 5% surcharge for the employment fund. Companies with taxable income of not more than EUR 15,000 pay tax at 20.80% In addition, a municipal business tax is payable at rates which vary in different areas. The rate is 6.75% in the city of Luxembourg, producing a combined corporate tax rate of 28.80%.

CAPITAL GAINS TAX
Capital gains are in principle regarded as ordinary business income and are taxed at the normal corporate rate. Exemptions and roll-over relief apply in some cases.

BRANCH PROFITS TAX
Tax rates and measures apply in the same way as for Luxembourg corporations. No force of attraction rule is applicable.

SPECIAL REGIMES AND MEASURES
FAMILY WEALTH MANAGEMENT COMPANY (SOCIÉTÉ DE GESTION DE PATRIMOINE FAMILIAL (SPF))
The SPF is exempt from corporate income tax, municipal business tax and net wealth tax, but subject to an annual subscription tax of 0.25% based on share capital and share premiums.

SOPARFI (SOCIÉTÉ DE PARTICIPATIONS FINANCIÈRES)
These are companies created to take advantage of the participation exemption in internal law (see below: taxation of capital gains and dividends).

L

FIDUCIARY (FIDUCIE)
This is a legal framework for setting-up agreements to split beneficial ownership from legal ownership of assets. It is most commonly used for ensuring privacy and efficient management or transfer of assets.

INVESTMENT FUND
Approval for investment fund status is granted by the Commission de Surveillance du Secteur Financier (‘the Regulator’). Investment funds are exempt from tax except for:
(a) an annual subscription tax of 0.01% and 0.05% on the value of shares held by institutional investors or private investors respectively
(b) VAT on purchases and services not linked to the management of the fund.

SPECIALISED INVESTMENT FUND (SIF) (FONDS D’INVESTISSEMENT SPÉCIALISÉ)
Compared to traditional investment funds, the SIF has greater flexibility with regard to investment policy and less regulatory constraints due to the fact that it is reserved for professional or well-informed investors. There are no initiator/promoter requirements. SIFs are exempt from tax except:
(i) an annual subscription tax of 0.01% on the value of net assets of the SIF
(ii) VAT on purchases and services not linked to the management of the fund.

SECURITISATION VEHICLE (ORGANISME DE TITRISATION)
These vehicles convert assets, liabilities and risks into transferable securities. The structure involves an originator, the vehicle and the investors. The originator transfers assets of any type (e.g. receivables, lorries, wine, real estate, rental income) to the vehicle, with or without a sale back agreement. The vehicle issues securities and uses the funds collected to pay for the purchase of the assets.

Two types of structures are available:
(a) the securitisation fund, which follows the same rules as investment funds, except that no subscription tax is levied
(b) the securitisation company, which is a fully taxable entity that qualifies for the application of tax treaties and EU directives.

For securitisation companies, any commitments to investors or creditors, such as for paying dividends or interest, qualify as a deductible expense which leads, in most cases, to full tax neutralisation. Such companies are exempt from net worth tax.

VENTURE CAPITAL FUND (SOCIÉTÉ D'INVESTISSEMENT À CAPITAL RISQUE (SICAR))

SICAR is a specific vehicle for collecting venture capital from professional or well-informed investors. SICARs may invest in assets with high-risk/increased return perspectives: no restrictions or ratios apply. SICARs are fully taxable entities and qualify for the application of tax treaties and EU Directives. They are exempt from tax on any income from securities (dividends, capital gains) and from cash held for future eligible investments. Non-resident beneficiaries are exempt from tax in Luxembourg on income derived from these companies. Umbrella SICARs are able to create multiple investment compartments with specific investment policies.

SHIPPING REGISTER

In addition to specific and general incentives, shipping companies are subject to corporate (21.84%) and enjoy simplified rules with respect to social security and wage tax.

CO-ORDINATION CENTRES, MULTI-NATIONAL FINANCE COMPANIES

Under specific circumstances, it is possible for such companies to obtain advance rulings for various structurings, including transfer pricing and finance margins.

VALUE ADDED TAX (VAT)

VAT is applied on the supply of goods and services within Luxembourg and on the supply to non-VAT registered persons or entities within the EU. The standard rate is 15%. The reduced rates are 3%, 6% and 12%.

OTHER TAXES

There is no stamp duty on the transfer of shares or goodwill in Luxembourg. Other Luxembourg taxes include:

- net worth tax (0.5% on net asset value. Exemptions include substantial shareholdings and intellectual property). Net worth tax may be neutralized by building a reserve amounting to five times the amount of tax which has been maintained for 5 years
- Soparfi minimum tax: a Soparfi has to pay annually a minimum corporation tax of EUR 1,500
- subscription tax payable by holding companies 1929 (0.2%), SPFs (0.25%) and investment funds (0.05% or 0.01%, see above)
- stamp duties on donations, payment of share capital and real estate transfers at the rates set out below:

Real estate sales in Luxembourg/Luxembourg city	7%*/10%*
Real estate sales in Luxembourg/Luxembourg city – for resale	8.2%*/11.8%*
Idem reimbursement in case of sale within 2/4 years – country	6%*/4.8%*
Idem reimbursement in case of sale within 2/4 years – city	9%*/7.2%*
Swap of land (same municipality): Swap/compensatory payment, country *	0.25%/0.75%*
Swap of other real estate located in Luxembourg/ Luxembourg city	5.80%*/8.2%*
Leases over 9 years and long leases (emphythéoses) 27–99 years	0.60%
Contribution of real estate to pay in company share capital	1.2%
Donation of real estate to one's children or parents with/ without set off against later heritage *	2.8%/3.4%
Donation of real estate in Luxembourg/Luxembourg city between spouses *	5.8%/8.2%

* Transcription tax of 1% included (0.5% for swap of land), notary fees ±0.5% to be added

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is the difference between taxable income and allowable deductions. All business expenses are deductible. Expenses linked to exempt income are deductible to the extent that they exceed exempt income. Owner-run businesses accumulate deductible social reserves up to EUR 62,000 and an additional EUR 62,000 if reserves are backed by insurance.

DEPRECIATION

Methods used are the straight-line depreciation and the declining balance at rates reflecting economic or technical obsolescence. Land may not be written off and buildings may only be depreciated by the straight-line method.

STOCK/INVENTORY

Inventory includes raw materials, work in progress, finished goods and real estate bought for resale. Valuation is at the lower of production or purchase cost and market value. Accepted valuation methods include FIFO, LIFO and any other method if justified and applied consistently.

CAPITAL GAINS AND LOSSES

In principle, capital gains and losses from business assets are taxed at the ordinary tax rate. There is a roll-over-relief for profits from the sale of real estate or non-depreciable assets.

Capital gains from the sale of substantial shareholdings are tax exempt. Substantial shareholdings are shareholdings of at least 10% or of an acquisition cost of at least EUR 6,000,000 held for 12 months. The exemption applies to all subsidiaries that come under the scope of the EU Parent-Subsidiary directive (90/435/CEE) as well as any company which is subject to a corporate tax at a minimum rate of 10.5%. Expenses connected to substantial shareholdings (eg interest on loans to finance the acquisition of such a shareholding) are only deductible to the extent that they exceed exempt income arising from the participation. A recapture mechanism provides for subsequent capital gains to be taxed up to the amount of the expenses claimed as deductions in prior years.

An 80% exemption applies to the capital gain realised from the sale of intellectual property. A recapture mechanism provides for subsequent capital gains to be taxed up to the amount of the expenses claimed as deductions in prior years.

INCOME FROM INTELLECTUAL PROPERTY

An 80% exemption applies to any income from IP including gains from the disposal of IP. Any IP such as software, brands, patents, designs etc qualify. Exceptions include literary or art copyrights, plans, formulas, trade secrets and similar rights.

DIVIDENDS

Dividends from substantial shareholdings are tax exempt. Substantial shareholdings are shareholdings of at least 10% or of an acquisition cost of at least EUR 1,200,000 held for at least 12 months. The exemption applies to all subsidiaries that come under the scope of the EU Parent-Subsidiary Directive (90/435/CEE) as well as any company which is subject to a corporate tax at a minimum rate of 10.5%. Dividends from fully taxable companies in which the recipient does not have a substantial shareholding are 50% tax exempt.

INTEREST DEDUCTIONS

Interest on loans associated with investments intended to generate taxable income is deductible. Interest associated with exempt income is deductible only to the extent that it exceeds such income. Thin capitalisation ratios apply to some investments and businesses, eg a debt/equity ratio of 6:1 applies to Soparfis.

LOSSES

Losses may be carried forward indefinitely. No carry-back is allowed.

FOREIGN SOURCED INCOME:

Foreign sourced income is generally taxable under domestic law. Luxembourg has no CFC (‘controlled foreign company’) legislation.

INCENTIVES

- Investment incentives by way of cumulative tax credits are available as follows:
  - (a) 12% of the difference between the value of total depreciable fixed assets other than real estate and the average value of such assets during the last five years
  - (b) 7% on investments up to EUR 150,000 in such assets during the tax year and 3% on investments exceeding EUR 150,000. For investments linked

to environmental protection or adaptations enabling the hiring of disabled persons, the rates are 8% and 4% respectively.

- Incentives for investment, restructuring activities or research and development and for the setting up and development of industrial or service-providing businesses are granted in various ways including subsidies, promotional assistance, tax exemptions credits and state guarantees.
- Incentives for investment in movie production (Mediaport Luxembourg) are available by way of negotiable certificates allocated by the State of a nominal amount up to the total amount of production costs incurred in Luxembourg. Certificates may be assigned to resident companies who may claim a tax credit of 30% of the nominal amount up to a maximum of 30% of their taxable profits.
- There are incentives for investment in the development of new products, the launching of the production phase and the initial marketing thereof by way of negotiable certificates allocated by the State. Certificates are assignable and give rise to tax credits like the audiovisual certificates described in the preceding point. Certificates may not amount to less than EUR 100,000 or more than EUR 5,000,000.
- Incentives are also available for hiring unemployed individuals by way of a monthly tax credit of 15% of monthly salaries for a period of 36 months after hiring.
- There are incentives for continuing professional education by way of a tax credit of 10% or a subsidy of 14.5% of eligible expenses for continuing education such as planning, evaluation, travel, catering and registration fees.
- Investment incentives are also available for fully equipped land, at low cost, in business parks.
- Other incentives include governmental investment grants, medium and long-term loans by National Investment Credit Bank, ECSC and Research and Development loans, and export financing (Ducroire).

C. FOREIGN TAX RELIEF

Foreign income tax may be credited against domestic income tax up to the amount of the domestic tax. If the foreign tax exceeds domestic tax, the excess is generally allowable as a deduction against taxable profits. No relief is available for underlying tax arising on dividends from overseas companies.

D. CORPORATE GROUPS

Profits and losses of Luxembourg group companies may be pooled and taxed as if earned by a single entity. Group members may include Luxembourg resident companies and Luxembourg permanent establishments of non-resident companies. At least 95% of the capital of each group member must be held, directly or indirectly, by a fully taxable Luxembourg resident company. If the subsidiary contributes substantially to the structural improvement of the domestic economy, the holding required is reduced to 75%.

E. RELATED PARTY TRANSACTIONS

Transactions by a company with shareholders and related parties have to be at an arm's length basis. Domestic law provides for transactions in breach of this principle to result in deemed distributions of profit which are subject to withholding tax and an adjustment in the tax base of the parties involved.

F. WITHHOLDING TAX

DIVIDENDS

Dividends paid by special purpose vehicles such as SPFs, investment funds and SICARs are not subject to withholding tax. Dividends paid by fully taxable companies are subject to a 15% withholding tax, possibly reduced by applicable tax treaties. Dividends paid to companies that come under the scope of the EU Parent-Subsidiary directive or which are fully taxable and resident in treaty countries are exempt from withholding tax (see above).

INTEREST

Further to the EU Savings Directive (2003/48/EC) interest paid to individuals resident in the EU is subject to a 20% withholding tax. Interest paid to Luxembourg residents is subject to a 10% final withholding tax.

ROYALTIES

Luxembourg does not levy withholding tax on royalties.

G. EXCHANGE CONTROL

There are no exchange control rules in Luxembourg.

H. PERSONAL TAX

Resident individuals pay tax on their worldwide income. Individuals are deemed resident in Luxembourg if they have a residence or their customary place of abode is in Luxembourg. The latter is the case if the individual has been present in Luxembourg for more than six months. Non-resident individuals are only taxable on specific Luxembourg-sourced income. In addition to the items listed for non-resident companies (cf. company tax) the following income is taxable:

- income from a salaried activity carried on in Luxembourg or if paid by the State
- income from pensions:
  - if paid by the State or if former activity was carried on in Luxembourg
  - if paid by a domestic organisation
  - if paid by a pension fund, provided that the contributions were deducted from income taxable in Luxembourg.

The tax base consists of assessable income less allowable deductions. Assessable income includes: business income, income from agriculture and forestry, self-employment, salaried activities, pensions, savings and securities, rental income and other income including capital gains.

Based on administrative practice documented on 31 December 2010, highly qualified workers which are hired in the international labour market may, during a five year period, benefit from generous tax exempt compensations.

With effect from 1 January 2008, an 80% exemption applies to the business income from intellectual property (IP), except copyrights (other than for software), plans, formulae, trade secrets and similar rights.

Interest earned by resident taxpayers is subject to a 10% final withholding tax. Capital gains are taxable if they derive:

- from any assets held less than six months prior to disposal
- from the sale of shareholdings in Luxembourg companies exceeding 10%
- from the sale of real estate located in Luxembourg, except the taxpayer's main residence.

Payment of tax: tax on salaries is withheld at source.
Tax is fixed by assessment according to income sources and amounts. Taxpayers pay tax by quarterly instalments based on income received during the last year of assessment.

L

Tax rates: system based on marginally increasing rates. The rates quoted below include a 4% surcharge for the employment fund. The surcharge amounts to 6% for income above EUR 150,000 for tax classes 1 and 1a) or above EUR 300,000 for tax class 2.

Taxable income (EUR)	Marginal rate (class 1)
0 – 11,265	0%
11,265 – 13,171	8.32%
13,171 – 15,077	marginal increase of 2.08% per slice of EUR 1,908 (1.04% on the last slice)
Above 41,793	40.56%
Above 150,000	41.34%

In addition a special crisis tax of 0.8% (flat tax) applies on any income except if exempt further to a tax treaty.

- Income from the sale of businesses, capital gains from sales after six months of purchase, forestry income, indemnities for injuries, one off payment of (supplementary) pension benefits (entered into by employee): marginal rate equals half the tax rate on global income.
- Forestry income due to force majeure, capital gains from real estate irrespective of date of purchase: marginal rate equals one quarter of the tax rate on global income (132.3, law 30.7.02).

The minimum tax rate for non-residents is 8.32% except for capital gains on real estate, where the rate for residents is applicable.

Tax classes: classification depends upon civil status

Civil status	Age below 64 on 1 Jan	Age above 64 on 1Jan
Single	1 or 1a **	1a
Married	2	2
Separated*	1 or 1a **	1a
Divorced*	1 or 1a**	1a
Widow*	1 or 1a **	1a

* Class 2 remains granted for the year the person becomes single and the three following years (119.3.c)
** 1 applies without children, 1a with children

- For class 1, the general tax rates apply.
- For class 2, the total income of both spouses is split and each half is taxed according to class 1.
- For class 1a lower rates apply with a maximum advantage of EUR 1,337.

Non-resident tax payers may benefit from tax class 2 if they earn more than 50% of professional income in Luxembourg.

Resident taxpayers married to non-residents may benefit from tax class 2 if the household earns at least 90% of its professional income in Luxembourg (income earned with EU institutions is not taken into account).

Non-resident individuals may, under certain conditions, elect to be treated as resident taxpayers. In that case, they are assessed on their worldwide professional income (income from business activities, salaried activity) for income tax purposes. They would also be entitled to the deductions and allowances available to resident taxpayers.

TAX CREDITS AND CHILD BONUSES

EUR 300 per year for self-employed persons (to be abolished in 2010), employees or pensioners.

EUR 750 for tax payers in class 1a.

There is a monthly bonus of EUR 76.88 per child under the age of 18 or above such age (max 27 years) in case of students.

Social Security: contributions are indicated in the table below (valid as at 1st January 2011)

Social contributions in %	Private sector workers		Civil servants	Self employed persons
Paid by	*Worker*	*Employer*		
Illness (white collar workers)	3.05	3.05	2.80	6.10
Illness (blue collar workers)	5.15	3.05	n/a	n/a
Pension	8.00	8.00	–	16.00
Accident	–	1.15	–	1.15
Old age care	1.4	–	1.4	1.4
Mutual Insurance	–	0.62 – 2.38	–	1.48 (optional)
Health check	–	0.11	–	–
Total	12.45 – 14.55	12.93 – 14.69	4.20	26.13

Notes: A minimum monthly wage applies in Luxembourg. It amounts to EUR 1,757.56 (EUR 2,109.07 for qualified workers). Wages are linked to inflation index (July 2010 index = 719.84).

Contributions are levied on a base which corresponds to the minimum wage, or the actual professional income if higher. No contributions are levied on income which is more than five times the minimum wage. This ceiling does not apply for Old Age care which is also levied on other income. For salaries a monthly deduction of EUR 439.39 applies here.

Inheritance tax: rates vary according to the degree of relationship and value:

Transfer	nominal rate
In direct line	exempt
Between spouses with / without living descendants	exempt/5%
Between sisters and brothers	6%
Between uncles, aunts and nephews or nieces; between adopter and adoptee	9%
Between granduncles, grandaunts and grandnephews or grandnieces	10%
Between other relatives and non-related parties	15%

Increase in % of nominal rate, based of value (EUR 10,000) inherited by each heir:

< 1	0%	> 4	40%	> 15	80%	> 50	140%	> 100	180%
> 1	10%	> 5	50%	> 20	90%	> 62	150%	> 125	190%
> 2	20%	> 7.5	50%	> 25	120%	> 75	160%	> 150	200%
> 3	30%	> 10	70%	> 38	130%	> 87	170%	> 175	220%

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Treaties signed with Albania, Argentina, Barbados, Cyprus, Georgia, Kazakhstan, Kuwait, Kyrgyzstan, Macedonia, Qatar and Ukraine may soon come into force. Negotiations are ongoing with Lebanon, Pakistan, United Kingdom (new treaty), Serbia-Montenegro and Syria.

	Dividends (%) (1)	Interest (%) (2)	Royalties (%) (3)
Non-Treaty Countries:	15	0	0
Austria	15/5/0	0	0/10
Azerbaijan	10/5	10	10/5
Armenia	15/5	10	5
Bahrain	10/0	0	0
Belgium	15/10/0	15	0
Brazil	25/15	15	15/25
Bulgaria	15/5	10	5
Canada	15/5/0	10	0/10
China	10/5	0	10/6
Czech Republic	15/5/0	0	10/0
Denmark	15/5/0	0	0
Estonia	5/10	10	5/10
Finland	15/5/0	0	5/0
France	15/5/0	10	0
Germany	15/10/0	0	5
Greece	7.5/0	8	7/5
Hungary	15/5/0	0	0
Hong Kong	10/0	10	3
Iceland	15/5	0	0
Indonesia	15/10	10	12.5
India	10	10	10
Ireland	15/5/0	0	0
Israel	15/10/5	10/5	5

L

	Dividends (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Italy	15/0		10		10	
Japan	15/5		10		10	
Korea	15/10		10		10/15	
Latvia	10/5		10		10/5	
Liechtenstein	15/5/0		0		0	
Lithuania	15/5		10		10/5	
Malaysia	5/10		10		8	
Malta	15/5/0		0		10	
Mauritius	10/5		0		0	
Mexico	15/5		10		10	
Moldova	10/5		5		5	
Monaco	15/5		0		0	
Mongolia	15/5		10		5	
Morocco	15/10		10		10	
Netherlands	15/2.5/0		0/2.5/15		0	
Norway	15/5		0		0	
Poland (4)	15/5/0		0/10		10	
Portugal	15/0		10/15		10	
Qatar	10/5/0		0		5	
Romania	15/5		10		10	
Russia	15/10		0		0	
San Marino	0/15		0		0	
Singapore	10/5/0		10		10	
Slovak Republic	15/5/0		0		10/0	
Slovenia	15/5/0		5		5	
South Africa	15/5		0		0	
Spain	15/5		10		10	
Sweden	15/0		0		0	
Switzerland	15/5/0		0/10		0	
Thailand	15/5		10/15		15	
Trinidad and Tobago	10/5		0		10	
Tunisia	10/–		0/7.5/10		12	
Turkey	5/20		10/15		10	
United Arab Emirates	10/5		0		0	
United Kingdom	15/5/0		0		5	
United States (5)	15/5		0		0	
Uzbekistan	15/5		10/0		5	
Vietnam	15/10/5		7/10		10	

1 For dividends, the lower rate is applicable under specific conditions and generally if the recipient holds at least 25%. The tax treaty with Brazil and the United States fixes the minimum shareholding at 10%. EU Directive 90/435/CEE provides for exemption for qualifying subsidiaries.
2 Rates are for inbound interest only as Luxembourg does not levy withholding tax on interest. EU Directive 2003/49/EC provides for exemption for qualifying subsidiaries.
3 Rates are for inbound royalties only. Luxembourg abolished withholding tax on royalties from 1 January 2004.
4 Poland grants full exemption on any inbound dividends from Luxembourg.
5 The 'limitations of benefits clause' in the US treaty (1996) is in many aspects more favourable than in other new US treaties.

MALAYSIA

Currency: Ringgit (RM)	Dial Code To: 60	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Kuala Lumpur	Anthony Skelchy	3 20323828 ajs@pkfmalaysia.com

Malaysian taxation is territorial in scope whereby income derived from sources in Malaysia and income received in Malaysia from outside Malaysia is subject to tax. From 2004, income received in Malaysia by any person other than a resident company carrying on the business of banking, insurance or sea or air transport for a year of assessment (YA) derived from sources outside Malaysia is exempted from tax. Malaysia has signed Tax Treaties with over 70 countries.

Malaysia moved to the self-assessment system in 2001 whereby taxpayers have to assess the extent of their tax liability and bear the onus of disclosure and representation of information.

A. TAXES PAYABLE

CORPORATE TAX

Taxable income of companies is generally subject to corporate tax at the rate of 26%. With effect from year 2009, corporate tax rate is reduced to 25%. Small and medium sized enterprise (SME) companies which fulfill the conditions will be subject to tax at the following rates:

For the first RM500,000 taxable income	20%
Balance of taxable income thereafter	26% (25% with effect from YA 2009)

The following are the key changes to the Malaysian income tax system and administration.

SINGLE TIER SYSTEM

To simplify and ease the administrative burden under the previous tax imputation system, a single tier tax system has been introduced with effect from 2008. Under this new system, tax imposed on a company's profit is a final tax and dividends distributed are exempted from tax in the hand of shareholders.

Under the transition period, tax credits brought forward under the previous system would still be made available for franking of dividends, subject to terms and conditions met. The transition period will end on 31 December 2013.

ADVANCE RULING

With effect from 2007, a taxpayer may request for an advance ruling from the Director General of Inland Revenue (DGIR) on the application of any provision of the Income Tax Act 1967 ("the Act") to a particular type of arrangement or transaction.

GROUP RELIEF

With effect from 2006, group relief is made available to all locally incorporated resident companies, subject to terms and conditions met. Under this provision, a company may elect to surrender 50% of its tax losses to related claimant companies and, with effect from YA 2009, the rate of group relief will be increased to 70%.

TRANSFER PRICING REGULATION

It is proposed that effective from 2009, the Malaysian tax authorities will be empowered to make adjustments on transfer pricing and thin capitalization cases to ensure transactions carried out between related companies, especially cross-border transactions, are based on arm's length principles.

ADVANCE PRICING ARRANGEMENTS

With effect from 2009, companies can now apply to the Malaysian tax authorities for an advance pricing arrangements via a prescribed form that contains necessary particulars as required by the tax authorities.

REAL PROPERTY GAINS TAX

The Real Property Gains Tax (RPGT) which has been suspended since 1 April 2007 is now re-introduced with effect from 1 January 2010. Gains arising from the disposal of any interest, option, or other right in or overland or shares (collectively known as chargeable assets) in real property company (RPC) would be subject to RPGT. The applicable rate ranges from Nil to 30% based on holding period of the chargeable assets. However, the Ministers currently give an exemption that the RPGT rate would be fixed at 5% regardless of the holding period of the chargeable assets. With effect from 1 January 2010 the RPGT rates will be as follows:

Year of Disposal vs date of acquisition	**Rates provided under Sch 5, RPGT**		**Effective rate after (Exemption Order)**	
	Existing Rates		**Proposed Rates**	
	Companies	*Individuals & non-corporate entities*	*All categories of owners*	*Non-citizen & non PR Individual*
2nd year	30%	30%	5%	30%
3rd year	20%	20%	5%	30%
4th year	15%	15%	5%	30%
5th year	5%	5%	5%	30%
6th year	5%	0%	5%	5%

Following the Malaysian Budget 2011, it is proposed that the DGIR may utilise any excess of tax payment (which is to be refunded to a person) under the Act for the payment of any other amount of tax which is due and payable under the Act, the Petroleum (Income Tax) 1967 (PITA) or the RPGT Act. Same treatment will be applicable under PITA and RPGT Act.

STAMP DUTY

1. The rates of stamp duty for a charge or mortgage [including that under the Syariah (Shariah)], bond, covenant, debenture (not being a marketable security) are as follows:

For an amount not exceeding RM250,000 of the aggregate loans or of the aggregate financing under the Syariah in a calendar year	RM0.50 for every RM1,000 or fractional thereof
For each additional RM1,000 not exceeding RM1,000,000	RM2.50 for every RM1,000 or fractional thereof
For each additional RM1,000 or part thereof	RM5.00

2. The rates of stamp duty for conveyance, assignment, or transfer of property are as follows:

On the first RM100,000 (Value of property)	RM1.00 per RM100 or part thereof
On the next RM400,000 (Value of property)	RM2.00 per RM100 or part thereof
In excess of RM500,000 (Value of property)	RM3.00 per RM100 or part thereof

3. Stamp duty on loan and services agreements:

(a)	All loan and service agreements (except education loans)	Ad valorem of RM5 for every RM1,000 or part thereof – effective 1 January 2009 (Note *)
(b)	Education loan agreements	Fixed at RM10

Note* Stamp duty on service agreement instruments

The Minister of Finance in exercising his powers under Sec 80(2) of the Stamp Act 1949 has agreed that service agreement instruments executed from 15 September 2009 until 31 December 2010 will be subject to stamp duty of up to RM50 only and the excess duty will be remitted.

With effect from 1 January 2011, stamp duty at ad valorem rates will be imposed on service agreement instruments.

Stamp duty on construction contract instruments.

The Minister of Finance has issued the following guideline:

M

(a)	Contract awarded by Government		
	– between Government and principal contractor	–	contract is exempted from stamp duty
	– second level contract (i.e. between principal contractor and the sub- contractors)	–	stamp duty at ad valorem rate
	– third level and subsequent	–	fixed at RM50.00 and any stamp duty paid in excess will be remitted.
(b)	Contract awarded by any party other than the Government		
	– between such party and principal contractor	–	stamp duty at ad valorem rate
	– second level and subsequent	–	fixed at RM50.00 and any stamp duty paid in excess will be remitted.
(c)	Projects that are cancelled by the parties who had offered the contracts, and stamp duty for all such contract had been paid	–	only the stamp duty at the ad valorem rate will be refunded.
		–	stamp duty at the fixed rate of RM50.00 will not be refunded.

4. Following the Malaysian Budget 2011, it is proposed that the existing 50% of stamp duty exemption given on the instruments on transfer of ownership and loan agreement instrument will be extended and enhanced, subject to the following conditions:
   - The above exemption is only given for Malaysian citizen who purchases his/her first residential property and is eligible to be claimed once only within the exemption period
   - Applicable for sales and purchase agreements executed from 1 January 2011 to 31 December 2012
   - The property price shall not exceeding RM 350,000 (Please note that the price threshold for the above exemption has been increased from RM 250,000 to RM 350,000)
   - Residential house includes a terrace house, condominium, apartment or flat.

INDIRECT TAXES

Service tax and sales tax are currently the two major types of consumption taxes imposed on certain prescribed goods and services. There have been no further announcements with respect to the introduction of Goods and Service Tax (GST), since the announcement earlier this year regarding the deferral of the second reading of the GST Bill in Parliament. However, on 13 July 2010 the Price Control and Anti-Profiteering Bill 2010 was tabled for the first reading at Parliament. The Bill is aimed at reforming the law on price control and enacting provisions to curb profiteering by businesses in Malaysia.

M

SERVICE TAX

1.1. Service tax is a single stage tax applicable to certain prescribed goods and services in Malaysia. The tax also applies to professional and consultancy services as prescribed by the Malaysian customs authorities.
1.2. Professional services provided by a company to companies within the same group will be exempted from service tax, subject to terms and conditions.
1.3. Generally, the imposition of service tax is subject to a specific threshold based on an annual turnover ranging from RM150,000 to RM500,000 subject to the types of taxable services and taxable person. The threshold would not apply for certain prescribed professional and consultancy services.
1.4. With effect from 1 January 2010, service tax to be imposed on credit cards and charge cards including those issued free of charge as follows:
   - RM50 per year on the principal card
   - RM25 per year on the supplementary cards.
1.5. The rate of service tax currently is fixed at 5% of the price, charge, or premium of the taxable goods or services prescribed. With effect from 1 January 2011, the rate of service tax on all taxable services is increased from 5% to 6%.
1.6. With effect from 1 January 2011, service tax on paid broadcasting service will be charged on the monthly subscription fees on these services.

SALES TAX

1.1. Sales tax is a single stage tax imposed on taxable goods manufactured locally and/or imported. “Taxable goods” means goods of a class or kind not for the time being exempted from sales tax. Generally, all exports are exempted from sales tax.

1.2. Manufacturers of taxable goods are required to register with the custom authorities and to levy, charge and collect the tax from their customers. For imported goods, sales tax is collected from the importer upon the release of taxable goods from customs control.
1.3. Sales tax is an ad valorem and can be computed based on the value of taxable goods sold, used, disposed of, or imported.
1.4. Effective from 15 October 2010 following the Malaysian Budget 2011, it is proposed that ordinary mobile phones be exempted from sales tax.

IMPORT DUTY

Following the Malaysian Budget 2011, effective from 15 October 2010, it is proposed that import duty be abolished on the following products:

- Handbags, wallets, suitcases, briefcases, apparel, footwear and hats (with duty of between 0% and 20%)
- Jewellery, costume jewellery and ornaments (with duty of between 5% and 20%)
- Toys such as dolls and small scale recreational models (with duty of between 5% and 20%)
- Talcum powder, face powder and shampoo (with duty of between 10% and 20%)
- Bedspreads, blankets, curtains and table cloths (with duty of between 10% and 20%).

EXCISE DUTY

1.1. Following the Malaysian Budget 2011, effective from 18 October 2010, it is proposed that the existing exemption on excise duty given on national vehicles purchased by physically disabled persons be increased from 50% to 100%.
1.2. The exemption is also extended to disabled persons who have hearing and speaking disabilities.

B. DETERMINATION TO TAXABLE INCOME

CAPITAL ALLOWANCES

With effect from year 2000, annual rates for qualifying capital expenditure incurred by taxpayers have been categorised as follows:

Type of Assets	Initial Rate	Annual Rate
Heavy machinery and motor vehicles	20%	20%
Plant and machinery (general)	20%	14%
Others	20%	10%
Assets with a lifespan not exceeding two years	N/A	Replacement basis
Small value assets less than RM1,000	N/A	100%

Industrial building allowances are also available for certain type of qualifying industrial building at the following rates:

- Initial rates ranging from 0% to 10%
- Annual rates ranging from 3% to 10%.

Accelerated capital allowances are also made available for the following:

- Machinery and plant used by specific industries (20% to 100% depending on type of machinery and plant) such as recycling or processing of waste, conservation of energy, and security control equipment, subject to the terms and conditions met.
- Information and Communication Technology Equipment (ICT) and this is subject to the terms and conditions met.

INVESTMENT INCENTIVES

Malaysia offers a wide range of tax incentives for foreign and local investors to promote investments in selected industry sectors and/or promoted areas. The current trend is now focused more on service sectors such as Islamic financial services, information and communications technology, education and tourism. Pioneer Status, Investment Tax Allowance, and Reinvestment Allowance are some of the major tax incentives available in Malaysia for the investors. The main features of the incentives are as follows:

PIONEER STATUS (PS)

- Income tax exemption of up to 100% on a company's statutory income for a period of five years.
- PS is more favoured by companies expecting to generate huge profits immediately in the short term.
- The rate of exemption may vary according to the type of promoted activities or promoted products undertaken. The exemption period may be extended for another further five years depending on the type of promoted activities and/or products.

INVESTMENT TAX ALLOWANCE (ITA)

- ITA is an allowance available for qualifying capital expenditure incurred on plant and equipment and is in addition to the normal capital allowances that would be eligible for the same asset.
- ITA is favoured for projects which are capital intensive and are not expected to generate huge profits in the short run. The exemption period may be extended for another further five years depending on the type of promoted activities and/or products.
- Generally, the rate of ITA is 60% on qualifying capital expenditure incurred on plant and machinery and is used to offset up to 70% of the statutory income. However, if certain criteria are met, the qualifying capital expenditure can be offset up to 100% of the statutory income.
- PS and ITA are mutually exclusive.

REINVESTMENT ALLOWANCE (RA)

- RA is available for manufacturing companies incurring qualifying capital expenditure for the purposes of the following qualifying projects:
  - expansion of production capacity
  - modernisation or automation of production facilities
  - diversification into related products.
- RA is an allowance available for qualifying capital expenditure incurred on plant and equipment and is in addition to the normal capital allowances that would be eligible for the same asset.
- The rate of RA is 60% on qualifying capital expenditure on plant and machinery and is used to offset up to 70% of the statutory income. However, if certain criteria are met, the qualifying capital expenditure can be offset up to 100% of the statutory income.
- Incentive period is 15 years from the date of first RA claim being made. RA is mutually exclusive to both PS and ITA.
- With effect from year 2009, more stringent terms and conditions need to be fulfilled by a claimant company in order to enjoy the incentive. For example, where a RA claim has been made on a qualifying asset, the subsequent disposal of the said asset would be subject to the clawback rule of five years instead of two years.
- With effect from YA 2011, the words “the period” used in the mutually exclusive clause of Schedule 7A of the Act be replaced by the words “the basis period”. This is to affirm that PS incentive and RA are mutually exclusive in the same basis period.

OTHER INDUSTRIES ENJOYING VARIOUS TAX INCENTIVES

- Biotechnology Industries
- Venture Capital Companies
- Operational Headquarters (OHQ)
- International Procurement Centres (IPC)
- Regional Distribution Centres (RDC)

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES

To further promote the advancement of green technology and efficient utilization of energy, the application period for tax incentives granted to companies which undertake the following promoted activities will be extended until 31 December 2015:

- Companies generating energy from renewable sources
- Companies generating renewal energy for own consumption
- Companies providing energy conservation services
- Companies which incur capital expenditure for energy conservation for own consumption.

EXTENSION OF TAX INCENTIVE PERIOD FOR REDUCTION OF GREENHOUSE GAS EMISSION

As part of the government’s continuous effort to overcome global warming, the existing tax exemption period in respect of income received from the sale of certified emission reductions (CER) from Clean Development Mechanism (CDM) Projects approved by Ministry of Natural Resources and Environment will be extended to YA 2012.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR AFPP (APPROVED FOOD PRODUCTION PROJECTS)

The application period for the above incentive will be extended for another five years until 31 December 2015 and application needs to be submitted to the Ministry of Agriculture and Agro-based Industry for approval.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR LAST MILE NETWORK FACILITIES PROVIDER FOR BROADBAND

The application period for the above incentive will be extended for another two years until 31 December 2012 and application needs to be submitted to the Ministry of Finance and Malaysian Industrial Development Authority (MIDA) respectively for approval.

F. WITHHOLDING TAX

Certain types of payments made to non-residents are subject to withholding tax at the following rate:

Types of payment	New Rate w.e.f. 21 September 2002
Interest (sec. 109)	15%
Royalties (sec. 109)	10%
Special classes of income (sec. 4A)	10%
Contract payment	10 + 3%
Other income (sec. 4(f))	10% (Note 2)

* Rates may vary if there is a double taxation agreement between the countries.

Notes:

1. With the amendment of section 15A of the Act, no withholding tax will be imposed upon the payments made to non-residents for services under section 4A(i) and (ii) of the Act for services performed offshore.
2. It is proposed that, with effect from year 2009, the following amendments be made to the withholding tax provisions as follows:
   - Reimbursements relating to hotel accommodation in Malaysia will not be considered as forming part of the gross technical fees for withholding tax purposes
   - Withholding tax of 10% to be imposed on other income falling under Section 4(f) to be paid or credited to non-residents. Examples of types of income are guarantee fees and introducer's fees.
3. Effective from 1 January 2011 for the YA 2011 and subsequent YA, it is proposed that, in addition to the late payment penalty, the DGIR is empowered to impose a penalty for incorrect returns under Section 113(2) of the Act if a tax deduction on the expenses subject to withholding tax is claimed and the withholding tax and penalty are not paid by the due date for submission of the tax return that relates to such expenses.

H. PERSONAL TAX

Tax residence in Malaysia for individuals is determined by the number of days he or she is considered physically present in Malaysia. As a rule of thumb, an individual who is physically present in Malaysia for 182 days or more is considered a resident for Malaysian tax purposes. Tax residents are entitled to several tax relief and rebates together with graduated tax rates, as set out below:

Reliefs	RM
Personal relief	9,000 (see Note 1)
Wife/Husband relief	3,000
Child relief	1,000 (for each child) or
– (note 2 below)	4,000
Parents' medical expenses relief (maximum)	5,000 (see Note 6)
Disabled relief (maximum)	5,000 (for purchase of basic supporting equipment for self, wife, child or parent)
Life insurance and/or contributions relief to approved provident funds relief (maximum)	7,000 (see Note 3)
Disabled child reliefs (unmarried)	5,000
Medical/education insurance relief (maximum)	3,000
Purchase of books and similar publications relief (maximum)	1,000
Purchase of computer (every 3 years)	3,000
Purchase of sports equipment	300
Amount deposited into Skim Simpanan Pendidikan Nasional for taxpayer's child (maximum)	3,000

Reliefs	RM
Others relief (eg. fee for acquiring technical and vocational courses, annuities etc)	5,000
Broadband subscription fees	500 (see Note 4)
Interest paid on housing loans	10,000 (see Note 5)
Annuity premium on annuity purchased through EPF Annuity Scheme	– (see Note 7)

Rebates	
Tax rebate (with effect from 2001)	
– for individual whose chargeable income does not exceed RM 35,000	400
Employee pass, visit pass levy	– (see Note 8)
Zakat, Fitrah and any other Islamic religious due	Full rebate

Notes

1. With effect from YA 2010, personal relief be increased from RM8,000 to RM9,000.
2. With effect from 2006, a child pursuing tertiary education at a recognised local institution of higher learning at diploma level and above and for each child studying at a recognised institution of higher learning abroad at degree level, the relief is increased from RM1,000 to RM4,000.
3. Effective YA 2010, the existing relief will be increased to RM7,000. The increased relief amount of RM1,000 is given solely on annuity scheme premium from insurance companies contracted with effect from 1 January 2010. With effect from YA 2011, the existing relief of RM6,000 on contributions made for life premiums and/or approved fund contributions will be extended to include contributions made
to the Private Pension Fund to be launched by the Government in 2011.
4. With effect from YA 2010 until 2012, relief up to RM500 per year is given on broadband subscription fees.
5. With effect from YA 2009, relief of up to RM10,000 a year is given for three consecutive years from the first year the housing loan interest is paid. The claim for deduction is subject to the following conditions:
   - the taxpayer is a Malaysian citizen and a resident
   - limited to one residential house including flat, apartment or condominium
   - the sale and purchase agreement is executed between 10 March 2009 and 31 December 2010
   - the taxpayer has not derived any income in respect of that residential property.
6. With effect from YA 2011, the existing relief of up to RM5,000 on medical expenses for parents to be extended to include expenses on medical treatment and care for parents with certain conditions to be met.
7. With effect from YA 2011, relief on annuity premiums made on annuity purchased through the EPF Annuity Scheme is abolished.
8. With effect from YA 2011, the tax rebate on fee/levy paid by an individual to the Government for his/her employment pass, visit pass or work pass is abolished.

Non-residents are not eligible to claim relief and rebates and are subject to a tax of 27% on their taxable income. With effect from year 2010, the rate of tax of non-residents will be reduced from 27% to 26%.

The resident individual tax rates are as follows:

Taxable Income	RM	Rate %	Tax Payable RM
on the first	2,500	0	0
on the next	2,500	1	25
on the first	5,000		25
on the next	5,000	3	150
on the first	10,000		175
on the next	10,000	3	300
on the first	20,000		475
on the next	15,000	7	1,050

Taxable Income	RM	Rate %	Tax Payable RM
on the first	35,000		1,525
on the next	15,000	12	1,800
on the first	50,000		3,325
on the next	20,000	19	3,800
on the first	70,000		7,125
on the next	30,000	24	7,200
on the first	100,000		14,325
on the next	50,000	26 (see note 2)	13,000
on the first	150,000		27,325
on the next	100,000	26 (see note 2)	26,000
on	250,000		53,325
Above	250,000	26 (see note 2)	

Notes

The following are the proposed changes as announced in the Malaysian Budget 2009:

1. Exemption from income tax for the following types of receipts:
   - Fuel card or allowance for the following:
     - Business travel of up to RM6,000
     - Home travel of up to RM2,400 (for Year 2008 to 2010 only).
   - Parking and meal allowances
   - Childcare allowances of up to RM2,400
   - Telecommunication and internet charges
   - Employers' own goods (up to RM1,000) and other non-transferable services.
2. With effect from YA 2010, income tax rates at the 27% tax brackets will be reduced to 26%.

With effect from YA 2010, it is proposed that the employment income of a resident individual who is a knowledge worker in Iskandar Malaysia employed in qualifying activities would be taxed at 15% of his or her chargeable income.

MALTA

Currency: Euro (EUR)

Dial Code To: 356

Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Birkirkara	George M Mangion	21493041 gmm@pkfmalta.com

A. TAXES PAYABLE

COMPANY TAX

Company tax is payable by all companies registered or resident in Malta at 35% with no threshold for reduced rates of taxation (subject to the reduced rates depending on shareholder residency and company operations specified below). The rate of tax on resident companies listed on Malta Stock Exchange is reduced as follows:

From:	To:	Percentage of shares offered to the public:
35%	33%	20 % to 30%
35%	31.5%	31% to 40%
35%	30.%	41% onwards

The reduction in the tax is also passed to shareholders when dividends are paid out.

Audited financial statements must be approved and signed prior to the electronic transmission of the tax return and the financial data. The electronic tax return includes a list of tax schedules, statements and computations which are ordinarily attached to a tax return, the most common being the capital allowances schedules.

COLLECTIVE INVESTMENT SCHEMES

Withholding tax on such funds varies between 10% and 15% depending on the type of income. Tax at 15% will be withheld on the capital gains realised by resident investors on disposal of non-prescribed funds (i.e. funds whose assets are non-Maltese). Dividends paid by a non-resident non-prescribed fund to a resident investor carry a final 15% withholding tax. Dividends paid to non-resident investors are exempt from withholding tax.

COMPANIES

Malta allows the incorporation of Malta Companies which can have multiple or mixed sources of income such as holding, trading or passive investment income, and has implemented an extension of the refundable tax system for all companies distributing dividends to shareholders.

The new refundable tax system which commenced on 1 January 2007 applied both to profits allocated to a company's Maltese taxed account ,and to profits allocated to a company's foreign income account and is available both to residents and non-residents. This new refund system replaced the International Trading Company and International Holding Company regimes.

MALTA'S CORPORATE TAX REFUNDS

Following amendments implemented to the Maltese Income Tax Acts in 2007 in line with an agreement reached with the EU, a revamped system of corporate tax refunds is now available. The agreement that Malta has reached with the EU includes the retention of the full imputation tax. In this system, dividends paid by a company resident in Malta carry a tax credit equivalent to the tax paid by the company on the distributed profits. This system has been extended to cover all income derived from Malta and to all shareholders irrespective of their residence. A company that is registered and taxable in Malta allocates its income to one of the five tax accounts depending on the nature of the income concerned.

A shareholder who receives a dividend from a company that is registered in Malta from profits allocated to the company's Maltese profits or its foreign income account and which does not consist of passive interest or royalties, may claim back a refund of six-sevenths of the tax paid by the company on that income – the effective rate of Malta tax being 5%.

A shareholder who receives a dividend from a company that is registered in Malta with only passive interest or royalty income may claim back a refund of five-sevenths of the tax paid by the company on that income – the effective rate of Maltese tax thereon being 10%.

Such refunds are only available where the Maltese company does not claim double taxation relief, either through unilateral relief or under a double taxation treaty. Where double taxation relief has been obtained, the individual shareholder will be entitled to a two thirds refund of Maltese tax paid, resulting in an effective rate of tax of 6.25%.

Shareholders must register with the Commissioner of Inland Revenue in order to benefit from the tax refunds mentioned above.

PARTICIPATION EXEMPTION

With effect from 1 January 2007, income or capital gains derived by a company registered in Malta from a participating holding or from the disposal of such holding are exempt from tax. By definition, a participating holding arises where any of the following conditions are met:

- The holding company has directly at least 10% of the equity shares of the company invested in
- The holding is worth a minimum sum of EUR 1,164,000 and the investment is held for an uninterrupted period of not less than 183 days
- The shareholding is for the furtherance of the holding company's own business and is not held as trading stock for the purpose of a trade
- The holding confers a level of control, such as for example, a director may be appointed by the board, or rights related to the acquisition of the balance of equity shares in the other company.

BRANCH PROFITS TAX

Branches that have been registered with the Commissioner of Inland Revenue are taxed in Malta on profits attributable to the activities performed in Malta. Such branches are entitled to the same refunds etc. as resident companies.

CAPITAL GAINS TAX

Companies and individuals are taxed on the transfer of securities, business goodwill, copyrights, patents, trademarks and trade names and on the assignment of ownership rights over such properties. Property inherited after 22 November 1992 is subject to tax when it is subsequently sold, like all other properties. Capital gains by companies are computed separately and added to trading income in the same way as income from investments and non-trading income.

The tax is charged on gains from the sale of all assets situated in Malta and on gains from the sale of assets situated abroad by persons domiciled and ordinarily resident in Malta. A provisional payment of 7% must be immediately paid to the CIR on signing of the deed of transfer. Capital losses may be carried forward and set off against future gains made from capital transfers.

TAX ON TRANSFER OF IMMOVABLE PROPERTY

As from November 2005, transfers of immovable property are no longer subject to the capital gains rules but are subject to a final withholding tax of 12% on the transfer amount. Under the old system, the transferor would be subject to a 35% tax on the gains made from the transfer.

When the property has only been held for a period of less than seven years, the transferor may opt for the old system to apply (35%). In such an instance the transferor must inform the notary publishing the deed.

Non-residents may also opt to be taxed under the old system. To qualify, the non-resident has to produce a statement signed by the tax authorities of the country of that person's residence confirming their residence in that country and certifying that he/she is subject to tax in that country on profits derived from the transfer of immovable property situated in Malta.

As from 2010, the Income Tax Act provides us with a definition of property Company. In actual fact Property Company refers to immovable property which is situated in Malta and which is owned by a company. It may also refer to a company which has any rights over such property or a company which holds either directly or indirectly, shares or interests in a body of persons which owns immovable property situated in Malta. Companies that transfer immovable property that has been held for a minimum period of three years with the intention to purchase another property for the same purpose, will be entitled to apply for roll-over relief under the old provisions and hence tax is postponed until the second property is transferred.

When the property transferred is located within a specially designated area under the terms of the Immovable Property (Acquisition by non-Residents) Act, the transferor may choose at the time of the publication of the relative deed to be taxed under the old rules.

Certain transfers of immovable property are exempt from both capital gains and the final withholding tax. These include:

- The transfer of one's residence owned and occupied for at least three years
- The transfer of property between companies within the same group.

VALUE ADDED TAX (VAT)

The standard VAT rate in Malta is 18%. When Malta joined the European Union, various changes to the VAT Act became necessary. The changes related mostly to intra-Community and international operations as well as changes to the reporting system. A 7% VAT rate applies to accommodation in hotels and other licensed premises with effect from 1st January 2011 (previously 5%). Where the price charged includes any other goods or services provided together with the accommodation, the effective rate is 9.2% (previously 7.6%).

Every taxable person who makes intra-Community supplies of goods to businesses registered in other EU Member States is required to make a quarterly VAT statement. The information on this statement will be shared with the authorities of other Member States and is designed as a means of controlling supplies that are exempt in one Member State and are reported and taxed as acquisitions in another Member State.

Entities established in the European Union but not established in Malta may qualify under the Special Refund Scheme. Maltese VAT incurred on services received by persons established in the EU but not in Malta, or goods supplied to persons established in the EU but not in Malta, or charged on the importation of goods into Malta may be refunded to such persons under the same conditions as those that govern the right of a taxable person registered for VAT in Malta to deduct Input VAT.

Schemes apply for reduced VAT rates on leasing of yachts. For sailing boats or motor boats over 24 metres in length there is a 30% reduction in the effective VAT rate subject to certain terms and conditions.

VAT refund schemes are available for research projects, as well as restoration projects and expenses for the construction of Church Schools. However, no refunds of VAT will be given if there are pending VAT returns.

To encourage the use of the VAT Department's online facilities, the 2011 budget proposed an extension of the payment deadline by 7 days for taxpayers who pay and submit VAT returns online.

Moreover the 2011 budget provides that taxable persons having an annual turnover of less than Euros 7,000 may opt not to register at all for VAT purposes

VAT will also be refunded in the following scenarios:

- Eligible expenses incurred by private schools for the construction of new buildings
- On the acquisition of new cars provided they satisfy certain criteria relating to size and emissions
- On the acquisition of a new bicycle (capped at Euros 150)
- On the cost of sports equipment acquired by sports associations recognised by the Malta Sports Council.

FRINGE BENEFITS TAX

Certain benefits such as use of cars for private purposes, rent, school fees, free meals etc. are added to the salaries of employees and taxed accordingly. All cash allowances paid to employees, with the exception of cash allowances paid in respect of the use of employee-owned cars for business purposes, are fully taxable. Employees are responsible for the disclosure of fringe benefits provided by third parties over which the employer has no control.

LOCAL TAXES

Stamp Duty on property transfers is 5% of which 1% provisional tax is paid upon the entering of a promise of sale agreement. The transfer of unlisted shares is charged at 2% to 5% on market value. Stamp duty on property transferred between family members is to be calculated on its cost value.

OTHER TAXES

Both resident and non-resident companies pay Social Insurance Funds contributions. Both the employer and the employee pay 10% on the weekly basic pay, excluding bonuses and overtime. They are accounted for on a monthly basis.

FUNDS AND FUND MANAGERS

Fund Managers are taxed at 35%, as are Investment Services companies, but are entitled to claim an exhaustive list of reliefs such as a double deduction of salaries paid to Maltese personnel in the first ten years of commencement.

Funds themselves which, if set up as a separate vehicle, may also be set up as a SICAV or unit trust, are exempt from income tax in Malta but may not benefit under any of the tax treaties.

CAPTIVE INSURANCE COMPANIES

Captive insurance companies (also known as affiliated insurance companies under Maltese law) are taxed as a normal company. With effect from July 2004, it has also been possible to set up a protected cell company. Both captives and protected cell companies are taxed as ordinary companies in Malta and are, therefore, entitled to the refunds stipulated above. Insurance contracts entered into by licensed entities are not subject to VAT while insurance contracts covering risks that are located outside of Malta are not subject to Stamp Duty. With effect from 2010 it is also possible to set up Incorporated Cell Companies.

TRUSTS

A trust is an obligation which binds a person or persons (called the 'trustees') to deal with property over which they have control (called 'the trust property') for the benefit of persons (called the beneficiaries) or for a charitable purpose in accordance with the terms of the trust. The setting up of trusts in Malta is regulated by the Trusts and Trustees Act.

Trusts are considered to be transparent for tax purposes, in the sense that income attributable to a trust is not charged to tax in the hands of the trustee if it is distributed to a beneficiary. Also, when all the beneficiaries of a trust are not resident in Malta and when all the income attributable to a trust does not arise in Malta, there is no tax impact under Maltese tax law. Beneficiaries are charged to tax on income distributed by the trustees. Income attributable to a trust that is not so distributed to beneficiaries is charged to tax in the hands of the trustee at the rate of 35%.

As the trust itself merely consists of property and/or other assets, there is no economic activity carried on and, therefore, it is outside the scope of VAT. Since the trustee's services essentially consist of management and administration of assets, it is considered that any sums that the trustee is entitled to appropriate from the trust assets by way of remuneration do not constitute a consideration for services rendered. Therefore, no economic activity is deemed to be carried out, where such remuneration is specified under the terms of the deed of the trust. However, if the trustee exploits the property of the trust for a consideration, this exploitation is considered as an economic activity and, if such activity is taxable under Maltese VAT legislation, the trustee has to register for VAT in Malta.

FOUNDATIONS
Under Maltese law foundations are treated as companies for tax purposes and are subject to the normal corporate tax rate. Foundations may also opt to be taxed in the same manner as a trust. In such cases the relevant provisions governing taxation of trusts will apply.

ADVANCE REVENUE RULINGS
The International Tax Unit located within the Malta Financial Services Authority provides fast and efficient rulings. These rulings will confirm the tax position for a minimum of five years and are renewable for a further five-year period unless there is a change in the law. The advance rulings are available in a number of situations including whether a transaction constitutes tax avoidance, whether a holding qualifies as a participating holding and determining the tax treatment of a transaction that constitutes international business.

INCENTIVE FOR INVESTMENT SERVICES EXPATRIATES
Expatriates who are employed in an Investment Services Company are not taxed on benefits in kind received for the first ten years of their employment with the company.

B. DETERMINATION OF TAXABLE INCOME

Both resident and non-resident companies pay taxes on their taxable profit determined by pooling their worldwide income, deducting allowable expenses, charges and investment/capital allowances and losses brought forward.

DEPRECIATION
The rules specify the minimum number of years over which the cost of the various categories of industrial buildings and plant and machinery may be written off. In the case of industrial buildings, a 2% straight line deduction is available, as well as a 10% first year allowance. Plant and machinery is depreciated on a straight-line basis over a period from four to 15 years. When purchasing an asset from a subsidiary, parent or sister company, the cost for depreciation purposes is taken to be the lesser of:

- The tax written down value of the asset to the transferor after adding or deducting any balancing charge or allowance as the case may be; or
- The cost of acquisition to the new owner.

Where an asset is otherwise acquired, the annual depreciation shall not be greater than that which would have been allowable to the previous owner. Where a user does not own an asset, but the burden (cost) of wear and tear falls on the user, not the owner, then allowances can be claimed by the user.

The rules allow for proportional deduction where the asset is used partly in the production of income and partly for other purposes.

DIVIDENDS
As stated above, Maltese companies are taxed at 35% on their trading profits. Upon distribution of a dividend, the ultimate shareholder (i.e. holding company) is eligible for a tax refund of 30% on the trading profits of the tax paid by the trading companies. Hence, a net corporate tax rate of 5% is payable within the group.

M

The refund system is applicable to both resident and non-resident shareholders. However, resident shareholders are not exempt from further tax on the refunds claimed.

INTEREST DEDUCTION
This is limited to interest paid on any money borrowed where the CIR is satisfied that the interest was payable on capital employed in the business.

INCENTIVES
PROPOSING A SMALL BUSINESS ACT FOR MALTA
The Small Business Act for Europe, which was adopted at the European level in June 2008, reflects the European Commission's will to recognise the role of small and medium sized Enterprises (SME). This Act, which in actual fact is not yet enforceable and hence only provides us with guidelines, identifies ten important principles which are required to support SMEs.

Following these important guidelines, the local Ministry of Finance, the Economy and Investment is currently undertaking consultation on the creation of a Small Business Act for Malta. In actual fact a white paper entitled "Small Business (Malta) Act" has already been prepared which includes legislative measures which aim to meet the guidelines proposed by the European Commission. Amongst other issues this draft aims to provide a more user friendly legislation, sets up a consultative body to help government in implementing enterprise policy, sets up a Regulators Forum and proposes a Code of Ethics for SMEs.

INVESTMENT AID

Investment aid primarily takes the form of tax credits. Eligible enterprises will benefit from tax credits calculated as a percentage of the value of the investment project. Investment Aid is awarded to qualifying companies in respect of qualifying expenditure, on tangible and intangible assets. The following reflects the total amount of investment aid that may be awarded for a given investment project:

- In the case of a Small Enterprise Company, the investment aid shall never exceed 50% of eligible expenditure.
- In the case of a Medium Enterprise company, the investment aid shall never exceed 40% of eligible expenditure.
- In the case of a Large Enterprise Company, the investment aid shall never exceed 30% of eligible expenditure.

OTHER INCENTIVES

The Innovative Start-ups Grant Scheme aims to support new start-up enterprises by partly financing up to EUR 15,000 of costs incurred during the setting-up phase. Such costs are covered up to 45%.

The Exploratory Award Scheme provides assistance in the form of cash grants to aid SMEs to develop project proposals to the European Commission's Seventh Framework Programme and the Competitiveness and Innovation Programme. 60% of total eligible cost may be covered. However the total aid received by one enterprise may not exceed EUR 10,000 per annum.

The SME Development Grants Scheme helps SMEs to diversify their activities, penetrate new markets, increase competitiveness, develop new products and services and consolidate their existing market share. Financing is provided for first time participation in trade fairs and part financing of subcontracting external experts in relation to new development projects. This incentive covers up to 50% of total eligible costs. Total aid received may not exceed EUR 10,000 per year.

The ERDF Innovation Actions Grant Scheme (Innovation) aims at stimulating innovative processes, products and services by part financing eligible costs respectively: 40% of eligible costs in the case of Medium-sized Enterprises, 50% of eligible costs in the case of Small Enterprises and 30 % of eligible costs in the case of SMEs active in the transport sector.

The ERDF Innovation Actions Grant Scheme (Environment) supports investment carried out by SMEs in order to improve their environmental performance through eco-innovation. The applicable percentage of aid given is 40% of eligible costs in the case of Medium-sized Enterprises and 50% of eligible costs in the case of Small Enterprises.

The ERDF e-Business Development Grant Scheme supports SMEs to invest in Information and Communication Technology, by partly financing eligible costs in the following percentages: 40% of eligible costs in the case of Medium-sized Enterprises, 50% of eligible costs in the case of Small Enterprises and 30% of eligible costs in the case of SMEs active in the transport sector.

The ERDF Small Start-up Grant Scheme aims to support the growth of new enterprises which have less than 50 employees and which have been operating for less than three years in manufacturing, Information Technology, Research and Development and Innovation, waste treatment, environmental solutions and biotechnology. This incentive partly finances 25% of eligible costs incurred.

The Create Scheme supports businesses in the form of tax credits equivalent to 60% of eligible costs capped at a maximum of EUR 25,000.

The MicroInvest Scheme provides a tax credit of 40% limited to EUR 25,000 to small businesses and self-employed persons that employ fewer than 10 people and are setting up new investments.

The Business Advisory Services Scheme part finances advisory services and also provides for the allocation of 10 hours of free advisory services.

The Trade Promotion Scheme partly finances up to 60% of eligible costs incurred in relation to participation in International Trade Fairs.

The ERDF International Competitiveness Grant Scheme supports enterprises to penetrate new markets and introduce new products or services into already existing markets. This scheme partly finances 50% of eligible costs incurred.

The Network Support Scheme aims to promote the expansion of networks as mechanisms to smooth the progress of collaboration between undertakings with an aim of enhancing competitiveness. The incentive is in the form of cash grant which shall not exceed EUR 60,000. This grant may be used in order to part finance 60% of eligible costs incurred.

The Business Development Scheme aims to facilitate high-value adding projects which are very likely to offer a significant contribution to the regional development of Malta. The total aid per enterprise shall not exceed EUR 200,000 over a period of three rolling fiscal years.

Malta Enterprise also offers financial incentives such as Interest Rate Subsidy Scheme for the Refurbishment of Hotels, Accommodation Facilities and Restaurants, Loan Guarantees, Soft Loans and Loan Interest Subsidies. It also provides assistance to enterprises which invest in Industrial Research and Experimental Development with an aim to develop innovative products and solutions. Such assistance is in the form of tax credits granted on eligible costs incurred.

ROYALTIES

The 2010 budget also introduced tax exemptions for royalty income. Royalties and similar income accruing from patents on inventions will be exempt from income tax.

C. FOREIGN TAX RELIEF

Treaty relief is available by way of credit for foreign tax paid on income from a territory with which Malta has concluded a double tax treaty.

Commonwealth relief is available in respect of taxes paid to British Commonwealth Countries that provide a similar relief to Maltese-source income.

Unilateral relief is available where no applicable treaty has been concluded. A special form of unilateral relief known as flat-rate foreign tax credit is available to companies. This is a 25% credit relating to a pool of aggregated foreign income and attributable expenses.

D. CORPORATE GROUPS

Losses may be surrendered from one member of a corporate group to another. Also, provisions exist to exempt from tax the transfer of capital assets within a group and allow rollover relief on the transfer and replacement of assets within the group. For loss relief purposes, a group of companies is defined in terms of 51% or more shareholdings. For capital gains purposes, control and 50% beneficial ownership are both also required.

E. RELATED PARTY TRANSACTIONS

There is no specific transfer pricing legislation, although transactions with overseas related parties are subject to anti-avoidance rules.

F. WITHHOLDING TAXES

Dividends paid to non-resident companies are not subject to withholding tax. Interest and royalties paid to non-resident companies are not subject to withholding tax provided they are not connected with a Maltese permanent establishment of a non-resident.

G. EXCHANGE CONTROLS

There are no exchange controls in Malta.

H. PERSONAL TAX

Malta has a permanent Resident Scheme which offers the following incentives to settlers provided certain conditions are met:

- A flat tax rate of 15% is charged on all income received in or remitted to Malta from either local or foreign sources (subject to a minimum payment of EUR 4,193 pa).
- Exemption from customs duty/VAT on used household and personal effects, furniture including one private motor vehicle.
- Repatriation of capital and income. This applies to the unspent remainder of capital brought in to Malta including any income that has accumulated abroad e.g. on the proceeds on sale of own property or investments.
- No death duties are payable in Malta.

Personal income tax is paid on all income accruing in or derived from Malta and on income accruing in, or delivered from abroad, by persons domiciled and ordinarily resident in Malta. Income arising in Malta to an ordinary resident person or domiciled in Malta is taxable in Malta. Income arising outside Malta to a person who is not ordinarily resident in Malta or not domiciled in Malta will be taxed only if it is received in Malta.

Taxable income in Malta includes gains and profits from any trade, business, profession or vocation, gains or profits from any employment or office, dividends and interest, pensions, annuities or other annual payments, rents and other profits derived from ownership of property. The rates for married couples are as follows:

Taxable Income (Euros)	Tax Rate (%)
€0 – €11,900	0%
€11,901 – €21,200	15%
€21,201 – €28,700	25%
€28,701 & over	35%

The rates for other individuals resident in Malta including married couples opting for a separate computation of employment, trading and pension income received by them, are as follows:

Taxable Income (Euros)	Tax Rates (%)
€0 – €8,500	0%
€8,501 – €14,500	15%
€14,501 – €19,500	25%
€19,501 & over	35%

Note that the rates above apply to each tax band, rather than the whole of the individual's income. So, for example, a single individual earning €20,000 will be taxed at 0% on the first €8,500, 15% on the next €6,000, 25% on the next €5,000 and 35% on the top slice of €500.

Expatriate employees of foreign companies working in Malta are subject to tax on income from employment in Malta. They are deemed not to be ordinary residents and can opt to have income payable under a qualifying contract of employment and taxed at a rate of 15%. This option is subject to further conditions.

I. TREATY AND NON-TREATY WITHOLDING TAX RATES

Malta has concluded various treaty agreements with 55 countries so as to avoid double taxation. Not all the agreements are in force yet. The table below shows the maximum rates of tax on dividends, interest and royalties paid to Maltese residents. The schedule below is only intended to give a general outline of the maximum rates of tax applicable to dividend, interest and royalty payments under Malta's double tax treaties. It is advisable to consult the relevant tax treaty for more detailed information.

M

Note that there is no withholding tax on dividends and on interest and royalties (if not effectively connected with a permanent establishment in Malta) paid to non-residents. Therefore, in most cases, the applicable withholding tax rate will actually be 0%. Where there is no rate mentioned (denoted by a -), there is no specified treaty rate (in other words, the domestic rate applies).

Country	Dividends			Interest	Royalties
	(1) %	(2) %	(3) %		
Albania	15	5	25	5	5
Australia	15	15	–	15	10
Austria	15	15	–	5	10
Barbados	15	5	5	5	5
Belgium	15	15	–	10	10
Bulgaria	30	30	–	–	10
Canada	15	15	–	15	10
China	10	10	–	10	10
Croatia	5	5	–	0	0
Cyprus	15	15	–	10	10
Czech Republic	5	5	–	0	5
Denmark	15	–	25	0	0

Country	Dividends (1) %	Dividends (2) %	Dividends (3) %	Interest	Royalties
Egypt	10	10	–	10	12
Estonia	15	5	25	10	10
Finland	15	5	10	0	0
France	15	5	10	10	10
Germany	15	5	10	0	0
Georgia	0	0	–	0	0
Greece	10	5	25	8	8
Hungary	15	5	25	10	10
Iceland	15	5	10	0	5
India	15	10	25	10	15
Italy	15	15	–	10	10
Ireland	15	5	10	0	5
Isle of Man	0	0	–	0	0
Jersey	0	0	–	0	0
Korea	15	5	25	10	0
Kuwait	15	10	–	0	10
Latvia	10	5	25	10	10
Lebanon	5	5	–	–	5
Libya	15	5	10	5	5
Lithuania	15	5	25	10	10
Luxembourg	15	5	25	0	10
Malaysia	–	–	–	15	15
Montenegro	10	5	25	10	5 / 10
Morocco	10	6.5	25	10	10
Netherlands	15	5	25	10	10
Norway	15	15	–	10	10
Pakistan	–	–	–	10	10
Poland	15	5	20	10	10
Portugal	10	15	25	10	10
Qatar	0	0	–	0	5
Romania	5	5	–	5	5
San Marino	10	5	25	0	0
Serbia	10	5	25	10	5 / 10
Singapore	–	–	–	10	10
Slovakia	5	5	–	0	5
Slovenia	15	5	25	5	5
South Africa	15	5	–	10	10
Spain	5	–	25	0	0
Sweden	15	15	–	0	0
Syria	–	–	–	10	18
Tunisia	10	10	–	12	12
United Arab Emirates	0	0	–	0	0
United kingdom	10	10	–	10	10
United Kingdom	15	5	10	10	10

1 Rates applicable to minor shareholdings.
2 Rates applicable to major shareholdings.
3 Percentage required to qualify for major shareholding.

M

MAURITIUS

Currency: Rupee (MRU)   Dial Code To: 230   Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Port Louis	Christine Sek Sum	208 0878 pkf.mu@intnet.mu

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The main income tax legislation in Mauritius is the Income Tax Act 1995 as amended by subsequent Finance Acts. Corporate and Personal Taxes are embodied under one heading of Income Tax and are payable by all resident companies and individuals on non-exempt income derived from Mauritius and from other sources. The profits of all Resident 'Sociétés' (Partnerships) are taxable in the hands of the associates in proportion to their profit sharing ratio. A non-resident société is liable to income tax as if the société was a company. 'Resident', in relation to an income year, means:

- a company which is incorporated in Mauritius or has its Central Management and control in Mauritius
- an individual who:
  - (a) has his/her domicile in Mauritius unless his/her permanent place of abode is outside Mauritius
  - (b) has been present in Mauritius in that income tax year for a period of, or an aggregate period of, 183 days or more or has been present in Mauritius in that income year and the two preceding income years for an aggregate period of 270 days or more
- a société which has its seat in Mauritius and includes a société which has at least one associate resident in Mauritius
- trust – where the trust is administered in Mauritius and a majority of the trustees are resident of Mauritius or where the settler of the trust was resident in Mauritius at the time the instrument creating the trust was executed
- any other association – an association or body of persons which is managed or administered in Mauritius.

COMPANY TAX

The rate of tax applicable for all companies is 15%.

ALTERNATIVE MINIMUM TAX (AMT)

Where in the case of a company the normal tax payable is less than 7.5% of its book profit, the tax payable for that income year is deemed to be 7.5% of its book profit or 10% of any dividends declared in respect of that year, whichever is the lesser. This alternative minimum tax is applicable in certain specific cases.

OFFSHORE COMPANIES

Offshore Companies (now known as Corporation Holding Category 1 Global Business Licence) pay tax at a rate of 15%. Tax credit up to 80% is available. Offshore International Companies (now Corporation Holding Category 2 Global Business Licence) are exempt from tax.

DUE DATES FOR PAYMENT OF TAX

Companies must file tax returns and pay any income tax not later than six months from the end of the month in which the accounting period ends.

ADVANCE PAYMENT SYSTEM (APS)

Companies, unit trust schemes, collective investment trusts, société holding Category 1 Global Business Licence, must submit an APS Statement in respect of each of the three months period commencing the 1st day of the accounting year and pay any tax in accordance with the APS Statement within three months from the end of the quarter.

CAPITAL GAINS TAX

There is no Capital Gains Tax in Mauritius.

BRANCH PROFITS TAX

There is no Branch Profits Tax in Mauritius.

SALES TAXES/VALUE ADDED TAX (VAT)

VAT is charged on taxable supplies (both goods and services) made in Mauritius at a standard rate of 15%. Certain items such as basic foodstuffs and medical and educational services are exempted while exports are zero rated.

The threshold for VAT registration is a turnover of taxable supplies exceeding Rs 2m per year. VAT Registration is compulsory irrespective of the annual turnover for persons engaged in certain business or profession. There is at present no double taxation agreement for VAT.

NATIONAL RESIDENTIAL PROPERTY TAX
NRPT is payable by individuals and companies subject to certain conditions.

FRINGE BENEFITS TAX
Employees receiving any advantage in money or money's worth are taxed thereon. Certain incomes are exempt:

- rent and housing allowance for certain persons
- passage benefits, limited to 6% of basic salary
- the first Rs 1million of lump sum paid on retirement or death.

LOCAL TAXES
All taxes are on a 'national' basis but municipal and district councils are empowered to levy property tax, entertainment tax and certain licences.

B. DETERMINATION OF TAXABLE INCOME

The taxable income is determined by ascertaining the assessable income and then deducting any expenditure or loss in the income year to the extent to which it is exclusively incurred in the production of gross income (other than 'emoluments'). For emoluments, the expenditure must be wholly, exclusively and necessarily incurred in performing the duties of an office or employment.

The unauthorised deductions are:

- investment, expenditure or loss of a capital, private or domestic nature
- expenditure or loss incurred in the production of exempt income or which is recoverable under a contract of insurance or indemnity
- income tax or foreign tax
- any expenditure incurred in providing business entertainment or gifts.

CAPITAL ALLOWANCES
Annual Allowances are available on capital expenditure incurred exclusively in the production of gross income. The rate of annual allowance varies from 5% to 100% depending on the type of asset and is calculated on the base value or on cost.

DIVIDENDS PAID BY RESIDENT COMPANIES
Dividends paid by resident companies are exempted. Interest paid for the purpose of a business only is allowed as a deduction.

ROYALTIES
Royalties paid to a non resident by a company holding a Category 1 Global Business Licence or a Category 2 Global Business Licence (issued under the Financial Services Act 2007) are exempted.

INTEREST RECEIVED
All interest income accruing to an individual or company is taxable. However, the following is exempt:

On Interest payable by a bank
(1) To an individual who is not resident in Mauritius
(2) To a corporation holding Category 1 Global Business Licence.

LOSSES
Losses can be carried forward (but not backwards) for set off against income derived in the five succeeding income years provided that there is continuity; i.e. that 50% in nominal value of the allotted shares and not less than 50% of the paid up capital was held by or on behalf of the same person. If a company engaged in manufacturing activities is taken over by another company or two or more companies engaged in manufacturing activities merge into one company, any unrelieved loss of the acquiree may be transferred to the acquirer in the income year in which the takeover or merger takes place on such conditions relating to safeguard of employment of the companies.

FOREIGN SOURCED INCOME
Income derived from outside Mauritius by a resident is taxable in the normal manner subject to double taxation relief.

INCENTIVES
With effect from assessment year 2007/08 most incentives have been removed. The exceptions are:
(a) deduction of twice the emoluments paid to a disabled person

(b) transfer of loss of a manufacturing company by another company on take over or merger
(c) additional investment allowance on capital incurred on the acquisition of state-of-art technological equipment by a manufacturing company. As from 1 July 2008, an ICT company is no longer entitled to any investment allowance.

SPECIAL LEVY ON BANKS

The rate of special levy payable by every bank subject to certain conditions is as follows with effect from 1 July 2009.

Years of assessment commencing	
(1) 1 July 2009	3.4% on book profit and 1% on operating income
(2) 1 July 2010	3.4% on book profit and 1% on operating income
1 January 2011 and in respect of every subsequent year of assessment	1.7% on book profit and 50% on operating income

SOLIDARITY LEVY ON TELEPHONY SERVICE PROVIDERS

A provider of public fixed or mobile communication networks and services, called an operator, shall be liable to pay a levy calculated at the rate of 5% of the book profit and 1.5% of the turnover of the operator in respect of each of the years of assessment commencing 1 July 2009 and 1 January 2010 subject to certain conditions.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Every profitable company is required as from 1 July 2009 to spend 2% of its book profit derived during the preceding year to implement:
(a) an approved programme by the company
(b) an approved programme under the National Empowerment Foundation or
(c) Finance an NGO

For the purpose of CSR, a company does not include:
(a) a company holding a Category 1 Global Business Licence
(b) a bank holding a banking licence under the Banking Act in respect of its income derived from its banking transactions with non-resident or corporation holding Global Business Licence.
(c) An Integrated Resort Scheme (IRS) Company
(d) A non-resident société, a trust or a trustee of a unit trust scheme.

OFFSHORE CORPORATIONS

Offshore corporations are now known as companies holding a Category 1 Global Business Licence. Offshore corporations (companies, trusts, sociétés) have special fiscal regimes and incentives such as customs duty remission and concessionary income tax rates for expatriates. Generous tax credits are available to those companies.

OFFSHORE TRUSTS

Resident trusts are taxed at 15%. Deemed tax credit of 80% is available to the trusts.

Non-resident trusts and their non-resident beneficiaries are exempt from taxes.

SOCIÉTÉ

Every associate of a société holding a Category 1 Global Business Licence is liable to income tax in respect of its share at the rate of 15%.

C. FOREIGN TAX RELIEF

Unilateral relief is provided for in the Income Tax Act. In the event of double taxation relief is by way of an ordinary credit. The taxpayer may elect to claim the credit on aggregate foreign-source income or on a source-by-source basis.

D. CORPORATE GROUPS

The general rule is that no group relief is allowed except in a few special cases.

E. RELATED PARTY TRANSACTIONS

The tax authorities may adjust the liability of a taxpayer where it considers that a transaction has not been entered into or carried out by persons dealing at arm's length. It must be of the opinion that avoidance or reduction of liability of tax was the main purpose of such a transaction.

F. WITHHOLDING TAX

The rates for withholding taxes are as follows:

	Residents		Non-residents	
	Companies	Individuals	Companies	Individuals
Interest	0%	15%	0%	0%
Royalties	10%	10%	15%	15%
Rent	5%	5%	5%	5%
Contract payment	0.75%	0.75%	0.75%	0.75%
Services	3%	3%	3%	3%

H. PERSONAL TAX

CHANGE IN FISCAL YEAR

As from 1 January 2010, the fiscal year will be on a calendar year basis. Income Tax is payable by residents on non-exempt income derived from Mauritius less allowable deductions. Employers deduct income tax from each salary payments of all individual taxpayers. Individuals deriving rental income and or income from business or profession exceeding a certain threshold submit a statement of their income on a quarterly basis.

The personal tax rates have evolved as follows:

Income year	Chargeable income	Rate
Commencing on:		
1 July 2006	First Rs 500,000	15%
	Remainder	22.5%
1 July 2007	First Rs 500,000	15%
	Remainder	20%
1 July 2008	Total	15%
1 January 2010	Total	15%

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

The rates for treaty countries are as follows.

	Dividends (%)	Interest (%)	Royalties (%)
Treaty Countries:			
Barbados	5	5	5
Belgium	5/10	10	– (1)
Botswana	5/10	12	12.5
China	5	10	10
Croatia	– (1)	– (1)	– (1)
Cyprus	– (1)	– (1)	– (1)
France	5/15	– (2)	15
Germany	5/15	– (2)	15
India	5/15	– (2)	15
Italy	5/15	– (2)	15
Kuwait	– (1)	– (1)	10
Lesotho	10	10	10
Luxembourg	5/10	– (1)	– (1)
Madagascar	5/10	10	5
Malaysia	5/15	15	15
Mozambique	8/10/15	8	5
Namibia	5/10	10	5

	Dividends (%)	Interest (%)	Royalties (%)
Nepal	5/10/15	10/15	15
Oman	– (1)	– (1)	– (1)
Pakistan	10	10	12.5
Rwanda	– (1)	– (1)	– (1)
Senegal	– (1)	– (1)	– (1)
Seychelles	– (1)	– (1)	– (1)
Singapore	– (1)	– (1)	– (1)
South Africa	5/15	– (1)	– (1)
Sri Lanka	10/15	10	10
State of Qatar	– (1)	– (1)	5
Swaziland	7.5	5	7.5
Sweden	5/15	15	15
Thailand	10	10/15	5/15
Tunisia	– (1)	2.5	2.5
Uganda	10	10	10
United Arab Emirates	– (1)	– (1)	– (1)
United Kingdom	10/15	– (2)	15
Zimbabwe	10/20	10	15

1 Exempt.
2 Same rate as under domestic law.

MEXICO

Currency: Peso (P)	Dial Code To: 52	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Guadalajara	Mario Camposllera	33 3634 7159 mcamposllera@pkfmexico.com
Guadalajara	Verónica Barba	33 3634 7159 vbarba@pkfmexico.com.mx

M

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Tax is calculated for each calendar year, comparing income obtained less allowable deductions. Currently, the corporate tax is 30% of taxable profits.

All income obtained by companies is taxed, regardless of the source, except in the case of branches of foreign companies. Branches are taxed based on income attributable to the branches.

Foreign companies, branches and persons established in Mexico which obtain income abroad are allowed to credit any foreign taxes paid against Mexican taxes payable by them up to the total local tax applicable in each case.

CAPITAL GAINS TAX

Taxable profits on the sale of land, securities and other assets are calculated by deducting the tax cost from the selling price. The tax cost is based on the original cost of the asset being sold, adjusted for inflation for the period during which the asset was owned.

A more complicated procedure is adopted to determine the tax cost of shares, which takes into account tax profits and losses obtained, dividends paid and received, reimbursements of capital paid, and inflation adjustments.

Loss from the sale of shares and other securities is deductible only if certain requirements are met, and may be offset against profits obtained in the same year or in the following five years.

BRANCH PROFITS TAX

Branches compute income tax in the same manner as companies established in Mexico and apply the 30% corporate tax rate on taxable income.

Branches are entitled to deduct expenses incurred both abroad or in the country provided that certain conditions are met. This also applies to pro-rated expenses.

Remittances sent abroad in the form of payments of invoices, interests, royalties, reimbursement of expenses or for any other reason are subject to withholding tax of between 25% and 28% and are deductible for income tax purposes if adequately supported.

TRANSPARENT REGIME

From 2006 onwards, corporate entities incorporated under the name 'Sociedades Cooperativas de Producción', in which only individuals participate, will have the option under certain circumstances to pay taxes at the corporate level or at the partner level. If paid at the partner level, tax is not payable until the profits are distributed to the individual shareholders.

SALES TAX/VALUE ADDED TAX (VAT)

Companies and persons who engage in the business of selling, rendering services, leasing, importing or exporting goods are subject to VAT. In most cases, this tax does not represent an expense for the companies or persons since it is collected from the consumer of the goods or services and paid monthly to the tax authorities.

The VAT paid on purchases of goods and services received can be offset against the VAT collected and payable. In the case that the VAT paid exceeds the VAT collected in a given period, companies and persons are entitled to be refunded for the difference by the tax authorities or, under certain conditions, to offset the VAT receivable against other taxes payable.
The following rates apply in general, depending on the type of activity:

- 0% in the case of priority activities such as basic foods, medicines, agricultural, exports, etc
- 11% when the activities are performed in the border region
- 16% for all other activities.

The law provides for specific exemptions on certain other activities.

From 1 July 2006, tourists are reimbursed for the VAT tax charged upon the sale of Mexican merchandise when departing to their home countries by air or sea.

FRINGE BENEFITS TAX (FBT)

Specified employee benefits provided to employees over and above those required by law are exempt from income tax up to certain limits and are deductible for companies insofar as they are granted to all employees.

LOCAL TAXES

Every state in the Mexican Republic requires specific contributions from its inhabitants, the largest being property tax. Some states tax wages paid to employees at an average of 2%.

In the Federal District (Mexico City), employers (physical persons and companies) must pay 2% on wages paid to their employees every month. Real estate is subject to a bi-monthly payment based on the official assessed value of the property. The maximum bi-monthly rate paid amounts to approximately 0.065%.

OTHER TAXES

SOCIAL SECURITY PAYMENTS

All employers must register their employees with the Mexican Institute of Social Security which provides them, benefits for job-related and other disabilities, as well as pensions and death benefits.

Amounts paid for each employee to the Institute are computed on the basis of all payments made to the employee for wages and benefits, with few exceptions that meet certain requirements. These include savings, food, prizes for attendance and punctuality, as well as a portion of overtime and profit-sharing.

Approximately one third of the payments are withheld by the employer from the employees' wages and the other two thirds are paid by the employer. Both employee and employer contributions should be made by the latter on a monthly basis.

NATIONAL HOUSING FUND FOR WORKERS (INFONAVIT)

The objective of this Institute is to provide housing for all workers, usually favouring workers in low-income brackets. The employer, on behalf of the employees, must make bi-monthly contributions to the Institute of 5% of the wages and benefits paid with a limit of 25 'minimum monthly wages' (approximately $44,865.00 pesos). As in the case of social security, contributions and benefits received by employees from the Institute are tax-exempt. With this payment, the employers comply with their constitutional obligations to provide housing for employees.

ENTREPRENEURIAL FLAT TAX (IETU)
In 2008, a new entrepreneurial flat tax (IETU) came into force by which taxpayers (individuals with commercial or independent personal services providers, as well as companies) and foreign residents with a permanent establishment are required to pay on a monthly basis this tax at a rate of 17.5% on the income obtained on a worldwide basis.

Income tax will be credited against the new tax IETU. Therefore, if the income tax rate is higher than the IETU, this tax will be paid and the excess of Income tax shall be paid separately.

The surplus of the deductions against the income for the purpose of the IETU, originates a tax credit that up to 2009 was creditable against the ISR of the same year, this possibility will be eliminated during FY 2011 in accordance to the Ley de Ingresos de la Federación (Federal Revenue Law).

This new tax is revenue oriented and therefore should be understood as a flat tax with limited deductions based on the added value of different sectors of the economy.

The IRS has issued a letter stating that it will accept the IETU tax paid in Mexico by US residents as creditable under the US-Mexico tax convention until it has a further evaluation of the mechanics of the tax. This also applied to other countries that have accepted this tax within the scope of the treaty. These are currently: Germany, Australia, Austria, Barbados, Belgium, Canada, Czech Republic, Denmark, Ecuador, Korea, Finland, France, India, Ireland, Italy, Japan, Luxemburg, Norway, Netherlands, New Zealand, Romania, Slovak Republic, Romania, Spain, South Africa, Switzerland and the United Kingdom.

TAX ON CASH DEPOSITS (IDE)
As a measure to reduce the size of the informal economy and redistribute the tax burden among a wider base of the population, the Mexican Congress approved a new tax on cash deposits (IDE, Impuesto a los Depósitos en Efectivo) to be effective from July 1 2008.

For the FY 2010, the Ministry of finance approved to increase the rate by one percentage point of the IDE, to settle at 3% (before 2%) and charge the tax from the deposits from more than 15,000 pesos, rather than 25,000 pesos.

This tax can be creditable against corporate income tax, as reduced from the remittance income tax withheld from third parties and/or any other federal taxes.

Electronic transfers, transfers between different accounts, cheques and credit instruments contracted with the financial system are not subject to the IDE.

M

FOREIGN TRADE TAXES
Customs duties are maintained both for import as well as for export. Duties on export are minimal or none and import duties average 20%, depending on each specific item.

In accordance with the North American Free Trade Agreement (NAFTA), duties on imports from the United States and Canada will be gradually eliminated over a 15-year period and will disappear completely at the end of that time. Beginning in 1994, Mexico eliminated taxes on the importation of specific products from the United States and Canada.

SPECIAL TAXES
Taxes on production and services are levied on relatively few items such as the importation and sales of cigars, alcoholic beverages and supplying agency services for brokerage, distribution, etc of said goods. There is also a special tax on telephone services. A tax on new automobiles and vehicle ownership is applied directly to purchasers and owners of automobiles.

TAX ON PURCHASE OF REAL PROPERTY
A tax of 1% to 5% of the assessed value of the property is paid by the buyer on all purchases of property. The federal government works with the states of the Republic so that in co-operating states only the local tax applies with no levy of federal tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income of companies is computed taking into account all income received less deductions allowed by law. The law mentions certain specific items which are not considered income. These include: capital gains, recognition of the equity method of accounting, revaluation of assets and capital, as well as dividends received from companies residing in Mexico.

ALLOWABLE DEDUCTIONS

In general terms, all expenses needed to generate income and recorded pursuant to generally accepted accounting principles may be deducted, except in specific cases where there are certain limits and special rules for deduction.

Allowable deductions include sales discounts, bad debts, interest paid and losses due to exchange and inflation.

Non-deductible expenses include taxes, costs of representation, commercial credits, provisions to estimated reserves, expenses shared on a pro-rata basis (excluding foreign branches), etc.

Investments in certain assets can be deducted in the tax year at a discount, beginning in 2006.

DEPRECIATION AND AMORTISATION

Deduction for investment in tangible or intangible assets is allowed by the law through the depreciation or amortisation of such assets. Freight and handling, insurance, commissions and fees are allowed in addition to the purchase value of the asset. Depreciation and amortisation are calculated for full months commencing with the month when the asset was purchased and using the straight-line method with no allowance for estimated disposal values.

As a general rule, all types of assets except land may be depreciated or amortised for tax purposes. The basic depreciation and amortisation tax rates allowed are as follows:

Outlays made prior to commencing operations	10%
Industrial buildings and warehouses	5%
Machinery and equipment	10% except on assets used for specific activities
Furniture and fixtures	10%
Cars, vans and trucks	25%
Leasehold improvements	Lease terms
Environmentally-friendly machinery and equipment	100%

STOCK/INVENTORY

Purchases of raw materials, goods in process or finished goods intended for sale are deductible under the cost of sales system when sold by the company. Taxpayers can elect to use the FIFO, LIFO, identified cost and average cost methods.

INFLATION

The law recognises the effects of inflation on taxpayer's debts and financial assets so that, in the case of assets, the view is taken that there is a loss of purchasing power of said assets with the passing of time and, in the case of liabilities, a gain is recognised. For such purpose, an annual average of financial assets and debts are determined. The inflation factor is applied to the delta obtained comparing the assets and debts, when the debts are higher there will be a taxable income, and when the assets amount is higher there will be a deduction.

INTEREST DEDUCTIONS

A thin capitalisation regime was incorporated into the law in 2005 in relation to loan finance obtained by Mexican-resident companies from overseas. Taking both related party and non-related party debt into account, interest payments are not deductible where the debt/equity ratio exceeds 3:1. Companies that do not meet this ratio will have a term of five years to reduce it in equal proportions per year. These rules do not apply to financial institutions. The interest paid that exceeds this ratio will be non-deductible. From 1 January 2007 onwards, only loans with foreign parties on which the company is required to pay interest are taken into account in determining the debt/equity ratio.

LOSSES

Tax losses may be used to offset taxable income obtained during the following ten years. The amount of tax losses is uplifted for inflation for the period from July of the year when they occur to June of the year when they are offset.

EMPLOYEE PROFIT SHARING

All employees of a company are entitled to a share of its profits. The profit sharing is computed each year at the rate of 10% of taxable income if any. There are certain specific items described in the law which have to be added or deducted from the taxable income for profit sharing computation purposes. Most of these relate to differences in the treatment of inflation accounting. From 1 January 2005, profit sharing paid in one year will be deductible from the after tax profit or loss of the following year.

INCENTIVES

The Federal Revenue Law establishes the following incentives for the FY 2011:

- Fiscal tax credit against Income Tax for consumption of diesel in business or transportation activities.
- Refund of the Special Tax on Production and Services from consumption of diesel in agriculture activities.
- Fiscal tax credit against Income Tax of the fees for use of toll roads.
- Exemption of the New Car Tax for sale or imports of electric vehicles.
- Exemption of the Tax on imports of natural gas.

C. FOREIGN TAX RELIEF

CONTROLLED FOREIGN CORPORATIONS/ TAX HAVENS

The CFC regime when enacted was based on a geographical conception such that it only applied to transactions realised in specific countries or regions (Black List). Currently, this regime applies to income wherever derived where the tax charged was less than 75% of the tax that would have been paid in Mexico.

Income is not subject to the CFC regime where the Mexican company does not control the overseas company or less than 20% of its annual income is passive income. For this purpose, control is that which allows the parent to decide the timing of distributions of dividends or profits.

D. CORPORATE GROUPS

Corporate groups may choose to file consolidated tax results both for purposes of income tax as well as for purposes of the tax on assets. Consolidation involves combining the taxable income of all companies in the group, taking into account share percentages held by the holding company, and eliminating certain intercompany transactions. The major benefit derived from this procedure is the option to use tax losses from one company to offset profits in another company in the group.

Since FY 2010, the corporate groups that have opted to consolidate must pay every year the tax-deferred in the prior sixth fiscal year. For the FY 2004 and earlier there is a special mechanism to pay Income Tax.

E. RELATED PARTY TRANSACTIONS

The Secretary of the Treasury is empowered to alter the tax loss or profit in the case of transactions between related parties made at prices other than market prices, including sales or purchases, loans, rendering of services, lease or sale of real property, as well as use or transfer of intangible assets, when they are not realised at a fair market value.

Taxpayers are obliged to carry out an annual transfer pricing study. Taxpayers must apply the best method rule. As a default, this is taken to be the Comparable Uncontrolled Price Method (CUP), unless the taxpayer can prove that such a method is not applicable.

F. WITHHOLDING TAXES

DIVIDENDS

There is no withholding tax on dividends paid by Mexican companies.

INTEREST

The withholding tax payable on interest to non-residents depends on the type of interest in a range from 4.9% to 21% for payments to banks and other financial institutions and 30% in other cases.

ROYALTIES

Royalties payable to non-residents are taxed at the following rates:

For the right to use railroad wagons	5%
For the use of patents and trademarks	30%
Other categories of royalties	25%
Royalties paid to residents of countries with a preferential tax regime	40%

G. EXCHANGE CONTROL

There are no exchange restrictions in Mexico. Foreign currencies can be freely bought, sold and sent or transferred abroad, however, since the year 2010 there are limitations to the sale of dollars in cash.

H. PERSONAL TAXES

Persons residing in Mexico calculate their annual tax on their total income generated both in the country and abroad. In the case of foreign income, taxes paid abroad are generally credited against taxes payable in Mexico. There are specific rules for each type of personal income such as: wages, fees, capital gains, dividends, etc. In the case of wages, the taxes are withheld by the employer.

In the case of salaries paid by a foreign company to a foreigner working in Mexico, personal taxes have to be computed and paid, except when the foreign company has no branch or fixed base in the country and the person spends less than 183 days in the country during the year.

There are only a few personal expenses that a taxpayer can deduct from their income which are as follows:
(a) school transportation for their children (only in certain cases)
(b) medical and dental fees, including hospital expenses for the taxpayer, spouse, direct-line ascendants or descendants
(c) funeral expenses for the persons mentioned under (b) above
(d) donations to authorised entities
(e) contributions for employee retirement
(f) medical insurance payments.

Provisional payments have to be made on a monthly basis by the employer and the annual taxes must be calculated at the end of each year. Personal tax rates apply up to a maximum rate of 28% in the case of foreign residents. The following tax rates apply to Mexican residents:

Monthly taxable income (MXP)	Tax due on lower limit (MXP)	Marginal rate on excess (%)
Up to 496.07	0	1.92
496.08 – 4,120.41	9.52	6.40
4,210.42 – 7,399.42	247.23	10.88
7,399.43 – 8,601.50	594.24	16.00
8,601.51 – 10,298.35	786.55	17.92
10,298.36 – 20,770.29	1,090.62	21.36
20,770.30 – 32,736.83	3,327.42	23.52
32,736.84 – and above	6,141.95	30.00

M

I. TREATY WITHHOLDING TAX RATES

Mexico is negotiating with Hungary, India, Iceland, Lebanon, Malaysia, Nicaragua, New Zealand, Thailand and Ukraine. As a new approach to Mexican Tax Policy during 2006, negotiations began with Bermuda and Panama, all of which are countries included in the tax havens' black list.

The following rates apply.

	Dividends (%) (1)	Interest (%)	Royalties (%)
Treaty Countries:			
Australia	15/0	15/10	10
Austria	10/5	10	10
Barbadous	10/5	10	10
Belgium	15/5	15/10	10
Brazil	15/10	15	15
Canada	15/10	15	10
Chile	10/5	15	15

	Dividends (1) (%)	Interest (%)	Royalties (%)
China	5	10	10
Czech Republic	10	10	10
Denmark	15/0	5/15	10
Ecuador	5	15	10
Finland	0	10/15	10
France	5/0	15/10	15/0
Germany	15/5	15/10	10
Greece	10	10	10
Indonesia	10	10	10
Ireland, Republic of	10/5	5/10	10
Israel	10	10/5	10
Italy	15	15	15/0
Japan	15/5	10/15	10
Korea	15/0	5/15	10
Luxembourg	15/8	10	10
Netherlands	15/5	10/15	10
Norway	15/0	10/15	10
Poland	5/15	10/15	10
Portugal	10	10	10
Romania	10	15	15
Singapore	0	5/15	10
Spain	15/5	5/15	10/0
Sweden	15	10/15	10
Switzerland	15/5	10/15	10
United Kingdom	0	10/15	10
United States	10/5	15/10	10

1 The lower rate applies provided the corporate shareholder holds a minimum percentage of share capital or voting power in the payer which varies depending on the country concerned. Individual tax treaties should be consulted to determine the applicable rate in particular circumstances.

M

MOROCCO

Currency: Moroccan Dirham (MAD) Dial Code To: 212 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Casablanca	Abdella Zarkal	22 47 64 70 pkfmaroc@menara.ma

A. TAXES PAYABLE

GENERAL REGIME

The Moroccan taxation system consists of direct and indirect taxes. Indirect taxes provide a greater source of tax revenue than the direct taxes. Moroccan corporations are subject to a unitary tax system called the corporate tax (impôt sur les sociétés or IS).

Morocco exempts certain types of income from corporate taxation. The first is income derived from agriculture which is exempt until the year 2013. The system is statutory and contains a package of incentives designed to encourage both Moroccan and foreign investors.

CORPORATE INCOME TAX

The definition of 'corporation' covers limited liability companies, limited partnerships by shares, general and limited partnerships in which at least one partner is a corporate entity, civil companies, branches of foreign corporations, public sector companies having profit-oriented activity and joint ventures having business-oriented activity. General partnerships and limited partnerships in which all partners are individuals may elect to be taxed under the corporate tax regime. The same applies to joint ventures in which all parties are individuals

The normal rate is 30% with a 37% rate applying to leasing companies and credit institutions. Foreign contractors carrying out engineering, construction or assembly projects relating to industrial or technical installations may opt to be taxed at a rate of 8% calculated on the total contract price net of VAT and similar taxes. Company are always subjected to a legal minimum tax (cotisation minimale (CM)) of 1500 MAD or 0.5% of the annual turnover. The CM is based on turnover, income from interest, subsidies, bonuses or donations received. The CM is not payable by companies during their first 36 months of operation.

Companies are taxed on the difference between their trading income and expenditure. Business expenses incurred in the operation of the business are generally deductible unless specifically excluded. Expenses not permitted include fines, penalties, interest on shareholder loans where the stock is not fully paid up, and interest on shareholder loans in excess of the official annual interest rate.

Morocco operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax only on income generated from activities carried on in Morocco. Foreign corporations are subject to taxation on income arising in Morocco if they have, or are deemed to have, a permanent establishment in Morocco. A company is resident in Morocco if it is incorporated there or its place of effective management is in Morocco.

The calendar year is normally the fiscal year although a company may opt for a different fiscal year. Accounts for income tax purposes must be filed within three months after the end of the relevant accounting period.

Corporate tax is payable in four equal instalments, based on the prior year's assessment. The actual amount payable is adjusted in the three months following the end of the accounting period.

Foreign companies that have elected for the 8% default taxation must submit a declaration of their turnover before 1 April following each calendar year.

BRANCH REMITTANCE TAX

A 10% branch remittance tax is imposed on profits remitted to the head office. The Moroccan-sourced income of Moroccan branches of foreign companies is subject to income tax at the ordinary corporate rate of tax. The taxable income is calculated as if the branch was a separate entity from the foreign company.

VALUE ADDED TAX

The Value Added Tax (VAT) is a non-cumulative tax levied at each stage of the production and distribution cycle. Thus, suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT. The standard VAT rate is 20% and applies to all suppliersof goods and services, except those taxed at other rates or those who are exempt. A reduced rate of 10% applies to specific items such as banking and credit services, leasing, gas, water and electricity.

Two types of exemptions from VAT are provided. The first is an exemption with credit, equivalent to the zero tax concept, which applies to exports, agricultural materials and equipment and fishing equipment. The second is an exemption without credit, that is the seller receives no credit for input VAT paid. This exemption applies to basic foodstuffs, newspapers and international transport services.

BUSINESS TAX

A business tax or "patente" is levied on individuals and enterprises that habitually carry out business in Morocco. The tax consists of a tax on the rental value of business premises (rented or owned) and a fixed amount depending on the size and nature of the business. The tax rates range from 5% to 30% with exemption for the five first years of activity.

URBAN PROPERTY

Owners of real estate are subject to urban property tax on the rental value of the property. The same applies to owners of machines and appliances that are integral parts of the establishment producing goods or services.

CUSTOMS DUTIES

All goods and services may be imported. Goods deemed to have a negative impact on national production, however, may require an import licence. Most products imported are subject to import duties, the rates of which vary between 2.5% and 10% for equipment, materials, spare parts and accessories. Some materials and products, however, are exempted, especially those imported under the investment charter, imported under customs economic systems and those using renewable energies. Value added tax is also payable on goods imported into Morocco.

CAPITAL GAINS TAX
Individuals earning capital gains from selling property are subject to tax on property profits. Profits on the sale of property are taxable at 20% of any profit but with a minimum tax of 3% of the sale price. The taxable gain is computed by deducting the following from the selling price:
- acquisition price and incidental costs
- transfer costs
- investment expenses
- and interest payments.

Capital gains from the sale of a property which has been the primary residence of the taxpayer are not subject to tax under some qualifications:
- The property has been the seller's primary residence for at least eight years
- The property has been the seller's primary residence for at least four years on the day of the sale, and the property area does not exceed 100 sq m and the profit does not exceed MAD250,000
- The profit made on one or more transfers by individuals within a calendar year whose total value does not exceed MAD60,000.

PROPERTY TAX
Property tax is assessed on the rental value of the property. The general property tax rate is 10% of the assessed rental value, as determined by the local tax authorities.

If the property is used as a primary residence, only 25% of the assessed rental property value is subject to tax. Properties occupied as a main or second residence are taxed at progressive rates as follows:

Property Tax	
Tax Base, MAD	**Tax Rate**
Up to 5,000	Nil
5,000 – 20,000	10%
20,000 – 40,000	20%
Over 40,000	30%

B. DETERMINATION OF TAXABLE INCOME

M

CAPITAL GAINS
Morocco instituted a tax on the proceeds from a company's stocks, shares and comparable income (TPT), distributed by companies based in Morocco and paying taxes on corporations. The tax of 10% is collected at the source and applies to:
- Dividends
- Capital interest
- Profit percentages
- Special allowances or the payment of fees and other compensation allotted to members of the board of directors (except for the fraction of these compensations considered as salary and subject to personal income tax (IR))
- Sums levied on profits to repay capital produced to stockholders or to buy over stocks
- Beneficiary/founder's shares
- Surpluses from winding up augmented by reserves built up over at least ten years ago
- Profits made in Morocco by establishments whose home office is located abroad, as these profits are made available to such companies abroad.

LOSSES
Tax losses may be carried forward for a period of four years from the end of the loss-making accounting period. However, the portion of a loss that relates to depreciation may be carried forward indefinitely. Losses may not be carried back.

DIVIDENDS
Dividends received by corporate shareholders from taxable Moroccan-resident entities must be included in business profits of the recipient company but the dividends are 100% deductible in the computation of taxable income. As of January 2008, the participation exemption in Morocco is also applicable to dividend derived

from foreign subsidiaries. The original participation exemption regime granted 100% allowance to a Moroccan recipient company of Moroccan-source dividends.

CONSOLIDATED RETURNS

Consolidated returns are not permitted. Each company must file its own return.

INTEREST DEDUCTIONS

Interest paid on loans and other debts is deductible to the extent it relates to borrowings made for income producing purposes. Thin capitalisation rules apply to reduce the deduction available where the taxpayer is a foreign entity operating in Morocco, a foreign controlled Moroccan entity or a Moroccan resident with foreign business investments. In each of these cases, the tax deduction for interest may be reduced if the taxpayer's debt exceeds the levels permitted under the thin capitalisation provisions.

REPATRIATION OF PROFITS AND TRANSFER PRICING

In addition to paying interest and dividends, the payment of management fees, service fees and royalties are methods of repatriating profits to the non-resident associates, controllers and owners of Moroccan entities. In these circumstances, the payments made by the Moroccan resident to the non-resident associate must reflect the market value of the goods and/or services to the Moroccan company, that is, all payments must be calculated with reference to arm's length market rates.

Where the Tax Office takes the view that the Moroccan company has paid an excessive amount for the goods and/or services, the Tax Office can disallow the deduction claimed by the Moroccan company, and substitute an alternative price. Other transactions between Moroccan taxable entities (or branches), and their related foreign entities or head offices are also subject to the transfer pricing rules. Where a Moroccan branch of a foreign company remits profits to its parent by way of management fees or service fees, the profits are not subject to withholding tax or branch profits tax.

C. FOREIGN TAX RELIEF

Since a Moroccan resident is taxed on worldwide income, the Moroccan tax system provides relief from foreign taxes paid on such worldwide income by means of a foreign tax credit. This foreign tax credit cannot exceed the Moroccan tax otherwise payable in respect of the foreign-source income.

F. WITHHOLDING TAX

Dividends paid to a non-resident are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty. Interest on loans obtained from a non-resident is subject to a 10% withholding tax. Royalties paid to non-residents are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty.

H. PERSONAL TAX

Individuals, regardless of nationality or activity, who have their habitual residence in Morocco are subject to a personal income tax (impôt sur le revenue or IR) on their worldwide income on a progressive scale between 12% and 40%.

Individuals who do not have their habitual residence in Morocco are subject to tax only on Moroccan-source income. Habitual residence status is established by reference to one of the following:

(1) place of permanent abode
(2) centre of economic interest
(3) duration of stay in the country exceeding 183 days within any period of 365 days.

The issue of double taxation is partially addressed by tax treaties or unilateral relief in the form of tax credit.

All compensation received by an individual is taxable, including salaries and wages, allowances, pension annuities, and all other employment benefits, investment income, property income and income derived from the carrying out of a business or profession.

Capital gains derived from the disposal of immovable property are generally subject to tax as part of the personal income of the individual, i.e. 20%.

Filing and payment: the tax return must be filed by 31 March of each year in the place where the taxpayer has his/her habitual residence or main business.

Resident individuals are assessed to tax on taxable income from 1 July 2008 according to the following scales:

Income MAD	Tax Payable
0 – 30,000	Nil
30,001 – 50,000	10%
50,001 – 60,000	20%
60,001 – 80,000	30%
80,001 – 180,000	34%
Over 180,000	38%

A range of rebates are available to Moroccan resident individual taxpayers.

Employers must retain and pay any income tax due on the salaries paid to their employees the previous month within the first ten days of each month. Individuals who receive incomes from non-wage sources must file a tax declaration every year on or before 31 March.

Net rental income is taxable under the general income tax (Impôt Général sur le Revenu or IGR) at progressive rates. A standard deduction of 40% of the gross rental income covers the income-generating expenses in lieu of itemised deductions.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Moroccan government is eager to encourage foreign investment. This is reflected by the territoriality principle for taxation applicable to corporations mentioned above. In addition, Morocco has concluded about 17 treaties for the prevention of double taxation, mainly with developed countries. Morocco's list of treaty-partners include Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Romania, Spain, Sweden, Tunisia, the United Kingdom and the United States.

Most of the tax treaties are based on the OECD model and do not contain specific anti-abuse provisions. Reduced withholding tax rates vary from one treaty to another and, in the case of the treaty with Sweden, the rate is zero. Of special interest is the treaty with France which offers advantages involving self-employed foreigners and payments for technical assistance and contracts (eg imported supplies).

NAMIBIA

Currency: Dollar ($) | Dial Code To: 264 | Dial Code Out: 09

Member Firm:

City:	Name:	Contact Information:
Windhoek	Eric Knouwds	61 220662 eric.knouwds@pkf.co.na

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

INCOME TAX

Income tax is source-based with certain incomes deemed to be from a Namibian source, eg interest derived from financial institutions. Tax is imposed on all receipts and accruals from a Namibian source, other than receipts or accruals of a capital nature. The taxable income of external companies is computed in the same way as for local companies. The current rate of corporate income tax is 34% commencing on or after 1 January 2009.

The tax year is the same as the financial year of the company. Tax liabilities are calculated on a self-assessment basis.

The collection of taxes is made as follows:

- Provisional Payments (1st and 2nd) are due after the first six months of the financial year and on the last day of the financial year
- A top-up payment is payable on due date for the return of Income – seven months after the end of the financial year.

CAPITAL GAINS TAX

There is no capital gains tax in Namibia.

BRANCH PROFITS TAX
Normal company income tax rules apply to the Namibian branch tax profits of overseas companies.

SALES TAXES/VALUE ADDED TAX (VAT)
VAT applies to the supply of goods and services by taxable persons in Namibia and on the import of goods and services into the country.

VAT is payable at the rate of 15% of the value of the goods supplied or imported. Certain supplies are eligible for a 0% rate. These include:
- Export of goods and services and related supplies
- International transport
- Sale of a going concern
- Sale of land and buildings for residential purposes and erection of residential buildings
- Supply of municipal services to residential accounts
- Petrol, diesel and paraffin
- Certain food supplies
- Postage stamps
- Telecommunication services to residential accounts
- Supplies by charitable organisation and similar institutions
- Supply of livestock (on the hoof)
- The supply of goods, and the repair thereof, to be used as aids by physically handicapped persons who are blind, deaf, crippled or a chronic invalid. Services for any adjustment or modification in respect of a vehicle used for these purposes.

LOCAL TAXES
Municipal taxes are payable on the value of fixed property.

OTHER TAXES
Other taxes include:
- stamp duty (on documents and marketable securities)
- transfer duties payable on property transactions
- motor vehicle licences
- royalty on minerals
- Customs and Excise duties
- withholding tax on royalties
- non-resident's shareholders tax.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
Allowances are available on plant and machinery. Tax relief is allowed on the cost of assets used in the trade, claimed over a three-year period (Excluding finance charges on Hire Purchase or Lease)

Allowances on buildings used in the trade are 20% in the year they were taken into use, balance at 4% per annum for the next twenty years.

N

Allowances on buildings used for manufacturing purposes are 20% in the year they were taken into use, balance at 8% per annum for the next ten years.

DEPRECIATION
No depreciation is allowed in Namibia for tax purposes.

STOCK/INVENTORY
Stock is to be valued at the lower of cost or market price, usually FIFO method. LIFO may be applied for.

CAPITAL GAINS AND LOSSES
Capital gains are taxable if they arise from an activity that is considered to be a trade. Losses are also allowed in that case.

DIVIDENDS
Dividends are not taxable except if paid to foreign taxpayers.

INTEREST DEDUCTIONS
Interest deductions are allowed in Namibia if they are incurred in the production of income.

LOSSES
Losses and profits generated by a taxpayer may be set off against each other. A net loss may be carried forward to utilise in future tax years.

FOREIGN SOURCED INCOME
Foreign income is not taxable in Namibia, except that deemed to be from a Namibian source.

INCENTIVES
MANUFACTURING INCENTIVES
A manufacturer may qualify for registered manufacturer status if its activities are beneficial to the economic development of Namibia by way of net employment creation, net value addition, replacement of imports or an increase in net exports. The benefits available to registered manufacturers include accelerated capital allowances in respect of industrial buildings and enhanced allowances for training costs and pension contributions.

EXPORT PROCESSING ZONES/STATUS
A registered manufacturer deriving income from the export of goods manufactured or produced by it to another country is entitled to an additional deduction of 25% of specified types of expenses.

INDIVIDUALS
Incentives for individuals include housing subsidies, study bursaries or loans and travelling allowances. Special deductions for contributions to pension and other retirement funds and tertiary education policies are available up to N$40,000 in total.

C. FOREIGN TAX RELIEF

A tax credit is available for foreign tax paid in respect of dividends, royalties and similar income which is also taxable in Namibia, subject to a maximum of the Namibian tax payable on the overseas income concerned.

D. CORPORATE GROUPS

Corporate groups are not taxed as groups in Namibia. The individual legal entities in a group are taxed.

E. RELATED PARTY TRANSACTIONS

There are no special rules in Namibia other than those contained in tax treaties.

F. WITHHOLDING TAX

Dividends payable by a Namibian company to non-resident individuals or companies are subject to a withholding tax (NRST) deducted at source at a rate of 10%. Royalty payments to non-residents are subject to a withholding tax based on the company tax rate applicable to the recipient company's year-end (currently 34% commencing on or after 1 January 2009) on 30% of the gross royalty tax payable.

The Ministry of Finance in Namibia introduced a withholding tax on interest, which will be levied on any interest earned or accrued to any person (other than a Namibian company) from a Namibian banking institution and/or a unit trust. The 10% tax will be deducted from interest earned by any person on bank accounts and applicable unit trust investments. Namibian companies will, however, be taxed at the normal corporate tax rates applicable.

The 10% withholding tax on interest is a final tax and as from the 28 February 2010 tax year, interest from a Namibian banking institution and/or a unit trust will no longer be included in taxable income on the tax returns of affected persons.

Although account holders are liable for the payment of the withholding tax, Section 34C of the Income Tax Act requires Namibian banking institutions and unit trust schemes to withhold and pay the tax on interest directly to Inland Revenue, within 20 days after the month in which the interest accrued or was received by the account holder.

G. EXCHANGE CONTROL

Exchange controls apply in Namibia.

H. PERSONAL TAX

Individuals are taxed under the same statute as companies, i.e. the Income Tax Act 1981, as amended. Generally, the income of a non-resident which derives from Namibia is taxed in the same manner as that of a resident. Only income from a source within Namibia will be included in taxable income. Profits of a capital nature are not taxed. All individuals are taxed on income at progressive marginal rates over a series of income brackets as follows:

Taxable income (N$)	Rate
Up to 40,000	0%
40,001 to 80,000	27% on amount exceeding N$40,000
80,001 to 200,000	N$10,800 plus 32% on amount exceeding N$80,000
200,000 to 750,000	N$49,200 plus 34% on amount exceeding N$200,000
Over 750,000	N$236,200 plus 37% on amount exceeding N$750,000

The tax year runs from 1 March to 28 February. Tax is determined by self-assessment with a final tax due for qualifying salaried taxpayers. The due date for returns of Income is 30 June for most taxpayers although this is 30 September for others such as sole proprietors.

The collection of taxes is as follows:
- provisional taxes are to be paid in instalments after the first six months of the tax year and on the last day of the tax year
- a top-up payment is due on the tax return filing date.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The treaty withholding rates are made as follows:

	Dividends		Interest	Royalties
	Individuals/ companies (%)	Qualifying companies (%)	(%)	(%)
Treaty Countries:				
France	15	5	10	10
Germany	15	10	– (1)	10
India	10	10	10	10
Malaysia	10	5	10	5
Mauritius	10	5	10	5
Romania	15	15	15	15
Russia	10	5	10	5
South Africa	15	5	10	10
Sweden	15	5	10	5/15
United Kingdom	15	5	20	5

1 Taxable only in the state of residence of the recipient.

THE NETHERLANDS

N

Currency: Euro (EUR) | Dial Code To: 31 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Amsterdam	Jan Roeland	20 653 18 12 jan.Roeland@pkfwallast.nl
Delft	Ruud van der Linde	15 261 31 21 ruud.van.der.Linde@pkfwallast.nl
Rotterdam	Wilbert van der Aalst	10 450 40 20 wilbert.van.der.aalst@pkfwallast.nl
Woerden	Frenk van Vliet	348 41 62 62 frenk.van.vliet@pkfwallast.nl

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Corporate tax is payable by corporations in The Netherlands (resident taxpayers) and by certain corporations not established in The Netherlands which receive income from sources in The Netherlands (non-resident taxpayers). The term corporation includes companies whose capital consists of shares, co-operatives and other legal entities which conduct business. The main types of corporations, as referred to in the Corporation Tax Act, are the joint stock company with limited liability (NV) and the closed company with limited liability (BV).

Whether a corporation is resident in The Netherlands depends on the facts and circumstances. Relevant factors include the location of the effective management, the location of the head office and the place where the general meeting of shareholders is held. Under the Corporation Tax Act, all corporations incorporated under Dutch law are resident in The Netherlands however, this fiction may be overruled by a tax treaty.

The corporate income tax rates for 2011 are:

Taxable profit up to and including EUR 200,000	20%
Taxable profit above EUR 200,000	25%

Note that the different rates apply to bands of income rather than to the profit of the company as a whole. So, a company with a taxable profit of EUR 250,000 would be taxed at 20% on the first EUR 200,000 and 25% on EUR 50,000.

In 2007, a group interest income box was introduced in which interest income from group companies is taxed at 5%. Although the European Commission's approval was received in 2009, this box has not yet been introduced and it is not sure whether it will.

The royalty box was introduced in 2007, modified in 2010 and renamed the "innovation box". The Innovation Box is a corporate income tax incentive introduced to promote innovative technology development activities and investments in new technologies. Qualifying profits are only subject to 5% income tax as of 2010 (2007-2009: 10%), instead of the general tax rate of 25%.

Taxpayers are obliged to file a tax return every year within five months following the end of the year concerned. An extension of this time limit may be permitted. Tax is payable within two months upon receipt of an assessment. A provisional assessment for the current year may be raised.

CAPITAL GAINS TAX

There is no special tax rate for capital gains but gains and losses are included in the company's general taxable income.

BRANCH PROFITS TAX

Dutch sourced income of non-resident companies is taxed at the same rates as applicable to resident companies. There is no additional branch profit tax.

SALES TAX/VALUE ADDED TAX (VAT)

Value added tax (VAT) is a general consumer tax included in the price paid by consumers for goods and services. Consumers pay this tax indirectly and VAT entrepreneurs remit it to the tax department. Based on EU Directives, the general types of taxable activities are:

- the supply of goods
- the rendering of services
- the acquisition of goods by entrepreneurs
- the importation of goods.

There are three rates of VAT:

- the standard rate of 19%
- a reduced rate of 6%, which mainly applies to food, books, newspapers and drugs
- the zero rate, which is mainly applied to goods and services involved in international trade, so that goods can be exported free of VAT.

The period to which VAT tax returns relate may be a month, a calendar quarter or a year, depending on the amount of turnover tax (VAT) to be paid. The tax plans for 2011 propose to have the quarterly VAT tax return as standard. The tax return must be submitted within a month of the end of the period to which it relates. The tax owed must also be paid within this period.

Excise Duty is levied on certain consumer goods, including petrol and other mineral oils, tobacco products, alcohol, alcoholic beverages and non-alcoholic beverages. Like VAT, excise duty is included in the price paid by consumers for these goods. The tax is remitted by the manufacturers and importers of the goods concerned.

Due to EC legislation, some new VAT rules for cross-border services came into effect on 1 January 2010. Under the new system, the basic rule for the place of service has changed. Services to businesses (B2B services) will, in principle, be deemed to be supplied where the customer resides or is established. This represents a change to the place of supply for services to businesses outside the Netherlands from 2010 onwards.

For services to consumers, the basic rule will remain that VAT is levied in the country in which the supplier is established. At the same time, the reverse charge mechanism will become obligatory for VAT on cross-border services within the EC. EC listings for services provided intra-community must be completed.

The new rules provide a simplified procedure for reclaiming EU VAT for business established within the
EU. In principle, these claims are no longer filed with the respective foreign EU countries but with the own national tax authorities.

FRINGE BENEFITS TAX (FBT)
Bonuses to employees are taxed at the normal income tax rates. Another method of rewarding employees is to give them options over shares in the company. Options are taxed on the difference between the market value and the option purchase price against normal tax rates.

LOCAL TAXES
There are several municipal taxes of which real estate tax is the most important. Companies and individuals are subject to a municipal tax on the ownership and the use of real estate in The Netherlands, based on the market value of the property. The amount of tax due varies widely among municipalities but is generally a comparatively small percentage of value or income of the property in question. There are no local income taxes in The Netherlands.

OTHER TAXES
The Netherlands does not levy capital tax on the issued share capital of a BV and NV. A 6% transfer tax is levied on the acquisition of real estate situated in The Netherlands and rights related to Dutch real estate. Transfer tax is also levied on the transfer of shares in a so-called qualifying real estate company. As of 1 January 2011, a double asset threshold will have to be met in order to qualify as a real estate company: owning more than 50% real estate (foreign and Dutch) and at the same time owning 30% or more Dutch real estate. Furthermore, 70% of the total real estate (Dutch and foreign) of the company has to be used in the “real estate business” (currently this requirement is 70% or more of the Dutch real estate). Besides broadening the scope regarding qualifying companies, additional measures have been introduced to catch arrangements that would previously have escaped the transfer tax, such as by linking associated transactions.
The purchaser is liable for this tax.

B. DETERMINATION OF TAXABLE INCOME

Corporation tax is levied on the taxable amount. This is taxable profit received in a year less deductible costs and losses. From 1 January 2007 onwards, the loss carry back period has been restricted to one year and the loss carry forward period to nine years. Under a transitional provision, losses sustained up to 2002 may be set off against future profits up to financial years starting in 2011 (see hereinafter also under “Losses”). The taxable profit is also reduced by extra allowances such as investment allowances.

INVESTMENT ALLOWANCE
The Dutch law provides that investment in qualifying fixed assets generates a deduction from taxable profits. For the 2011 tax year, the deduction is only available in respect of qualifying investments of between EUR 2,200 and 301,800. The deduction is calculated as set out in the following schedule:

Investment	Investment Allowance
– €2.200	0
€2.200 – €54.234	28% of the investment
€54.324 – €100.600	€15.211
€100.600 – €301.800	€15.211 decreased with 7.56% of the portion of the investment which exceeds €100.600
€301.800	0

Higher investment allowances are permitted for energy investments (i.e. investments which are energy efficient).

The investment deduction does not reduce the costs of the assets for tax depreciation purposes. The investment deduction is subject to repayment if assets are disposed of within a certain period of time.

DEPRECIATION

Depreciation of fixed assets for tax purposes is required by law. Tax depreciation on real estate is limited so that the tax written down value cannot be reduced below certain limits. In practice this will mean that depreciation of real estate used for investment purposes can not be depreciated below its value for real estate tax purposes. For real estate used in a business, the limit will be 50% of the value for real estate tax purposes.

Depreciation of purchased goodwill is extended from an average term of five years to a maximum charge of 10% per annum.

The general depreciation period of all other assets (such as cars, computers etc) is limited to a maximum charge of 20% per annum.

Certain business assets, not including business assets that are leased out, can be depreciated in an arbitrary manner.

STOCK/INVENTORY

The following stock valuation methods are permitted: valuation based on cost, valuation based on cost or market value (whichever is lower), or the base stock method. The cost of the stock can be determined by either the FIFO or the LIFO method.

CAPITAL GAINS AND LOSSES

Capital gains or losses are assessed as normal corporate income and taxed accordingly. There is no special tax rate for capital gains.

DIVIDENDS

For Dutch residents, withholding tax can be subtracted from the total (personal or corporate) income tax to be paid. Foreign dividend withholding tax on dividends which are tax exempt under the Dutch participation exemption cannot be offset against Dutch taxes.

INTEREST DEDUCTIONS

Under present law the following is applicable.

Interest is generally deductible. However, when paid to shareholders or related parties, limitation rules may apply. Limitation on the deductibility of inter-company interest, inter alia, affects interest paid on debts arising from:

(a) dividends and capital repayments declared but unpaid
(b) dividends and capital repayments declared and paid when financed through an inter-company loan
(c) the acquisition of the shares of a company from a group company through an inter-company loan.
The interest deduction is not denied if the taxpayer demonstrates either an overriding business reason for the transaction or the interest received by the Dutch or foreign creditor is subject to tax at a rate which is reasonable by Dutch standards ("compensatory tax requirement").
(d) thin capitalisation rules – these rules are applicable for all taxpayers. A Dutch entity is not affected by the thin capitalisation rules in the following situations:
    - the entity is not part of a group
    - there is no debt to a related party
    - interest income from related parties equals or exceeds interest expenses to related parties
    - the balance of all debts minus receivables is less than EUR 500,000
    - the entity and the creditor are a joint fiscal unity
    - the debt-to-equity ratio of the entity does not exceed 3:1 plus EUR 500,000; the fixed ratio test is passed
    - the debt-to-equity ratio of the entity does not exceed the debt-to-equity ratio of the group; this means the group ratio test is passed.

When the thin capitalisation rules apply, the interest (paid to a related party) related to the excess debt is not deductible. In order to determine the amount of excess debt, the entity can choose each year between two tests:

(1) fixed ratio test: to the extent the average net liability (balance of loans payable and receivable) of the entity exceeds three times its average fiscal equity, plus EUR 500,000, the difference is excess debt
(2) group ratio test: in order to determine the total amount of equity and debt of the entity and of the group, the (consolidated) commercial accounts of the ultimate parent company of the group are decisive. The group is not restricted to Dutch entities.

The government is considering new legislation concerning the limitation of the deductibility of (intra-group) interest.

LOSSES

In general, losses may be offset against the taxable profits of the preceding year and carried forward for a period of nine years. For the (tax) years 2009,2010 and 2011 the carry back period upon request will be three years. However, where the three year carry back facility has been used in respect of part of the losses of a particular period, any remaining unused losses for that period may only be carried forward for up to six years. The options for setting off losses for holding companies are limited.

FOREIGN SOURCE INCOME

Foreign source income is included in the worldwide income of Dutch residents. However, in most cases, foreign source income is exempt from Dutch taxation, unilaterally or under double tax treaties.

INCENTIVES

Tax incentives are offered towards the cost of education and training projects, improvements in working conditions and research projects. Tax incentives are also applicable to companies investing in specified locations or developing new ideas, processes or products.

Beneficial tax rules are applicable to investments by individuals in companies that invest in environmentally friendly projects.

PARTICIPATION EXEMPTION

If the participation exemption is available, dividends and capital gains arising in respect of shareholdings by a Dutch parent company are free from corporate income tax. Capital losses are only available under certain conditions, such as upon liquidation of the participation. Costs in relation to (foreign) participations will be tax deductible.

The participation exemption applies if:

- The taxpayer owns (generally) at least 5% of its subsidiary and
- The subsidiary is not held as portfolio investment ("portfolio investment subsidiary") or
- The subsidiary is a qualifying portfolio investment subsidiary.

A subsidiary is deemed to be a portfolio investment subsidiary if:

- The assets of the subsidiary on a consolidated basis consist of more than 50% of minor interests in other subsidiaries (less than 5%) or
- The subsidiary qualifies as a group financing subsidiary. A group financing subsidiary is one which (unless an exception applies), together with its own subsidiaries of at least 5%, generates more than 50% of its income from granting loans to the taxpayer or related entities. Putting assets at the disposal of the taxpayer or related entities is also considered as group financing.

A subsidiary is not held as a portfolio investment subsidiary if the motive test is met. If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. To meet the motive test, a participation may not be held with the intention of earning a return that is equal to what can be expected from normal asset management.

In practice, the motive test is met if the business conducted by the participation is in line with the business of the Dutch entity holding the participation. The motive test may also be met if the Dutch holding company carries out essential activities in the business of the subsidiary (like management, finance etc). The motive test will also be met by a Dutch holding company acting as an intermediary between the ultimate parent company and the operating subsidiaries.

If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. The tax test will be met if the subsidiary is subject to a 'realistic levy' by Dutch Tax standards. The asset test will be met if the taxpayer demonstrates that less than 50% of its directly and indirectly held assets consist of passive assets.

C. FOREIGN TAX RELIEF

A resident company is taxed on its worldwide income. Certain types of foreign sourced income (for instance, income derived through a permanent establishment abroad, and income from foreign real estate) are exempt from tax, either unilaterally or pursuant to treaty provisions. The exemption is calculated as a pro rata reduction of the amounts of tax computed on worldwide income. Foreign losses can reduce current taxation on domestic income under certain circumstances.

Other types of foreign income are normally fully taxable in The Netherlands but a credit for foreign tax may be granted under various tax treaties or, unilaterally, with respect to dividends, royalties and interest derived from certain developing countries.

D. CORPORATE GROUPS

Under certain conditions, a parent company may form a 'fiscal unity" with one or more 'wholly owned' (95%) subsidiaries. For the purpose of corporation tax, this means that all the companies in the fiscal unity are taxed as one. The main conditions are as follows:

- the parent company must own at least 95% of the shares of the subsidiary
- the parent company and the subsidiaries must have the same fiscal year
- creation and dissolution of the fiscal unity can take place at any moment within the year
- a fiscal unity with a company which is established under the laws of a foreign country but having its business in The Netherlands is possible. A fiscal unity with a non-resident company carrying on a trade through a permanent establishment in the Netherlands is also possible.

The main advantages of a fiscal unity are that the losses of one company can be set against profits from another; that fixed assets can be transferred at book value from one company to another (subject to an anti-abuse provision); and that only one tax return has to be filed.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties that are not concluded at arm's length basis may be disregarded or may be adjusted appropriately. Special conditions exist for tax-free mergers between Dutch companies and for tax-free incorporation of a sole proprietorship.

F. WITHHOLDING TAX

Dividends, whether paid to resident or non-resident recipients, are subject to withholding tax at 15%. A reduced percentage may be provided by a double tax treaty. Resident shareholders can offset this withholding tax against their corporate or personal tax liabilities. For non-resident shareholders, the withholding tax is a final tax. However, foreign companies that are taxed in the Netherlands on income from shares in Dutch companies not part of their enterprise's assets (a so-called "substantial interest") can usually offset the dividend withholding tax.

Dividends paid by a Dutch company to a Dutch parent company that owns at least 5% of the paid up capital of that company are generally not subject to withholding tax. This equally applies to a dividend paid by a Dutch company to a European parent company that owns at least 5% of the nominal paid in capital or at least 5% of the voting rights if the tax treaty concluded between The Netherlands and the relevant EU state reduces tax on dividends on the basis of voting rights held and certain other conditions are satisfied.

G. EXCHANGE CONTROL

There are no exchange controls currently in force in The Netherlands.

H. PERSONAL TAX

Individuals resident in The Netherlands are subject to personal income tax on their worldwide income. Foreign taxes on foreign-sourced income are normally relieved, either under double tax treaties or under Dutch unilateral rules. Non-residents are liable for personal income tax only on income derived from a limited number of Dutch domestic sources such as income received for duties performed within The Netherlands and income from Dutch real estate.

The residence of an individual is determined by actual circumstances. One of the most relevant considerations is whether the individual has permanent personal or economic ties with The Netherlands.

Income tax is a tax on the annual income of individuals which is levied at a progressive rate. Personal circumstances are, however, taken into account and certain expenses are deductible. There is a personal allowance (by tax credits) dependent on individual circumstances.

The Netherlands has a system of personal income tax known as the 'box system'. This box system works as follows. There are three boxes of income each with its own tax rate, one of which is progressive (Box 1) and two of which are fixed (Boxes 2 and

3). If the income in a box is negative, it cannot be offset against positive income in another box. (There is only one exemption to this rule. In very special circumstances, losses of Box 2 can be offset against positive income of Box 1.)

The boxes are:

- Box 1: Taxable income from work and home (the main residence only)
- Box 2: Taxable income from substantial interests in companies with limited liability (usually BV or NV)
- Box 3: Income from savings and investment.

Box 1: The taxable income which will be taxed in Box 1 includes business income, income from employment or former employment (pension), income derived from certain periodic payments, income from other activities and income from a person's main home. This income is reduced by a number of deductible items which, broadly speaking, are associated with this income. An important one is the interest paid on a mortgage for a main home.

The tax rates in Box 1 for 2011 are:

Taxable income in Euros	Age 64 and under	Age 65 and over
0 – 18,628	33% (1)	15.10% (3)
18,628 – 33,436	41.95% (2)	24.05% (4)
33,436 – 55,694	42.00%	42.00%
Over 55,694	52.00%	52.00%

1 Comprises income tax of 1.85% and 31.15% social security contributions
2 Comprises income tax of 10.8% and 31.15% social security contributions
3 Comprises income tax of 1.85% and 13.25% social security contributions
4 Comprises income tax of 10.8% and 13.25% social security contributions

If an individual leases a property to a BV (or NV) in which he or she has a substantial interest (of 5% or more), the resulting income and capital gains on that property are also taxed in Box 1.

One of the specific rules of the Dutch tax system is that interest paid on a mortgage to finance the main residence (only one per tax resident) is tax deductible. There are some specific rules which, in some cases, prevent full tax deductibility of the interest paid on mortgage. Other personal allowances are, for instance, pension premiums.

Box 2: The income from substantial interests is classified in this box. An individual who holds 5% or more of the shares (or profit-sharing certificates) of a private company with limited liability (BV) or a company limited by shares (NV) is considered to have a substantial interest. To determine whether an individual has a substantial interest, the shares of his partner, blood relatives or relatives by marriage are taken into consideration as well. Not only is income on the shares but also profits from the sale of such shares taxed in Box 2.

N

The tax rate is 25%.

Box 3: Income from savings and investments is taxed in this box and applies to both residents and non–residents. This box includes assets like investment portfolios, saving accounts and real estate (except the main residence which is classified in Box 1). Income from assets in this box is fixed at 4% of the total net value (assets minus liabilities). This fixed income is taxed at a fixed rate of 30%, so the effective rate in Box 3 is 1.2% of the net equity (assets minus liabilities). Actual dividends, interests and rental income are not taxed separately. Withholding taxes on dividends on shares taken into account in Box 3 are credited against the total income tax due.

There are no local income taxes. A withholding tax (called 'wage tax') is levied on employment income. The rate of the wage tax equals the Box 1 personal income tax.

THE 30% RULING

In The Netherlands there are special conditions for certain foreign employees who work for a Dutch employer for a maximum of 120 months. They can obtain a 30% tax free allowance for extra territorial costs provided they perform activities in The Netherlands and have a special knowledge or capability which is not, or is rarely, available in The Netherlands.

Based on a resolution of 12 January 2010 of the Secretary of Finance for employees who work within a worldwide group and are sent to The Netherlands for fewer than 60 days over a 12 month period,, no Dutch taxes are levied under certain conditions.

INHERITANCE TAX

An inheritance and gift tax applies in the Netherlands. In general, these taxes are payable by the person receiving a donation or an inheritance. There are several exemptions for both gift tax and inheritance tax depending on the circumstances. The rates are the same for both taxes and depend on the value of what is received and the degree of the relationship. There is a minimum rate of 10% and a maximum rate of 40%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Netherlands do not levy withholding taxes on interest, royalties and rentals nor on personal services. The Netherlands only levy withholding taxes on (payments that qualify as) dividends.

	Individuals/ companies (%)		Qualifying companies (%)	(1)	Participation portfolio requirement minimum (%)	(2)
Non-Treaty Countries:			15		15	
Treaty Countries:						
Albania	15		0/5		50/25	
Argentina	15		10		25	
Armenia	15		5		10	
Aruba	15		5/7.5	(23)	25	(23)
Australia	15		15		N/A	
Austria	15		5	(1)	25	
Azerbaijan	10		5		25	(28)
Bahrain	10		0		10	
Bangladesh	15		10		10	
Barbados	15		0		10	(29)
Belarus	15		5	(4)	25	
Belgium	15		5	(1) (5)	10	
Bosnia	15		5		25	
Brazil	15		15		N/A	
Bulgaria	15		5		25	
Canada	15		5		25/10	(6)
China	10		10		N/A	
Croatia	15		0	(7)	10	
Czech Republic	10		0		25	
Denmark	15		0	(1)	10	
Egypt	15		0		25	
Estonia	15		5		25	
Germany	15		10		25	(6)
Finland	15	(8)	0	(1)	5	
France	15		5	(1)	25	
Georgia	15		0/5		50/10	
Ghana	10		5		10	
Greece	15		5	(1)	25	
Hong Kong (31)	10		0		10	
Hungary	15		5		25	
Iceland	15		0	(9)	10	
India	15		15	(25)	–	
Indonesia	10		10		N/A	
Ireland	15		0	(1)	25	(6)

	Individuals/ companies (%)		Qualifying companies (%)	(1)	Participation portfolio requirement minimum (%)	(2)
Israel	15		5	(10)	25	
Italy	15		5/10	(1) (10)	10–50	(11)
Japan	15		5		25	(6) (12)
Jordan	15		5		10	
Kazakhstan	15		0/5		50/102	(26)
Korea	15		10	(4)	25	
Kuwait	10		0		10	
Kyrgyzstan	15		15		N/A	
Latvia	15		5		25	
Lithuania	15		5		25	
Luxembourg	15		2.5	(1)	25	
Macedonia	15		0		10	
Malawi	–		–	(22)	–	
Malaysia	15		0		25	(3)
Malta	15		5		25	
Mexico	15		0	(15)	10	(3) (6)
Moldova	15		5		25	
Mongolia	15		0		10	
Montenegro	15		5		25	
Morocco	25		10	(7)	25	
Netherlands Antilles	15		5/7.5	(27)	25	
New Zealand	15		15		–	
Nigeria	15		12.5		10	(6)
Norway	15		0		25	
Oman (31)	10		0		10	
Panama (31)	15		0		15	(30)
Pakistan	20		10		25	
Philippines	15		10	(5)	10	
Poland	15		5		10	
Portugal	10		0	(1)	–	
Qatar	10		0		7.5	
Romania	15		0/5		25/10	
Russian Federation	15		5	(17)	25	
Saudi Arabia	10		5		10	
Serbia	15		5		25	
Singapore	15		0		25	(3)
Slovak Republic	10		0		25	
Slovenia	15		5		10	
South Africa	10		5		10	
Spain	15		5	(1)	25–50	(19)
Sri Lanka	15		10		25	
Surinam	20		7.5/15	(20)	25	
Sweden	15		0	(1)	25	
Switzerland	15	(23)	0	(7)	25	

	Individuals/ companies (%)	Qualifying companies (%)	(1)	Participation portfolio requirement minimum (%)	(2)
Taiwan	10	10		–	
Thailand	25	5		25	
Tunisia	20	0		10	
Turkey	20	5		25	
Turkmenistan	15	15		N/A	
Uganda	5/15	0		50	
Ukraine	15	5	(16)	20/50	
Uzbekistan	15	5		25	
United Arab Emirates	10	5		10	
United Kingdom	10/15	0	(1)	10	
United States	15	5/0		10/80	
Venezuela	10	0		25	
Vietnam	15	5/7	(21)	25–50	(21)
Zambia	15	5		25	
Zimbabwe	20	10		25	

1 Members of the European Community (EC) are covered by the Parent/Subsidiary Directive. Pursuant to this directive, Dutch company dividends paid to EC Companies are exempt from Dutch withholding tax provided the following conditions are met (from 1 January 2007 onwards):
   (a) the EU parent is subject to corporate income tax in its state of residence;
   (b) the EU parent owns at least 5% of the capital (or, in some cases, 5% of the voting power) in the Dutch company.
2 Unless mentioned otherwise, it must be a directly held participation.
3 Participation requirement: direct or indirect.
4 0% in case of direct participation of at least 50% with a minimum investment of EUR 250,000. 0% in case of direct participation if there is a guarantee of the Government of the home State of the mother company.
5 Portfolio – rate in case the dividend receiving company must pay corporate income tax over the received dividends.
6 Requires at least 25% of the capital or 10% of the voting power in the Netherlands company.
7 Unless the participation is held or solely kept to make use of the exemption/ reduction.
8 No withholding tax as long as Finland applies the imputation system.
9 Unless the dividend is set off against Irish profit: in that case 15%.
10 Israel levies 10% in special cases.
11 5% in case of participations of more than 50% of the voting shares held at least
12 Months before the dividend decision. 10% in such participations if 10% – 50% of the voting shares are held.
13 Participation must have been held at least six months in the book year over which the dividend is paid.
14 No withholding tax in case of a participation (direct or indirect) of at least 50% under certain conditions.
15 Maltese tax on profit is reduced to 15% in case investment incentives are applicable on the dividend paying company and the Dutch participation exemption is applicable on the dividend receiving company.
16 5% in case the Dutch participation exemption is not applicable.
17 0% where Ukrainian company has a shareholding of at least 50% with a value of at least US$ 300,000. The 5% rate applies to a holding of at least 20%.
18 Investment requirement of at least EUR 75.000.
19 10% in case the dividend receiving company has to pay corporate income tax on the received dividends.
20 Participation requirement 50%, alone or together, if everyone at least holds 25%.
21 15% rate applicable where dividends not included in recipient's taxable base in Surinam.
22 5% in case of a direct, or indirect, participation of at least 50% and an investment of more then $10.000.000. 7% in case of a direct, or indirect, participation of 25% to 50%.
23 The domestic rate applies.

24 A 5% rate applies if the recipient company is subject to profits tax at the rate of at least 5.5%.
25 The 50% holding must also have a value of at least US$ 2m.
26 By virtue of a most favoured nation clause the rate is reduced to 10%.
27 The 0% rate applies if the Kazakhstan company owns directly at least 50% of the capital of the Netherlands company and the participation is at least US% 1m. The 5% rate applies if the Kazakhstan company owns at least 10% of the capital of the Netherlands company.
28 The 5% rate applies where the conditions for the 7.5% rate are met and the company receiving the dividend pays corporate income tax on it at rate of at least 5.5%.
29 An investment of at least Euros 200,000 is also required in the Netherlands company paying the dividend.
30 This provision shall only apply if a company that is a resident of the Netherlands is not charged to Netherlands company tax with respect to dividends which it receives from a company that is a resident of Barbados.
31 Holding company qualifies as Headquarter company or is directly or indirectly listed.
32 Not yet in force.

NEW ZEALAND

Currency: New Zealand Dollar (NZNZ$)	Dial Code To: 64	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Auckland	John Dillon	9 373 0100 john.dillon@pkfrm.co.nz
Christchurch	Gordon Hansen	3 3666 706 gordon@pkfgf.co.nz
Wellington	Robert Elms	4 4727919 info@pkfmj.co.nz

A. TAXES PAYABLE

COMPANY TAX

Income tax is payable by New Zealand resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in New Zealand.

Resident companies are companies that are incorporated in New Zealand, or have their head office or centre of management in New Zealand, or control of the company is exercised by the directors in New Zealand.

The tax year usually runs from 1 April to 31 March, although different balance dates are available in certain circumstances. Tax is payable in three instalments (referred to as ‘provisional tax’) if a company’s residual income tax (total tax less available credits) exceeds NZNZ$2,500 per annum.

Provisional tax is payable in three instalments on 28 August, 15 January and 7 May for 31 March balance dates. For taxpayers with a non-standard balance date, provisional tax is generally payable on the 28th day of the fifth, ninth and 13th months of the income year following the month of balance date. Exceptions to this arise for those on July balance dates due to public holidays and where the taxpayer has commenced business during the income year. Income tax returns must be filed with the Inland Revenue Department within four months of balance date or by 31 March of the following year where the company is enrolled with a tax practitioner that has an extension of time arrangement.

The current tax rate for companies is 30%. For the 2011-12 and subsequent years the tax rate for companies will be reduced to 28%.

PARTNERSHIPS

General partnerships are not separate legal entities. This means that they have no existence separate from the individual partners that comprise them. Individual partners must return their share of the partnership income in their individual income tax returns.

Limited partnership structures were introduced in 2008. Limited partnerships have both separate legal status and flow through tax treatment.

TRUST

Taxation of trusts is based on the tax residence of the settlor. In general terms, distributions to beneficiaries of resident trusts are taxed at beneficiaries’ marginal tax rates, provided that distributions are made in the income year or within six months after the end of the income year. In contrast, distributions made to beneficiaries of foreign trusts are classified as “taxable distributions”, which will be taxed at beneficiaries’ marginal tax rates regardless of the distribution date. Trustee income is taxed at the flat rate of 33%. The trust regime does not apply to unit trusts. Unit trusts are deemed to be companies and are taxed accordingly.

CAPITAL GAINS TAX
There is no comprehensive capital gains tax in New Zealand. However, where a capital asset was bought for the clear purpose of resale, any profits or gains will be regarded as ordinary income.

BRANCH PROFITS TAX
There is no branch profits tax in New Zealand. New Zealand branches of foreign companies are taxed on New Zealand-sourced income only at the corporate tax rate.

SALES TAX/VALUE ADDED TAX
There is no sales tax in New Zealand, although there are levies on sales of certain products such as alcohol, tobacco and fuel. A value added tax called goods and services tax (GST) is levied at 15% on the supply of goods and services in New Zealand. (There are various exceptions including exported goods and services. Supplies made prior to 1 October 2010 remain at the former 12.5% rate.) Reverse charge applies in New Zealand.

FRINGE BENEFITS TAX (FBT)
FBT is payable by employers on benefits provided to employees. The rate is up to 49.25% (as from 1 October 2010) of the taxable value of the benefit provided.

The FBT year runs from 1 April to 31 March. FBT is payable and returns must generally be filed by the 20th day of the month following the quarters ending 30 June, 30 September, 31 December and 31 March.

KIWISAVER
KiwiSaver is a workplace savings scheme designed to help New Zealanders save for their retirement. It is primarily aimed at employees but all New Zealand residents under the age of 65 may join a KiwiSaver scheme. All eligible employees starting a new job after 1 July 2007 will be automatically enrolled in a KiwiSaver scheme and must opt out if they do not want to be part of the scheme.

Employees contribute either 2%, 4% or 8% of their gross earnings. From 1 April 2009, employers are required to contribute to their employee’s KiwiSaver account at the minimum of 2% of the employee’s gross salary or wage.

OTHER TAXES
Gift duty may apply to transfers of property for less than market value, unless a specific gift duty exemption applies. Other taxes include customs and excise duty. Proposed legislation abolishes gift duty from 1 October 2011.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined by ascertaining gross income less all allowable deductions. Generally, to be deductible, expenses and losses must relate directly to the derivation of gross income. Certain expenditure is specifically non-deductible and special rules apply in respect of the categories listed below.

DEPRECIATION
Depreciation rates are set by the Inland Revenue. Application can be made for a special rate. Straight-line or diminishing-value depreciation methods can be used for each particular asset. Assets acquired on or after 19 May 2005 and which cost less than NZ$500 can be expensed immediately. From the 2011-12 year there will be no depreciation allowance for buildings with a useful life of more than 50 years.

RESEARCH AND DEVELOPMENT (R&D) TAX DEDUCTIONS
For the 2008/2009 tax year only, R&D tax credits are available at a rate of 15% subject to the expenditure meeting certain specified criteria.

Taxpayers are allowed to allocate certain R&D tax deductions to tax years arising after the year in which the related expenditure is incurred. This means that deductions will not be lost if there is a shareholding change between when the expenditure is incurred and when the deduction is recognised by the taxpayer.

STOCK/INVENTORY
Trading stock is generally valued in accordance with accounting principles. Livestock is valued under specified schemes. Shares must be valued at cost.

CAPITAL GAINS AND LOSSES

Capital gains and losses on disposal of assets are neither assessable nor deductible. The disposal of depreciable assets will involve tax adjustments where there is a loss on sale or depreciation recovered.

DIVIDENDS

Generally, dividends received by resident companies from other resident companies are taxable. Resident Withholding Tax (RWT) is deducted and payable at 33%, reduced by any imputation credits attached. Dividends can be imputed by attaching credits arising from tax paid by the company. The maximum rate at which imputation credits can be attached to dividends will be 30% of the gross dividend (cash dividend plus imputation credits) until 31 March 2013 provided the credits arose when the company tax was 30% or 33%.

In respect of income earned from the 2011/12 income year, the maximum imputation rate is 28%.

Credit for overseas tax paid by a company is limited to the NZ tax payable (28% from 1 April 2011).

Foreign dividends received by NZ companies are wholly exempt.

Tax on dividends received from entities with Portfolio Investor Entity (PIE) status are capped at 28% (from 1 October 2010 onwards) and are exempt income to the recipient if tax has been deducted at the correct rate.

INTEREST DEDUCTIONS

No interest deduction is allowed unless it is payable in deriving gross income or necessarily payable in carrying on a business for the purpose of deriving taxpayer's gross income. Companies (except in limited circumstances for qualifying companies or non-resident companies) are entitled to automatic interest deductions.

Thin capitalisation rules limit the interest deduction available to New Zealand entities controlled by a single non-resident. A deduction will be denied where (1) the New Zealand entity's debt/assets ratio exceeds the safe harbour percentage of 75% and (2) New Zealand group debt percentage exceeds 110% of the worldwide group debt percentage. Where these thresholds are breached, the interest deduction is limited to that which would have been available had total debt funding not exceeded 75%. From the 2011-12 and later years, the 75% threshold is reduced to 60%.

Interest allocation rules have been extended to NZ residents investing in controlled foreign companies (refer to Controlled foreign companies below).

LOSSES

Broadly, a company can carry forward net losses indefinitely provided a continuity of ownership (49% of minimum voting, dividend and capital rights) is maintained from the beginning of the year of the net loss, to the end of the year of carry forward.

INVESTMENT ALLOWANCES

There are no investment allowances in New Zealand.

FOREIGN SOURCED INCOME

CONTROLLED FOREIGN COMPANIES

New Zealand operates a controlled foreign company (CFC) regime to ensure that foreign-sourced income is included in the New Zealand resident's tax return.

CFCs with less than 5% attributable income (eg passive income such as rent, royalties, dividends and interest) or CFCs that are Australian resident and subject to Australian Tax are not required to calculate CFC attributed income.

A foreign company will be regarded as a CFC where five or fewer New Zealand residents hold at least a 50% interest or have 'de facto' control.

FOREIGN INVESTMENT FUNDS

The Foreign Investment Fund regime complements the CFC regime and seeks to tax New Zealand residents on an accrual basis where the resident holds a non-controlling interest in a foreign entity.

C. FOREIGN TAX RELIEF

Credits are available for the lesser of the foreign tax paid or the New Zealand tax payable on the foreign income.

D. CORPORATE GROUPS

Where there is a 66% (or greater) common ownership, revenue losses can be transferred by New Zealand resident companies by way of subvention payments (where a profit company makes a payment to a loss company up to the amount of that loss) or direct offset. Dividends between companies with 100% common ownership (a wholly owned group) can be exempt.
Where there is 100% common ownership, consolidated tax returns can be lodged and revenue and capital items transferred within the group.

QUALIFYING COMPANY

A Qualifying Company regime exists whereby small closely held companies (five or fewer shareholders) which meet certain criteria may pass losses directly to shareholders. Capital dividends may also be paid effectively tax-free. Proposed legislative changes to the Qualifying Company regime remove the ability to pass losses to shareholders with effect from 1 April 2011 and a new look-through company regime is to be introduced. A look-through company will have separate legal personality for corporate law purposes but shareholders are taxed on the underlying profit and loss based on their proportionate share of interests held.

E. RELATED PARTY TRANSACTIONS

New Zealand has comprehensive transfer pricing and thin capitalisation rules to counter arrangements that seek to reduce the taxable income of New Zealand entities by shifting profits to related entities not resident in New Zealand.

F. WITHHOLDING TAXES

A 33% withholding tax must be deducted from dividends with a credit for imputation credits attached (refer to Dividends above.) Withholding tax is also deducted from interest with limited exemptions.

Dividends, interest and royalties payments made to non-residents are subject to non-resident withholding tax (NRWT). The NRWT rate depends on whether the non-resident is a taxpayer of a country which has a double tax agreement with New Zealand. Refer to Section I below.

NRWT payable on a fully imputed dividend paid to a non-resident is 0% if the non-resident has a 10% or more direct voting interest in the paying company; or the non-resident has less than a 10% direct voting interest in the company but the post-treaty tax rate for the dividend is less than 15%.

Non-resident shareholders with less than 10% direct voting interests in the paying company are able to receive a supplementary dividend and foreign investor tax credit with imputed dividends. The foreign investor tax credit offsets the 15% non-resident withholding tax deducted.

Withholding tax is also deductible from payments made to non-resident contractors with exemptions available in certain circumstances.

Where interest is paid to non-associated parties, a 2% levy can apply on election instead of NRWT.

G. EXCHANGE CONTROL

There are no exchange controls in New Zealand. While foreign investment into New Zealand is encouraged, sensitive assets are protected by the Overseas Investment Act 2005. Consent must be obtained from the Overseas Investments Office for the acquisition of significant business assets (exceeding NZ$100 million), sensitive land (non-urban land of more than five hectares, offshore islands, land adjacent to lakes and the foreshore, or land of conservational or historical significance) and fishing quotas.

H. PERSONAL TAX

Income tax is payable by New Zealand residents on their worldwide income. Non-resident individuals pay tax on New Zealand-sourced income only.

An individual is resident in New Zealand if personally present for more than 183 days in any 12-month period or if the individual has a ‘permanent place of abode’ in New Zealand.

Individuals arriving to live in New Zealand on or after 1 April 2006 may qualify for a temporary tax exemption as a transitional resident on foreign income. All foreign-sourced income will be exempt except for employment income connected with employment performed while in New Zealand and income from services. The exemption applies to the first 48 months (four years) following arrival in New Zealand. To qualify, an individual cannot have been tax-resident in New Zealand during the previous ten years.

Income tax is payable on gross income less allowable deductions. Gross income includes employment income, business income, rents, interest and dividends. Certain donations, rebates, low income rebate, family support tax credits and child care credits are available.

Employment income (salary/wages) has tax payments deducted from each salary/wage payment.

Self-employed individuals and those receiving income with no tax deducted at source pay provisional tax in three instalments based on their previous year's taxable income, with a final payment within 11 months after balance date (or 13 months after balance date where the taxpayer is enrolled with a tax practitioner).

The income tax rates for individuals are as follows:

Effective to 30 September 2010:

Taxable Income (NZNZ$)	Rate of tax
NZ$0 – NZ$17,500	12.5%
NZ$17,501 – NZ$40,000	21%
NZ$40,001 – NZ$75,000	33%
NZ$75,001 and over	39%

Effective from 1 October 2010:

Taxable Income (NZNZ$)	Rate of tax
NZ$0 – NZ$14,000	10.5%
NZ$14,001 – NZ$48,000	17.5%
NZ$48,001 – NZ$70,000	30%
NZ$70,001 and over	33%

ACCIDENT COMPENSATION (ACC) LEVIES

All employees must pay an ACC earner's levy to cover the cost of non-work related injuries. Earner's levy is charged at a flat rate which may vary for each year. For the 2009/10 income year, the rate of ACC earner's levy is NZ$1.70 per NZ$100 for any earnings up to NZ$106,473. From 1 April 2010 to 30 September 2010 the rate is NZ$2.00 per NZ$100 for any earnings up to NZ$110,018. The levy increased to 2.04% on 1 October 2010 because of the GST increase to 15% on that date. For employees, the levies are collected by the employers and paid to the Inland Revenue Department as part of the PAYE payments.

Employers are liable to pay a residual claims levy. Self-employed persons pay a self-employed work levy and the earner levy. The residual claims levy rate is determined by the type of activity carried on by the self-employed person.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

Recipients	Dividends (%)		Interest (%)	(1)	Copyright/ royalties/ know-how payments (%)	(2)
Non-resident corporations and individuals:						
Non-Treaty Countries:						
General	30 final		15 final		15 final	
Fully imputed	15 final	(3)				
Fully imputed non-cash	Nil final					

Recipients	Dividends (%)		Interest (%)	(1)	Copyright/ royalties/ know-how payments (%)	(2)
Treaty countries:						
Australia (4) (5)	5/0	(6)	10	(6)	5	
Austria	15		10		10	
Belgium	15		10		10	
Canada	15		15		15	
Chile	15		10 / 15	(6)	10	
China	15		10		10	
Czech Republic	15		10		10	
Denmark	15		10		10	
Fiji	15		10		15	
Finland	15		10		10	
France	15		10		10	
Germany	15		10		10	
Hong Kong (7)	5/15/0	(6)	10		5	
India	15		10		10	
Indonesia	15		10		15	
Ireland	15		10		10	
Italy	15		10		10	
Japan	15		–	(8)	–	(8)
Korea	15		10		10	
Malaysia	15		15		15	
Mexico	15		10		10	
Netherlands	15		10		10	
Norway	15		10		10	
Philippines	15 /25	(6)	10		15/25	(6)
Poland	15		10		10	
Russia	15		10		10	
Singapore (9)	15 / 5	(6)	10		5	
South Africa	15	(6)	10		10	
Spain	15		10		10	
Sweden	15		10		10	
Switzerland	15		10		10	
Taiwan	15		10		10	
Thailand	15		10 / 15	(6)	10/ 15	(6)
Turkey (7)	15 /5 (6)		15/10	(6)	10	
United Arab Emirates	15		10		10	
United Kingdom	15		10		10	
United States (5) (10)	15		10		10	

1 Final tax in most cases unless parties are related.
2 Royalty payments for know-how or to related parties may be subject to further tax by the contracting state.
3 Refer to para F above: NRWT will be 0% if non-resident holds 10% or more direct voting interest
4 New DTA with Australia, with application from 1 April 2010

N

5 Withholding tax on dividends reduces to 5% if an investing company has at least 10% shareholding, and 0% withholding tax if the investing company holds 80% or more of shareholding, in certain circumstances.
Withholding tax is 0% for interest paid to lending or financial businesses provided the 2% approved issuer levy is paid on NZ sourced interest.
6 Refer to DTA
7 New DTA signed but not yet in force.
8 There is no reduction under the treaty – the domestic rate applies.
9 New DTA with Singapore signed, with application from 1 January 2011.
10 New DTA with USA signed, with application from 1 January 2011. Withholding tax on royalties reduce to 5% under the new DTA.

NIGERIA

Currency: Naira   Dial Code To: 234   Dial Code Out: 009

Member Firm:

City:	Name:	Contact Information:
Lagos	T Adegboyega Akande	1 8042074 takande@pkfnig.com tajudeen.akande@pkf-ng.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

All companies operating in Nigeria outside the oil and gas sector of the economy are required to pay income and education tax. The rate is 30% of total profit for income tax and 2% of assessable profit for education tax. Total profit is profit after deducting previous year losses carried forward and capital allowances. Assessable profit is obtained prior to deducting capital allowances.

Resident companies pay tax on their worldwide income. Non-resident companies are taxed on the proportion of their income earned in Nigeria. Companies are deemed to be resident companies if they are registered or incorporated in Nigeria.

The fiscal year runs from 1 January to 31 December. A Company can choose any date for its accounting year-end but must file returns not later than six months after its accounting year-end. Tax can be paid in a maximum of six equal monthly instalments if a taxpayer files self-assessment and applies for payment in instalments.

PETROLEUM PROFIT TAX

Companies in the oil and gas sector together with construction and consulting companies providing services to oil companies are regulated by separate tax laws. Tax rates are different for resident companies in the upstream sector of the oil and gas industry. The rates range from 50% for some of the new production sharing contracts to 65.75% for others in the first five years, during which all pre-operation expenses are expected to be fully amortised, and 85% of their chargeable profits thereafter. The tax rate in the downstream sector is 30%. Chargeable profit is profit of the company after deducting allowances. For offshore companies that engage in petroleum operation, 20% of their turnover is deemed profit and taxed accordingly.

Petroleum companies are required to file their returns of estimated tax within two months into a new accounting year and commence payment of the tax in 12 monthly instalments pending determination of the result of their operation at the close of the year.

Both estimated and final taxes are computed in US dollars and payment made in US dollars in accordance with returns filed.

CAPITAL GAINS TAX

Capital gains and losses are treated differently from regular business transactions of individuals, partnerships and companies in Nigeria. Gains arising from the disposal of assets are taxed at the rate of 10%. Taxable assets include land and building situated in Nigeria, as well as plant and machinery. With effect from 1 January 1998, Corporate Securities are exempted from Capital Gains Tax.

Inflation is rarely taken into account in determining capital gains. Payment of capital gains tax can be postponed if the proceeds on disposal of an asset are reinvested in acquiring similar assets.

Capital losses cannot be charged against normal trading income but can be carried forward to offset future capital gains tax from the same source.

BRANCH PROFIT TAX
There is no branch profits tax in Nigeria. Non-Nigerian companies operating branches, which are exempted from local incorporation by the Federal Government, are treated as separate entities and taxed on income earned from their activities in Nigeria.

Activities of non-Nigerian companies, which would attract tax in Nigeria and other special issues, are spelt out in the laws. Examples are turnkey projects, allocation of income and expenditure between the foreign company and its branch in Nigeria, transfer pricing etc.

SALES TAX/VALUE ADDED TAX
Value Added Tax was introduced in the country on 1 December 1993 to replace sales tax previously collected by state authorities. VAT is imposed on non-exempt supplies of goods and services within Nigeria as well as on goods imported. Export goods are non-taxable.

The standard rate is 5%. VAT is generally assessed by a taxable person who supplies taxable goods and services and payment made when filing monthly returns.

Transactions on basic food items produced within the country, books and educational materials, plant and machinery for use in Export Free Zone, agricultural equipment, and all medical and pharmaceuticals products and services, amongst others, are exempt from VAT.

OTHER TAXES
CUSTOM AND EXCISE DUTY
Customs duties are levied on goods coming into the country at varying rates from 5% to 75% of import value at each port of entry. Excise duties hitherto paid by companies on locally manufactured goods have been abolished.

STAMP DUTIES
A number of transactions attract stamp duties. These include incorporation of companies, increase in companies authorised share capital, mortgage bonds, debenture and dealing in securities, settlement of estates and conveyance of property.

LOCAL TAXES
States in Federation (and there are now 36 states) have a variety of local taxes in their areas of jurisdiction. Local taxes include motor vehicles' licence/registration; consent fees for transfer of property in real estate; property tax; gaming/casino tax; water rates etc. Local Councils impose tenement rates and several other fees.

B. DETERMINATION OF TAXABLE INCOME

Taxable profit of a company is determined by ascertaining its income on ordinary activities and subtracting all allowable deductions based on financial results of the preceding year.

N

To be deductible, expenses must be of revenue nature and incurred wholly, exclusively, necessarily and reasonably for earning the income reported. Donations to certain bodies are not allowable for tax purposes.

CAPITAL ALLOWANCES/DEPRECIATION
Capital allowances are granted to companies against taxable income in lieu of the wear and tear of business assets. Rates of capital allowances are highest (95%) for expenditure on replacement plant and machinery for mining agricultural production, industrial plant and machinery, and motor vehicles used for public transportation.

In addition, investment allowances of between 10% to 15% are available to manufacturing companies in their first year of acquisition of plant and machinery. Other business assets such as factory buildings, furniture and fittings enjoy capital allowances at lower rates but generally at 50% initial and 25% annual in other cases.

STOCK/INVENTORIES
Closing stocks have to be appropriately valued at the lower of cost or net realisable value. Accepted valuation methods are first-in-first-out (FIFO) and weighted average but last-in-first-out (LIFO) valuation is not acceptable. Valuation method once adopted must be consistently followed.

CAPITAL GAINS AND LOSSES
Capital gains and losses as discussed above are excluded from regular trading operation of a company and assessed separately under different tax law.

DIVIDENDS
Dividends received by a Nigerian company from other domestic companies are excluded in the determination of taxable income to the extent that such distribution has suffered withholding tax in the hands of recipient. Dividend paid to non-resident companies and investors attract withholding tax of 10%, which is the final tax while dividend distributed by Unit Trusts and pioneer companies during the pioneer period are tax-exempt in the hands of recipients and withholding tax are not deductible for such dividend.

INTEREST
Interest paid on loans used for business operations are allowable for tax purposes. For new business, such interest is capitalised prior to starting commercial production. Interest income received by lending institutions on loans to export oriented companies and agricultural businesses are granted tax exemptions depending on tenor and moratorium of the loans.

LOSSES
Normal business losses can be carried forward indefinitely except for insurance companies who can only carry forward losses for a maximum of four years.

TAX INCENTIVES
GOVERNMENT INCENTIVES TO INDUSTRIES
Nigeria's Industrial Policy document introduces a number of incentives designed to promote investment, employment, product mix and various other aspects of industry. These incentives fall within the following broad categories:

a) Fiscal measures on taxation
b) Effective protection of local industries with import tariff
c) Export promotion of Nigerian-made products
d) Foreign currency facility for international trade.

Enterprises which fulfill the required criteria are free to apply for the following specific incentives:

1. **Pioneer Status**
   There is a 100% tax-free period for five years for pioneer industries that produce products declared as "pioneer products" under the Industrial Development (Income Tax Relief) Act.

2. **Local Raw Materials Utilisation**
   There is a 30% tax concession for five years to industries that attain minimum local raw materials utilisation as follows:

Industrial Sector	Minimum Level
Agro	80%
Agro-Allied	70%
Engineering	60%
Petro Chemical	70%

N

3. **Labour Intensive Mode of Production**
   There is a 15% tax concession for five years. The rate is graduated in such a way that an industry employing 1,000 persons or more will enjoy the 15% tax concession while an industry employing 100 will enjoy only 6%, while those employing 200 will enjoy 7% and so on.

4. **Local Value Added**
   There is a 10% tax concession for five years. This applies essentially to engineering industries where some finished imported products serve as inputs. The concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.

5. **In-Plant Training**
   2% tax concession for five years of the cost of facilities provided for training.

6. **Export-Oriented Industries**
   There is a 10% tax concession for five years. This concession will apply to industries that export not less than 60% of their products. The emphasis here is on the encouragement of the pre-establishment stage of an export-oriented enterprise.

7. **Infrastructure**
   20% of the cost of providing basic infrastructures such as roads, water, electricity where they do not exist is tax deductible once and for all.

8. Investment in Economically Disadvantage Areas

There is a 100% tax holiday for seven years and additional 5% depreciation allowance over and above the initial capital depreciation.

9. Research and Development (R and D)

120% of R&D expenses are tax deductible provided that R&D is carried out in Nigeria; and 140% for R&D on local raw materials.

10. Abolition of Excise Duty

In order to boost local industries, stimulate trade and reduce business costs, the Government decided that all excise duties be abolished with effect from 1 January 1998 but from 1 January 1999 excise duties were re-introduced on the following specific products:

– Spirits and other spirit-based alcohol
– Cigarettes, cigars, cheroots and cigarillos
– Other manufactured tobacco and tobacco-manufactured substitutes.

11. Re-Investment Allowance

This incentive is granted to companies engaged in manufacturing which incurs qualifying capital expenditure for the purpose of approved expansion, etc. The incentive is in the form of a generous allowance of capital expenditure incurred by companies for the following:

– expansion of production capacity
– modernisation of production facilities; and
– diversification into related products.

This scheme is desirable to encourage re-investment of profits at a time that such investment is declining.

12. Companies engaged in Export Trade

With effect from 1 January 1996:

i) Profits of any Nigerian company in respect of goods exported from Nigeria provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant and equipment and spare parts, are exempted from tax.
ii) The profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports is tax exempt. For this purpose, the exporter must give a certificate of purchase of the input of exportable goods to the seller before the profit can be eligible for tax exemption.

13. Taxation of Export Free Zone Enterprises

All new industrial undertakings including foreign companies and individuals operating in any Export Processing Zone in Nigeria shall be allowed full tax holiday for three consecutive years of assessment.

Manufacturing companies shall include assembly and processing of goods for export provided the value of exported goods is not less than 75% of the total turnover during the assessment year.

14. Tax relief to export oriented enterprises

The profit or gains of 100% of export oriented undertakings established outside an export free zone shall be fully exempted from income tax for three consecutive assessment years provided that:

i) The undertakings is 100% oriented.
ii) The undertaking is not formed by splitting up or the reconstruction of a business already in existence.
iii) It manufactures, produces and exports during the relevant year, and the proceeds or goods exported during the year are not less than 75% of its turnover for the year.
iv) The undertaking is not formed by transfer of machinery or plant previously used for any purpose to the new undertaking or, where it does, the written down value does not exceed 25% of the total value of the plant and machinery.
v) That the undertaking repatriates at least 75% of the export earnings to Nigeria and places this in the domiciliary account with a bank in Nigeria.

15. Solid Minerals

Companies engaged in the mining of solid minerals are entitled to claim Initial and Annual Allowances as follows:

Initial Allowance	30%
Annual Allowance	20%.

In addition, they are to enjoy tax-free holiday for the first three years of operation.

16. Replacement of Industrial Plants and Machineries

Plant and machinery purchased to replace old ones are to enjoy a once and for all 95% capital allowances in the first year and the remaining 5% is to be retained as the book value until the final disposal of the asset.

In addition, an Investment tax credit of 15% was granted for such replacements with effect from 1 January 1996.

17. Tax Incentives for Hoteliers and Tourism Services

25% of income derived from tourism by hotels in convertible currencies will be exempted from tax with effect from 1996 provided such incomes are set aside and put in reserve fund to be utilised within five years in expansion or the construction of new hotels, conference centres and new facilities useful for tourism development.

18. Tax Incentives for Local Manufacturers

All companies engaged wholly in the fabrication of tools, spare parts and simple machinery for local consumption and export are to enjoy 25% Investment tax credit on their qualifying capital expenditure.

Any taxpayer who purchases locally manufactured plant and machinery and equipment is similarly entitled to 15% investment tax credit on such fixed assets bought for business use.

The incentives set out in this section are in no way exhaustive and neither are the quantum or percentage of relief mentioned fixed for all times. There is the need therefore to ascertain the current operative figures at the time of making investments.

D. CORPORATE GROUPS

There are no provisions for consolidation of accounts for group taxation in Nigeria.

E. RELATED PARTY AND ARTIFICIAL TRANSACTIONS

Related party transactions are required by the tax laws to be disclosed separately and the tax officials are given power to determine whether the transactions are at arm's length and the adjustment to be made to the liability. When a disposition is not, in fact, given effect to and the transaction is artificial or fictitious, the transaction may be set aside by the Revenue.

G. EXCHANGE CONTROL

Exchange control regulations have been abolished in Nigeria. Under the new foreign exchange and investment promotion laws, a foreign investor is guaranteed unconditional transferability of funds through an authorised dealer in freely convertible currencies in respect of:

- Dividends or profit (net of taxes) attributable to the investment.
- Payment in respect of loan serving where foreign loan has been obtained.
- The remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.

Authorised dealers of foreign currencies need to notify the Central Bank of Nigeria of any cash transfer to or from a foreign country of any sum in excess of USD 10,000. A tax clearance certificate must, however, be obtained by anyone wishing to remit dividend and interest funds outside the country.

F. WITHHOLDING TAX

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to withholding tax at the following rates:

	Corporate Bodies %	Individual %
Dividends	10	10
Royalties	10	10
Interest	10	10
Director Fees	10	10
Rent (including hire of equipment)	10	10
All aspect of building construction and related activities	5	5

	Corporate Bodies %	Individual %
All aspect of contract activities or agency arrangements including contract for supply	5	5
Management Services	10	5
Consultancy and Professional fee	10	5
Technical Services	10	5
Commission	10	5

Withholding tax paid by resident person and companies in Nigeria is payment on account of tax and can be used to offset part of personal and companies income tax except in the case of dividend and interest (Franked Investment Income) where withholding tax become a final tax. Withholding tax paid by non-resident individuals and companies is a final tax.

H. PERSONAL TAX

While the above outline applies mainly to companies, different tax rules and principles apply to individuals in employment, sole traders, partners in a partnership and trustees as outlined below.

The concept of residence determines the extent to which the income of taxpayer is liable to Nigerian tax. A resident person is assessable to tax on his global income, ie income accruing in, derived from, brought into or received in Nigeria. An individual is regarded as resident in Nigeria in an assessment year if he:
i) is domiciled in Nigeria
ii) sojourns in Nigeria for a period or periods in all amounting to 183 days or more in a 12 month period or
iii) serves as a diplomat or diplomatic agent of Nigeria in a country other than Nigeria.

The profit of a trade, profession or vocation is liable to tax in Nigeria regardless of the period such a trade, profession or vocation has been carried on. Income from employment, however, is liable to tax when a person becomes resident.

Non-resident persons pay tax on the portion of their income sourced in Nigeria. They become liable to tax from the day they begin to carry on a trade, business, profession or vocation in Nigeria. Double taxation treaties have been concluded with a number of countries and double taxation relief applies to such income.

The pay-as-you-earn system of collection is in operation. There are a number of allowances against total income. A taxpayer is currently allowed:

i)	Personal Allowances	N5,000 + 20% of earned income
ii)	Disabled person additional allowance	Higher of N3,000 or 20% of earned income
iii)	Child allowance	N2,500 per child up to a maximum of four children
iv)	Allowance for dependent relative	N2,000 per dependent subject to a maximum of two dependents.
v)	Life assurance relief	Total sum of premium paid

N

Rent and transportation allowances provided by employers for employees in excess of certain limits and fringe benefits are taxable in the hands of employees. Non-resident persons cannot claim the child, dependent relative and life assurance reliefs stated above.

Personal income tax is payable on the net income on a graduated scale. The scale currently in force is:

	Taxable Income N	Tax Rate %	Tax Income N	Taxable Income N	Cumulative Tax N
1st	30,000	5	1,500	30,000	1,500
Next	30,000	10	3,000	60,000	4,500
Next	50,000	15	7,500	110,000	12,000
Next	50,000	20	10,000	160,000	22,000
Above	160,000	25	–	–	–

I. TREATY AND NON-TREATY WITHHOLDING TAXES

	Dividend (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	10	10	10
Treaty Countries:			
Belgium	10	10	10
Canada	5	5	5
Czech Republic	5	5	5
France	5	5	5
Netherlands	5	0	0
Pakistan	10	10	10
Romania	10	10	10
United Kingdom	0	5	5

Note: The above apply to resident individuals and companies only and provide a general guide. For further details, it is necessary to consult the individual treaties.

NORWAY

Currency: Kroner (NOK)

Dial Code To: 47

Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Oslo	Steinar Farstad	23 19 63 00 pkfrevisjon@pkf.no

A. TAXES PAYABLE

COMPANY TAX

Company tax is payable by Norwegian resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay tax on income sourced in Norway.

A company is treated as resident if its central management and control or head office is located in Norway and, for all practical purposes, a company registered in Norway is also considered a resident.

The company tax rate on income is 28%. The tax year is usually the calendar year, although this can be deviated from in certain circumstances. Tax is payable in three instalments. A preliminary assessment is issued after the end of the tax year corresponding to the accrued taxes not yet assessed. This tax is due in two instalments on 15 February and 15 April. The balance is to be paid within three weeks after the assessment is made public. Company tax returns must be filed by the end of March for the preceding tax year (this is extended to the end of May for electronically filed returns). It is possible to get an agreed postponement.

CAPITAL GAINS TAX

There is no separate capital gains tax. Capital gains are treated as ordinary income.

BRANCH PROFITS TAX

Shipping companies are not taxed on profits but when they pay dividends. There is no other special profits tax on branches of foreign companies in Norway.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is levied on the sale of most merchandise and services and on imported goods and services. The VAT rate is 25% (14% on food, 8% on passenger transport, broadcasting, cinema tickets, sports events, leisure parks and experience centre tickets and letting of rooms in hotels, motels and tourist cabins etc). Some goods are exempt but VAT on the purchase of materials and goods is still deductible. This also applies to exports, newspapers, certain periodicals and international transportation. Other areas are exempt without any credit for input tax. This is the case for health services and financial services.

FRINGE BENEFITS TAX (FBT)

Both residents and non-residents are taxed on fringe benefits. The value of the benefits is taxed as the top slice of employment income. The highest marginal tax rate is 51%.

SOCIAL SECURITY CONTRIBUTIONS
Employers are liable to pay social security contributions relating to salaries and benefits paid to their employees. The fee levied is 14.1% in Central areas. Lower rates are available for certain employees in areas in the North of Norway.

LOCAL TAXES
Property taxes in some urban areas are levied at a maximum 0.7 % of the tax value of the property.

OTHER TAXES
Real estate transactions are subject to 2.5% stamp duty. Property transferred by gift or on death is taxable at rates varying from 6% to 15%. Special taxation regimes apply to oil and gas. Tax rate for these companies is 78% (28% + 50%).

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, losses and expenses must relate to producing the assessable income. Some items such as entertainment expenses and gifts are specifically non-deductible. Only realised expenses are deductible. Special rules apply to the categories listed below.

DEPRECIATION
Book depreciation is not allowable for tax purposes. Assets with an expected life of more than three years and costing more than NOK15,000 should be depreciated on a declining-balance method using the following rates:

	Rate (%)
Office machinery	30
Goodwill	20
Trucks, trailers, buses, taxis and vehicles for disabled persons	20
Cars, agricultural tractors, machinery, tools, instruments etc.	20
Ships, drilling platforms, vessels, etc.	14
Aeroplanes	12
Power stations, power lines	5
Industrial buildings, hotels, restaurants	4
Office buildings	2
Technical installations in buildings	10

STOCK/INVENTORY
All trading stock held at the beginning of the tax year and at the end of the tax year must be taken into account when determining taxable income. Stock is valued at cost without regard to real value. Work in progress and finished products are valued at direct variable cost of materials and labour. Real value is not taken into account. Accepted valuation method is FIFO not average cost or LIFO.

N

CAPITAL GAINS AND LOSSES
See text above.

DIVIDENDS
Dividends are not deductible for income tax purposes for the dividend paying company. Dividends received from other Norwegian companies are tax-exempt under the participation exemption. However, 3% of the dividend is added to the recipient's taxable income.

INTEREST DEDUCTIONS
All interest costs on business debt is deductible. Normally, there are no 'thin capitalisation' limitations (except in oil and gas production). Tax authorities can, however, make adjustments.

LOSSES
Losses may be carried forward. Losses may generally not be carried back but, when a company liquidates, the losses of the year of liquidation may be offset against profits of the two preceding years.

FOREIGN SOURCED INCOME
Norway has rules designed to ensure that profits sourced in low tax countries are included in the controlling Norwegian company's taxable income. Generally, income

from a foreign company will be included if 50% or more of the company is owned or controlled by Norwegians. A low tax jurisdiction applies where the tax payable is less than two-thirds of the tax that would have been payable in Norway.

INCENTIVES

Generally, there are no special incentives, although research and development credits are granted to small and medium sized companies under qualifying circumstances.

C. FOREIGN TAX RELIEF

Deductions are available for foreign tax paid or, as an alternative, a credit may be available against Norwegian tax payable on that income.

D. CORPORATE GROUPS

Group companies cannot file consolidated tax returns. Under special circumstances, income can be transferred between companies residing in Norway. The requirement is that there is more than 90% common ownership of the companies.

E. RELATED PARTY TRANSACTIONS

Transfer pricing should be based on an arm's length principle. Norwegian tax law gives the tax authorities the power to raise assessments if transactions between the taxpayer and associated companies are not based on an arm's length principle.

F. WITHHOLDING TAX

Withholding taxes must be deducted from dividends paid to non-residents, although there is no withholding on dividends paid to corporate shareholders resident within the European Economic Area. Interest payments and royalties are not subject to withholding taxes. Foreign companies and other entities within the EEA are not subject to withholding taxes.

G. EXCHANGE CONTROLS

Most exchange controls were phased out in 1990. However, all imports of capital in cash exceeding NOK 25,000 should be reported to the Bank of Norway. Other transfers of capital need not be reported.

H. PERSONAL TAX

Income tax is payable by Norwegian residents on income derived from all sources. Non-residents are only required to pay tax on Norwegian-sourced income. Residency is determined by domicile or where the individual has spent, or intends to spend, more than six months of the tax year.

Under almost all Norwegian tax treaties, foreign-earned income is exempt from Norwegian tax. Where there is no treaty, credit for foreign taxes is given up to the amount of Norwegian tax on foreign income.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, certain capital gains, rent and interest income. Some expenses incurred in earning the assessable income are deductible. Some actual expenses can be replaced by standard deductions.

The general combined rate of the national and municipal income taxes is 28%. A lower rate of 24.5% applies for the counties of Finnmark and Nord-Troms. A personal allowance of NOK 87, 200 (2011) is available to jointly assessed married couples and for single persons with dependents. The allowance for single persons without dependents and married persons assessed separately is NOK 43, 600 (2011).

OTHER TAXATION

All income from capital is taxable at 28%. However, the value of dividends chargeable to tax is reduced by an amount representative of a risk-free return on the invested capital. This amount is 1.3% for the 2009 tax year.

An additional national income tax is payable on "gross personal income" (which includes gross income from employment or self-employment, including pensions). With effect from 1 January 2011 the rates of the national income tax are:

Taxable income (NOK)	Rate (%)
Classes 1 and 2:	
0 – 471, 200	0
471, 201 – 765, 800	9
765, 801 and above	12

In addition, social security taxes are paid. Employees pay 7.8% of gross salary income. For self-employed individuals the rate is 11%.

Wealth tax is charged on the net value of assets. The rates are progressive from 0% to 1.1% including national and municipal net wealth taxes.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES ON DIVIDENDS FROM NORWAY

	Ordinary rates	Parent/ subsidiary	(1)	Parent/subsidiary rate requirements
Non-Tax Treaty Countries:	25	25		
Treaty Countries:				
Albania	15	5		
Argentina	15	10		
Australia	15	15		
Austria	15	0		
Azerbaijan Republic	15	10		30% capital participation and an investment of at least $ 100,000
Bangladesh	15	10		10% capital participation
Barbados	15	5		10% capital participation
Belgium	15	5		
Benin	20	20		
Brazil	–	–		Domestic rate applies
Bulgaria	15	15		
Canada	15	5		10% voting power
Chile	15	5		25% voting power
China	15	15		
Croatia	15	15		
Cyprus	5	0		50% voting power
Czech Republic	15	0		10% capital
Denmark	15	0		10% capital
Egypt	15	15		
Estonia	15	5		
Faroe Islands	15	0		10% capital
Finland	15	0		10% capital
France	15	0/5		25% capital/10% capital
Gambia	15	5		
Germany	15	0		
Greece	20	20		
Greenland	15	5		10% capital
Hungary	10	10		
Iceland	15	0		10% capital
India	25	15		New issues of capital only
Indonesia	15	15		
Israel	15	5		50% voting power

N

	Ordinary rates	Parent/ subsidiary	(1)	Parent/subsidiary rate requirements
Italy	15	15		
Ivory Coast	15	15		
Jamaica	15	15		
Japan	15	5		
Kazakhstan	15	5		10% capital
Kenya	25	15		10% capital
Korea	15	15		
Latvia	15	5		
Lithuania	15	5		
Luxembourg	15	5		Not Luxembourg except holding companies
Malawi	5	0		50% voting power
Malaysia	0	0		
Malta	15	15		
Mexico	15	0		
Morocco	15	15		
Nepal	15	5/10		At least 25%/10% of the share capital
Netherlands	15	0		
Netherlands Antilles	15	5		
New Zealand	15	15		
Pakistan	15	15		
Philippines	25	15		10% voting power
Poland	15	0		Company holding 10% of the capital for at least 2 years
Portugal	15	10		
Qatar	15	5		Company holding 10% of the capital
Romania	10	10		
Russia	10	10		
Senegal	16	16		
Sierra Leone	5	0		50% voting power
Singapore	15	5		
Slovak Republic	15	5		
Slovenia	15	0		Company holding 15% of the capital
South Africa	15	5		25% capital participation
Spain	15	10		
Sri Lanka	15	15		
Sweden	15	0		10% capital
Switzerland	15	0		10% capital
Tanzania	20	20		
Thailand	15	10		10% capital
Trinidad and Tobago	20	10		
Tunisia	20	20		
Turkey	25	20		
Uganda	15	10		

	Ordinary rates	Parent/ subsidiary	(1) Parent/subsidiary rate requirements
Ukraine	15	5	
United Kingdom	15	5	10% voting power
United States	15	15	
Venezuela	10	5	10% capital participation
Vietnam	15	5/10	At least 70%/25% of the share capital
Zambia	15	15	
Zimbabwe	20	15	

1 Unless otherwise indicated, the reduced treaty rates given in this column apply if the recipient company owns at least 25% of the capital in the Norwegian company.

OMAN

Currency: Rial Omani (RO)

Dial Code To: 968

Dial Code Out: 00

Member Firm:

City: Muscat

Name: Percy Bhaya

Contact Information: 24563 195 rsmcomct@omantel.net.om

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

For Tax year ending up to 31 December, 2009, net taxable assessed income is subject to the following tax rate structure.

(1A) Entities wholly owned by Omanis or where Omani shareholding in the capital of a company is 51% or more (revised from tax year 2001 to entities wholly owned by Omanis and mixed ownership companies of which 70% or less than 70% capital is owned by foreigners and further revised to 100% foreign ownership for all Omani establishments from the year 2003):

- the first RO 30,000/of the taxable income is exempt
- taxable income over RO 30,000/ is taxed at a flat rate of 12%
- a tax rate of 12% will be applicable to General Joint Stock Companies irrespective of the extent of foreign shareholding
- income earned by joint investment accounts/mutual funds registered in Oman under the Capital Market Laws, or established overseas for dealing in shares and securities listed on Muscat Securities Market is exempted from tax
- any establishment registered in Oman by GCC citizens irrespective of the fact whether they carry out permitted activity or not and irrespective of their percentage of capital contribution will have the applicable tax rate as specified above for all Omani establishments.

For Tax year ending after 31 December 2009

(1B) The same tax rate as mentioned above continues:

- First RO 30,000 of taxable income of the company - Tax free.
- Balance taxable income over RO 30,000 - Taxed at a flat rate of 12%.

For Tax year ending up to 31 December 2009

(2A) The applicable tax rates for a branch of a foreign company from tax year 2001 is as follows:

Taxable/assessed income (RO)	Tax rate
0 to 5,000	0%
5,000 to 18,000	5%
18,000 to 35,000	10%
35,000 to 55,000	15%

Taxable/assessed income (RO)	Tax rate
55,000 to 75,000	20%
75,000 to 100,000	25%
Over 100,000	30%

The entire taxable income is taxed at the percentage rate corresponding to the income bracket into which the total income falls. The company is, however, subject to a relief where the taxable profits fall marginally into a higher bracket. In this case, the tax payable is calculated as above and is then compared with the sum of the tax payable on the highest limit of the bracket just below that into which the taxable income falls and the amount of the marginal income in excess of the aforesaid limit. The lower of these two amounts is the tax payable.

For Tax year ending after 31 December 2009

(2B) Branches of foreign companies or income earned by a PE in Oman of a foreign company will be taxed as under:
- First RO 30,000 of taxable income of the company - Tax free.
- Balance taxable income over RO 30,000 - Taxed at a flat rate of 12%.

PETROLEUM COMPANIES

Special provisions are applicable to taxation of income derived from sale of petroleum. The tax rate is 55% since 1970. Oman LNG Company LLC is subject to a special tax rate of 15% as per provisions of Royal Decree No 95/96.

TAX EXEMPTIONS

Companies carrying out the following specified activities will be exempted from tax only to the extent of the income arising from the specified activities:
- industry in accordance with the Law of Organising and Encouraging Industry and Mining
- exportation of locally manufactured or processed products
- promotion of tourism which may include setting up and operation of tourist hotels and villages with the exception of management contracts
- dairy farm products and processing of the same which may include livestock breeding, processing or manufacture of livestock products and agricultural industries
- fishing and fish processing
- educational institutions and private hospitals.

The exemption from tax for companies engaged in the above activities will be operative for a period of five years effective from the date that activity or production activity commences. The period of exemption may be further extended for a period not exceeding five years provided that a decision is issued to that effect by the Financial Affairs and Energy Resources Council. Companies engaged in the above activities are allowed to indefinitely carry forward their losses (beyond the exempted period of five years) and deduct it in subsequent years until losses are fully absorbed.

TAX YEAR

The tax year is the calendar year although a special permit can be obtained from the Ministry of Finance for a different fiscal period.

PROVISIONAL AND ANNUAL RETURNS OF INCOME

Provisional tax is to be paid and provisional return of income is to be filed within three months of the end of the accounting period.

Annual return and annual tax settlement is due at the end of six months following the close of accounting period. The same should be filed along with the audited accounts.

CAPITAL GAINS TAX

Capital gains are normally regarded as part of ordinary corporate income and the total income is taxed at applicable tax rates. With effect from 1 January 2003, profit made on sale of securities listed on Muscat Securities Market is exempt from tax. Also the loss, if any, will not be allowed as a deductible expense.

BRANCH PROFITS TAX

Branches of foreign companies are taxed in Oman if PE of a foreign company is established in Oman. Allowance for allocated head office expenditure is on restricted basis.

OTHER TAXES

Consumption taxes include the following:

	Rate
On annual rental of leased premises and cinema tickets	3%
Electricity bills in excess of RO 50/-	2%
Hotels and restaurant bills	5%

Municipal taxes are payable in the Muscat and Salalah municipalities. The taxes charged in the Muscat municipality are as follows:

	Rate
Hotel income	5%
Property rents	3%
Leisure and cinema income	10%
Tax on home owners using the drainage system	10%

VOCATIONAL TRAINING LEVY
Ministerial Decision 84/98 specifies the vocational training levy on employers at Private Sector at RO 100/- annually per expatriate employee. The decision is effective from 8 March 1998.

SOCIAL SECURITY PREMIUM
Employers are required to pay a social security premium equal to 17% of the salaries of its Omani employees. Of this amount, 6.5% is recoverable from the Omani employees.

CUSTOMS DUTIES
Customs duties are levied on certain categories of imported goods. The rates range from 5% to 100%.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is computed in accordance with the generally accepted accounting principles applied on a consistent and regular basis. The accrual basis is generally to be used although, in special cases, the Director of Income Tax may approve cash basis of accounting.

As a basic rule, all expenses which are incurred wholly and exclusively for the purposes of business and are incurred to generate the gross income of the establishment are allowed to be deducted provided they are reasonable considering value of services received. Any expense or cost incurred to generate income which is exempted from income tax will not be allowed as a deductible expense.

Remuneration to working partners and owner's family members is allowed on restricted basis.

Certain charges have been specified as not deductible and certain charges have been restricted to specific amounts by the tax law.

DEPRECIATION AND AMORTISATION FOR TAX YEAR ENDING UP TO 31 DECEMBER 2009
Depreciation is deductible on the basis of straight-line method at rates prescribed below:

Assets	Rate
Permanent buildings	4%
Prefabricated buildings	15%
Bridges, platforms, pipelines, permanent way and railway lines	10%
Heavy equipment	33.33%
Vehicles	33.33%
Furnishings	33.33%
Other equipment and tools	15%
Aircraft and ships	15%
Hospital buildings and educational establishments	100%
Scientific research implements	100%

Amortisation of intangible assets is also allowed at a rate approved by the Secretary General of Taxation Affairs.

In case of buildings used for industrial purposes (excluding buildings for housing of employees, office and storage), the stated rates of depreciation shall be doubled.

In case of tools and equipment which are used for three shifts of work per day, depreciation rate stated above shall be increased by a maximum of 50%. The additional depreciation to be computed by reference to the number of days that the tools and equipment are used for three shifts in proportion to three hundred working days per year.

FOR TAX YEAR ENDING AFTER 31 DECEMBER 2009 DEPRECIATION

– A major change in depreciation under the new Income Tax Decree is the introduction of the concept of pooling of assets. According to this concept, all assets coming under a certain category would be depreciated by applying depreciation rate as specified in the new Income Tax Decree on written down value method, which would be computed as under:
  - Opening net written down value
  - Add: additions made during the year
  - Less: Sale proceeds during the year
– Consequent to above change in the depreciation methodology, there will be no balancing charge or balancing allowance i.e. there will be no profit or loss on sale of assets for tax computations.
– Earlier, under old Tax Decree, depreciation was allowed on straight line method. Now as per the new Income Tax Decree, it will be allowed on written down value method on all assets except for depreciation on Buildings, Aircrafts and Ships which would continue on straight line basis. The depreciation rate on First class building is 4% and on Second class building, Aircraft and Ship is 15%.
– The depreciation rates have remained same for all assets, except for depreciation rates for Computer and Softwares which is now revised from 15% to 33.33%, and on Drilling rigs which will now be allowed at the rate of 10%.

STOCK/INVENTORY

Oman tax regulations do not specifically establish which methods of inventory valuation must be used, nor how inventory flows be determined. At present, any of three methods – average, FIFO or LIFO – are deemed to represent the ‘actual cost’ required by tax rules.

Reserves and provisions for inventory shortages and obsolescence are not acceptable as a deductible expense for tax purposes but actual losses and write offs are allowed in the year in which they occur provided they are supported with adequate documentation.

CAPITAL GAINS AND LOSSES

Capital gains and losses are normally regarded as part of ordinary corporate income.

DIVIDENDS

Income tax is not chargeable on dividends received by sole proprietary commercial establishments and by companies on shares held in the capital of another company registered in Oman.

INTEREST DEDUCTIONS

Interest paid on the borrowing used for business purposes is deductible.

LOSSES

Net operating losses can be carried forward and set off against subsequent profits for five years. Companies for which preferential rates of taxation apply can indefinitely carry forward their losses (beyond the exempted period of five years) and deduct it in subsequent years until losses are fully absorbed.

C. FOREIGN TAX RELIEF

Sultanate of Oman has entered into agreements for the avoidance of double taxation (DTA) and the prevention of avoiding income tax with France, India, Tunisia, United Kingdom, Mauritius, Italy, Pakistan, Algeria, Lebanon, China, Yemen, South Africa, Sudan, Seychelles, Iran, Canada, Turkey, Syria, Republic of South Korea, Singapore Thailand, Uzbekistan, Belarus, Brunei, Netherlands, Maldova, Vietnam, Belgium, Malaysia and South Korea.

Currently, most of the foreign airlines carrying on business through establishment in Oman are exempted from income tax either through comprehensive DTAs or through limited DTAs. The foreign airlines which earn income through establishment in Oman, and which do not have comprehensive DTAs or limited DTAs, would be exempted from tax effective from 1 January 2003 provided reciprocal tax exemption is granted in the airline’s home country. The countries whose airlines have signed agreements for tax relief are India, Kuwait, Jordan, Netherlands, Tanzania, Sri Lanka, Iran, Singapore, Sweden and Switzerland.

Tax credit is unilaterally allowed by certain countries, e.g. the UK, USA and Germany in respect of tax paid by foreign business entities in Oman, on satisfaction of certain conditions.

Income earned overseas by a PE (permanent establishment) in Oman will be taxed in Oman. Corresponding tax credit in Oman will be given to the extent of Omani tax i.e. 12% or foreign tax paid on that income whichever is lower.

D. CORPORATE GROUPS

There are no provisions for group taxation or for off setting losses of one company against another.

E. RELATED PARTY TRANSACTIONS

Transactions with related parties are subject to detailed scrutiny to confirm that prices are at arm's length and that expenses exclude element of profits in case of transactions between Head Office and branch and 100% subsidiary companies.

F. WITHHOLDING TAX

Withholding taxes have been introduced on foreign companies which have no permanent establishment in Oman and receive amounts for following services from companies or permanent establishment situated in Oman.

1. Royalties
2. Consideration for research and development
3. Consideration for the use of or right to use computer software
4. Management fees.

Tax at the rate of 10% of the gross income shall be deducted at source. The obligation to deduct this tax shall rest with the company or the permanent establishment which pays the above amount.

G. EXCHANGE CONTROL

There are no exchange controls in any form on inward or outward investment or on repatriation of capital or profits, either by nationals or expatriates.

H. PERSONAL TAX

Currently, there is no personal income/wealth tax in Oman.

I. TREATY WITHHOLDING TAX RATES

The following rates for royalties apply:

	Royalties (%)	
Treaty Countries:		
Canada	10	(1)
China	10	
France	0	
India	10	
Italy	10	
Korea	8	
Mauritius	0	
Moldova	10	
Pakistan	10	
Seychelles	10	
Singapore	8	
South Africa	8	
Thailand	10	
United Kingdom	0	

1 Copyright royalties are not subject to withholding tax under the provisions of this treaty.

PANAMA

Currency: Balboa (B/) | Dial Code To: 507 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Panama	Tomas Chen	269 5703 javila@pkfpanama.com

A. TAXES PAYABLE

COMPANY TAX

Panama's income tax law affects aggregate and annual revenue from business activities conducted in Panama or from assets situated in the country, when any of the causes of such revenue occur within the national territory.

Tax rate for companies is 25%, except for the following:

Banks and Finance, Insurance and Reinsurance, Electric Power, Telecommunications, Portland Cement, Game and Gambling, and Mines have a 30% tax rate for 2010 and 2011, a 27.5% tax rate for 2012 and 2013, and 25% tax rate for 2014 and thereafter.

Companies in which the State has more than 40% share will pay 30% income tax.

ALTERNATIVE MINIMUM INCOME TAX

A tax rate of 25% is applied to the net taxable income on whichever is larger between:

1. The amount of the net taxable income (traditional calculation of deducting costs and expenses from gross taxable income), and
2. The net taxable income that arises after deducting 95.33% from gross taxable income.

If, after applying the second alternative, the company incurs losses due to the payment of the tax or, if the effective rate of the income tax exceeds 25%, it can request the Tax Department not to apply the alternative calculation.

Small companies that invoice up to US$1,500,000 in the fiscal year are exempt from applying the alternative calculation.

The fiscal year of companies normally corresponds to the calendar year but it is allowable to have fiscal years ending on other dates if a request is made to the Tax Department authorities.

Corporate tax returns and payments are due by the end of the third month following the end of the fiscal year. An extension of two months may be granted if requested. Extensions to file a return, however, do not affect the time for payment of tax.

Corporations are required to prepay its estimated tax liability in monthly payments calculated at 1% of each month's gross taxable income.

CAPITAL GAINS TAX

On sales of real estate there are two taxes involved. One is a 2% transfer tax and the other is a 10% income tax on the net profit.

The 2% transfer tax rate is applied on the higher of the sales price or the registered value of the property in the Public Registry plus a 5% surcharge for each complete calendar year for which the property is held.

The 10% income tax is calculated on the net profit of the transaction. Net profit is calculated by deducting the cost of the property plus any related expenses from the sales price.

The buyer of the real estate will withhold 3% of the higher amount between sale price or the cadastre value and remit it to the Tax Department. The seller will calculate a 10% tax on the profit. If the 10% of the profit is higher than the 3% withheld by the buyer, the seller can opt to consider the 3% as the definite tax. If the 10% of the profit is lower than the 3% withheld by the buyer, the seller can request a reimbursement for the difference.

Income from the sale of securities is taxable as follows: The buyer will withhold 5% of the sale price and remit it to the Tax Department. The seller will calculate a 10%

tax on the profit. If the 10% of the profit is higher than the 5% withheld by the buyer, the seller can opt to consider the 5% as the definite tax. If the 10% of the profit is lower than the 5% withheld by the buyer, the seller can request a reimbursement for the difference.

Income from the sale of government securities and those issued by companies registered with the National Securities Commission is not taxable.

BRANCH PROFITS TAX

Branches of foreign companies are subject to the same tax rates as Panamanian companies.

SALES TAX/VALUE ADDED TAX (VAT)

Many consumer services and goods are subject to a 7% value added tax. Alcoholic beverages and hotel room rentals have a 10% tax rate and cigarettes have a 15% tax rate. The following items are exempt from VAT:

- Food (except restaurants that serve alcoholic beverages which are taxed)
- Medicines and medical services
- House rentals with contract period of more than six months. House rentals with contract periods less than six months are subject to VAT.

LOCAL TAXES

Panama's income tax law affects the whole national territory equally.

OTHER TAXES

There are other taxes that are applicable in their various manifestations. These include:

PREPAID DIVIDEND TAX

Local corporations must pay a 4% complementary tax on each fiscal year's net taxed profit on behalf of their shareholders if no dividends are declared. This 4% will be applied to dividend tax when dividends are declared. The rate for companies established in a Free Zone is 2%.

FRANCHISE TAX

Foreign and domestic corporations registered in the Public Registry are subject to an annual tax of US$300, regardless of whether they are doing business in Panama. There is a penalty of US$50 for late payment and, after two years of non-payment of the franchise tax, there is a restoration fee of US$300.

ANNUAL LICENSE TAX

All industrial or commercial business, except those exempted by specific laws, are required to have a license to operate. This tax is 2% of the company's net worth, including amounts owed to the foreign home office or foreign affiliated companies. The tax is payable annually up to a maximum of US $60,000. For companies established in a Free Zone, this tax is 1% of the company's net worth, including amounts owed to the foreign home office or foreign affiliated companies. The tax is payable annually up to a maximum of US$50,000.

SOCIAL SECURITY TAX

P

These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the worker social security system and retirement benefits at the national level.

ANNUAL BANKING INSTITUTIONS TAX

Banking institutions are subject to an annual tax as follows:

Banks with General Licence:	Annual Tax
Assets up to US$100 millions	US$75,000.00
Assets between US$100 and US$200 millions	US$125,000.00
Assets between US$200 and US$300 millions	US$175,000.00
Assets between US$300 and US$400 millions	US$250,000.00
Assets between US$400 and US$500 millions	US$375,000.00
Assets between US$500 and US$750 millions	US$450,000.00
Assets between US$750 and US$1,000 millions	US$500,000.00
Assets between US$1,000 and US$2,000 millions	US$700,000.00
Assets above US$2,000 millions	US$1,000,000.00
Banks with International Licence:	US$75,000.00

B. DETERMINATION OF TAXABLE INCOME

The net taxable income of a corporation or partnership is determined by subtracting all allowable deductions from gross taxable income. Generally, expenditures and/or losses are deductible provided they are incurred in gaining or producing taxable income, or preserving the source of income. Special rules apply in respect of certain expenditures.

ALTERNATIVE METHOD OF CALCULATING A MINIMUM NET TAXABLE INCOME

The net taxable income under this method arises after deducting 95.33% from the gross taxable income. Under this formula, the net taxable income will be 4.67% of the gross taxable income. The larger of the two amounts will be the net taxable income for the fiscal year.

The alternative method of calculating a minimum net taxable income is applicable to companies with gross taxable income of US$1,500,000 and above.

DEPRECIATION AND DEPLETION

Depreciation is normally calculated by the straight-line method over the estimated useful life of the asset. The regulations also permit the use of the sum-of-the-digits and declining-balance methods.

Depletion of mines and other natural resources is based on units extracted or produced. Using any other method requires the approval of the Income Tax Department.

STOCKS/INVENTORY

The Income Tax regulations allow the use of the specific cost, FIFO, retail-inventory, or average-cost method according to the normal course of operations.

The method used cannot be changed by the taxpayer for at least five years and will require a written notification to the Tax Department authorities.

DIVIDENDS

The corporation declaring the dividend must withhold a 10% tax on all dividends declared from income earned within the Republic of Panama.

Dividends declared by domestic subsidiaries on income earned within the Panamanian territory are subject to the 10% tax as well. However, dividends on bearer shares are subject to a 20% dividend tax.

Companies requiring a commercial operating license must withhold a 5% tax on dividends declared from income obtained on exports or from foreign source.

Companies established in a Free Zone must withhold a 5% tax on dividends, regardless of the source of income.

INTEREST INCOME

The following manifestations of interest earned are not subject to income tax:

– Savings and time deposits with banks
– Panamanian government securities
– Securities issued by companies registered with the National Securities Commission, provided the securities were acquired through a securities exchange duly established to operate in Panama
– Loans granted to the agricultural and agro-industrial sectors
– Loans granted to the tourism sector.

INTEREST DEDUCTIONS

Interest is normally deductible on an accrual basis but must be capitalised if it relates to financing of real estate construction. Once the construction is completed, interest is then deductible from income.

LOSSES

Losses incurred in any given year can be taken as a valid deduction over the next five years at a carry forward rate of 20% of the loss per year, as long as this deduction does not reduce the current taxable income by more than 50%. Excess over this limitation for any given year will be lost.

SOURCE OF THE INCOME

Foreign-sourced income is not subject to income tax. Only income earned in the territory of Panama is subject to Panama income tax.

Income received by persons or companies domiciled outside of Panama will be considered from a Panamanian source if it arises from services or actions that benefit persons or companies located in Panama, including fees, interests and royalties. The income tax withholding is at the regular rates for individuals or corporations but only on 50% of the amount of income received by the recipient.

INCENTIVES

The following incentives are available to these qualifying industries and corporations:

(a) Companies operating in the Colon Free Zone, or any other Free Zone in the country, are tax-exempt on profit derived from sales from Free Zone to foreign countries.

(b) Companies operating in "Ciudad del Saber" (City of Knowledge), are exempt of income tax, import duties and VAT. Dividend tax of 10% or 5% applies when dividends are declared.

(c) For "Small business" companies, income tax is calculated over a combination of the personal tax rate and corporate tax rate. Companies would be considered small as long as they:
   1) are not related or affiliated to other companies
   2) are not a result of the fractionalization of other corporations
   3) have an annual gross income of less than US$200,000, and

(d) Its shareholders are individual persons.

D. CORPORATE GROUPS

Group taxation is not permitted in Panama.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties are treated normally as long as an "arm's length" basis is used.

F. WITHHOLDING TAX

Services and fees paid or accrued to individuals and to resident corporations are not subject to income tax, except payments on dividends distributed from retained earnings arising from Panamanian-source income.

Services and fees paid or accrued to non-resident individuals for work done in Panama are subject to income tax withholdings at a 15% flat rate.

Interests, commissions, royalties or technical assistance fees paid to foreign recipients are subject to withholding tax only if the local payer will take it as a deductible expense. The income tax withholding is at the regular rates for individuals or corporations but only on 50% of the amount of income received by the recipient.

G. EXCHANGE CONTROL

The exchange rate in the Republic of Panama is always US$1 = B/1.00 (BALBOA).

H. PERSONAL TAX

P

The rates set out below are applicable to any individual's net income earned:

Net Income	Tax amount
Up to US$11,000	0%
Over US$11,000 up to US$50,000	15% on the amount exceeding US$11,000 up to US$50,000
Over US$50,000	US$5,850 tax on the first US$50,000, and 25% on the amounts exceeding US$50,000

I. TREATY WITHHOLDING TAX RATES

	Dividends (%)	(3)	Interests (%)	(4)	Royalties (%)		Service fees (%)
Treaty Countries:							
Barbados (2)	5 / 7.5		5 / 7.5		7.5		7.5
Korea (2)	5 / 15		5		3 / 10	(5)	15
Luxembourg (2)	5 / 15		5		5		5

	Dividends (%)	(3)	Interests (%)	(4)	Royalties (%)	Service fees (%)
Mexico (1)	5 / 7.5		5 / 10		10	12.5
Netherlands (2)	15		5		5	15
Portugal (2)	10 / 15		10		10	10
Qatar (2)	6		6		6	15
Singapore (2)	4 / 5		5		5	15
Spain (2)	5 / 10		5		5	7.5

1. Treaty with Mexico is in effect from 1 January 2011.
2. Treaty with these countries were signed in 2010 and could be in effect starting 1 January 2012.
3. The lower rate applies to dividends paid to foreign corporations that own a particular percentage of share capital.
4. The lower rate applies to interests paid to foreign banks and the higher rate applies to others.
5. The lower rate applies to royalties paid for the use of commercial, industrial and scientific equipment. The higher rate applies to other royalties paid.

PAPUA NEW GUINEA

Currency: Kina   Dial Code To: 675   Dial Code Out: 05

Member Firm:

City:	Name:	Contact Information:
Port Moresby	Jock Murray	(675) 321 0110 port.moresby@guinnpkf.com.pg

A. TAXES PAYABLE

TAXES AND LEVIES
COMPANY TAX

Company tax is payable by Papua New Guinea (PNG) resident companies on non-exempt income derived from all sources. Non-resident companies are required to pay the tax on income sourced in Papua New Guinea.

Resident companies are those that are incorporated in Papua New Guinea, or carry on business in PNG and either have central management and control in PNG or voting power controlled by shareholders who are PNG residents.

The resident company tax rate is 30% for most companies The tax year usually runs from 1 January to 31 December although alternative fiscal years are permitted. The tax rate for most non-resident companies is 48%.

A provisional tax system results in the estimated tax liability of a Company being paid during the year of income. The payments of provisional tax are due in three equal installments on 30 April, 31 July and 31 October.

CAPITAL GAINS TAX

There is no capital gains tax in PNG. However, where a capital asset was bought for the sole purpose of resale or as part of a profit-making scheme, any profits or gains are included with other taxable company income.

BRANCH PROFITS TAX

Where a branch of a foreign company operates in PNG, the profits of the branch are subject to PNG corporate tax at the rate of 48%.

SALES TAX/GOODS AND SERVICE TAX (GST)

There is no sales tax per se in PNG although there is excise duty payable by manufacturers on sales of certain products such as alcohol and tobacco. A consumption tax called Goods and Services Tax is charged at a rate of 10% on most goods and services in PNG, the major exceptions being certain financial services, residential dwellings (depending on the circumstances), educational and health services, exported products and services, goods and services to foreign aid providers, supply of unprocessed oil from a field in PNG, travel and tourists' pre-purchased travel and accommodation within PNG, and supplies to certain projects.

FRINGE BENEFITS TAX (FBT)

There is no tax payable by the company on fringe benefits. Instead, any benefits provided to employees are included in their personal income at notional values and are subject to tax.

STAMP DUTY
This is imposed on transfer of shares, transfer of properties and partnership agreements.

OTHER TAXES
These include customs, excise duties, training levy and timber export tax.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income less allowable deductions. Generally, expenditure and/or losses are deductible provided they are incurred in gaining or producing assessable income. Items of a capital or domestic nature are non-deductible.

Rates of depreciation for assessment purposes under the Income Tax Act are determined by the Commissioner General of Internal Revenue.

The deductions of depreciation are allowable in addition to repairs and maintenance on assets concerned. The two most common methods used are diminishing value and prime cost method. Respective indicative rates are: construction 3% and 4½%, plant and equipment 10% and 15%, motor vehicles 20% and 30%, and furniture and fittings 7½% and 11¼%.

STOCK/INVENTORY
Trading stock on hand at the beginning and end of each income year must be taken into account in determining assessable income. The closing value adopted becomes the opening value at the beginning of the following year. The taxpayer has the once only option to value stock at cost, market value, or replacement value. Valuation methods include FIFO and average cost.

INTEREST DEDUCTIONS
Interest is deductible where it is incurred in gaining or producing assessable income.

TAX LOSSES
Tax losses may be carried forward for 20 years provided there is at least 51% continuity of ownership or no substantial change in the nature of the business. Loss carry-back and inter-group company transfers are not permitted. Primary production losses may be carried forward without limitation.

FOREIGN SOURCED INCOME
Resident corporations are taxed on their worldwide income in Papua New Guinea. However, income derived by a resident company from a treaty country may not be taxed in PNG, subject to the treaty provisions.

INCENTIVES
– Flexible depreciation for manufacturers where industrial plant not previously used in PNG is eligible for increased depreciation of up to 100% of cost.
– 100% initial depreciation for agriculture and fishing industries. Expenditure on new plant or articles used in agricultural production, commercial fishing activities, boats, ships and ancillary equipment fitted to boats, and ships to be used solely as dive boats or for scuba diving or by snorkeling tour operators qualify for a 100% initial depreciation deduction.
– Manufacturers who manufacture new products are entitled to a wages subsidy payment for up to five years, based on a percentage of relevant minimum wage of each full time citizen employee.
– Initial year accelerated depreciation is available on the capital cost of certain new assets, converting existing oil-fired plant to non oil-fired plant or for improving the efficiency of fuel-using plants.
– For petroleum, mining and gas operators, special provisions apply to determine deductions allowable for exploration and development costs.
– In primary production, outright deductions are allowed for certain capital expenditure including clearing and conserving land for agriculture.
– In the tourism industry, accelerated depreciation is allowed for certain eligible assets. A 20% concessional company tax rate is available for 15 years subject to certain conditions.
– Qualifying new businesses set up in specific rural areas are exempt from income tax on their net income from carrying on rural development industry for 10 years after the date of commencement of business.

Other tax concessions available (conditions apply):
– Research and Development incentives*
– A higher accelerated and flexible depreciation*

P

– Double deductions on certain allowable expenditure*
– Infrastructure tax credits *
– Export sales exemption for income derived from exports of prescribed goods*

* Based on 2009 National Budget, subject to Parliamentary approval.

C. FOREIGN TAX RELIEF

A credit is allowed for tax paid on foreign income against tax payable in Papua New Guinea but limited to the tax payable in PNG on such income.

E. RELATED PARTY TRANSACTIONS

Papua New Guinea has deemed dividend provisions and transfer pricing rules which give the Internal Revenue Commission the power to impose arm's-length (market) prices on transactions.

F. WITHHOLDING TAXES

Non-resident withholding tax is deducted from interest, dividends, management fees, professional fees, royalties, etc paid to non-residents.

Interest, dividends and, in some cases, business withholding taxes are also applicable to payments to residents.

G. EXCHANGE CONTROL

Generally, Authorised Dealers (being the commercial bankers) are licensed to transfer funds in and out of the country (PNG) subject to certain conditions. However, payments of K200,000 or more per annum require a tax clearance from the Internal Revenue Commission.

H. PERSONAL TAX

Income tax is payable by Papua New Guinea residents on their worldwide income. Non-resident individuals pay tax on PNG-sourced income only. Residence is determined with reference to domicile, place of fixed abode and length of time in PNG.

Resident person means a person who resides in Papua New Guinea and includes a person:

i) whose domicile is in PNG, unless his permanent place of abode is outside PNG
ii) who is in PNG for more than 183 days in the year of income, unless his permanent place of abode is outside of PNG and he does not intend to take up residence in PNG; or
iii) who is a contributor to a prescribed superannuation fund.

Income tax is payable on assessable income less allowable deductions. Assessable income includes employment income, business income, rents, interest and dividends.

Deductions are allowable for expenditure incurred in earning assessable income (self-employed income/business profits) with limited deductions against employment income. Limited personal allowances are also available.

Employment-related earnings are subject to tax deductions at source. Self-employed individuals and those with non-salary/wage income are required to pay provisional tax based on the previous year's tax liability.

For residents:			For non-residents:		
Taxable income (K)	Tax thereon (K)	Rates of Tax on excess (%)	Taxable income (K)	Tax thereon (K)	Rates of Tax on excess (%)
7,000	Nil	22	Nil	Nil	22
18,000	2,420	30	18,000	3,960	30
33,000	6,920	35	33,000	8,460	35
70,000	19,870	40	70,000	21,410	40
250,000	91,870	42	250,000	93,410	42

Dependent deductions from tax payable allowed per scale for up to three dependents.

PHILIPPINES

Currency: Philippine Peso | Dial Code To: 63 | Dial Code Out: 00

Correspondent Firm:

City:	Name:	Contact Information:
Manila	Rosario S Bernaldo	2 892 4487 cherry.bernaldo@rsbernaldo.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Company tax is payable by domestic companies on all income derived from sources within and without the Philippines. Foreign corporations, whether resident or non-resident, are taxable only on income derived from sources within the Philippines. However, non-resident foreign corporations are, in certain circumstances, subject to a final withholding tax on passive (investment) incomes at rates generally higher than the applicable tax rates applying to domestic and resident foreign corporations.

Resident companies are those that are created or organised under the laws of the Philippines or foreign companies duly licensed to engage in trade or business in the Philippines.

The corporate income tax rate both for domestic and resident foreign corporations is 30% based on net taxable income. Excluded from the income tax are dividends received from domestic corporations; interest on Philippine currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements; and other passive income previously subject to final taxes.

Interest income derived from the expanded foreign currency deposit is subject to a final tax of 7.5%. All other interest earned by domestic and resident foreign corporations is subject to a 20% final withholding tax except for long-term time deposits of five years or more which are exempt from final withholding tax rates. Those with a term of between three and four years are taxed at 5% and those between four and five years are subject to 12% tax.

Regional operating headquarters are taxed at 10% on taxable income.

Special economic zone enterprises duly registered with the Philippines Economic Zone Authority (PEZA) are taxed at the rate of 5% on gross income in lieu of national and local taxes, except real property tax. The term ‘gross income’ refers to gross sales or gross revenue derived from the business activity within the Ecozone, net of sales discount, sales returns and allowances, less the cost of sales or direct costs but before deduction is made for administrative expenses and incidental losses during the taxable period. Likewise, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) registered entities enjoy a special income tax rate of 5%.

The tax year runs for the calendar year although approval of the Commissioner of Internal Revenue can be obtained for the adoption of a fiscal year. Tax is payable in four quarterly instalments with every corporation filing quarterly income tax returns for the first three quarters and tax being payable 60 days following the end of each quarter. A final return covering the full year is required to be lodged 105 days after year end at which time the balance of tax, after deducting the prior three instalments and creditable withholding tax, is payable. Any excess is refundable or can be claimed as tax credit against future tax payments.

MINIMUM CORPORATE INCOME TAX

A minimum corporate income tax of 2% based on the gross income is imposed from the beginning of the fourth taxable year immediately following the commencement of the business operation of the corporation. Any excess of the minimum corporate income tax over the normal income tax may be carried forward and credited against the normal income tax for the three taxable years immediately succeeding. The computation and the payment of MCIT shall likewise apply at the time of filing of the quarterly corporate income tax.

The term ‘gross income’ for the purpose of applying the minimum corporate income tax shall mean the gross sales less sales returns, discounts and allowances and cost of goods sold.

The Secretary of Finance, however, may suspend the imposition of the minimum corporate income tax on any corporation which suffers losses on account of prolonged labour dispute, force majeure or legitimate business reverses.

CAPITAL GAINS TAX ON SHARES OF STOCK

The net capital gains from the sale of shares of stock of a domestic corporation not listed and traded through the Philippine Stock Exchange are taxed on a per transaction basis at the rate of 5% on the first PhP 100,000 and 10% in excess of said amount. On the other hand, the sale of shares of stock of a domestic corporation through the Philippine Stock Exchange or through the initial public offering is subject to a percentage tax on the transaction at the rate of 1/2 of 1% of the selling price. Any gain or loss from said transaction is not considered for income tax purposes.

CAPITAL GAINS TAX ON SALE OF REAL PROPERTY

The sale of land, building and other real properties classified as capital asset is subject to 6% final capital gains tax based on the gross selling price, current fair market value or zonal value at the time of sale, whichever is higher.

IMPROPERLY ACCUMULATED EARNINGS TAX

The 10% improperly accumulated earnings tax (IAET) is imposed on improperly accumulated taxable income earned by closely-held corporations. The term 'closely-held corporation' refers to corporations where at least 50% of the capital stock or voting power is owned directly or indirectly by or for not more than 20 individuals. The tax base of the 10% IAET is the taxable income of the current year plus income exempt from tax, income excluded from gross income, income subject to final tax, and the amount of net operating loss carry-over deducted. It is reduced by income tax paid for the current year, dividends actually or constructively paid, and amount reserved for the reasonable needs of the business.

The IAET does not apply to the following corporations:

(a) Banks and other nonbank financial intermediaries
(b) Insurance companies
(c) Publicly-held corporations
(d) Taxable partnerships
(e) General professional partnerships
(f) Non-taxable joint ventures
(g) Duly registered enterprises located within the special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, national or local.

BRANCH PROFITS TAX

A branch is classified as a resident foreign corporation. As such, it is subject to income tax at the rate of 30% on its net income derived within the Philippines. Any branch profit to be remitted to the Head Office is additionally taxed at the rate of 15%. For purposes of branch profit remittance, income items which are not effectively connected with the conduct of its trade or business in the Philippines are not considered branch profits. Such income items include interests, dividends, rents, royalties, including remuneration for technical services, salaries, wages, premiums, annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits, income and capital gains received during each taxable year from all sources within the Philippines. To be 'effectively connected', it is not necessary that the income be derived from the actual operation of the branch's trade or business. It is sufficient that the income arises from the business activity in which the branch is engaged.

However, the 15% branch profit tax does not apply to profits remitted by a branch coming from those activities duly registered with the Philippine Economic Zone Authority (PEZA).

SALES TAXES/VALUE ADDED TAX (VAT)

A 12% value added tax (VAT) of the gross selling price or gross value in money of the goods is imposed to all importation, sale, barter, exchange or lease of goods or properties and sale of services.

'Gross selling price' means the total amount of money or its equivalent that the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the value added tax. The excise tax, if any, on such goods or properties shall form part of the gross selling price.

FRINGE BENEFITS TAX

Fringe benefits furnished or granted in cash or in kind by an employer to an individual employee (except rank and file employees) are taxed at the rate of 32% based on the grossed-up monetary value of the fringe benefits.

LOCAL TAXES

There are no local taxes other than local authority rates and local (business) taxes and permit fees.

OTHER TAXES
Other taxes include the following.

PERCENTAGE TAXES
Percentage taxes are imposed on carriers (domestic or international), franchises, banks, financial intermediaries, finance companies, life insurance companies, agents of foreign insurance companies, overseas communications, amusement, winnings and stock transactions.

INITIAL PUBLIC OFFERING (IPO) TAX
Sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations is taxed at the rates provided below based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed of in accordance to the total outstanding shares of stock after the listing in local stock exchange:

Up to 25%	4%
Over 25% but not over 33.33%	2%
Over 33.33%	1%

EXCISE TAXES
Excise taxes are imposed on alcohol and tobacco products, petroleum and mineral products, automobiles and certain non-essential goods.

DOCUMENTARY STAMP TAX
Documentary stamp tax is imposed on certain documents including shares certificates, bank cheques, bonds, sales documents of real properties and mortgages.

REAL PROPERTY TAX
Real property tax is imposed on owners of real property and is calculated on the assessed value of the property.

B. DETERMINATION OF TAXABLE INCOME

A company's taxable profit is calculated by deducting ordinary and necessary expenses paid or incurred during the tax year in carrying on business. Typical expenses include salaries, travelling expenses and rentals, all of which need to be substantiated to be deductible. Additionally, taxes that relate to the business other than income, estate, gift and energy taxes and taxes charged to local benefits of a kind likely to increase the value of property are deductible. In calculating taxable income, special rules and exemptions apply in the circumstances outlined below.

INVESTMENT INCENTIVES
Tax incentives available to enterprises registered with the Board of Investments (BOI) or the Philippine Economic Zone Authority (PEZA) include six years' income tax holidays for pioneer firms and four years for non-pioneer firms with expanding firms granted three years. For PEZA registered enterprises, a 5% tax on the modified gross income is imposed after the end of the income tax holiday. Likewise, Tourism Infrastructure and Enterprise Zone Authority (TIEZA) registered enterprises enjoy a special income tax rate of 5%.

The tax holiday may be extended for an additional year in specified circumstances but in no case may the aggregate period of the tax holiday exceed eight years.

For the first five years, an enterprise registered with the BOI or PEZA is, in specified circumstances, allowed an additional deduction from the taxable income of 50% of the wage expense corresponding to the increment in the number of direct labour for skilled and unskilled workers.

Enterprises located in less developed areas are, in specified circumstances, allowed a 100% deduction of said wages and a 100% deduction for construction costs. Enterprises located in export processing zones and special economic zones are likewise entitled to income tax holidays and tax and duty-free importation of raw materials and equipment.

'Gross income earned' shall refer to gross sales or revenues derived from business activity within the respective zones, net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable period.

DEPRECIATION
Any recognised depreciation method may be used if it is 'reasonable'. The annual depreciation allowance is determined on the basis of depreciable property, estimated useful life and salvage value.

For extraction industries, a distinction is made between petroleum and other mining activities. Distinctions are also made for different categories of expense (eg tangible or intangible, exploration or drilling etc), and different methods apply (eg expenditure, cost depletion etc).

STOCK/INVENTORY

For taxpayers engaged in a trade or business, the valuation of inventories must meet the following conditions:

- it must conform as nearly as possible to the best accounting practice in the trade or business; and
- it must clearly reflect the income.

As such, although it cannot be uniform for all taxpayers, the system used must come within the scope of the best accounting practice in the particular trade or business. In order to clearly reflect income, the inventory practice of a taxpayer should be consistent from year to year as greater weight is given to consistency than to any particular method or basis of valuation. As long as the method is substantially in accord with these regulations, it is likely to be accepted.

The basis of valuation which is most commonly used by business concerns and which meets the requirements of the tax laws is the cost price or the lower of cost or market price.

Regardless of the basis of valuation, inventories are subject to investigation by the Commissioner of Internal Revenue and the taxpayer must satisfy the Commissioner of the correctness of the price adopted.

CAPITAL GAINS AND LOSSES

See discussions above. Ordinary assets include:

(a) Stock in trade of the taxpayers or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the end of the taxable year
(b) Property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business
(c) Property used in trade or business of a character which is subject to allowance for depreciation
(d) Real property used in trade or business.

All properties held by the taxpayer, whether or not connected with trade or business, not included in the enumeration of ordinary assets are capital assets. Capital gains arise from the disposal of 'capital assets'.

DIVIDENDS

Dividends received by a Philippine corporation or by a resident foreign corporation from a Philippine corporation are not subject to income tax. However, resident individuals receiving dividends are subject to 10% final income tax.

No credit is granted for underlying corporate profits out of which the dividends are declared. However, a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends is deemed to have paid the underlying foreign taxes.

INTEREST DEDUCTIONS

Interest is deductible on a cash or accrual basis depending upon the taxpayer's method of accounting but shall be reduced by 33% to the extent that a portion of interest income has been subjected to final tax. Where interest is paid to a foreign lender, it will remain deductible so long as it is incurred in connection with the trade or business of the taxpayer.

LOSSES

Losses may be offset against all income and capital gains in the same tax year.

Losses must be sustained by the taxpayer during the taxable year and must be incurred in relation to the trade and business and evidenced by completed transaction.

Operating loss for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income may be carried over as a deduction from gross income for the next three consecutive years immediately following the year of such loss. This is known as the Net Operating Loss Carryover or the excess of allowable deduction over gross income in a taxable year. However, there are certain limitations to be followed:

(a) any net loss incurred in a taxable year during which the taxpayer is exempt from income tax shall not be allowed as deduction

(b) allowed only if no substantial change in the ownership in that:
- not less than 75% in nominal value of the outstanding issued shares, if the business is in the name of the corporation, is held by or on behalf of the same persons; or
- not less than 75% of the paid in capital of the corporation, if the business is in the name of the corporation, is held by or on behalf of the same persons.

For mines other than oils and gas wells, a net operating loss without the benefit of incentives provided for under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987, incurred in any of the first ten years of operation may be carried over as a deduction from gross income for the next five years immediately following the year of loss.

FOREIGN SOURCED INCOME
A Philippine (domestic) corporation is taxed on worldwide income. Foreign income is taxed when earned or received, depending on the accounting method used by the taxpayer. Resident foreign corporations are taxed in the Philippines only on Philippine source income.

INCENTIVES
Tax credits are available for taxes and duties paid on purchases of raw materials of products for export, domestic capital equipment, domestic breeding stock and genetic materials. A number of Special Economic Zones, some of which are operated as separate customs territories also exist. (Refer also to 'Investment incentives' above.)

OPTIONAL STANDARD DEDUCTION (OSD)
In lieu of the itemised deduction of ordinary and necessary expenses paid or incurred to calculate the net taxable profit, domestic and foreign corporations are allowed an OSD in the amount not exceeding 40% of gross income. Companies intending to avail of the OSD are required to indicate such intention upon filing the first quarter income tax return.

The computation and the payment using the OSD shall likewise apply at the time of filing of the quarterly corporate income tax.

C. FOREIGN TAX RELIEF

Relief from double taxation is provided by way of tax treaties and/or by means of foreign tax credits. The treaties generally define when a taxpayer will be deemed for income tax purposes to be doing business in the Philippines.

D. CORPORATE GROUPS

Group taxation is not permitted. The grouping of corporations has no tax implications as the tax laws treat each corporation in isolation.

E. RELATED PARTY TRANSACTIONS

Philippine corporations can claim a deduction for royalties, management services and interest charges paid to foreign affiliates provided the amount represents an arm's length price and the appropriate withholding taxes are withheld and remitted. Some interest deductions can be affected by related party transactions involving non-residents. See Section B above.

F. WITHHOLDING TAX

NON-RESIDENT FOREIGN CORPORATIONS
Interests on foreign loans, royalties and dividends paid to non-resident foreign corporations are subject to withholding tax at source at the time of their accrual in the taxpayer's books.

The only exemption to this rule is when, at the time of the accrual of the income, there is a governmental restriction which prevents the actual remittances of the income due to the non-resident.

DIVIDENDS
Dividends received by non-resident foreign corporations from domestic corporations are subject to a final tax of 30%. However, tax is withheld at the reduced rate of 15% in certain circumstances.

INTEREST
Interest received by non-resident foreign corporations is subject to the following final withholding tax:

(a) 20% on interest paid or accrued from foreign loans contracted on or after 1 August 1986

(b) 30% on other interest.

ROYALTIES
Royalties received by non-resident foreign corporations are subject to a final withholding tax of 30%. However, said tax rate may be reduced under applicable tax treaties.

TECHNICAL ASSISTANCE AND SERVICE FEES
Technical assistance and service fees received by non-resident foreign corporations are subject to the final withholding tax of 30%.

RENTAL AND LEASING INCOME
Rental and leasing income received by non-resident foreign corporations is subject to the following final withholding tax:

- 25% of the gross amount on film rentals from sources within the Philippines
- 4.5% of the gross amount on charter fees or rentals in respect of foreign vessels
- 7.5% of the gross amount on rentals and other fees in respect of aircraft, machinery and other equipment.

NON-RESIDENT ALIENS
The following income received by non-resident aliens (not engaged in trade or business in the Philippines) are subject to a final withholding tax of 25% of the gross amount of:

(a) Dividends, interest and royalties
(b) Technical assistance and service fees (no tax is withheld in certain circumstances)
(c) Rental and leasing income
(d) Capital gains (special rules apply to residents of double tax treaty states).

FINAL WITHHOLDING TAX
The following income received by Philippine citizens and resident aliens are subject to a final withholding tax of 20% of the gross amount of:

(a) Interest
(b) Royalties, except royalties on books, literary works and musical compositions which are subject to 10%
(c) Technical assistance and service fees.

G. EXCHANGE CONTROL

The Bangko Sentral ng Pilipinas (BSP) administers the exchange control laws of the Philippines including establishing minimum and maximum rates for the foreign exchange dealings of banks. However, banks may set their own rates for trading foreign exchange with the public. The value of the peso generally floats freely, although intervention by the BSP does occur when deemed necessary.

H. PERSONAL TAX

Income is divided into the following three categories which are taxed separately, as summarised below.

Compensation employment income: This income is taxed at progressive rates on gross income after deduction of personal and additional exemptions but without deductions for expenses.

Passive income: This income (i.e. dividends, certain interest, royalties, etc) is subject to final withholding tax only.

Business income and professional income: This income is taxed at progressive rates on net business income, or income from the practice of a profession, i.e. after deduction of certain specified expenses and any excess of personal and additional exemptions over compensation income.

TAXABLE INCOME
RESIDENT CITIZENS
Resident citizens of the Philippines are taxed on all their net income derived from sources within and without the Philippines.

ALIEN INDIVIDUALS
An alien individual, whether a resident or not of the Philippines, is taxable only on income derived from sources within the Philippines. Resident aliens are taxed in the same manner as resident citizens on income sourced within the Philippines.

Tax is generally withheld in sufficient amounts from salary and wages to satisfy the final tax liability. If not, then the balance must be paid when filing the return, which is required on or before 15 April of the year following the year of income. In some cases, income tax liability may be paid in two equal installments.

P

RESIDENT INDIVIDUALS

Income of residents is subject to the following rates:

Taxable Income		Income Tax Payable		
Exceeds (PhP)	But does not exceed (PhP)	On amount in 'Exceeds' (PhP)	Percentage on excess (PhP)	(PhP)
–	10,000	–	5	–
10,000	30,000	500	10	10,000
30,000	70,000	2,500	15	30,000
70,000	140,000	8,500	20	70,000
140,000	250,000	22,500	25	140,000
250,000	500,000	50,000	30	250,000
Over 500,000	–	125,000	32	500,000

The above rates also apply to individuals who derive income from business (including capital gains from the sale transfer or exchange of shares in a foreign corporation) or from the practice of a profession.

OPTIONAL STANDARD DEDUCTION (OSD)

Except for individuals earning compensation income, resident citizens, non-resident citizens, and resident aliens shall be allowed to claim OSD in lieu of the itemised deductions of ordinary and necessary expenses paid or incurred during the year. The OSD allowed shall be a maximum of 40% of gross sales or gross receipts without deduction of the cost of sales or cost of services.

The computation and the payment using the OSD shall likewise apply at the time of filing of the quarterly income tax return.

I. TREATY AND NON TREATY WITHHOLDING TAX RATES

The rates are as follows:

	Interest (%) (1)	Dividends (%)	Royalties (%) (2)
Treaty Countries:			
Australia	15	15/25	15/25
Austria	10/15	10/25	15
Belgium (3)	10	10/15	15
Brazil	15	15/25	25/15
Canada	15	15/25	10/25
China	10	10/15	10/15
Denmark	10	10/15	15
Finland	15	15	15/25
France	15	15/25	15/25
Germany	10/15	10/15	15/10
Hungary	15	15/20	15
India	10/15	15/20	15
Indonesia	15	15/20	15/25/15
Israel	10	10/15	15
Italy	15	15	15/25
Japan	10/15	10/25	15/25/10
Korea, Republic of	10/15	10/25	15/10
Malaysia	15	15/25	15/25
Netherlands (3)	10/15	10/15	10/15
New Zealand	15	15/25	15/25
Norway (3)	15	15/25	7.5/10/25

	Interest (%)	(1)	Dividends (%)	Royalties (%)	(2)
Pakistan	15		15/25	15/25	
Romania	10/15		10/15	10/15/25	
Russia	15		15	15	
Singapore	15		15/25	15/25	
Spain (3)	10/15		10/15	10/20/15	
Sweden	15		15/25	15/25	
Switzerland	10		10/15	15	
Thailand	10/15/25		15/20	15/25	
United Kingdom	15		15/25	15/25	
United States	15		20/25	15/25	
Vietnam	15		10/15	15	

1 Maximum of 10% if the interest is paid by a company in respect of a public issue of bonds, debentures or similar obligations. For Indonesia and Pakistan, interest is exempt if paid in respect of bonds, debentures or similar obligations of the Philippine government (and vice versa).

2 Broadly, dividends paid by a domestic corporation to a non-resident foreign corporation are taxed at 15% subject to the conditions that the country in which the foreign corporation is domiciled:
   (a) allows a credit for tax deemed to have been paid in the Philippines equal to 20%, which represents the difference between the regular tax on corporations (35%) and the tax on dividends (15%); or
   (b) does not impose tax on dividends. Refer to the relevant tax treaty for specific limitations on the availability of tax sparing credits.

3 Refer to Part V of the Double Tax Agreements for Belgium, The Netherlands, Norway and Spain.

POLAND

Currency: Zloty (PLN) | Dial Code To: 48 | Dial Code Out: 00

Member Firm:

City: Warsaw

Name: Agnieszka Chamera

Contact Information: 22 560 76 59
agnieszka.chamera@pkftax.pl

A. TAXES PAYABLE

COMPANY TAX

Polish resident companies are subject to corporate income tax (CIT) on all sources of their worldwide income, while non-residents are subject to corporate income tax only on income derived from the territory of Poland. A company is deemed resident in Poland if it is incorporated or managed in Poland.

The corporate tax rate for 2011 is levied at 19% of taxable base.

In general, the tax year for corporate taxpayers is the calendar year.

Taxpayers are obliged to submit their tax declaration, together with the balance sheet, to the fiscal office within three months from the end of their tax year. Taxpayers are obliged to pay tax monthly in advance, based on the current year's income.

Taxpayers can also make monthly advance payments based on specific rules if they meet certain conditions.

CAPITAL GAINS TAX

Capital gains from the disposal of fixed business assets are aggregated with income from other sources and are subject to corporate income tax at the standard CIT rate (19% in 2011).

BRANCH PROFITS TAX

The tax rate of income derived by a foreign corporation from a branch located in Poland is the same as for Polish entities (19%).

SALES TAX/VALUE ADDED TAX (VAT)

As a result of Poland's accession to the European Union, the Polish VAT Act has changed in line with the regulations of the 112th Directive and other EU Directives related to VAT.

Under the Polish VAT regulations, VAT applies to the following transactions:
- supply of goods and services made in Poland for consideration
- export of goods outside the EU
- import of goods from outside the EU
- intra-Community acquisition of goods effected for consideration in Poland, including the movement of goods between different Member States within the same business
- intra-Community supply of goods including the movement of goods between different Member States within the same business.

The taxpayers shall be exempt from registering if the total value of taxable sales effected by them in the preceding tax year did not exceed PLN 150,000. Where taxable sales amounted in 2010 to more than PLN 100,000 but less than PLN 150,000, the taxpayer shall be exempted from VAT if the head of a revenue office is notified in writing by 15 January 2011.

VAT payers who have no registered seat in Poland nor fixed place of business or place of residence are obliged to appoint a fiscal representative. This obligation does not apply to EU residents.

The fiscal representative is jointly liable with the business it represents for all Polish VAT liabilities.

In general, tax obligation arises at the moment of giving, handing over, exchanging a commodity, making a gift or rendering a service. However, there are many exceptions to this rule.

VAT is charged at the standard tax rate of 23% on the supply of most goods and services or at the reduced rates of 8%; 5% and 0%:
- 8% supplies include, amongst others hotel services and passenger transport supply, construction and assembly services, restoration and conservation of building included in social housing programs
- 5% rate applies to certain foods, e.g. meat, fish, dairy products, vegetables, fruit, bread, etc
- 0% supplies include, amongst others, exports and intra-Community supplies of goods and , international transport services

In addition, there are a number of exemptions from VAT including education and health care services. Changes were introduced in January 2011 which limit the scope of existing exemptions.

In general, VAT taxpayers are obliged to settle VAT tax on a monthly basis up to the 25th of the month following the month in which the tax obligation arose.

However, other than those taxpayers using the cash-basis settlement method, taxpayers may submit tax returns quarterly, having notified the head of a revenue office in writing by the 25th day of the second month of the quarter.. A taxpayer who starts carrying out taxable acts during a tax year must make the notification by the 25th day of the month following the month in which it started performing these acts.

Taxpayers who have chosen to make quarterly VAT settlements may resume filing monthly tax returns but not until they have submitted at least four quarterly tax returns..

FRINGE BENEFITS TAX (FBT)

Benefits in kind are included in taxable income of employees.

LOCAL TAXES

Real property tax and transport tax are charged as local taxes in Poland.

Real property tax is paid by owners of real estate. The tax base depends on the type of asset concerned:
- buildings – the usable area
- structures – value of the structure
- land – the area.

The tax rates are established by the Commune Council.

The tax on the means of transport is imposed on lorries, tractors and trailers. The tax rates are also established by the Commune Council.

OTHER TAXES

CIVIL LAW ACTIVITY TAX (CLAT)

Some of the civil acts may be subject to civil law activity tax. These are, in general:

- contracts of sale, lease, hire (if not subject to VAT)
- loan agreements
- foundation deeds of a partnership or company.

CLAT rates are from 0.1 – 2%.

The following shall not be liable to tax:

1. acts in civil law if, in respect of performing such an act, at least one party is:
   a) liable to goods and services tax
   b) exempt from goods and services tax, except for:
      – contracts of sale and exchange whose object is immovable property or part thereof, or the right of perpetual usufruct, cooperative member's ownership right to a living accommodation, right to a single-family house in a housing cooperative or right to a parking lot in a multi-lot car park or a share in such rights
      – contracts of sale for shares in commercial partnerships or companies
2. partnership or company deeds or amendments relating to:
   a) company mergers
   b) transformation of a company into a different company
   c) contribution to a company, in exchange for its shares, in some circumstances.

Loans granted by a shareholder to a company are also exempt from this tax.

STAMP DUTY

Transactions subject to stamp duty include the following:

- bills of exchange
- public administration actions (application forms, certificates, permissions).

SOCIAL SECURITY CONTRIBUTION

Resident individuals and employees within the territory of Poland are subject to obligatory old age and disability insurance.

Rates of social security contributions are as follows:

	Employer	Employee
Old age pension	9.76%	9,76%
Disability insurance	4.50%	1.50%
Sickness benefits	–	2,45%
Accident insurance	0.67 % – 3.33 %	-
Health insurance	–	9.00%

P

Contributions to the old age and disability pensions are paid by the employer and employee. The 9.76% employee contribution is transferred to the Open Pension Fund.

Contributions by employees are based on their gross income for income tax purposes. The ceiling on income on which contributions for the old age pension and disability insurance are due is PLN 100,770 in 2011. There is no ceiling for health and maternity insurance.

The employer withholds the employees' contributions. Employees' contributions are deductible for income tax purposes and employers' contributions are deductible for corporate income tax purposes.

The contribution for accident insurance is paid by the employer.

The contribution for sickness benefit is paid by the employee.
In addition:

- 9 % of gross pay (less contributions for old age and disability insurance) for obligatory health insurance contribution (covering medical expenses) is payable by employees
- 2.45% of gross pay is paid by the employer to the Labour fund
- 0.10% of gross pay is paid by the employer for the Guaranteed Welfare Benefits Fund.

B. DETERMINATION OF TAXABLE INCOME

Corporate entities are subject to corporate income tax on the net profit shown on the yearly balance sheet, computed in accordance with the statutory accounting and bookkeeping rules, after adjustment for deductions and additions provided under the tax law. Generally, expenses incurred for the production of income are allowed as deductions.

DEPRECIATION

Current rates range from 1.5% to 30% depending on the type of asset. As a general rule, the straight-line method must be applied although the reducing method is possible under some conditions.

INVENTORY

Stock in trade, or inventory, is valued at its historic cost price or market value. The cost of inventory may be calculated at a standard cost, at a weighted average cost, or on the LIFO or FIFO basis, as long as the method selected is used consistently.

CAPITAL GAINS AND LOSSES

Capital gains and losses are subject to CIT tax at a rate of 19% for 2011.

DIVIDENDS

Dividends received from resident companies are taxed separately at a rate of 19% unless the participation exemption applies (see Section F below). The tax is withheld by the distributing company.

Dividends may be distributed only from net profits of the company. Sums allocated for distribution among shareholders cannot be deducted from the taxable base.

INTEREST DEDUCTIONS

Interest is deductible on an accrual basis. For interest from credits and loans from related parties, thin capitalisation applies (3:1 equity ratio).

LOSSES

Losses from a given tax year can be offset against the income in the five subsequent tax years but the amount deducted in any one year cannot exceed 50% of the loss incurred in the previous five tax years (including those amounts already utilised against profits).

FOREIGN SOURCED INCOME

Resident companies are subject to tax on their worldwide income, including foreign-sourced income and gains. However, double tax agreements may apply to reduce or extinguish the tax liability imposed under domestic tax law.

INCENTIVES

Polish law provides for corporate income tax incentives such as special economic zones (SEZs). In principle, companies operating within special economic zones may enjoy tax holidays which involve tax exemption from corporate income tax within certain time limits. Investments in SEZs may be conducted subject to a permit issued by the authorities. There are now 14 such zones in Poland: Mielecka, Katowicka, Suwalska, Legnicka, Walbrzyska, Lodzka, Kostrzynsko-Slubicka, Slupska, Tarnobrzeska, Warminsko-Mazurska, Starachowicka, Kamiennogorska, Pomorska and Krakowska (Krakow Technology Park).

Undertaking business activity within a SEZ requires a special permit issued by the Minister of Economy or the authorities of the SEZ. Regulations applicable to a particular SEZ may specify the minimum investment value required and/or the number of employees that must be hired to benefit from the tax exemption.

C. FOREIGN TAX RELIEF

Foreign-sourced income received by a resident company is included in its taxable base unless otherwise provided by the double tax treaty. Taxes paid abroad may be credited against the tax due. However, the amount of tax credit may not exceed the amount of domestic tax that would have been due on the income derived abroad had it been derived in Poland.

D. CORPORATE GROUPS

In accordance with the Corporate Income Tax Act, a "tax capital group" may be established. Corporate tax is due on the income of the group as a whole. Such a group can be established only by joint stock companies and limited liability companies. The parent company must own at least 95% of the equity of each of the dependent companies. There are also other conditions which must be met to establish the 'tax capital group', such as:

- an average capital of all companies not lower then PLN 1 million
- capital group agreement period – minimum three year
- registration of the agreement with the tax office
- no outstanding tax liabilities to state budget
- profitability ratio of the group not lower then 3% for each year
- all of the companies included in the group must be registered in Poland.

E. RELATED PARTY TRANSACTIONS

Transfer pricing provisions apply to transactions carried out between related parties (broadly where one partly controls the other or they are under common control). The provisions apply to both transactions between a Polish and a non-Polish resident entity and to those between Polish entities.

F. WITHHOLDING TAXES

Withholding tax is deducted from interest, royalties and dividends. On payments to non-residents, it is deducted at 19% on dividends and 20% on royalties and interest payments, unless reduced by a double tax treaty.

However, under the provisions implementing the EC Parent-Subsidiary Directive, dividend distributions by resident subsidiaries to their non-resident EU parent or EEA (European Economic Area) parent companies or resident parent company are exempt. In order to benefit from this regulation, the following conditions must be met:

- the resident parent company or EU parent or EEA parent company in receipt of dividends must be subject to corporate income tax in Poland or the EU member country or EEA country on their worldwide income
- the parent company must have owned at least 10% of the capital in the Polish company continuously for a period of at least two years.

The EC Interest and Royalties Directive was implemented into domestic law on1 July 2005. Interest and royalty payments under the Directive are subject to a reduced rate of withholding tax when certain conditions are met. The rate is 5% between 1 July 2009 and 30 June 2013 and 0% thereafter.

In order to benefit from this regulation, the following conditions must be met:

- the payer must be a company which is resident in Poland or is resident in another EU member state and has a taxable permanent establishment in Poland
- the payee must be a company which is tax resident in an EU Member State other than Poland
- the Polish company must have owned at least 25% of the capital of the EU company continuously for a period of at least two years; or
- the EU company must have owned at least 25% of the capital of the Polish company continuously for a period of at least two years.

G. EXCHANGE CONTROL

With effect from 2003, most foreign exchange transactions are allowed by the Foreign Exchange Act and do not require a special permit from the National Bank of Poland.

Domestic persons doing business in Poland, which normally operates wholly in Zlotys, generally may hold foreign currency accounts for foreign receivables. Invoices and services purchased abroad may be paid in foreign currencies at the official exchange rate on the day that the payment is made or from their foreign currency accounts.

H. PERSONAL TAX

Polish resident taxpayers are subject to tax on their worldwide income, subject to double tax treaties. Non-residents are taxed only on the income derived from work performed within the territory of Poland.

Tax is levied on all taxable income at progressive tax rates.

The tax scale for 2011 is as follows:

Tax base	Rate
Up to PLN 3,089	0%
Over PLN 85,528	PLN 14,839.02 + 32% of surplus over PLN 85,528

When calculating the income, the so-called tax-free amount is taken into account (in 2011 – PLN 3,091.00)

Personal income tax is reduced if, in the financial year, the taxpayer incurred expenditure as specified in the law, within the proper limits.

Payers of the income tax referred to in the PIT law are obliged to calculate and collect tax payments in advance, within the year, and transfer them to the bank account of the relevant tax office by the 20th of the month following the month when the tax advance payment was collected.

Taxpayers are obliged to file an annual tax return by 30 April of the following year. This obligation does not apply to taxpayers for whom the annual tax return is made by the tax collector.

The submission of the tax return has to be accompanied by payment of the difference between the income tax due, as calculated in the tax return, and the sum of any tax paid in advance.

The income tax arising from the tax return is the tax due for a given year, unless the tax office issues a decision establishing a different amount of due tax.

Individuals who receive inheritances or gifts are liable to tax for the portion they receive. Polish citizens and persons who are domiciled in Poland are also liable to this tax if the property received by them is located abroad. Gifts and inheritances of property located in Poland are exempt if neither party is a Polish citizen or domiciled in Poland. The rates are progressive depending on the category of taxpayer and value of property received and will vary from 3% to 20%.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%) (1)	Interest (%)	Royalties (%)
Non-Treaty Countries:	19	20	20
Treaty Countries:			
Albania	5/10	10	5
Armenia	10	5	10
Australia	15	10	10
Austria	5/15	5	5
Azerbaijan	10	10	10
Bangladesh	15/10	10	10
Belarus	10/15	10	0
Belgium	5/15	5	5
Bosnia and Herzegovina	15/5	10	10
Bulgaria	10	10	5
Canada	15	15	10
Chile	15/5	5/15	5/10
China	10	10	7/10
Croatia	5/15	10	10
Cyprus	10	10	5
Czech Republic	5/10	10	5
Denmark	0/5/15	5	5
Egypt	12	12	12
Estonia	5/15	10	10
Finland	5/15	5	5
France	5/15	0	10
Georgia	10	8	8
Germany	5/15	5	5
Greece	19(2)	10	10

P

	Dividends (%)	(1)	Interest (%)		Royalties (%)	
Hungary	10		10		10	
Iceland	15/5		10		10	
India	15		15		22.5	
Indonesia	10/15		10		15	
Iran	7		10		10	
Ireland	0/15		10		10	
Israel	5/10		5		5/10	
Italy	10		10		10	
Japan	10		10		0/10	
Jordan	10		10		10	
Kazakhstan	10/15		10		10	
Korea	5/10		10		10	
Kuwait	5/0		0/5		15	
Kyrgyzstan	10		10		10	
Latvia	5/15		10		10	
Lebanon	5		5		5	
Lithuania	5/15		10		10	
Luxembourg	5/15		10		10	
Macedonia	5/15		10		10	
Malaysia	0		15		15/(–)	(4)
Malta	5/15		10		10	
Mexico	5/15		5/15		10	
Moldova	5/15		10		10	
Mongolia	10		10		5	
Montenegro	5/15		10		10	
Morocco	7/15		10		10	
Netherlands	5/15		5		5	
New Zealand	15		10		10	
Norway	0/15		5		5	
Pakistan	15/19	(3)	20	(2)	15/20	
Philippines	10/15		10		15	
Portugal	10/15		10		10	
Qatar	5		5		5	
Romania	5/15		10		10	
Russia	10		10		10	
Serbia	15/5		10		10	
Singapore	10		10		10	
Slovak Rep.	5/10		10		5	
Slovenia	5/15		10		10	
South Africa	5/15		10		10	
Spain	5/15		0		10	
Sri Lanka	15		0		0/10	
Sweden	5/15		0		5	
Switzerland	5/15		10		0	
Syria	10		10		18	
Tajikistan	5/15		10		10	
Thailand	19		10		5/15	
Tunisia	5/10		12		12	

P

	Dividends (1) (%)	Interest (%)	Royalties (%)
Turkey	10/15	10	10
Ukraine	5/15	10	10
United Arab Emirates	5	5	5
United Kingdom	0/10	5	5
United States	5/15	0	10
Uzbekistan	5/15	10	10
Vietnam	10/15	10	10/15
Zimbabwe	10/15	10	10

1 Different treaty rates may apply depending on whether the dividend is received by a company or individual, or the percentage interest in the Polish company held by the recipient of the dividend. It is important to consult the relevant treaty for further details.
2 The domestic rate applies.
3 The domestic rate applies, apart from where the dividend is received by a company holding at least one-third of the capital of the Polish company.
4 Domestic rate applies to royalties for the use of, or the right to use cinematograph films, or works recorded on tapes for television or broadcasting.

PORTUGAL

Currency: Euro (EUR) Dial Code To: 351 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Lisbon	José Parada Ramos	213 182 720 paradaramos@pkf.pt
Oporto	José de Sousa Santos	223 389 479 pkfportugal@pkf.pt

A. TAXES PAYABLE

COMPANY TAX

General Regime: Resident corporations are subject to Portuguese corporate income tax (IRC) on their worldwide income. Resident companies are those which have their head office, or place of effective management, in Portugal.

Non-resident companies with a permanent establishment in Portugal are liable for IRC on the income attributable to that permanent establishment. A non-resident company with no permanent establishment in Portugal is taxed on the following types of income sourced in Portugal: real estate, capital gains, dividends, services, interest and royalties.

P

Taxable profit up to EUR 12,500.00 is taxed at a reduced rate of 12.5% and the excess is taxed at 25%. There are anti-avoidance measures to prevent businesses being split up artificially between different companies to take advantage of the 12.5% rate. A local surcharge of up to 1.5% is levied on the taxable profit amount. An additional local surcharge of 2.5% is levied on the taxable profit amount that exceeds €2m. The tax year usually coincides with the calendar year (1 January to 31 December). However, in some cases such as branches of non-resident companies, different tax years may be adopted.

Tax is payable as follows:

Taxable persons	Tax payment
Resident entities whose main activity is commercial, industrial or agricultural and non-residents with a permanent establishment in Portugal.	Payments on account in July, September and 15 December. The balance is due by the date when the tax return is filed – generally 31 May. Additional payments on account in July, September and 15 December for entities with taxable income above €2m.
Resident entities whose main activity is neither commercial, industrial nor agricultural.	Tax is payable by 31 May following the end of the tax year.

Taxable persons	Tax payment
Non-resident entities without a permanent establishment.	Tax is payable by 31 May following the end of the tax year.

Payments on account are estimated on the basis of the previous tax year's IRC liability, less any tax withheld at source, and are subject to the following limits:

- three instalments of 23.33% (total 70%) – taxpayers with turnover below EUR 498,797.90.
- three instalments of 30% (total 90%) – taxpayers with turnover above EUR 498,797.90.

Permanent establishments of non-resident companies are taxed at the rates applicable to resident companies (i.e. 25%), plus a 1.5% municipal surcharge (effective rate of 26.5%). When there is no permanent establishment, tax is levied at rates varying between 15% and 25% according to the source of income.

CAPITAL GAINS TAX

Worldwide capital gains obtained by resident companies are included in taxable income and taxed at the standard flat rate of 26.5%. The gain (or loss) is calculated by the difference between the sales proceeds and the acquisition cost which may be updated using official inflation coefficients. If the proceeds of the sales are reinvested in other fixed assets, 50% of the gain obtained (net of the related losses) will be excluded from taxation. For this purpose, reinvestments made in the preceding year, the year of sale and the two subsequent years will be taken into account.

When only part of the consideration is reinvested, only the corresponding part of the gain qualifies for the relief.

Gains derived from the disposal of shares by qualifying holding companies (SGPS) are not subject to taxation. However, capital losses arising on the sale of shares, as well as interest incurred on loans used to purchase shares, are not deductible for IRC purposes at the SGPS level.

BRANCH PROFITS TAX

All income attributable to the Portuguese branch (permanent establishment) is subject to corporation tax. No tax is imposed on the eventual remittances of profits to the head office.

SALES TAX/VALUE ADDED TAX (VAT)

As a member of the European Union, Portugal has adopted VAT which is a sales tax levied on the supply of goods and services as well as on the import of goods from non-EU countries into Portugal (for VAT purposes, Portugal includes Azores and Madeira), and acquisition of goods from other EU Member States. The standard rate is 23%. In addition, an intermediate rate of 13% and a reduced rate of 6% are applicable to a range of goods and services. In Azores and Madeira, the rates are 16%, 9% and 4% respectively on the same supplies.

FRINGE BENEFITS TAX (FBT)

In general, benefits provided to employees are added to their remuneration and taxed accordingly. There are, however, some exceptions such as lunch allowances, travel allowances and the use of a car (provided such use is not formally agreed in the employment contract).

OTHER TAXES
MUNICIPAL TAX ON REAL ESTATE

Owners of real estate properties are subject to tax at 0.8% for rural properties and between 0.4% and 0.7% for urban properties on the notional net income derived from property. A 5% rate applies when the real estate property is owned by a resident of an offshore jurisdiction (as defined in a 'black list' published by the Finance Ministry). This tax is deductible against rental income.

REAL ESTATE TRANSFER TAX

Stamp duty is levied on many types of transactions. Real Estate Transfer Tax applies to transfer of real estate property and is normally payable by the purchaser. The rate for urban properties is 6.5% and 5% for land for agriculture. Real Estate for habitation is subject to rates varying from 0% to 6%. An 8% rate applies when the purchaser of the property is a resident of a black-listed offshore jurisdiction. Transfers of ownership, which are subject to this tax, are exempt from VAT.

B. DETERMINATION OF TAXABLE INCOME (IRC)

General regime: Net income, or taxable income, is arrived at by adjusting the accounting profits for non-taxed income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

Simplified scheme: Companies that a) during the previous year had a total turnover under EUR 149,639.37; and b) have not elected to be assessed under the general regime referred to above, are subject to the simplified taxation scheme. Under this scheme, taxable income is computed as follows:

- 20% of the turnover from sales of goods; plus
- 70% of the gross income from other sources.

The simplified scheme was abolished from 1 January 2009, although companies granted this regime before that date may be able to use it until the expiration of the period for which the regime was granted.

DEPRECIATION

Fixed assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation and include 2% for office buildings and 5% for industrial buildings. No depreciation is allowed on land. The normal method of calculation is the straight-line basis but declining-balance method may be used except for items such as buildings, cars and office furniture.

STOCKS/INVENTORY

Inventory must normally be valued at the effective cost of acquisition or production (historic cost). Other methods which may be adopted include:

- the standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles
- the sale price method, based on the market value less a normal profit margin.

CAPITAL GAINS AND LOSSES

Gains obtained by non-resident entities from the disposal of shares are exempt from tax. However, some anti-avoidance provisions apply in order to prevent abuse of this concession.

DIVIDENDS

There is a full participation exemption for payment of dividends between Portuguese resident companies when the recipient of the dividends is a company that has held a participation of not less than 10% of the share capital of the distributing company for a minimum period of one year. If such conditions are not met, the dividend amount is subject to taxation.

The full participation exemption is also available for dividends derived from other EU resident companies, provided the participation exceeds 10% of the share capital of the subsidiary and the related shares have been held for a period of one year.

Dividends paid to non-resident shareholders are normally subject to withholding tax at 21.5% (or at the treaty rate if applicable). When the parent company is resident of an EU Member State and has held a participation of at least 10% in the share capital of the Portuguese subsidiary, no withholding tax shall apply provided the company paying the dividend obtains a tax certificate proving that the conditions of the directive have been met.

INTEREST DEDUCTIONS

Interest is deductible on an accruals basis. The Fiscal Administration is entitled, under certain circumstances, to disallow interest payments to related parties in excess of arm's length arrangements.

In the case of loans granted by non-EU companies, interest expenses are subject to thin capitalisation restrictions.

The thin capitalisation ratio is 2:1. No relief is granted on the interest due to non-EU resident shareholders on the part of a loan that exceeds twice the participation in the equity.

LOSSES

Operating losses incurred by resident companies, or by a branch of a non-resident company, may be carried forward to set off against taxable profits for four years. No deduction is allowed in the following two situations:

(a) where the nature of the activity has changed substantially compared to when the losses were incurred
(b) the ownership of 50% or more of the share capital has changed, compared to the year in which the losses were incurred.

FOREIGN SOURCED INCOME

Taxation of resident companies takes into account their worldwide income.

INCENTIVES
Incentives under Portuguese tax legislation include financial derivatives; the free-trade zones of Azores and Madeira; investment tax credits; incentives for small companies; tax credits for research and development investments; and creation of jobs for persons under 30 years of age.

C. FOREIGN TAX RELIEF

Foreign-sourced income, gross of tax paid abroad, is included in taxable income. A unilateral credit for foreign income tax suffered can be set off against the Portuguese corporate tax. Portugal's tax treaties also apply the ordinary credit method. The tax credit is restricted to the lower of:
- the income tax paid abroad (ordinary credit method)
- the Portuguese income tax chargeable on that foreign income.

D. CORPORATE GROUPS

Companies meeting the following conditions can opt to be taxed on a group basis:
- all companies in the Group are resident in Portugal
- the parent company must hold, directly or indirectly, at least 90% in the remaining companies of the group.

In this regime, the taxable income of the group is computed on the basis of the taxable income and losses of the companies included in the group.

E. RELATED PARTY TRANSACTIONS

Transfer pricing legislation enables the tax authorities to make corrections to taxable income when the conditions (and prices) agreed between related parties are different from those that would have been agreed and accepted by independent entities. Taxpayers must keep the necessary documentation to support the transfer pricing policy within the group.

F. WITHHOLDING TAX

Payments between resident companies are generally subject to withholding tax. The rates vary between 15% and 25%.Where payments are made by residents to non-residents, the tax rate may be reduced if there is a double tax treaty.

G. EXCHANGE CONTROL

Capital movements are freely transferable.

H. PERSONAL TAX

Income tax is payable by individuals on income obtained from employment, a business activity or independent profession, investment income, immovable property, capital gains, pensions and betting or gambling profits. Resident individuals are subject to income tax on their worldwide income while non-residents are liable to income tax only on income sourced in Portugal. Residence is determined by physical presence in Portugal for 183 days or more in any tax year. An individual who, at the end of a tax year, owns a dwelling in Portugal that might reasonably be assumed to be the individual's usual residence, is also generally considered resident in that tax year.

When determining the taxable income, certain tax credits are allowed in addition to some specific deductions concerning each category of income. These include a percentage of expenses incurred on health and education.

Husbands and wives living together, and their dependent children, are taxed on their joint income and are jointly liable for the tax of the family unit. Normally, the tax year coincides with the calendar year but may be split in the year of marriage, divorce, separation or death.

Special rules apply for the calculation of gains on immovable property, shares or other corporate rights, securities and patents.

Exempt income includes various employment allowances (up to certain limits); a portion of pension income; capital gains from the sale of the principal private residence, when the proceeds are reinvested in another private residence; and gains on sales of qualifying shares.

Tax returns submitted in paper form are due between 1 March and 31 March of the subsequent tax year for taxpayers with income derived solely from employment or pensions or between 1 April and 30 April for taxpayers who receive any income other than from employment or pensions.

Tax returns submitted via the internet are due between 1 April and 30 April of the subsequent tax year for taxpayers with income which derives solely from employment or pension or between 1 May and 31 May for taxpayers who receive any income other than from employment or pensions.

The following rates apply in tax year 2010 to the aggregate net results of employment income, business income, investment income (except interest on bonds and deposits), income from land, capital gains and income from pensions:

Taxable Income (Euros)			Rates	
			Normal Rate	Amount to deduct
Up to	4,793.00 €	–	11.08%	– €
More than	4,793.00 €	to 7,250.00 €	13.58%	119.82 €
More than	7,250.00 €	to 17,979.00 €	24.08%	881.09 €
More than	17,979.00 €	to 41,349.00 €	34.88%	2,822.88 €
More than	41,349.00 €	to 59,926.00 €	37.38%	3,856.62 €
More than	59,926.00 €	to 64,623.00 €	40.88%	5,954.25 €
More than	64,623.00 €	to 150,000.00 €	42.88%	7,246.18 €
Over	150,000.00 €	–	45.88%	11,746.50 €

Domestic income may attract withholding income tax. Tax withheld from residents represents a payment on account of the recipient's ultimate tax liability. However, an individual may treat tax withheld from interest on bank deposits or bonds and dividends as final tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The following table is for general guidance only and reflects the lower of the treaty rate and the rate under domestic tax law. The rates are applicable to payments by Portuguese companies to non-residents under the treaties currently in force.

	Dividends %	Interest %	Royalties %
Non-Treaty Countries:	21.5	21.5	15
Treaty Countries:			
Algeria	15/10	15	10
Austria	15	10	5/10
Belgium	15	15	10
Brazil	10/15	15	15
Bulgaria	10/15	10	10
Canada	15/10	10	10
Cape Verde	10	10	10
Chile	10/15	5/10	5/10
China	10	10	10
Cuba	5/10	10	5
Czech Republic	10/15	10	10
Denmark	10	10	10
Estonia	10	10	10
Finland	10/15	15	10
France	15	10/12	5
Germany	15	10/15	10

	Dividends %	Interest %	Royalties %
Greece	15	15	10
Guinea-Bissau	10	10	10
Hungary	10/15	10	10
Iceland	10/15	10	10
India	10/15	10	10
Indonesia	10	10	10
Ireland	15	15	10
Israel	5/10/15	10	10
Italy	15	15	12
Korea, Republic of	10/15	15	10
Latvia	10	10	10
Lithuania	10	10	10
Luxembourg	15	10/15	10
Macau	10	10	10
Malta	10/15	10	10
Mexico	10	10	10
Moldova	10/5	10	8
Morocco	15/10	10	10
Mozambique	15	10	10
Netherlands	10	10	10
Norway	10/15	15	10
Pakistan	10/15	10	10
Poland	10/15	10	10
Romania	10/15	10	10
Russia	10/15	10	10
Singapore	10	10	10
Slovak Republic	15/10	10	10
Slovenia	5/15	10	5
South Africa	10/15	10	10
Spain	10/15	15	5
Sweden	10	10	10
Switzerland	10/15	10	5
Tunisia	15	15	10
Turkey	5/15	10/15	10
Ukraine	10/15	10	10
United Kingdom	10/15	10	5
United States	5/15	10	10
Venezuela	10/15	10	10/12

1 Generally, a 25% holding is required by the recipient in the Portuguese company for the lower rate to apply. The relevant treaty should be consulted to confirm the necessary conditions in each case.

P

PUERTO RICO

Currency: Dollar (US$)	Dial Code To: 1	Dial Code Out: 011

Member Firm:

City:	Name:	Contact Information:
San Juan	Jorge A. Guzman	787 754 6615 jguzman@pkfpr.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Corporations and partnerships organised or created under the laws of the Commonwealth of Puerto Rico are subject to tax on their worldwide income determined on a net profits basis.

Puerto Rico corporations and partnerships are subject to tax on a graduated tax rate structure:

- is a flat tax of 20% on the 'normal-tax net income'
- a 'surtax' on the 'normal-tax net income' less surtax credit (generally $25,000) with tax rates which presently range from 5% on the first $75,000 to 19% of the surtax income in excess of $275,000
- a 'recovery of tax for differences in tax rates' of 5% on net taxable income in excess of $500,000.

The total income tax may not exceed 39% of the net taxable income of the corporation or partnership.

Non-Puerto Rico corporations and partnerships having net income effectively connected with the operation of a trade or business in Puerto Rico are subject to the same income tax rates that apply to Puerto Rico corporations and partnerships.

Non-effectively connected fixed or determinable annual or periodical income derived from sources within Puerto Rico by non-resident foreign corporations and partnerships is generally taxed at a rate of 29%, except that the tax rate on dividends is 10% and there is no tax on interest unless it is paid by a related party.

All corporations and partnerships (with some exceptions) are subject to an alternative minimum tax if it results in a tax liability greater than the regular tax liability. The alternative minimum tax rate is a flat 22% levied on 'alternative minimum net income'. This is generally computed by adding back to net taxable income certain items which receive preferential treatment in computing the regular tax. It does not apply to non-Puerto Rico corporations and partnerships not engaged in trade or business in Puerto Rico.

CAPITAL GAINS TAX

Gains from the sale or exchange of capital assets held for more than six months are subject to a maximum tax of 10% for individuals and 15% for corporations. Capital losses may be carried forward for five years but may be used only against capital gains.

BRANCH PROFITS TAX

Puerto Rico also imposes a branch profits tax of 10% to non-Puerto Rico corporations and partnerships that derive less than 80% of their gross income from Puerto Rico sources. The tax is imposed on the branch's 'dividend equivalent amount', which represents profits of the branch that are effectively connected with a trade or business in Puerto Rico and that are not reinvested in the Puerto Rico business operation.

SALES TAXES/VALUE ADDED TAX (VAT)

From 15 November 2006 Puerto Rico has implemented a Sales and Use Tax. It is imposed at a rate of 5.5% at the state level and 1.5% at the municipality level. The sales and use tax generally applies to all retail sales including mail orders, sale of tangible personal property or services, admissions fees, storage, use or consumption in Puerto Rico. Limited exceptions include non-processed foods, prescription medicines, most rental of real property, and the following services: medical-hospital, professional, educational, financial, governmental, inter-business and insurance, among others.

Vendors must register and collect sales tax. The sale and use tax introduced by the Act replaces the general 6.6% excise tax applicable to most articles imported to Puerto Rico.

OTHER TAXES

Other taxes imposed by Puerto Rico include excise taxes, property taxes, unemployment insurance tax (creditable against the US unemployment tax) and licence fees on certain businesses. Municipalities also impose a municipal licence tax on the gross volume of business each year. This ranges from 27% to 50% for business establishments (including self-employed individuals) and from 1% to 1.50% for financial institutions. The sale and use tax introduced by the Act replaces the general 6.6% excise tax applicable to most articles imported to Puerto Rico. The existence of specific-item excise tax is retained for cement, cigarettes, gasoline and other fuels, vehicles and horse racing winnings. The general 6.6% excise tax is retained for plastic.

B. DETERMINATION OF TAXABLE INCOME

The net taxable income of a corporation or partnership is determined by subtracting all allowable deductions from gross (non-exempt) income. Generally, all expenses and losses directly connected with the trade or business may be deducted. There are, however, some special rules and limitations with respect to certain expenses and losses.

DEPRECIATION

Depreciable assets are written off over their useful lives under the straight-line method but fixed assets acquired by purchase during taxable years starting after 30 June 1995 may be depreciated under an accelerated cost recovery system. Goodwill acquired by purchase during taxable years starting after 30 June 1995 may be amortised for a period of 15 years under the straight-line method.

DIVIDENDS

Generally, Puerto Rico corporations and partnerships may deduct 85% of dividends or partnership profits received from other Puerto Rico corporations or partnerships.

CHARITABLE CONTRIBUTIONS

Qualifying charitable contributions made by corporations and partnerships may be deducted at an amount not in excess of 5% of the net taxable income as computed without considering the charitable contributions.

LOSSES

Net operating losses incurred by a corporation or partnership may not be carried back but shall be carried over to each of the seven succeeding tax years.

EXPENSES RELATED TO EXEMPT INCOME

Expenses attributable to exempt income are not allowed.

INSURANCE PREMIUMS

Premiums on insurance policies against any risks paid to an insurer not authorised to contract insurance in Puerto Rico are not deductible.

LIFE INSURANCE PREMIUMS

Premiums paid on any life insurance policy covering the life of any officer or employee is not deductible when the corporation or partnership is a beneficiary under the policy.

MEALS AND ENTERTAINMENT

The deduction for meals and entertainment is limited to 50%.

INCENTIVES

Puerto Rico provides tax incentives by means of special tax exemptions and deductions for specified industries. Qualifying manufacturing operations, recycling businesses, agriculture, hospital facilities, hotels and related tourist activities are eligible for partial exemption from property and municipal taxes. For industrial development income, there is a single flat income tax rate that is generally 7%. For hospital facilities there is a tax credit of up to 15% tied to the hospital facility's payroll expenses.

An eligible business (engaged in business in Puerto Rico) is allowed a credit against the income tax for the purchase of products manufactured in Puerto Rico for either export or local sale consumption. The credit is 10% of the value of qualifying purchases in excess of the average value of such purchases made during the three taxable year period preceding the year in which the credit is claimed and may not reduce the income tax for any particular taxable year by more than 25%.

C. FOREIGN TAX RELIEF

Puerto Rico corporations and partnerships may claim a tax credit (with certain limitations) for taxes paid to a foreign jurisdiction on income taxed in Puerto Rico. Non-Puerto Rico corporations and partnerships are allowed a credit, with certain limitations, for taxes paid to a foreign jurisdiction with respect to income from sources without Puerto Rico effectively connected with the conduct of a trade or business within Puerto Rico.

D. CORPORATE GROUPS

There is no provision for consolidated tax returns.

E. RELATED PARTY TRANSACTIONS

Related corporations and partnerships are not allowed to file consolidated tax returns. Each corporation or partnership with a legal entity must file a separate tax return. The Secretary of the Treasury is empowered to distribute, apportion or allocate gross income, deductions, credits or allowances between related organisations if it is determined that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or to reflect clearly the income of any of such related organisations.

F. WITHHOLDING TAX

Withholding taxes must be deducted from dividends, interest, rents, royalties, salaries, annuities, compensation or other fixed or determinable, annual or periodic income paid to non-resident individuals and non-Puerto Rico corporations or partnerships not engaged in trade or business in Puerto Rico. No withholding is required from interest on bank deposits paid to such individuals, corporations and partnerships. Generally, the withholding rate is 29%, except that the withholding rate is 20% for non-residents who are citizens of the United States. The rate is 10% on dividends. Interest is not subject to withholding unless the debtor and recipient are related persons.

Payments made to resident individuals or corporations engaged in trade or business in Puerto Rico for services rendered are subject (with some exceptions) to a withholding rate of 7% unless the recipient secures a waiver from the Secretary of the Treasury granting partial exemption from the withholding.

G. EXCHANGE CONTROL

No exchange controls are in effect.

H. PERSONAL TAX

Income tax is payable by all resident individuals on non-exempt income derived from all sources. Non-resident individuals are only required to pay tax on income from Puerto Rico sources. A resident individual is one who has been present in Puerto Rico for a period of not less than 183 days during the calendar year.

Resident individuals are taxed on their net taxable income after deducting allowable deductions, personal exemptions and credits for dependents. Most individuals have their income tax withheld from salaries and wages paid by their employers. Self-employed individuals must pay tax instalments in advance. These are then credited against their tax liability for the year.

The income tax rates for resident individuals range from 7% on the first $2,000 of net taxable income to 33% on net taxable income in excess of $50,000. Individuals with adjusted gross income in excess of $75,000 are subject to an alternative basic tax if the amount of such tax is higher than the individual's regular tax.

The tax rates for non-resident individuals (not United States citizens) with income effectively connected with a trade or business in Puerto Rico are the same as those for resident individuals.

Citizens of the United States are taxed at the same rates applicable to residents of Puerto Rico whether or not they are engaged in trade or business in Puerto Rico.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

No treaties are signed or in force.

QATAR

Currency: Qatari Riyal (QR) | Dial Code To: 974 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Doha	Walid Saadi	4493 5196 walid.saadi@pkf.com.qa

A. TAX PAYABLE

COMPANY TAX

The income tax system and filing procedure in Qatar is covered by the new Law No.21 of 2009.

An annual tax shall be imposed on the taxpayer's taxable income derived from sources in the State during the previous taxable year.

Notwithstanding the provisions of the previous paragraph, the tax shall be imposed on:

1). Bank interest and returns realised outside the State provided that they are derived from amounts resulting from the activity of the taxpayer in the State; and
2). Commissions due under agency, brokerage or commercial representation agreements accrued outside the State in respect of activities carried on in the State.

Income derived from the State shall include:

1). Gross income derived from an activity carried on in the State
2). Gross income derived from contracts wholly or partly performed in the State
3). Gross income from real estate situated in the State including the sale of shares in companies or partnerships the assets of which consist mainly of real estate situated in the State
4). Gross income from shares in companies resident in the State or listed on its stock markets
5). Consideration for services paid to head offices, branches or related companies
6). Interest on loans obtained in the State
7). Gross income from the exploration, extraction or exploitation of natural resources situated in the State; and
8). Gross income subject to tax in the State under a double taxation agreement.

TAX EXEMPTIONS

Notwithstanding other tax exemptions provided for under special laws or international agreements or under the provisions of Articles 51 to 56 of the new tax law No.21 of 2009, the following items of income shall be exempt from tax:

1). Bank interest and returns due to natural persons other than those carrying on a taxable activity in the State, whether or not resident in the State
2). Interest and returns on public treasury bonds, development bonds and public corporation bonds
3). Capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities disposed of are not part of the assets of a taxable activity
4). Dividends and other income from shares if the amounts distributed during a taxable year were taken from profits that were:
    a). Subject to the tax under this law; or
    b). Distributed by a company the income of which is exempt from tax under this law or other laws.
5). Gross income from handcraft activities that do not use machines provided that the gross income does not exceed one hundred thousand (100,000) Riyals per year, the average number of employees does not exceed three during the taxable year and the activity is carried on in one single establishment, in accordance with the limits and conditions provided for in the executive regulations of this law
6). Gross income from agricultural and fishing activities
7). Gross income of non-Qatari air and sea transport companies operating in the State, subject to reciprocity
8). Gross income of Qatari natural persons resident in the State, including their shares in the profits of legal persons
9). Gross income of legal persons resident in the State and wholly owned by Qatari nationals.

ACCOUNTING PERIOD

The accounting period of a taxpayer who carries on an activity shall be the taxable year.

However, the taxpayer may, after obtaining the approval of the Department, adopt an accounting period that is different from the taxable year in accordance with the provisions of the executive regulations of this law.

The accounting period of a taxpayer shall be 12 months, subject to the following:
1). Where the taxpayer starts the activity after the beginning of the taxable year, the accounting period shall start from the date of the beginning of the activity. The first accounting period may not be less than six months nor more than 18 months. In all cases, the tax shall be calculated on the taxable income of the actual accounting period.
2). Where the activity is liquidated, the accounting period shall run from the end of the previous accounting period until the end of liquidation.
3). Where the activity is ceased, assigned or sold, the accounting period shall run from the end of the previous accounting period until the date of cessation, assignment or sale.
4). Where the taxpayer carries on a temporary activity the period of which does not exceed 18 months, the accounting period shall be the period of activity.

The taxpayer shall determine the taxable income on the basis of the accruals accounting method used in commercial accounting in accordance with international accounting standards, and subject to the provisions of this law and its executive regulations.

The taxpayer may not use another method of accounting, except upon the approval of the Department.

OTHER TAXES

There is no Sales Tax, no Estate Tax and no Gift Tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income shall be determined on the basis of the gross income derived from all transactions carried out by the taxpayer after subtracting allowable deductions and losses provided for in Article 10 of the new tax law No.21 of 2009.

Allowable deductions mean expenses and costs incurred by the taxpayer that satisfy the following requirements:
1). They are necessary to derive the gross income
2). They are actually incurred and supported by documentary evidence
3). They do not increase the value of fixed assets used in the activity
4). They are related to the taxable year.

Allowable deductions include mainly the following, in accordance the executive regulations of this the new tax law No.21 of 2009:
1). Costs of raw materials, consumables and services required for carrying on the activity
2). Interest on loans used in the activity
3). Salaries, wages, end of services benefits and similar payments including contributions to set up retirement pensions or end of service payments or contributions to investment funds for the employees
4). Rents
5). Insurance premiums
6). Bad debts
7). Provisions set up by banks for doubtful debts and by insurance companies for risks covered up to 10% of the net income before making this deduction and the other deductions provided below
8). Depreciation of fixed assets
9). Donations, gifts, aids and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State to governmental authorities, public bodies or institutions or any other authorized body in the State, provided that their value does not exceed (5%) five percent of the net income before making this deduction and the deduction provided below
10). Taxes and duties other than the income tax provided for in this law.

Notwithstanding the provisions of the previous paragraph, persons carrying on a liberal profession may opt to deduct 30% of their gross income in lieu of all their deductible expenses and costs.

The following expenses and costs may not be deducted:
1). Expenses and costs incurred to derive exempt income
2). Payments that are made in breach of the laws of the State
3). Fines and penalties for the breach of the laws of the State
4). Expenditures or losses in respect of which compensation is receivable or has been received if that compensation has not been included in the taxpayer's gross income

5). The share of total expenditures on entertainment, hotel accommodation, restaurant meals, vacations, club fees and gifts to customers, in accordance with the circumstances, conditions and limits provided for in the executive regulations of this law
6). Salaries, wages and similar remuneration including fringe benefits paid to the owner, his/her spouse and children, members of a general or limited partnership or the director of a limited liability company who owns, directly or indirectly, the majority of the shares of the company
7). The share of the branch in the headquarters' or head office's general and administrative expenses that exceeds the percentage determined in the executive regulations of this law
8). Any other disallowed deduction pursuant to the provisions of this law.

The taxpayer may deduct losses incurred during a taxable year from the net income of subsequent years, subject to the following:
1). Losses may not be carried forward for more than three years as of the end of the taxable year during which they are incurred
2). Losses resulting from an exempt or non taxable source of income may not be deducted.

DEPRECIATION OF ASSETS

The following rules shall be taken into consideration when computing the depreciation of assets:
1). The cost of asset under depreciation: The cost of asset means all the expenses incurred by the tax-payer in order to acquire the asset and to prepare it to become usable.
2). The method of depreciation: The fixed installment method shall be followed in determining the charge, of annual depreciation for the asset according to the rates stated in the following paragraph.
3). Depreciation rates: The depreciation is calculated as a result of use or ordinary damage arising from the use of asset or by lapse of time in accordance with the specific rates of the following table:

Buildings such as offices, houses, warehouses, hospitals and clubs	5%
Roads and bridges inside the establishment	5%
Storage tanks, pipelines and ports' ducks	5%
Furniture and office furniture	15%
Plants, machinery and any mechanical devices not mentioned below	15%
Cars and motorcycles	20%
Lorries – various sizes	20%
Ships	7.5 %
Airplanes	25%
Drilling instruments	15%
General service machinery (including building and road tools, workshop machinery and work machinery, etc.)	15%
Buildings and roads of service stations	5%
Machinery for servicing and lubrication of service machinery	15%
Trailers and carts	13%
Refinery machines and pipelines (inside the refinery) and small tanks	10%
Air conditioners	20%
Electrical equipment	20%
Computer equipment	33.33%
Intangible assets such as trademarks and the like, depreciated in case of paying for its value on a straight line basis over the estimated duration of the company.	–

HEAD OFFICE CHARGES

Charges of a general or administrative nature raised by a head office on its Qatar branch are allowed as a deduction subject to a ceiling of 3% of turnover less sub-contract costs. In the case of banks, the limit is 1%. The allowable ceiling for insurance companies is set at 1%.

TAX RATE

The tax rate shall be (10%) ten percent of the taxable income of the taxpayer during the taxable year.

Notwithstanding the provisions of the previous paragraph, the tax rate shall be as follows:

a). The rate of tax provided for in agreements to which the Government, the Ministries or other governmental bodies or public bodies or enterprises are a party, which are concluded before the entry into force of this law, shall apply. If such agreements do not specify a tax rate, the tax shall be levied at the rate of (35%).

b). The tax rate and all other tax conditions provided for in agreements relating to oil operations as defined in Law No. 3 of the year 2007 concerning the exploitation of natural wealth and their resources shall apply provided that, in all cases, the tax rate shall not be less than 35%. Subject to the provisions of tax agreements, payments made to non-residents with respect to activities not connected with a permanent establishment in the State shall be subject to a final withholding tax, as follows:
- 5% of the gross amount of royalties and technical fees
- 7% of the gross amount of interest, commissions, brokerage fees, director's fees, attendance fees and any other payments for services carried out wholly or partly in the State.

F. WITHHOLDING TAX

A directive issued by the Director of Income Tax in January 1993 requires all ministries, Government departments, public and semi-public establishment and other taxpayers to withhold final payments to subcontractors until such entities present a tax clearance certificate issued by the Income Tax Department.

H. TAXATION OF INDIVIDUALS

There are no personal taxes, social insurance or other statutory deductions from salaries and wages paid in Qatar. However, income arising from business activities (rent from property, consulting, etc.) is taxable.

ROMANIA

Currency: Romanian Lei (RON) Dial Code To: 40 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Bucharest	Florentina Susnea	21 317 31 90 florentina.susnea@finconta.ro
Bucharest	Adrian Marghescu	21 252 38 80 adrian.marghescu@pkfconsultor.ro
Timisoara	Carmen Mataragiu	256 201 175 carmen.mataragiu@econometrica.pkf.ro

A. TAXES PAYABLE

NATIONAL TAXES AND OTHER TAXATIONS
COMPANY TAXES

In Romania, the following entities are subject to corporate income tax:
- Romanian legal entities
- Foreign legal entities doing business in Romania through permanent establishments
- Foreign legal entities which derive income from or in connection with real estate transactions or from transactions with shares held in Romanian legal entities
- Foreign legal entities and individuals doing business in Romania through associations without legal personality (partnerships)
- Resident individuals associated with Romanian legal entities for revenues derived in or outside Romania, through associations without legal personality; in this case the tax due by the individual is computed, withheld and paid by the Romanian legal entity
- Legal persons with a registered office in Romania incorporated in accordance with European legislation.

A company is considered resident if its head office is registered in Romania or has its place of effective management in Romania.

The standard corporate income tax rate is 16%. From 1 May 2009 to 30 September 2010, taxpayers were liable to pay a minimum tax based on the level of the total income obtained as at 31 December of the previous year, as follows:

Total annual revenue (RON)	Annual minimum tax (RON)
0 – 52,000	2,200
52,001 – 215,000	4,300
215,001 – 430,000	6,500
430,001 – 4,300,000	8,600
4,300,001 – 21,500,000	11,000
21,500,001 – 129,000,000	22,000
Over 129,000,001	43,000

If the corporate income tax was less than the minimum annual tax corresponding to the abovementioned level of income, the taxpayers were required to pay the minimum tax.

For certain businesses, such as gambling, nightclubs and casinos, there is a minimum tax equal to 5% of the turnover.

Resident banks, credit institutions and other similar entities as well as Romanian branches of foreign banks are liable to make quarterly pre-payments on account of annual corporate income tax, as adjusted for inflation. From 2012, other types of company will also be required to comply with this regime.

The fiscal year is the calendar year. From 2010, taxpayers must submit an annual corporate income tax statement by 25 April of the following tax year.

As an exception to the above rule and as a consequence of the minimum tax being eliminated from 1 October 2010, year 2010 was split in two separate fiscal periods: 1 January – 30 September and 1 October – 31 December. As a result, taxpayers must submit one final corporate income statement by 25 February for the first fiscal period ending on 30 September and another final corporate income statement by 25 April for the second fiscal period ending on 31 December. In other words, the final corporate income tax statement to be submitted by 25 April will be only for the fourth quarter of 2010 and not for the entire year.

BRANCH PROFITS TAX

Foreign entities are generally subject to Romanian tax on income derived from Romania. The extent to which an entity is subject to Romanian taxation depends on its activities undertaken in, or related to, Romania.

A foreign entity can be subject to taxation by establishing a branch, creating a permanent establishment, representative office or by becoming subject to withholding tax on the Romanian-sourced income.

BRANCH OF A FOREIGN ENTITY

Branches have to be registered with the Romanian Tax Authorities. The registration, filing and payment requirements are similar to those for a Romanian company.

A distribution of funds to the head office is not regarded as a dividend distribution and no withholding tax liability should arise. However, as with limited liability companies, profits are transferred at year-end, after the head office approves the branch's financial statements.

The taxable profits of the branch are subject to general Romanian tax rules, provided that the following conditions are met:

- Only income that can be assigned to the branch shall be included within taxable income; and
- Only expenses incurred in relation to the branch's activities are included in deductible expenses.

PERMANENT ESTABLISHMENT

A permanent establishment is not necessarily a legal entity but is taxable in Romania.

Thus, a permanent establishment is defined as being the place through which the activity of a non-resident is conducted, fully or partially, directly or through a dependent agent. Once a permanent establishment is created, Romania has the right to tax the profits of the foreign enterprise derived from the activities performed.

REPRESENTATIVE OFFICE

A representative office can only undertake auxiliary or preparatory activities. A representative office cannot trade in its own name and cannot engage in any commercial activities.

There is a flat tax of EUR 4,000 per fiscal year on representative offices, payable in RON using the exchange rate valid on the payment date. The tax is payable in two equal instalments: by 25 June and 25 December.

SALES TAXES/VALUE ADDED TAX (VAT)

Companies with an annual turnover of at least EUR 35,000 must register for VAT purposes. Companies with turnover below this threshold may register upon request. The general VAT rate is 24%. The reduced rate is 9% and is applied to various goods and services including:

(a) cinema tickets and entrance fees to other attractions
(b) books, newspapers and magazines, school books, except those exclusively for advertising
(c) certain medicinal products
(d) accommodation within the hotel sector or similar sectors, including camping.

Also, a lower rate of 5% applies to the sale of certain buildings carried out as part of the country's social policy.

With effect from 1 January 2010, Romania has incorporated various EU VAT directives into domestic law. These include:

- Directive 2008/8/CE regarding the place of supply of services – B2B and B2C rules
- Directive 2008/9/CE regarding VAT reimbursement for persons established in EU
- Directive 2008/117/CE regarding the fight against tax fraud related to Community operations.

In addition to the above changes, there are other amendments relating to the harmonisation of Romanian legislation with EU VAT Directives:

- clarification on the definition of "established in Romania" and "fixed establishment"
- rules regarding the chargeability of VAT for consignment stock, goods supplied for testing and checking from a conformity perspective, call of stock, and supplies of immovable property
- turnover for small enterprises now includes operations for which the place of taxation is deemed to be abroad (if the tax would be deductible if the operations were performed in Romania)
- clarification regarding invoice requirements for exempt operations, applying special regimes and regarding correction invoices in case of a fiscal control.

A reverse charge mechanism on import of goods will not apply until 1 January 2013.

FRINGE BENEFITS

Fringe benefits are any benefits received by the employee under their employment contract, if applicable. Benefits in kind or in money must be taxed along with the salary income in the month they are granted to the employees.

The income tax rate is 16% and the tax must be withheld from the income taxpayer.

LOCAL TAXES

In Romania, local taxes are set under the Fiscal Code. Local taxes represent a distinct category of taxes set by the local administration, due by both individuals and legal entities.

Building tax: Residents or non-residents owning one or more buildings are subject to real estate tax. All buildings, regardless of their purpose, are taxed according to their value. Rates range between 0.25% and 1.5% and are set by the local councils. The building's taxable value is determined by the area used and the building type. Building tax payable other than on a person's place of residence is set at higher rates: 65% higher for the first, 150% for the second and 300% for the third or additional building.

Land tax is payable by owners of land. Generally, the tax is established as a fixed amount per hectare, depending on the location of the land within certain determined zones, towns or villages and depending on land use. The tax is payable annually in two equal installments on 31 March and 30 September.

Vehicle tax is payable by owners of land/water vehicles registered in Romania. The tax depends on the engine's capacity and is determined as a fixed amount per 200 cubic centimetres. The tax is payable annually in two equal instalments on 31 March and 30 September.

Other local taxes and duties include fees for the issuance of certificates, permits and authorizations, fees for using advertising and publicity materials and hotel fees.

OTHER TAXES

Certain legal documents are subject to a stamp fee. Stamp fees also apply on other documents and services related to authorisations issued by State institutions such as hunting or fishing licences, driving licences, transport licences and similar documents.

Local Councils, the General Council of Bucharest Municipality, and County councils may charge duties for the temporary use of public places and for admission to museums, memorial houses, or historical, architectural or archaeological monuments. Duties are also payable for the possession or use of equipment and tools held for the purpose of obtaining income which involves the use the local public infrastructure. Duties are also payable on some activities which have an impact on the environment.

EXCISE DUTY

Excise duty is a consumption tax and is payable on import and sales of locally produced items on the domestic market and is determined as a fixed amount per unit or as a percentage of a specified taxable base. In Romania there are two categories of excise duties:

1. Harmonised excise duties: beer, wine, fermented beverages other than beer and wine, intermediate products, ethyl alcohol, tobacco products, energy products, electrical power
2. Non-harmonised excise duties: green, roasted and soluble coffee, gold. The excise duty for coffee will be gradually decreased to nil by 2011.

With effect from 1 April 2010, Romania will incorporate the provisions of EU Directive 2008/118/CE which sets out general arrangements for excise duties into the national legislation. The main amendments should refer to:

- Amendments to certain definitions and concepts such as “Member State”, “territory of a Member State”, “Community” and “territory of Community” etc. Detailed provisions will be introduced regarding the functioning of the EMCS (European computerized system) for monitoring the movement of excisable products placed under the excise duty suspensive regime.
- The only product on which excise will be due which is not included in the EU’s standard harmonised list will be green, roasted and soluble coffee.

SOCIAL SECURITY CONTRIBUTIONS

Social assistance contributions are payable jointly by the employee and by the employer on gross salary, subject to a maximum monthly limit. The joint rate from February 2009 is 31.3% and it is divided between the employer (20.8%) and the employee (10.5%).

Under particular work conditions, the joint rate is 36.3% or 41.3%. In these cases, the employer’s contribution is 25.8% and 30.8% respectively.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION

The Fiscal Code makes an explicit distinction between accounting and fiscal depreciation. For fixed assets, fiscal depreciation is to be calculated based on the rules set out by the Fiscal Code and deductibility no longer depends on the level of depreciation recorded in the accounts.

Fiscal depreciation should be computed based on the asset’s fiscal value and useful life for tax purposes, by applying one of the permitted depreciation methods:

- Straight-line depreciation
- Reducing-balance method
- Accelerated depreciation.

The method used for the depreciation of buildings is the straight-line method. Land is not a depreciable asset.

Technical equipment, computers and peripherals can be depreciated by using any of the depreciation methods available, i.e. straight-line method, accelerated method or reducing balance method. For any other fixed assets (except for buildings for which only the straight-line method can be applied), only the straight-line or degressive method can be used.

Under the accelerated method, the maximum depreciation in the first year of use of an asset is 50%.

STOCK/INVENTORY

The inventory must be valued according to generally accepted accounting principles (GAAP) and must include all acquisition, processing and administration costs.

CAPITAL GAIN TAX

Capital gains are treated as ordinary business income and taxed at the general corporate income tax rate of 16%.

Income earned by non-residents from the sale of real estate located in Romania or from the sale or assignment of securities held in a Romanian entity is also taxed at the general corporate income tax rate of 16%.

DIVIDENDS

Dividends paid to resident companies are subject to a final withholding tax of 16% or are exempt where the recipient company has held at least 10% of the distributing company's share capital for at least two years prior to payment of the dividend.

Companies paying dividends must compute, withhold and pay the tax. The tax must be paid by the 25th day of the month following that in which the dividends were paid. However, from 2010, withholding tax on dividends which have been declared but not paid by the end of the year must be paid by 25 January of the following year.

INTEREST DEDUCTIONS

The deductibility of interest expenses and net foreign exchange losses related to loans is limited under the safe harbour rule and the thin capitalisation rule, as set out below. These rules do not apply to interest and forex arising on loans from credit institutions, non-banking financial institutions or other entities that grant credit according to the law.

"The safe harbour rule" limits the deductibility of interest on loans to 6% for loans denominated in a foreign currency.The upper limit for interest rates is set annually with reference to the National Bank of Romania's interest rate for RON loans (currently set at 6.5%). Interest exceeding this limit is tax non-deductible and cannot be carried forward in future periods.

Under the "thin capitalisation rule", if the debt-to-equity ratio is higher than 3:1 or if the company's equity is negative, interest charges and net foreign exchange losses on loans with a maturity date exceeding one year are not deductible. However, such non-deductible expenses may be carried forward to subsequent fiscal years and become fully tax deductible in the year when the debt-to-equity rato becomes lower than or equal to 3:1.

LOSSES

Losses may be carried forward for five years if incurred before 1 January 2009 or for seven years if incurred on or after 1 January 2009.

Losses cannot be used by the successor company when the associated trade is transferred from one company to another.

FOREIGN SOURCE INCOME

Resident companies are subject to taxation on their worldwide income. Foreign losses can be deducted from foreign income on a source by source basis. Foreign exchange differences arising from the re-evaluation of monetary assets and liabilities at the end of the year are deemed to be realised and taxable.

INCENTIVES

Authorised companies, set up and performing their activity in under-privileged areas, can benefit from tax exemptions for new investments, on condition that the investor has received an investor certificate before July 2003.

C. FOREIGN TAX RELIEF

Unilateral relief is provided by way of an ordinary credit for income taxes paid abroad, The credit cannot exceed the Romanian tax suffered on the same income.

D. CORPORATE GROUPS

There is no consolidation or group taxation in Romania. Members of a group must file separate tax returns. Losses incurred by members of a group cannot be offset against profits made by other group members.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties should observe the arm's length principle. If transfer prices are not set at arm's length, the Romanian tax authorities have the right to adjust the taxpayer's revenues or expenses, so as to reflect the market value.

Traditional transfer pricing methods, as well as any other methods that are in line with the OECD Transfer Pricing Guidelines may be used for setting transfer prices. Taxpayers engaged in related-party transactions have to prepare and make their transfer pricing documentation file available upon the written request of the Romanian tax authorities within the deadline set by them.

F. WITHHOLDING TAXES

As a general rule, non-resident companies are subject to 16% withholding tax on income derived from Romania such as interest, royalties, dividends, revenues from services performed in Romania, revenues derived from liquidation of a Romanian legal entity.

INTEREST AND ROYALTIES

The tax rate is 16% unless a lower treaty rate applies. Moreover, Romania has implemented a transitional period for the application of the Interest and Royalties Directive until 2011. During the period between the accession date of 1 January 2007 and 31 December 2010, 10% withholding tax applies on payments of interest and royalties made by Romanian companies to companies resident in EU and EFTA member states to entities holding at least 25% of the share capital of the Romanian company for a continuous period of at least two years prior to the date of payment of interest/royalties. Such payments are withholding exempt from 1 January 2011.

DIVIDENDS

The tax rate is 16% unless a lower treaty rate applies. As Romania is an EU member state, the provisions of the Parent Subsidiary Directive apply. Therefore, dividends paid by Romanian companies to companies resident in EU and EFTA countries are exempt from withholding tax if the dividend beneficiary owns a minimum of 10% of the Romanian company for a period of two years ending on the date when the dividend is paid. For all other companies resident in the EU or EFTA the tax rate is 10%.

From 2010 interest and dividends paid to pension funds as defined under the legislation of the EU Member State is exempt from tax.

In addition, non-residents must provide a tax residency certificate as well as a self-certified statement on the fulfillment of certain conditions in order to qualify for the more-favourable EU treatment.

G. EXCHANGE CONTROLS

The exchange control regulations applicable in Romania are administered by the Romanian National Bank, which can take safeguarding measures relating to monetary capital operations. There is an obligation to notify the Romanian National Bank at least 10 days before the intention to conclude monetary capital operations on a short-time basis. Limitations apply to monetary capital operations applied on a short-term basis which generate incoming/outgoing of capital.

H. PERSONAL TAXES

Individuals subject to Romanian income tax include domiciled residents and non-domiciled residents who are employed by a permanent establishment, carry on self-employed activities or obtain other income from Romania.

The following categories of taxpayers are subject to income tax:

(a) resident natural persons, such as any person who meets at least one of the following conditions:
  - his domicile is located in Romania
  - the centre of his vital interests is located in Romania
  - he stays in Romania for more than 183 days in any 12 month period

(b) non-resident natural persons who perform an independent activity through a permanent establishment in Romania

(c) non-resident natural persons who perform dependent activities in Romania

(d) non-resident natural persons who obtain other income in Romania.

Categories of taxable income include the following:
(1) income from independent types of activities: commercial, freelance activities, intellectual property rights. The taxable income is, as a general rule, the difference between gross income and expenses. A taxpayer who performs independent activities must make tax payments on account at a rate of 16%, except for income achieved by selling under consignment, intellectual property rights, commission contracts, civil convention and accounting expertise which is subject to tax conventions at a rate of 10%
(2) income from salaries: based on an individual's employment contracts or by statute provided by law
(3) trading activities, other than those listed in (1) above
(4) income from investments: dividends, interests, earnings from the transfer of securities, sale and purchase of foreign currency etc
(5) income from pensions
(6) income from agricultural activities
(7) income from awards and gambling
(8) capital gains from the sale of immoveable property is subject to a transfer tax rather than income tax. Property owned for less than three years is subject to tax at 3% on proceeds up to RON 200,000 or RON 6,000 and 2% on any excess above RON 200,000. For property owned for more than three years, the rate is 2% on proceeds up to RON 200,000 or RON 4,000 and 1% on proceeds over RON 200,000.

Income from dividends and interest is taxed through the withholding tax regime. However, the following types of interest are exempt from income tax:
- interest on state and municipal bonds
- interest on certain bank deposits
- income distributed to members of mutual benefit funds based on the share capital held.

Other income exempted from taxation includes scholarships, income from external consultancy projects, work on approved projects in Romania, income from insurances and other damage compensation.

Personal allowances are available up to a maximum of RON 650. If the monthly gross income is between RON 1,000 and RON 3,000, personal deductions are reduced. For monthly gross income exceeding RON 3,000, personal deductions are not available. Taxable income is calculated after deducting allowable expenses, union contributions and private pensions contributions up to EUR 200 per year. The rate of tax is 16%.

The income of employees developing computer software is exempt from income tax.

Taxable income includes all benefits in kind such as free accommodation, use of a vehicle belonging to the business for personal use, personal telephone calls and credit cards used for a personal purpose.

Net rental income is established by subtracting from gross income a fixed deduction of 25% of the gross income. Alternatively, the taxpayer may opt to calculate taxable income by deduction of actual expenses.

Trading losses can be carried forward for five years and offset against trading profits from the same source. However, losses may not be offset against employment income. Annual net income is determined for each source from the following categories:
- Income from independent activities
- Income from trading
- Income from agricultural activities.

Foreign profits may be offset against losses from the same source arising in the same tax year.

Salary taxes are payable monthly by the 25th day of the month following the month in which the salary is paid, or quarterly by the 25th day of the month following the end of the quarter.

Social insurance contributions, health social insurance contributions and unemployment insurance contributions are paid both by the employer and by the employee. The following rates are applied to gross salary and charged on the employee:

Social insurance contribution:	10.5% employee
Health social insurance contribution:	5.5%*
Unemployment insurance contributions:	0.5%

All the above contributions are tax deductible.

The criteria to be applied in determining whether income is employed or self-employed earnings have changed from July 2010. Also, new tax rules have been introduced for the treatment of income derived from professional activities. The new criteria applied as of July 2010 include:

- whether the income beneficiary uses the materials and tools put at his disposal by the income payer
- whether the income beneficiary contributes only his or her physical and intellectual capacity (and not capital)
- whether the income payer pays for expenses incurred by the income beneficiary such as travel expenses, vacation allowance etc.

Where independent (i.e. self employed) activities are deemed as dependent (i.e.employed), the beneficiary and the income payer will be both held responsible and will be required to pay any related income tax and social security contributions plus late payment interest.

Copyright royalties and similar to be treated as income from professional activities which are subject to the following:

– The social security contributions – 10.5%
– The unemployement benefits – 0.5%.

The income payer is obliged to declare, calculate, withhold and pay individual contributions (except health contributions) on a monthly basis in the month following the one during which the income was paid.

With effect from July 2010, net income from intellectual property rights is computed by deducting from gross income 20% of the total expenses incurred to obtain the said gross income and social security contributions withheld and paid in this respect. A 25% deduction applies to income derived from the creation of monumental art works. In addition, meal tickets are subject to 16% income tax.

I. TREATY AND NON-TREATY WITHHOLDING TAXES

The table below contains the withholding tax rates applicable to dividend, interest and royalty payments by Romanian companies to non-residents under the tax treaties currently in force. In a specific case, where a treaty rate is higher than the domestic rate, the latter will apply.

	Dividends		Interest (1)	Royalties
	Individuals Companies %	Qualifying (2) Companies %	%	%
Treaty Countries:				
Albania	15	10	10	15
Algeria	15	15	15	15
Armenia	10	5	10	10
Australia	15	53	10	10
Austria	5	0	0/3	3
Azerbaijan	10	5	8	10
Bangladesh	15	103	10	10
Belarus	10	10	10	15
Belgium	10	5	10	5
Bosnia - Herzegovina (4)	5	5	7.5	10
Bulgaria	15	10	15	15
Canada	15	53	10	5/10
China (People's Republic)	10	10	10	7
Croatia	5	5	10	10
Cyprus	10	10	10	5
Czech Republic	10	10	7	10
Denmark	15	10	10	10

	Dividends Individuals Companies %	Dividends Qualifying Companies %	(2)	Interest %	(1)	Royalties %	
Ecuador	15	15		10		10	
Egypt	10	10		15		15	
Estonia	10	10		10		10	
Ethiopia	10	10		15		15	
Finland	5	5		5		2.5/5	(5)
France	10	10		10		10	
Georgia	8	8		10		5	
Germany	15	5	(3)	0/3	(6)	3	
Greece	20	20		10		5/7	(7)
Hungary	15	5	(8)	15		10	
Iceland	10	5		3		5	
India	20	15		15		22.5	
Iran	10	10		8		10	
Ireland	3	3		3		0/3	(9)
Israel	15	15		5/10	(10)	10	
Italy	10	10		10		10	
Japan	10	10		10		10/15	(11)
Jordan	15	15		12.5		15	
Kazakhstan	10	10		10		10	
Korea (DPRK)	10	10		10		10	
Korea, Republic of	10	7		10		7/10	(12)
Kuwait	1	1		1		15	
Latvia	10	10		10		10	
Lebanon	5	5		5		5	
Lithuania	10	10		10		10	
Luxembourg	15	5		10		10	
Macedonia	5	5		10		10	
Malaysia	10	10		15		12	
Malta	5	5		5		5	
Mexico	10	10		15		15	
Moldova	10	10		10		10/15	(13)
Montenegro	10	10		10		10	
Morocco	10	10		10		10	
Namibia	15	15		15		15	
Netherlands	15	5	(3)	0/3	(14) (15)	0/3	(14)
Nigeria	12.5	12.5		12.5		12.5	
Norway	10	10		10		10	
Pakistan	10	10		10		12.5	
Philippines	15	10		10		10/15/25	(16)
Poland	15	5		10		10	
Portugal	15	10	(17)	10		10	
Russia	15	15		15		10	
San Marino	10	0/5		3		3	
Serbia (4)	10	10		10		10	
Singapore	5	5		5		5	

R

	Dividends Individuals Companies %	Qualifying Companies %	(2)	Interest %	(1)	Royalties %	
Slovak Republic	10	10		10		10/15	(18)
Slovenia	5	5		5		5	
South Africa	15	15		15		15	
Spain	15	10		10		10	
Sri Lanka	12.5	12.5		10		10	
Sudan	15	10		10		10	
Sweden	10	10		10		10	
Switzerland	10	10		10		0	
Syria	15	5		10		12	
Thailand	20	15		10/20/25	(19)	15	
Tunisia	12	12		10		12	
Turkey	15	15		10		10	
Turkmenistan	10	10		10		15	
Ukraine	15	10		10		10/15	(18)
United Arab Emirates	3	3		3		3	
United Kingdom	15	10		10		10/15	
United States	10	10		10		10/15	(20)
Uzbekistan	10	10		10		10	
Vietnam	15	15		10		15	
Zambia	10	10		10		15	

1 Many treaties provide for an exemption for certain types of interest such as interest paid to the State local authorities, central bank, export credit institutions or in relation to sales on credit. Such exemptions are not considered in this column.
2 Unless otherwise indicated, recipient companies qualify for the reduced rates if they hold at least 25% of the capital or the voting power in the Romanian company, depending on the applicable treaty.
3 This rate applies to participations of at least 10%.
4 The treaty concluded with the former Yugoslavia.
5 The lower rate applies to royalties for computer software and industrial, commercial or scientific equipment.
6 The lower rate applies if, and as long as, Germany, does not levy withholding tax on interest paid to a resident Romanian under its domestic law.
7 The higher rate applies to industrial royalties.
8 The rate applies to participations of at least 40%.
9 The lower rate applies to copyright royalties.
10 The 5% rate applies to interest paid in connection with the sale on credit of any industrial or scientific equipment, or of any merchandise by one enterprise to another enterprise or on a loan granted by banks.
11 The 10% rate applies to cultural royalties and the 15% to industrial royalties.
12 The lower rate applies to industrial royalties, know-how and equipment leasing.
13 The lower rate applies to industrial royalties (excluding patent royalties) and know-how.
14 The lower rate applies if, and as long as, the Netherlands does not levy a withholding tax on interest/royalties paid to a resident of Romania.
15 Interest paid to a bank or financial institution and interest paid on a loan made for a period of more than two years are exempt.
16 The 10% rate applies to royalties paid by companies registered at the Romanian Agency for Development and carrying on specific activities. The 15% rate applies to film royalties.
17 A minimum holding period of two years applies.
18 The lower rate applies to industrial royalties.
19 The 10% rate applies to interest paid to financial institutions; the 20% rate applies to interest on credit sales.
20 The lower rate applies to copyright royalties.

R

RUSSIA

Currency: Rubles (RUR)	Dial Code To: 7	Dial Code Out: 810

Member Firm:

City:	Name:	Contact Information:
Kazan	S Nikiforov	843 555 64 94 nikiforov@acg-pkf.ru
Moscow	Nadejda Orlova	495 737 53 53 orlovan@fbk.ru
Zlatoust	Raisa Istomina	35136 5 52 72 ekozlat@chel.surnet.ru

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
Enterprises and individuals are liable to taxes and contributions imposed by the Russian Federation and its territorial divisions (republics, regions and provinces).

COMPANY TAX
Russian tax law distinguishes between domestic and foreign enterprises. Domestic enterprises are those which are established under the laws of Russia and are taxed on their worldwide income. Foreign legal entities are subject to Russian profit tax on profits derived from business activities carried on through a permanent establishment in the Russian Federation.

The standard rate of tax is currently 20% of which 2% is normally paid to the federal government and 18% to republican authorities. The tax rate for the share transferred to regional authorities may be as low as 13.5%. Foreign enterprises deriving income which is not connected with carrying out their business activities through a permanent establishment pay profit tax at the rate of 20% and 15% on dividends.

The tax year is the calendar year. With the exception of foreign legal entities, enterprises are obliged to make monthly advance payments of their quarterly liabilities. Advance payments are due not later than the 28th day of the corresponding month.

Domestic enterprises have the option to pay tax monthly based on their actual profits. Payments are due no later than the 28th day of the following month.

Foreign enterprises carrying out their business activities through permanent establishments make quarterly advance payments.

In general, income tax returns must be filed no later than 28 March following the tax year.

Under the current tax law, there are no special benefits provided for entities such as religious associations, state and municipal museums, libraries or specialized restoration.

The following allowances are deducted from the taxable base:
- profits received as payments to the charter capital
- the costs of maintaining certain social facilities
- profits received as special-purpose financing in the forms of:
  - (a) foreign financing of capital investments
  - (b) grants for the benefit of culture, sports, recreation, scientific research and approved research foundations
- assets received by Russian enterprises free of charge from enterprises which hold more than 50% of the share capital of the recipient. The assets should not be distributed to a third person within a year of the original transfer.

CAPITAL GAINS TAX
Capital gains are treated as ordinary business income and are therefore subject to profits tax according to the general rule.

BRANCH PROFITS TAX
There is no special branch profits tax in Russia.

SALES TAX/VALUE ADDED TAX (VAT)
There is no sales tax in Russia. VAT is levied on the sale of goods and services in Russia and the import of goods into the Russian Federation. The taxable base is the sales price.

The standard rate of VAT is 18%. Some supplies of basic foodstuffs and children's clothing and footwear are taxed at a reduced rate of 10%. Some imported medicines, medical equipment and scientific research are exempt from VAT. Other exemptions include cultural and educational services, as well as services rendered by lawyers.

The tax period for VAT is per quarter.

A foreign legal entity carrying out its business activity through several branches located within the territory of the Russian Federation can independently choose one branch through which VAT on the sales and services of all branches should be paid.

OTHER FEDERAL TAXES
A tax on transactions in securities applies to the nominal sum of the securities issued by a joint-stock company, except for the initial issue. The tax is paid by the issuer at a rate of 0.2% on the nominal sum of the issued securities (maximum RUR 100,000).

Excise Duties are levied on some goods such as alcohol, beer, cigarettes, cars and petrol.

A mineral resources recovery tax applies to the cost of minerals extracted by a taxpayer company.

Companies and individuals exercising water consumption for special purposes are subject to water tax. The tax rate is fixed and depends on the water body used.

SPECIAL SYSTEM OF TAXATION
Local authorities may determine an alternative income tax for certain small business activities such as personal services and retail sales. The tax is paid instead of profit tax, VAT (except on the import of the goods into the Russian Federation) and property tax. In this case, taxpayers calculate 'common tax' at the rate of 15% based on standard income and determined by the local legislative body.

In some cases, a simplified system of taxation may be applied as an alternative to common tax. Taxpayers whose income does not exceed RUR 15m after the end of the ninth month of the tax year (excluding VAT) have a right to use this system of taxation during the following year (except for banks, enterprises with affiliated branches etc.). These enterprises do not pay profit tax, VAT (except on the importation of the goods to the Russian Federation) and property tax. Only one tax is levied, as with 'common tax'. The tax payer can choose the taxable base for this tax - either gross income for the 6% rate or income minus expenses for the 15% tax rate.

LOCAL TAXES
Local authorities can define certain tax rules but cannot impose taxes not stipulated by the federal tax law. Land tax is payable at a rate of 0.3% on agricultural and residential land and 1.5% on other types of land. The taxable base is the value of land as stated in the state land register as at 1 January of the relevant tax year.

OTHER TAXES
Resident enterprises and foreign companies that own property within the territory of the Russian Federation are liable to property tax. The rate is set by the regional authorities but cannot exceed 2.2%. The taxable base is the average aggregate annual depreciated value of fixed assets on the balance sheet of the resident company or permanent establishment concerned. Foreign companies which do not have a permanent establishment in Russia and which own only movable property are not subject to Russian Property Tax.

The owners of transport facilities (cars, motorcycles, buses etc) pay transport tax. This tax is imposed by territorial divisions of the Russian Federation (republics, regions and provinces). The tax rate depends on the technical specification of the vehicles owned. Taxpayers must pay the tax according to a contributory scheme determined by legislative bodies of regions of the Russian Federation.

Companies operating gambling establishments are subject to a tax on the gambling industry. The tax rates are fixed and are not related to profit.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are calculated by ascertaining assessable income and then deducting all allowable expenses. In general, companies may deduct all necessary expenses paid or accrued during the year in the course of a business.

DEPRECIATION
Only the straight-line method may be used to calculate depreciation of certain groups of fixed assets such as buildings, construction and transfer mechanisms. Depreciation of other fixed assets should be calculated by a taxpayer using either the

straight-line method or the accelerated method, depending on which method they prefer. Depreciation is calculated on a monthly basis and must be taken whether or not the company makes profits in the period.

STOCK/INVENTORY
Under accounting law, stock is valued at its purchase cost. The profits tax law contains no provision concerning valuation of stock. The cost of materials transferred to production may be determined by the following valuation methods: average cost, cost of item, FIFO or LIFO.

CAPITAL GAINS AND LOSSES
As discussed above, capital gains and losses are subject to profit tax at regular corporate rates.

DIVIDENDS
Dividends paid by Russian companies are subject to a final withholding tax whether they are paid to resident or non-resident recipients. From 2011 dividends received by resident companies are subject to a 0% withholding tax rate if:

- the recipient holds at least 50% of the capital of the payer and
- the participation has been held continuously for the past 365 calendar days.

This tax rate is 15% if paid to a non-resident company or individual and 9% if paid to a resident company or individual.

INTEREST DEDUCTIONS
Thin capitalisation rules apply where interest is paid to a foreign enterprise that holds more than 20% of the share capital of a Russian entity. If the debt exceeds equity by more than 3:1 (for bank companies – more than 12.5:1), the amount of interest deductible by the Russian entity is restricted. The difference between the real amount of interest and that calculated under Russian Tax legislation is treated as a dividend paid out by the Russian entity to its foreign shareholder and is subject to 15% withholding tax base.

LOSSES
Current trading losses may be used to offset profits for the same tax year. Losses may be carried forward for ten years. Losses may be carried to the following tax period without any restrictions.

FOREIGN SOURCED INCOME
Foreign sourced income and gains are subject to profit tax at the regular rate except dividends.

C. FOREIGN TAX RELIEF

The Russian tax law provides a tax credit for foreign taxes paid on foreign sourced profits or revenues subject to a limit which is equal to the maximum amount of Russian tax due on the same profits or revenues. Any excess foreign tax credits may not be transferred to future or previous periods. No credit is granted for underlying corporate income tax on dividends.

D. CORPORATE GROUPS

The concept of fiscal unity does not exist in Russian law and there is no provision for combining the profits or losses of one enterprise with those of another in the same group.

E. RELATED PARTY TRANSACTIONS

The Tax Code of the Russian Federation regards related parties as those where:

- one person holds directly or indirectly more than 20% of the statutory capital of the other person
- the parties are married, related, adopted or in charge
- the court decides on a case by case basis.

Tax authorities may control prices on transactions:

- between related parties
- in a case of barter transactions
- in a case of foreign trade transactions
- where the prices charged by a taxpayer for the same goods, works or services varies by more than 20% over a short space of time.

F. WITHHOLDING TAXES

Foreign legal entities obtaining profits in connection with activities within Russia may be subject to withholding taxes on dividends, interest and royalties. Domestic and treaty rates are set out in Section I below.

G. EXCHANGE CONTROL

Generally, hard currency transactions between Russian residents and non-residents are executed without any limitation. However, certain transactions are subject to state regulations and restrictions.

Hard currency transactions between residents are forbidden with certain exceptions. Hard currency transactions between non-residents may be carried out without limitations.

H. PERSONAL TAX

Personal income tax is levied on resident and non-resident individuals, whether or not they are citizens of the Russian Federation. Individuals are considered to be resident if they spend more than 183 days in Russia in a calendar year. Residents are subject to income tax on their worldwide income and non-residents on their Russian-sourced income only.

The personal income tax rate for residents is 13%. A special 35% rate is applied to some kinds of income, e.g. the cost of any prizes and wins, voluntary insurance proceeds, interest on certain bank deposits and deposits on foreign currency. A 9% rate is applied to income in the form of dividends received from share holdings.

All personal income of non-residents, including dividends, is taxed at the rate of 30%.

The following types of income are exempt from tax:
- welfare payments, except for temporary disability, and compensations paid out in compliance with legislation currently in force
- all kinds of compensatory payments, prescribed by legislation, concerned with discharging of labour duties
- alimonies
- grants for the purpose of science, education, culture and art, given by international and foreign organisations
- scholarships and some others.

In determining the taxable base, individuals are entitled to the following statutory deductions:
- property-related allowance
- social allowance
- professional deductions and
- standard allowance.

According to the tax legislation:
- gifts received from individuals are included in the list of items of income that are exempt from income tax. Gifts of immovable property, vehicles and shares are taxable unless these items are received from close relatives
- gifts received from individual entrepreneurs and legal entities are exempt up to RUR 4,000 in a calendar year. The excess is taxable at a rate of 13% for residents and 30% for non-residents
- inherited property is exempt from tax.

INSURANCE CONTRIBUTIONS

From 2010, employers pay separate insurance contributions on the payroll cost of employing Russian employees. For 2011 the aggregate amount of contributions will be 34%. Special rates are established for certain groups of employers and professions.

R

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The table below shows the withholding tax rates on dividends, interest and royalties under tax treaties concluded by the USSR and the Russian Federation. The Russian Federation has announced that it will honour the international agreements existing between the USSR and other countries. The table is for general guidance only. The relevant treaty should be consulted to confirm the rates applicable in each case.

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	15	20	20
Treaty Countries:			
Albania	10	10	10
Algeria	5/15	15	15
Armenia	5/10	0	0
Australia	5/15	10	10

	Dividends (%)	Interest (%)	Royalties (%)
Austria	5/15	0	0
Azerbaijan	10	10	10
Belarus	15	10	10
Belgium	10	10	0
Brazil	10/15	15	15
Bulgaria	15	15	15
Canada	10/15	0/10	0/10
China	10	10	10
Croatia	5/10	10	10
Cyprus	5/10	0	0
Czech Republic	10	0	10
Denmark	10	0	0
Egypt	10	15	15
Finland	5/12	0	0
France	5/10/15	0	0
Germany	5/15	0	0
Greece	5/10	7	7
Hungary	10	0	0
India	10	10	10
Indonesia	15	15	15
Iran	5/10	7,5	5
Ireland	10	0	0
Iceland	5/15	0	0
Israel	10	10	10
Italy	5/10	10	0
Japan	15	10	0/10
Kazakhstan	10	10	10
Korea, Democratic Republic of	10	0	0
Korea, Republic of	5/10	0	5
Kuwait	5	0	10
Kyrgyzstan	10	10	10
Lebanon	10	5	5
Lithuania	5/10	10	5/10
Luxembourg	10/15	0	0
Macedonia	10	10	10
Malaysia	– (1)/15 (2)	0/15	10/15
Mali	10/15	15	0
Mexico	10	10	10
Morocco	5/10	10	10
Moldova	10	0	10
Mongolia	10	10	– (1)
Montenegro	15/5	10	10
Namibia	5/10	10	5
Netherlands	5/15	0	0
New Zealand	15	10	10
Norway	10	10	0
Philippines	15	15	15

R

	Dividends (%)	Interest (%)	Royalties (%)
Poland	10	10	10
Portugal	10/15	10	10
Qatar	5	5	0
Romania	15	15	10
Saudi Arabia	5	5	10
Serbia	15/5	10	10
Singapore	5/10	7.5	7.5
Slovak Republic	10	0	10
Slovenia	10	10	10
South Africa	10/15	10	0
Spain	5/10/15	5	5
Sri Lanka	10/15	10	10
Sweden	5/15	0	0
Switzerland	5/15	0/5/10	0
Syria	15	10	13.5/18
Tajikistan	5/10	10	0
Thailand	15	10	15
Turkey	10	10	10
Turkmenistan	10	5	5
Ukraine	5/15	10	10
United Kingdom	10	0	0
United States	5/10	0	0
Uzbekistan	10	10	0
Venezuela	10/15	5/10	10/15
Vietnam	10/15	10	15

1 There is no reduction under the treaty – the domestic rate applies.
2 The 15% rate applies to Joint Ventures. The domestic rate applies in other cases.

SERBIA

Currency: Dinar (RSD) | Dial Code To: 381 | Dial Code Out: 00

Member Firm:
City: Belgrade
Name: Petar Grubor
Contact Information: 30 18 445
petar.grubor@pkf.rs

R
S

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
CORPORATE INCOME TAX

Corporate income tax is payable by the following persons:

1. A legal entity is considered as resident in Serbia if it is established or has its place of effective management and control in the territory of the Republic. Residents are taxed on their income generated in the territory of the Republic, as well as on worldwide income.
2. Non-residents are taxed only on their income sourced through a permanent establishment in Serbia. A permanent establishment is any permanent place of business through which a non-resident conducts his business.

A taxable entity includes a company registered as a joint stock company, a limited liability company, a general partnership, limited partnership, a socially owned company or a public enterprise, as well as a co-operative or any other legal entity generating income from the sale of goods or rendering services to the market.

The tax year is the same as the calendar year, although a different tax year may be used if approved by the tax authorities. A tax period may not exceed 12 months in length and may only be changed once every five years. Tax returns must be filed with the tax authorities within two months and ten days of the end of the tax year. A monthly instalment payment system applies based on the profits arising in the previous period.

The tax rate on all profits and gains is 10%.

VALUE ADDED TAX (VAT)

According to Law on VAT, taxpayer is an entity that independently trades in goods and services as a producer, trader or provider of services for the purpose of profit.

The VAT rules also apply to the following:

1. agents assigned by foreign entities doing business in Serbia but without a permanent business unit in Serbia
2. foreign recipients of goods and services from a Serbian enterprise
3. entities that account for VAT in their invoices but are not obliged to pay the tax according to the Law on VAT
4. entities that import goods.

Taxpayers whose total turnover did not exceed RSD 4,000 in the preceding calendar year are exempt from VAT. Taxpayers whose total turnover was between RSD 2,000 and RSD 4,000 in the preceding year may choose to register. The taxable amount for domestic goods and services is the sales price, including excise and duty costs and all secondary expenses charged to the recipient of the goods and services. The standard rate is 18%. A reduced rate of 8% applies to certain hospitality-related and other goods and services. A 0% rate applies to certain transportation, medical and educational services,and technical, medical and other goods.

EXCISE DUTIES

Special excise duties apply to the following:

- mineral oils
- alcohol
- tobacco products
- coffee.

REAL ESTATE TRANSFER TAX

This is payable by the person or entity acquiring the real estate. The tax rate is 2.5%. The tax base is the market value of the real estate on the date of acquisition except in some particular circumstances.

LOCAL TAXES

PROPERTY TAX

Property tax is payable in Serbia by all legal entities and individuals who own or have rights over real estate located in the Republic of Serbia such as:

- rights to usufruct
- right to use and inhabit
- time-sharing right
- tenancy right of one year or for indefinite period of time, and
- urban usage right (municipal, public and other state-owned land) exceeding 1,000 square meters in area.

If the legal owner of the real estate is not known or cannot be determined, the property tax is levied on the person with beneficial ownership of the property (eg a tenant).

Where the taxpayer keeps books, the property tax on real estate is levied at a flat rate of 0.40%. If the taxpayer is an individual or entrepreneur who is taxed on the so-called lump-sum income basis, the rates of property tax on real estate are progressive, as shown in the following table:

Taxable base		Tax due	
In RSD	**Approx EUR**	**In RSD**	**EUR**
Up to 6 million	Up to 60,000	0.40%	0.40%
6 million – 15 million	60,000 – 150,000	24,000 + 0.80% on the amount exceeding 6 million	290 + 0.80% on the amount exceeding 60,000
15 million – 30 million	150,000 – 300,000	96,000 + 1.50% on the amount exceeding 15 million	1,200 + 1.50% on the amount exceeding 150,000
Over 30 million	Over 300,000	321,000 + 3% on the amount exceeding 30 million	3,900 + 3% on the amount exceeding 300,000

A taxpayer does not pay property tax relating to the ownership of real estate with a total value not exceeding RSD 400,000 (approximately EUR 4,000).

Property tax is assessed on the basis of the facts reported in the tax return in the first taxable year applicable to that property. In subsequent years, the tax return should only be submitted if the facts relevant to the liability have changed. Property tax is paid quarterly within 45 days from the beginning of the three month period.

TRADE NAME TAX
This is payable by individuals and legal entities which are liable to pay corporate income tax or personal income tax and are registered for the performance of a business activity.

TAX ON THE USE OF PUBLIC LAND
This is payable by individuals and legal entities that make use of public land. The amount of the tax is prescribed by the individual commune or city.

B. DETERMINATION OF TAXABLE INCOME

Taxable profits are those calculated under the accounting regulations, adjusted in accordance with the provisions of the Corporate Income Tax Law.

OPERATIONAL EXPENSES
Significant adjustments include:

1. Expenses which are not recognised as expenses for corporate income tax purposes include:
    - expenses which cannot be documented
    - bad debt provisions,
    - gift and contributions to political organizations
    - gifts and other advertising expenditures that are not documented or if the recipient is an associated entity
    - share of the profit paid to employees or other individuals
    - expenses incurred other than for the purpose of conducting business activities
    - impairment of assets, except in the case of damage resulting from force majeure
    - calculated and unpaid redundancy remuneration due to employees on the basis of retirement or termination of employment on other grounds.

Expenditure recognised for corporate income tax purposes up to certain amounts including:

- depreciation computed in accordance with tax depreciation rules
- bad debt provisions, write-off of receivables and general provisions
- expenses for health care, scientific, educational, humanitarian, religious, ecological and sport-related purposes are tax-deductible up to 3.5% of total revenue
- expenses for cultural purposes are tax-deductible up to 3.5% of total revenue
- membership fees paid to chambers of commerce and other associations (except political parties) are deductible up to 0.1 % of gross receipts,
- advertising and promotional expenses are tax deductible up to 5% of total revenue
- business entertainment expenses are tax deductible up to 0.5% of total revenue.

FIXED ASSETS
According to the Corporate Income Tax Law, fixed assets are tangible and intangible assets of which the service life is longer than a year and the individual acquisition price at the time of acquisition was higher than the average gross wage per employee in the Republic, according to the latest data published by the statistics authority of the Republic.

Fixed assets are divided into five groups with depreciation rates prescribed for each as follows:

S

Asset (Group)	Rate (%)
Buildings (I)	2.5
Machinery, equipment and other assets (II to V)	10/15/20/30
Intangible assets (V)	10

FIXED ASSETS
A straight-line depreciation method is prescribed for the first group. A declining balance method is prescribed for assets in other groups. Detailed regulation of the division of fixed assets into groups, and the method of determining depreciation, is prescribed under special by-laws issued by the Ministry of Finance.

VALUATION OF INVENTORY
Cost of materials and the purchase value of merchandise are tax deductible up to the amount calculated by applying the average weighted cost method or FIFO method. If another method is used, an adjustment for tax purposes should be made.

RESERVES AND PROVISIONS

Provisions for bad and doubtful debts are tax deductible if at least 60 days have expired from the due date. A provision has to be made individually for each debt.

A write-off of an individual debt, (except for those from debtors which are also creditors) is recognised as an expense under the following conditions:

- related revenue has already been accrued,
- the debt has been written off as uncollectible,
- evidence of the failure to collect the debts through a court order is available.

Long-term provisions are recognised for tax purposes if they are made for the renewal of natural resources, warranty period costs and retained caution money and deposits.

CAPITAL GAINS AND LOSSES

Gains from the sale of capital assets are included in a company's taxable income and taxed at the same rate as other profits. Capital losses may be set-off against capital gains in the year they arose. Capital losses may be carried forward for five years but may not be carried back.

DIVIDENDS

Dividends and other income that constitutes a share in the profit of resident companies is not included in the tax base if received from resident companies.

INTEREST DEDUCTIONS

Interest payable is generally tax deductible except for interest payable on taxes, contributions and other public charges, fines and penalties.

However, rules restrict deductions for interest on any loan owed to related parties if the loan is more than four times the net asset value of the company.

LOSSES

Ordinary losses may be carried forward for five years but may not be carried back.

FOREIGN-SOURCED INCOME

Serbian resident companies are subject to tax on their worldwide income. Gross foreign dividends from non-resident companies (including corporate tax income and withholding tax) are included in taxable income. Tax credits are available for corporate income tax and withholding taxes suffered on the dividends overseas but relief is restricted to the corporate income tax payable in Serbia on the dividends.

INCENTIVES

A taxpayer who invests in property, building and equipment or natural assets is entitled to a tax credit equal to 20% of the investment value, which can reduce the income tax obligation by up to 50% for the year in which investment was made. Exceptionally, small entities are entitled to a tax credit of 40% of the investment which can extinguish up to 70% of the income tax obligation for the year in which investment was made. Unused tax credits can be carried forward for up to ten years.

Exceptionally a taxpayer is entitled to a tax credit of up to 80% of the value of investment in property, building and equipment or natural assets if the investment was made in one of the following businesses: agriculture, fishing, production of textile yarns and fabrics, clothes manufacture, finishing and fur colouring, production of leather products, basic metals, production or standard metal products, machine and device production, office and calculating equipment production, electric machines and devices production, radio, TV and communication equipment production, medical, optical and precision equipment production, motor vehicles production, trailers and semi trailers, production of other transport facilities, recycling, cinematographic and video production.

A taxpayer who invests at least RSD 800,000,000 in fixed assets and additionally employs at least 100 employees is entitled to tax relief for the next ten years in respect of the invested asset.

Every non-profit organisation with excess income up to RSD 400,000 is tax exempt if it fulfills several conditions.

Every person who sets up a company in Serbia is entitled to income tax relief for five years from the date of the investment.

A taxpayer who has founded a business in an undeveloped region is entitled to an income tax deduction for the next two years based on the contribution that the business unit makes to the entity's profits. A taxpayer who operates in an undeveloped region is entitled to tax relief over the next five years if he fulfils several conditions.

C. FOREIGN TAX RELIEF

Double tax relief is available under the provisions of various double tax agreements with other territories. Unilateral relief is available in other cases by means of a credit for overseas taxes against the Serbian tax payable on the same income.

D. CORPORATE GROUPS

Parent and subsidiary companies are recognised as a group for tax consolidation purposes if the parent has direct or indirect control at least 75% of the subsidiary's share capital. All members of the group must be resident companies. Once approved, tax consolidation must be applied for the next five years.

E. RELATED PARTY TRANSACTIONS

The Serbian tax authorities require arm's length pricing to be applied for tax purposes in respect of transactions entered into by Serbian companies with related companies. The comparable uncontrolled price method, the cost-plus method and the resale price method are all accepted methods for establishing an appropriate arm's length price.

F. WITHHOLDING TAX

A 20% withholding tax is applicable to various forms of payment to non-residents including:
- Interest
- Dividends
- Royalties
- Rental fees
- Capital gains and
- Certain service fees.

G. EXCHANGE CONTROL

There are no exchange controls in Serbia.

H. PERSONAL TAX

INCOME TAX

Income tax is chargeable on all Serbian residents in respect of income generated in Serbia and other countries.

A Resident of the Republic of Serbia (hereinafter referred as "resident") is each person who:
1. has a personal residence or his centre of interests in Serbia
2. resides in Serbia for at least 183 days, whether or not consecutively, within a period of 12 months beginning or ending in the respective taxation year.

Serbian residents are taxed on their worldwide income including:
- income from wages (tax rate – 12 %)
- income from agricultural activity and forestry (tax rate – 10 %)
- income from independent personal activities (tax rate – 10 %)
- income from royalties etc.(tax rate – 20 %)
- income from capital (tax rate – 10 %)
- income from property and property rights (tax rate – 20 %);
- capital gains (tax rate – 10 %) and
- other income (tax rate – 10 or 20 %).

Annual personal tax is paid under a withholding tax system.

Tax credits are available for overseas taxes up to the amount of tax suffered in Serbia on the income concerned.

INCOME FROM WAGES

Income from wages represents earnings based on the full-and part-time employment based on contracts concluded with the employer, or with the Youth Cooperative, until the age of 26.

Income from wages is tax chargeable either earned in cash or cash equivalents, shares (except the shares assigned in process of privatization) and similar. The taxable person is the employee, but the employer is responsible for calculating and withholding personal income tax on behalf of its employees. The tax rate is currently 12%.

Specified types of income, up to the prescribed amounts, are tax exempt. They include public transportation cost for home to office travel and daily allowances for business trips. In certain cases, non-residents working for diplomatic and consular missions or international organizations in Serbia are not taxable.

The following incentives are available:

Employers, who hire new employees younger than 30, are exempt from withholding salary tax and social security contributions. Those persons have to be registered as unemployed with the National Employment Service for at least three months prior to commencement of employment. The exemption is applicable for two years from the commencement of employment.

This exemption is applicable also to trainees younger than 30 registered as unemployed with the National Employment Service. The relief is applicable for three years from the commencement of employment.

The same exemption applies if disabled persons are employed for an indefinite period of time, in accordance with the Law covering prevention of discrimination of disabled persons. This exemption is applicable for three years from the commencement of employment.

INCOME FROM WAGES

A tax exemption is provided in cases where individuals older than 45 are employed and have registered with the National Employment Service for at least six months prior to employment or have been entitled to unemployment reimbursement. Relief is available for up to 80% of employer social security contributions. This incentive is available for a two year period from the commencement of employment.

ANNUAL INCOME TAX

Annual income tax is also payable on any amount exceeding three times the annual average wage.

Annual income tax is payable based on the following rates:

1. any amount up to six times the average annual salary – 10 %
2. any amount higher than six times the average annual salary – 10 % of six times the average annual salary + 15 % on the amount paid which exceeds six times the average annual salary.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

		Dividends		Interest	Royalties
	(3) (%)	(2) (%)	(1) (%)	(%)	(%)
Domestic Rates:					
Companies:	–	20	–	20	20
Individuals:	–	10	–	10	20
Treaty Rates:					
Albania	5	15	–	10	10
Belarus (4)	5	15	–	8	10
Belgium (4)	10	15	–	15	10
Bosnia & Herzegovina	5	10	–	10	10
Bulgaria (4)	5	15	–	10	10
China (4)	–	–	5	10	10
Croatia (4)	5	10	–	10	10
Cyprus (4)	–	–	10	10	10
Czech Republic	–	–	10	10	5 or 10
Denmark	5	15	–	0	10
Egypt	5	15	–	15	15
Estonia	5	10	–	10	5 or 10
Finland (4)	5	15	–	0	10
France (4)	5	15	–	0	0
Germany (4)	–	–	15	0	10
Greece	5	15	–	10	10
Hungary (4)	5	15	–	10	10
India	5	15	–	10	10
Ireland	5	10	–	10	5 or 10

	Dividends			Interest	Royalties
	(3) (%)	(2) (%)	(1) (%)	(%)	(%)
Italy (4)	–	–	10	10	10
DPR Korea (4)	–	–	10	10	10
Kuwait (4)	5	10	–	10	10
Latvia	5	10	–	10	5 or 10
Lithuania	5	10	–	10	10
Macedonia (4)	5	15	–	10	10
Malaysia	–	–	10	10	10
Malta	5	10	–	10	5 or 10
Moldova	5	15	–	10	10
Netherlands (4)	5	15	–	0	10
Norway (4)	–	–	15	0	10
Poland (4)	5	15	–	10	10
Romania (4)	–	–	10	10	10
Russia (4)	5	15	–	10	10
Sri Lanka (4)	–	–	12.5	10	10
Slovenia	5	10	–	10	5 or 10
Slovak Republic	5	15	–	10	10
Spain	5	10	–	10	5 or 10
Sweden (4)	5	15	–	0	0
Switzerland	5	15	–	10	0 or 10
Turkey	5	15	–	10	10
Ukraine (4)	5	10	–	10	10
United Kingdom (4)	5	15	–	10	10

1. Standard tax rate.
2. Rates applicable - at least 25% of share capital or voting power, as applicable, is held by the recipient in the payer.
3. Rates applicable - less than 25% of share capital or voting power, as applicable, is held by the recipient in the payer.
4. Based on the treaty concluded by the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia.

SIERRA LEONE

Currency: Leones (LE)

Dial Code To: 232

Dial Code Out: 00

Member Firm:

City: Freetown

Name: J A Thomas

Contact Information: 22 225829 pkf@sierratel.sl

S

A. TAXES PAYABLE

The National Revenue Authority in Sierra Leone administers most of the taxes payable including the major revenue contributors such as income tax and import and export duties.

COMPANY TAX

Company tax is based on computed chargeable income. Resident companies pay tax at 35% on their worldwide income. Non-resident companies pay tax at 35% on income sourced in Sierra Leone.

For mining companies, the tax rate is 37.5% subject to additional tax on profits agreed between the Minister of Mines and Mineral Resources and the company.

A company is considered a resident company if:

- it is incorporated or formed under the laws of Sierra Leone
- it has its effective management and control in Sierra Leone
- it undertakes the majority of its operations in Sierra Leone.

CAPITAL GAINS TAX

Gains derived from the disposal of a business or investment asset are included in taxable income. Gains from the disposal of any other asset are not taxed. The loss incurred on the disposal of a business or investment asset is also taken into account in determining a person's taxable income.

A business asset is an asset held for the production of assessable income and which is used in a business or is held for sale in a business.

BRANCH PROFITS TAX

A branch in Sierra Leone of a non-resident company is considered to be a resident company. Its profit (chargeable income) is taxed at 30%. Repatriated income of a branch is subject to a 10% tax in addition to the above.

SALES TAXES/VALUE ADDED TAX (VAT)

There is no VAT but a sales tax applies to each of the following (with some exceptions):

(a) all goods subject to customs duty
(b) all goods subject to excise duty
(c) all goods listed in the First Schedule to the Decree. These goods include foods and beverages, wines and spirits, hydrocarbons, tobacco, cement, medicines, paints, perfume and toiletries, soaps, candles, matches, plastics, paper and paper articles, ammunition and weapons, furniture, motor vehicle bodies, structures and parts of structures for buildings, bridges, etc.

FRINGE BENEFITS TAX

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value. Infrequent fringe benefits of very small value are excludable.

LOCAL TAXES

Taxes are withheld from local employment income in accordance with the PAYE schedule.

OTHER TAXES

Acquisition of freehold land by sale to foreigners in Sierra Leone is prohibited by law. However, the law makes provision for the acquisition of leasehold land for leases less than 21 years subject to the provisions of the Non-Citizens (Interest in Land) Act 1966. For leases longer than 21 years, provision is made for acquisition with a prior approval by the Board of the Ministry of Lands.

All land acquisitions are subject to the payment of the following:

- registration fees
- land tax
- stamp duty.

NATIONAL SOCIAL SECURITY AND INSURANCE TRUST (NASSIT)

Employers and employees contribute 10% and 5% respectively of the employees' employment income.

BUSINESS LICENCE

This is renewable annually. Business licence fees depend on the annual turnover of the business. For individuals the fees are as follows:

Turnover up to Le200,000 pa	Le20,000
From Le200,001 – Le500,000 pa	Le40,000
Above Le500,000 pa	Le60,000

Companies pay Le120,000 annually to renew their licences.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES

The following rates are applicable for capital allowance expenditure:

Plant	40%
Machinery	40%
Automobiles and trucks	40%

All other tangible depreciable assets	10%
Buildings for housing/industrial/manufacturing/agricultural activities	15%
Building for commercial activities	10%
Other buildings	5%

DEPRECIATION
This expense is disallowed in the tax computation in Sierra Leone. Capital allowances are given instead.

STOCK/INVENTORY
The cost of sales is deductible in determining chargeable income of the business.

DIVIDENDS
Dividends are taxable under the Withholding Tax Regime. The tax is final and is not aggregated with other income(s). Dividends paid by a resident company to another resident company are not subject to withholding tax.

INTEREST DEDUCTIONS
Interest deductions are restricted to 80% of the interest payable. This provision does not apply to banks.

LOSSES
Losses are allowable and can be carried forward indefinitely. However, the deduction for any year of assessment must not be such that the tax payable will be less than 50% of the tax due if the loss is not carried forward. Losses on the disposal of business or investment assets are allowable deductions.

Foreign exchange losses can also be deducted.

Where there has been a change in the control and ownership of a company, the loss suffered before the change cannot be carried forward if the company engages in a new business investment at any point during the period of three years after the change unless the Commissioner of Income Tax's approval has been obtained.

FOREIGN SOURCED INCOME
Residents are generally taxed on their worldwide income. Foreign employment income of residents that has been taxed in a foreign country is exempt from income tax. There is an allowable tax credit for foreign income tax paid by a taxpayer on his income from a foreign source.

INCENTIVES
There is an authorisation deduction of 10% for expenditure incurred to start a business. An investment allowance of 5% is also given on expenditure to purchase depreciable assets such as plant and machinery. A 5% allowance is given to businesses in the tourism industry on expenditure to acquire depreciable assets such as plant, machinery and buildings for commercial activities.

A deduction may be allowed for expenditure on research and development activities carried out for the purpose of producing assessable income. There are exemptions to persons/organisations and associations that promote social or sporting amenities.

Tree crop farmers are encouraged by an exemption from income tax for a period of ten years. 50% of dividends paid by companies in such farming can also be exempt from tax.

C. FOREIGN TAX RELIEF

A resident taxpayer may claim a tax credit for tax borne on assessable foreign source income (including capital gains). The foreign tax credit cannot exceed the Sierra Leone tax on the foreign-source income, which is determined by applying the average rate of Sierra Leone tax to the foreign-source income, reduced by any deduction properly allocated to that income.

D. CORPORATE GROUPS

No special rules exist for the taxation of groups.

E. RELATED PARTY TRANSACTIONS

Expenses incurred in these transactions are allowable. But the Commissioner of Income Tax has power to re-characterise a transaction entered into as part of a tax avoidance scheme.

F. WITHHOLDING TAX

	Residents	Non-residents
Employees	30%	25% Final
Contractors	5%	10%
Dividends (payment by one resident company to another resident company is exempt)	10%	10% Final
Interest	15%	15% Final
Rent and royalties	10%	25% Final
Pensions and annuities	15%	25% Final
Natural resource payment	25%	25% Final
Beneficiaries and trusts	35%	25% Final.

G. EXCHANGE CONTROL

Exchange control is under the direct supervision of the Bank of Sierra Leone. The following are broad guidelines:

REAL ESTATE TRANSACTIONS

Sierra Leoneans: Capital transfers for real estate transactions are not permitted. Non-Sierra Leoneans: Non-Sierra Leoneans can purchase real estate from funds brought in by documented remittances through an authorised dealer.

HOLDINGS OF ASSETS ABROAD

Transactions under this category should be processed within the regulations governing foreign currency accounts.

BORROWING

Internal Borrowing (in Leones): It is permitted for an authorised dealer acting within the existing regulations to grant commercial and financial credits to a legal entity registered in Sierra Leone.

External Borrowing: It is permitted to contract external loans fully covered by external collateral acceptable to the lending institution. Documentation to assess the quality of the collateral should be available for inspection by the Bank of Sierra Leone.

GUARANTEES

The prior approval of the Bank of Sierra Leone should be obtained for the giving and renewal of:

(a) any guarantee or any other undertaking, the implementation of which would involve payment to a non-resident or payment in any foreign currency
(b) any guarantee to a resident in Sierra Leone on behalf of or in the account of a resident outside Sierra Leone.

Commercial Banks may, without the prior permission of The Bank of Sierra Leone, give the following types of guarantees on behalf of their customers:

(a) guarantees in respect of missing documents
(b) the authenticity of signatures
(c) the release of under trust receipts and the like.

INVESTMENTS

All capital inflows for investment, whether public or private, are allowed by non-Sierra Leoneans. The repatriation of such capital inflows for investment is also permitted through an authorised dealer.

H. PERSONAL TAX

Individual residents of Sierra Leone are subject to tax on their worldwide income. Non-residents are subject to tax on all payments from which withholding tax is deducted and all other assessable income from a source in Sierra Leone.

Income in Leones per annum	Tax rate
0 to 800,000	Nil
800,000 – 2,880,000	25%
2,880,000 – 4,560,000	30%
4,560,000 – 7,500,000	35%
Over 7,500,000	40%

I. TREATY WITHHOLDING TAX RATES

None of the double tax agreements entered into by Sierra Leone reduce the rate of withholding taxes on payments to non-residents.

SINGAPORE

Currency: (S$) Dial Code To: 65 Dial Code Out: 001

Member Firm:

City:	Name:	Contact Information:
Singapore	Roy Lim	6500 9359 roylim@pkfsingapore.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Resident and non-resident companies are taxed on income accruing in or derived from Singapore as well as on foreign income remitted (actual or deemed) into Singapore. Remittance of foreign income (dividends, branch profits, services income) may be tax exempt when remitted by a resident company under certain conditions. A company is tax resident in Singapore if the management and control of its business is exercised in Singapore.

The standard corporate tax rate is 17% with effect from the year of assessment 2010. A partial tax exemption is given for the first S$300,000 of chargeable income (CI). Under this scheme, 75% of the first S$10,000 of CI is tax exempt and 50% of the next S$290,000 of CI is tax exempt. This exemption does not apply to income of a non-resident company subject to a final withholding tax rate. Qualifying newly incorporated Singapore companies may enjoy a separate tax exemption scheme for its first three consecutive years of assessment. This scheme allows qualifying new companies to enjoy a tax exemption on the first S$100,000 of CI and on 50% of the next S$200,000 of CI.

The tax year, referred to as the year of assessment (YA), runs from 1 January to 31 December of each year. Income for the YA is computed based on the income derived in the preceding calendar year (known as the basis year) from all sources. For a trade, business, profession or vocation with a non-31 December accounting year end, the Inland Revenue Authority of Singapore (IRAS) normally accepts the accounting year as the basis year instead of the calendar year. Under such circumstances, tax is assessed for each YA on the income for the accounting year preceding that YA.

A company is required to provide an estimate of its CI within three months after the end of its financial year. The estimated tax payable can be paid via instalments. The number of instalments available depends on when the estimated CI is filed within the three-month window period and on the method of filing. The annual corporate income tax return must be filed by 30 November of the YA. After the submission of the tax return, IRAS will issue a notice of assessment to collect any tax shortfall. The tax shortfall has to be paid within one month after the date of issue of the notice of assessment.

GOODS AND SERVICE TAX (GST)

Goods and Services Tax (GST) is a broad base consumption tax aimed at taxing the final consumer of the goods and services. The supply of goods and services made in the ordinary course of business in Singapore by a GST registered person is subject to GST. The importation of goods into Singapore is also subject to GST. Persons carrying on businesses that make taxable supplies are required to register for GST if their annual turnover (retroactive or prospective) is more than S$1m. A GST registered person (GST taxpayer) has to charge GST on his supplies (Output GST) and pay GST on his purchases (Input GST). The GST taxpayer has to file a monthly or quarterly GST return to declare the Output GST collected and the Input GST incurred. He will pay (or claim) the difference (after netting the Output GST against the Input GST) together with the GST return.

The standard GST rate is 7%. The export of goods and the provision of international services are zero-rated. The sale and rental of residential properties and specified financial services are exempt from GST.

STAMP DUTY
Stamp duty is levied on legal instruments relating to the sale, mortgage or lease of immovable property and the sale or mortgage of stocks and shares.

B. DETERMINATION OF TAXABLE INCOME

Singapore-incorporated companies are required to prepare their financial accounts according to Singapore Financial Reporting Standards (FRSs). The FRSs are closely modelled on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The accounting profits are adjusted in accordance with Singapore tax rules to arrive at the taxable income.

Companies are required under FRS to prepare their financial accounts according to their functional currency. Those with non-Singapore dollar functional currency accounts are required to furnish their tax computations to the IRAS in that functional currency.

Expenses must be incurred wholly and exclusively for the production of income in order to be tax deductible unless specifically disallowed or restricted (e.g. non-commercial motor vehicles, medical expenses, expenses of a capital nature). Special rules apply to expenses incurred by investment holding companies, companies that commence business activities during the financial year and expenses incurred in respect of foreign sourced income.

INTEREST DEDUCTIONS
Interest expenses are tax deductible if incurred for loans used to fund business assets or business operations that generate taxable income. There are no thin capitalisation rules in Singapore.

STOCK/INVENTORY
There is no prescribed valuation methodology under the domestic income tax law. As such, IRAS will generally accept the valuation methodology under FRS.

CAPITAL GAINS AND LOSSES
There is no separate capital gains tax regime in Singapore. Gains of a capital nature are not subject to income tax. Similarly, expenses of a capital nature are not deductible for income tax purposes. IRAS will look at the facts and circumstances of the transaction to determine whether the gain is capital in nature or a trading gain which is subject to income tax.

DIVIDENDS
Dividends paid by Singapore companies are exempt from tax in the hands of the shareholder from 1 January 2008. Foreign sourced dividends remitted into Singapore may be tax-exempt under certain circumstances.

CAPITAL ALLOWANCE
Capital allowances, instead of accounting depreciation, are granted for plant and machinery acquired and used in a trade or business. Most plant and machinery qualify for three-year straight line tax depreciation. Low cost items (costing not more than S$1,000 per item) may be tax depreciated in full, subject to a total claim of S$30,000 for each YA. Certain equipment (such as computers, automation equipment, pollution-control equipment, energy-saving equipment) may qualify for 100% tax depreciation in the year of acquisition.

Capital expenditure incurred prior to 22 February 2010 for the construction or acquisition of an industrial building qualifies for the Industrial Building Allowance (IBA) if the building is used for qualifying purposes. Subject to the transition provisions, capital expenditure incurred after 22 February 2010 no longer qualifies for IBA.

Current year unused capital allowances can be carried back (up to a total of S$100,000 for both unused capital allowances and unused tax losses) to the YA immediately preceding the YA in which the capital allowance arose. The unused capital allowances can also be carried forward indefinitely. The utilisation of unused capital allowances carried back or carried forward is subject to the business continuity test and the shareholding test. For the YA 2009 and YA 2010, the unused capital allowances (together with unused losses) can be carried back to the three YAs immediately preceding YA 2009 or YA 2010 and up to a limit of S$200,000.

The business continuity test requires the business/trade for which the capital allowances were granted to continue. The shareholding test requires that there is no substantial change (no more than 50%) in the ultimate shareholders and their respective shareholdings on certain dates.

TAX LOSSES

Current year unused trade losses can be carried back (up to a total of S$100,000 for both unused capital allowances and unused tax losses) to the YA immediately preceding the YA in which the trade losses were incurred. The unused tax losses can also be carried forward indefinitely. For the YAs 2009 and 2010, the unused losses (together with unused capital allowances) can be carried back to the three YAs immediately preceding YA 2009 or YA 2010, as the case may be) and up to a limit of S$200,000.

The carry back/forward of tax losses is subject to the same shareholding test for the carry back/forward of unused capital allowances.

TAX INCENTIVES

Singapore has a comprehensive list of tax incentives and development schemes to attract investments and to assist investors in expanding their businesses. Highlights of key incentives and schemes are summarised below.

The Regional and International Headquarters Awards encourages companies to use Singapore as a regional or global base. A customized package of tax incentives (such as Pioneer Incentive, Development and Expansion Incentive, Investment Allowances) and grants will be given to qualifying companies.

The Pioneer Incentive encourages the introduction and growth of new industries in Singapore. A pioneer enterprise is granted full income tax exemption on its qualifying profits for up to 15 years.

Investors undertaking projects that will generate significant economic benefits for Singapore may apply for the Development and Expansion Incentive. The incentive provides preferential income tax rates on all qualifying profits above a pre-determined base for a set period.

Companies investing into new equipment that introduces new technology to the industry or contributes to its efficiency can apply for Investment Allowances. This is a capital allowance given to partially offset the costs of acquiring qualifying equipment within a set period and is in addition to the normal tax depreciation.

The Approved Royalties Incentive encourages companies to transfer their cutting edge technology and knowhow to Singapore by providing full or partial withholding tax exemption for royalty payments or technical assistance fees payable to non-residents.

Investors looking into developing or bringing new R&D capabilities can apply for the Research Incentive scheme. The project should result in an increase of hiring and training of research scientists and engineers in Singapore. The scheme provides grants to partially offset the R&D project costs incurred for manpower training, equipment investment, intellectual property management and professional services.

The Local Enterprise Finance Scheme (LEFS) is designed to assist and encourage companies (with at least 30% local ownership) to upgrade and expand their operations. LEFS loans are available for factories, machinery and working capital.

The Local Enterprise Technical Assistance Scheme (LETAS) encourages and assists companies (with at least 30% local ownership) in seeking external expertise to improve their operations. Generally, assistance provided is up to 50% of the cost of engaging an external expert to implement quality management and IT systems (e.g. ISO certification, upgrading computer systems).

C. FOREIGN TAX RELIEF

Under Singapore's network of 63 comprehensive double tax treaties, Singapore will grant a tax credit for foreign tax suffered in the treaty country. The tax credit granted is limited to the lower of the foreign tax suffered and the Singapore tax payable on that income. Singapore also grants a unilateral tax credit for certain income derived from countries that have not entered into tax treaties with Singapore.

D. CORPORATE GROUPS

A corporate group (comprising of a Singapore-incorporated holding company and its Singapore-incorporated subsidiaries) can transfer current-year unused losses, unused capital allowances and unused donations within companies in the group. There is a 75% ownership requirement that need to be maintained to remain within the group.

E. RELATED PARTY TRANSACTIONS

Under the domestic tax law, related party transactions have to satisfy the arm's length principle. The IRAS can make adjustments if it is of the opinion that the arms length principle is not applied appropriately by the taxpayer

F. WITHHOLDING TAX

1.	Interest, fees, payments in connection with any loan or indebtedness	15%
2.	Royalty or other payment for the use of movable property	10% (final tax)
3.	Payment for the use or right to use scientific, technical, industrial or commercial knowledge or information	10% (final tax)
4.	Technical assistance and service fees and management fees	Prevailing corporate tax rate (20% for individuals)
5.	Rent or other payments for the use of movable properties	15% (final tax)
6.	Time charter fees and voyage charter fees, bareboat charter fees	Nil to 3%
7	Directors' remuneration/directors' fees	20%

There is no withholding tax on dividends.

G. EXCHANGE CONTROLS

There are no exchange controls in Singapore.

H. PERSONAL TAXATION

Resident individuals deriving employment income and rental income is subject to income tax based on the following progressive rates. Various personal reliefs are available to resident individuals.

Taxable income ($)	(%)
Up to 20,000	0
20,001 – 30,000	3.50%
30,001 – 40,000	5,5%
40,001 – 80,000	8.5%
80,001 – 160,000	14%
160,001 – 320,000	17%
Over 320,000	20%

A Singapore citizen is considered tax resident if the individual normally resides in Singapore except for temporary absences that are consistent with the claim to be a resident. A foreigner is considered resident in Singapore if the individual is physically present or exercises a Singapore employment for 183 days or more during the basis year.

Non-resident individuals exercising an employment in Singapore are subject to income tax depending on the number of days in Singapore. Employment income derived from short term employment (not more than 60 days) is exempt from Singapore income tax for the non-resident employee. This exemption does not apply to non-resident company directors, non-resident public entertainers or non-resident professionals including foreign experts, foreign speakers, queen's counsels, consultants, trainers, coaches etc. Non-resident employees exercising an employment in Singapore for a period of 61-182 days will be taxed at the higher of 15% (without personal tax reliefs) or the progressive resident rates (with personal tax reliefs). Non-residents deriving rental income are taxed at 20%.

Dividend income from Singapore companies, interest income from savings, current or fixed deposit accounts with approved banks or finance companies in Singapore and foreign-sourced income are tax- exempt for individuals (regardless of residency).

NOT ORDINARILY RESIDENT SCHEME (NOR)

The NOR scheme was first introduced to attract global talent to relocate to Singapore. Under the scheme, qualifying individuals are taxed based on the days in Singapore. An individual can apply for NOR status if he has three consecutive non-resident tax years immediately prior to his first year of residency in Singapore. The NOR status would be accorded to the qualifying individual for a five-year period commencing with his first year of residency in Singapore. During this five-year period, the individual may claim for applicable yearly tax concessions under the NOR scheme as long as he is tax resident for that year.

I. TREATY WITHHOLDING TAX RATES

The chart shows the withholding tax rates applicable under the Singapore tax treaties that are currently in force. New treaties were signed with Albania, Ireland, Libya, Morocco, Panama and Saudi Arabia. The domestic withholding tax rate will apply if it is lower than the treaty rate.

	Dividends (%)	Interest (%)	Royalties (%)
Treaty Countries:			
Australia	15	10	10
Austria	0 (4) /10	5	5
Bahrain	0	5	5
Bangladesh	15	10	10
Belgium	5 (4) /15	0 (2) /5	5
Brunei	10	5 (2) /10	10
Bulgaria	5	5	5
Canada	15	15	15
China	5 (1) /10	7 (2) /10	10
Cyprus	0	7 (2) /10	10
Czech Republic	5	0	10
Denmark	0 (1) /5 (9) /10	10	10
Egypt	15	15	15
Estonia	5 (1) /10	10	7.5
Fiji	5 (4) /15	10	10
Finland	5 (4) /10	5	5
France	10 (4) /15	10	0
Georgia	0	0	0
Germany	5 (4) /15	8	8
Hungary	5 (1) /10	5	5
India	10 (1) /15	10 (2) /15	10 (10) /15
Indonesia	10 (1) /15	10	15
Israel	5 (4) /10	7	5
Italy	10	12.5	15 (11) /20
Japan	5 (5) /15	10	10
Kazakhstan	5 (1) /10	10	10
Kuwait	0	7	10
Latvia	5 (1) /10	10	7.5
Lithuania	5 (1) /10	10	7.5
Luxembourg	5 (4) /10	10	10
Malaysia	5 (1) /10	10	8
Malta	0 (17)	7 (2) /10	10
Mauritius	0	0	0
Mexico	0	5 (2) /15	10
Mongolia	5 (1) /10	5 (2) /10	5

	Dividends (%)	Interest (%)	Royalties (%)
Myanmar	5 (1) /10	8 (2) /10	10 (11) /15
Netherlands	0 (1) /15	10	0
New Zealand (15)	5 (4) /15	10	5
Norway	5 (1) /15	7	7
Oman	5	7	8
Pakistan	10 (6)/12.5 (6) /15	12.5	10
Papua New Guinea	15	10	10
Philippines	15 (12) /25	15	0 (13) /15 (14) /25
Poland	10	10	10
Portugal	10	10	10
Qatar	0	5	10
Romania	5	5	5
Russian Federation	5 (18) /10	7.5	7.5
Slovak Republic	5 (4) /10	0	10
Slovenia (16)	5	5	5
South Africa	5 (4) /15	0	5
South Korea	10 (1) /15	10	15
Sri Lanka	15	0 (2) /10	15
Sweden	10 (1) /15	10 (2) /15	0
Switzerland	10 (1) /15	10	5
Taiwan	– (7)	– (19)	15
Thailand	20 (1)	10 (2)/25	15
Turkey	10 (1) /15	7.5 (2) /10	10
Ukraine	5 (3) /15	10	7.5
United Arab Emirates	5	7	5
United Kingdom	5 (4) /15	10	10
Uzbekistan	5	5	8
Vietnam	5 (8) / 7 (8) /12.5	10	5 (11) /15

1 The rate applies to dividends paid to a company which holds directly at least 25% of the capital of the paying company. For the treaty with Demark, the shares must be held for an uninterrupted period of at least one year, and the dividends are declared in that period. For the treaty with Netherlands, the capital can be held indirectly.

2 The rate applies to interest received by a bank or financial institution. For the treaty with Belgium, the payer must be a banking enterprise. For the treaty with Sweden, the payer must be engaging in an industrial undertaking.

3 The rate applies to dividends paid to a company which holds directly at least 20% of the capital of the paying company.

4 The rate applies to dividends paid to a company which holds directly at least 10% of capital or voting power, as the case may be, of the paying company.

5 The rate applies to dividends paid to a company which holds directly at least 25% of the voting shares of the paying company during a six month period prior to the year-end for which the distribution of profits occur.

6 10% if the beneficial owner is a company and paid by a company engaged in an industrial undertaking. 12.5% if the beneficial owner is a company and paid by a company not engaged in an industrial undertaking.

7 The aggregate of dividend withholding tax and corporate income tax on the payer's profits cannot exceed 40% of the taxable income from which the dividends are declared.

8 5% for dividends paid to a company which contributed directly or indirectly more than 50% of the capital of the paying company or more than USD 10 million. 7% for dividends paid to a company which contributed between 25% to 50% of the capital of the paying company.

9 The rate applies to dividends received by pension fund or similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits.
10 The rate applies to royalty paid for any industrial, commercial or scientific equipment and related technical service fees.
11 The rate applies to payments of any kind received as a consideration for the use of, or the right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial or scientific experience.
12 The tax rate applies when the recipient is a company (including partnership) and during the part of the paying company's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.
13 The tax rate applies in the case of Singapore where the royalties are approved under the Economic Expansion Incentives (Relief from Income Tax) Act of Singapore.
14 The tax rate applies in the case of the Philippines where the royalties are paid by an enterprise registered with the Philippine Board of Investments and engaged in preferred areas of activities and also royalties in respect of cinematographic films or tapes for television or broadcasting.
15 The treaty with New Zealand is effective for income derived from New Zealand on or after 1 October 2010 and for income derived from Singapore on or after 1 January 2011.
16 The treaty with Slovenia is effective for income derived on or after 1 January 2011.
17 The tax on the gross amount of the dividends shall not exceed the tax chargeable on the profits or income of the company out of which the dividends are paid.
18 The lower rate applies if the beneficial owner of the dividends is a company which holds directly 15% of the capital of the company paying the dividends and has invested in it at least US$100,000 or its equivalent in other currencies.
19 The treaty is silent in respect of interest income. As such, the domestic rules will apply.

SLOVAK REPUBLIC

Currency: Euro (EUR)	Dial Code To: 421	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Prievidza	Richard Clayton Budd	46 518 38 29 budd@hzpkf.sk

A. TAXES PAYABLE

COMPANY TAX

Slovak resident companies are subject to corporate income tax on income derived from worldwide sources, while non-residents are subject to corporate income tax only on income sourced in the Slovak Republic. Since 1 January 2004 the Income Tax Act (No. 595/2003 Coll.) has, in effect, brought significant reforms favouring taxpayers.

Resident companies are those which have their legal seat or place of effective management in the Slovak Republic.

The company tax rate is 19% which is the flat rate for all persons paying tax without exception. The fiscal year is the calendar year or the business year of the taxpayer (subject to notification to the tax authorities). Tax is due and payable in a single payment if the previous tax liability was less than €1,659.70; in quarterly instalments if the previous tax liability was between €1,659.70 and €16,596.96); and in monthly instalments if the previous tax liability was over €16,596.96). Tax returns for the applicable period should be filed by 31 March of the following year, although a person may ask for a three-month extension in the case of income from inside Slovakia and a six-month extension in the case of income from outside Slovakia.

A taxpayer may, of their own accord, postpone the filing of a tax return for up to three months. If a part of the taxed income is also from sources from outside the Slovak Republic, the taxpayer may postpone filing a tax return for up to six months.

Taxpayers can donate 1.5 -2% of their paid taxes to non-profit organisations. Based on a written request, the tax authorities will provide the donated amount to the designated non-profit organisation.

There is an opportunity to inform the tax authorities in writing about any change of the tax period from the calendar year to a fiscal year.

CAPITAL GAINS TAX

There is no separate capital gains tax. Gains from sales of assets are incorporated into taxable income when determining the company's tax liability.

BRANCH PROFITS TAX

There is no separate branch profits tax in the Slovak Republic. The income of Slovak branches of foreign companies is subject to taxation in the Slovak Republic at the flat rate of 19%.

SALES TAX/VALUE ADDED TAX (VAT)

With the accession of the Slovak Republic into the European Union on 1 May 2004, the current VAT Act (No. 222/2004 Coll.) entered into effect. The Act is harmonized with similar laws in other EU Member States (based on Council Directive 2006/112/EC).

VAT is paid on the supply of goods and services within the country, the intra-Community acquisition of goods, and on the importation of goods from countries outside the EU.

The standard rate was 19% but has been temporarily raised to 20% from 1 January 2010. There is a reduced rate of 10% for medicines, books and other printed matter.

There is also a special excise tax imposed on selected commodities such as petroleum, wine, spirits, tobacco, beer, electricity, coal and natural gas.

FRINGE BENEFITS TAX

Fringe benefits (goods or services) to employees are taxed as part of their total taxable amount at a flat rate of 19%. Any tax levied on an employee is deducted by the employer.

LOCAL TAXES

The main local taxes that a municipality can levy are property tax (on land, buildings and flats), hotel tax, tax on the operation of vending machines and machines that do not offer cash prizes, as well as local fees on community waste disposal and low-value construction waste.

Self-governing regional authorities may also levy taxes on M, N and O category motor vehicles used for business purposes or for activities where the income derived is subject to income tax.

Local taxes paid are a recognised deduction from income tax.

OTHER TAXES

An annual tax is levied on the owner or beneficial owner of a building situated within the Slovak Republic. The rate of tax depends on the size, quality, type and location of the property. This tax is deductible on a cash basis for income tax purposes.

There is no inheritance tax, gift tax or real estate transfer tax levied in the Slovak Republic.

Employers pay contributions to social security and health insurance amounting to 35.2% of gross payroll shown on the pay slip up to a maximum assessment cap set by law. This tax is deductible when determining taxable income.

The rates are as follows:

Health insurance and hospitalisation	11.4%
Retirement insurance	14.0%
Disability	3.0%
Unemployment	1.0%
Accident insurance	0.8%
Others	5.0%

B. DETERMINATION OF TAXABLE INCOME

A company's taxable income is determined by ascertaining assessable income according to official accounting and then subtracting all deductions. Generally, to be deductible, expenditure must be wholly and exclusively incurred for the purposes of the business. Income that had already been withheld for tax purposes is not included in taxable income (except interest). Special additional conditions apply to deductions of some expenses. For example, special expenses defined by tax law are tax-deductible only for the period in which they are fully paid and special income (e.g. contractual penalties, late fees) is taxable only for the period in which it is received.

DEPRECIATION

The tax law prescribes the rules under which a business depreciates its assets. Property, plant and equipment are divided into four groups according to their expected useful life (periods ranging from four to 20 years). A taxpayer may choose either straight-line or accelerated (declining-balance) depreciation. The choice of method is carried out on an asset-by-asset basis and, once the method is selected, it cannot be changed. Intangible assets (capitalized development costs) can be amortised over five years from when they were expensed. Amortisation may be postponed without the taxpayer losing the right to amortise in future periods.

STOCK/INVENTORY

All trading stock on hand is valued at purchase price including any additional procurement costs incurred. Internally generated inventory must be valued on the basis of production costs. In the event that a temporary impairment in inventories is found during stocktaking, an allowance is made. Accepted valuation methods include FIFO, average acquisition costs or pre-defined (planned) prices, but not LIFO.

CAPITAL GAINS AND LOSSES

Capital gains are considered taxable income and taxed at the 19% tax rate.

Losses from the sale of stock or a share of a limited liability company are recognised as a tax deduction only up to the amount of income. There are three exceptions when the loss is fully recognised for tax purposes: a loss from the sale of specially quoted stock on an exchange; a loss from the sale of bonds to the extent of income received from the bond included in its price; and a loss from the sale of stock certified by a broker.

DIVIDENDS

In the Slovak Republic, dividends are subject to neither personal nor corporate income tax. This applies to dividends paid out in 2004 onwards.

For profits earned and not paid out as dividends prior to 2004, the undistributed profits are taxed at a rate of 19% when they are paid out or at the tax rate according to the applicable double taxation treaty. Dividends paid out by companies in a group to corporate shareholders resident in an EU Member State who have a direct holding of at least 25% of the capital is not taxed.

Note: all taxable income and dividends, starting in 2011, will be included in assessments for liability to health insurance contributions.

INTEREST DEDUCTION

Interest paid by a company is treated as an ordinary business expense. The Slovak Republic is not planning any thin-capitalisation related restrictions on deducting interest from loans.

LOSSES

Losses in a year may be carried forward and set off against profits in the subsequent seven years without requiring the losses deducted to be reinvested. The losses may be set off non-uniformly over the five-year period.

FOREIGN SOURCED INCOME

The Slovak authorities levy taxes on all foreign income received by Slovak residents and companies whose registered office is in the Slovak Republic.

INCENTIVES

Incentives for investors are governed by legislation on government subsidies (No. 231/1999 Coll., as amended), under which tax benefits may also be an incentive to invest. Specific tax benefits have to be negotiated with the Economics Ministry.

C. FOREIGN TAX RELIEF

Tax paid in a foreign country is set off against tax liabilities in the home country in accordance with double taxation treaties with the applicable country (either by a deduction or exemption).

Income earned by individuals (i.e. from wages and salaries) is exempt from taxation where proof is given that the income will be taxed abroad and where the Slovak Republic has no double taxation treaty with the other country which has taxed the income. If a double taxation treaty exists, the treaty method of exemption takes precedence.

D. CORPORATE GROUPS

There is no concept of corporate groups in the Slovak Republic. For tax purposes, profits and losses of holding and subsidiary companies may not be consolidated.

E. RELATED PARTY TRANSACTIONS

All transactions between related companies realised across borders must be conducted at an arm's length basis with the meaning of arm's length price depending upon each individual transaction. Any difference arising between the price of the actual transaction and that regarded as the arm's length price will be adjusted for tax purposes.

F. WITHHOLDING TAX

As the flat tax rate of 19% is generally applied within the Slovak Republic, this rate also applies to withholding taxes on interest and royalties. . This tax rate may be reduced to the tax rate set in the relevant double taxation treaty. There is no withholding tax on dividends.

G. EXCHANGE CONTROL

Slovakia has been using the Euro as its currency since 1 January 2009. The Foreign Exchange Act allows the Euro to be used freely to pay for business and other costs, for direct investment and reinvestment and for purchase of real estate property abroad. Also, it is legal to accept financial credit (i.e. receive loans) from companies with no registered office within the Slovak Republic but, in certain circumstances, there is a requirement to report such credit.

The Foreign Exchange Act partially restricts the ability for companies without a registered office in the Slovak Republic to acquire real property in the Slovak Republic. Capital transfers are regulated and there is a duty to report and obtain a special permit or licence from the central bank.

H. PERSONAL TAX

Personal income tax is payable by permanent residents within the Slovak Republic individually on their worldwide income. Non-residents are only subject to tax on Slovak-sourced income. If an individual spends 183 days or more of the relevant calendar year in the Slovak Republic, that person is deemed to be resident in the Slovak Republic.

Under Slovak law, employees hired under an employment contract pay contributions for social security, retirement and health insurance amounting to 13.4%. This is withheld by the employer.

The rate of contributions is as follows:

Health insurance and hospitalisation	5.4%
Retirement	4.0%
Disability	3.0%
Unemployment	1.0%

S

Different rates apply to contributions made by self-employed persons. The flat tax rate of 19% in the Slovak Republic also applies to personal taxes. The personal allowance is reduced on a sliding scale to zero when taxable income is more than 176 times the subsistence wage (in 2009 this was €31,498.92).

Tax returns for the applicable period should be filed by 31 March of the following year, although a person may ask for a three-month extension in the case of income from inside Slovakia and a six-month extension in the case of income from outside Slovakia. Provisional tax payments on income from employment are made monthly. Provisional payments on income from business operations, rental income, etc, are paid quarterly or monthly depending on the last known tax liability (between €1,659.70 and €16,596.96)/over €16,596.96)) and as a single payment if the last tax liability did not exceed €1,659.70).

Individuals can request the tax authorities to donate 2% of their Slovak personal income tax liability to an eligible Slovak non-profit organisation. The Act sets out who can receive such charitable contributions, for example, civic associations, foundations and religious organisations. These recipients must meet several conditions.

Real property tax is paid on land and buildings, with the tax rate depending on the quality of land and location of the buildings (number of citizens).

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	(1)	Interest (%)	(2) (3) (5)	Royalties (%)	(2) (4)
Non-Treaty Countries:	0		19		19	
Treaty Countries:						
Australia	0		10		10	
Austria	0		0		5/0	
Belarus	0		10/0		10/5	
Belgium	0		10/0		5/0	
Bosnia and Herzegovina	0		0		10	
Brazil	0		15/10		15/25	
Bulgaria	0		10		10	
Canada	0		10/0		10/0	
China	0		10/0		10	
Croatia	0		10		10	
Cyprus	0		10/0		5/0	
Czech Republic	0		0		10/0	
Denmark	0		0		5/0	
Estonia	0		10/0		10	
Finland	0		0		10/5/1	
France	0		0		5/0	
Germany	0		0		5	
Greece	0		10		10/0	
Hungary	0		0		10	
Iceland	0		0		10	
India	0		15/0		30	
Indonesia	0		10/0		15/10	
Ireland	0		0		10/0	
Israel	0		10/5/2	(5)	5	
Italy	0		0		5/0	
Japan	0		10/0		10/0	
Kazakhstan	0		10/0		10	
Korea	0		0/10		10/0	
Latvia	0		10/0		10	
Lithuania	0		10		10	
Libya	0		10		5	
Luxembourg	0		0		10/0	
Macedonia	0		10		10	
Malta	0		0		5	
Mexico	0		10/0		10	
Moldova	0		10		10	
Montenegro	0		10		10	
Netherlands	0		0		5	
Nigeria	0		15		15	
Norway	0		0		5/0	
Poland	0		10/0		5	
Portugal	0		10		10	
Romania	0		10/0		10/15	

	Dividends (%)	(1)	Interest (%)	(2) (3) (5)	Royalties (%)	(2) (4)
Russia	0		0		10	
Serbia	0		10		10	
Singapore	0		0		10	
Slovenia	0		10		10	
South Africa	0		0		10	
Spain	0		0		5/0	
Sri Lanka	0		10/0		10/0	
Sweden	0		0		5/0	
Switzerland	0		10		10/0	
Syria	0		10		12	
Tunisia	0		12		15/5	
Turkey	0		10/0		10	
Turkmenistan	0		10/0		10	
Ukraine	0		10		10	
United Kingdom	0		0		10/0	
United States	0		0		10/0	
Uzbekistan	0		10		10	
Vietnam	0		10		5/10/15	

1 Dividends paid out within the Slovak Republic are generally not subject to tax where paid out of profits generated from 1 January 2004 onwards.
2 Interest and royalties are tax exempt for associated companies in EU Member States in accordance with EU Directives (see Section F above).
3 The lower tax rate generally applies to interest on loans provided by the government or the central bank. It is advisable to check the applicable double taxation treaty for specific details.
4 Separate tax rates for royalties are generally applied so that the higher rate is for industrial royalties and the lower rate is for cultural royalties. It is advisable to check the applicable double taxation treaty for specific details.
5 The withholding rate is reduced to 5% if a bank or financial institution receives the interest.

SLOVENIA

Currency: Euro (EUR) | Dial Code To: 386 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Ljubljana	Marko Kolesa (Managing Director, Partner)	1 230 85 10 marko.kolesa@renoma.si
	Tomaz Lajnscek (Verified Tax Expert)	tomaz.lajnscek@renoma.si

S

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in Slovenia if it has its legal seat or place of effective management in Slovenia. Resident companies are taxed on their worldwide income. Non-resident companies are taxed on their Slovenian source income. Corporate income tax is levied on the taxable profits of private companies at a rate of 20%, with a special rate of 0% for investment funds, pension funds and insurance undertakings for pension plans under certain conditions.

A general research and development (R&D) investment incentive is given as a deduction from the tax base of 40% of the amount invested in internal R&D activities and purchase of R&D services but not exceeding the amount of the taxable base. The amount of additional deduction can be increased to 50% or 60% depending on the regional relief scheme. There is also a tax incentive – a deduction from the tax base of 30% of the amount invested in equipment and intangibles but not exceeding the amount of EUR 30,000 and only up to the amount of the taxable base. There are also further general tax incentives under certain conditions for entities that provide work for employees, trainees or disabled persons, as well as relief for donations and voluntary supplementary pension insurance.

BRANCH PROFIT TAX

Non-resident companies are subject to corporate income tax in Slovenia on business activities carried on through a permanent establishment in Slovenia.

SALES TAX/VALUE ADDED TAX (VAT)

GENERAL

All companies pay VAT except those carrying out certain defined activities, small businesses and farmers with a turnover and income below defined thresholds, and those dealing with products intended for export and international transport.

VAT is payable on all supplies of goods and services, effected by a taxable person acting as such, for consideration within the territory of Slovenia, on intra-Community acquisition, including intra-Community acquisition of new means of transport and on importation of goods. It is also imposed on the transfer of ownership of buildings or parts thereof if the transfer is made before first occupancy or within a period of two years after first occupancy.

Slovenia adopted a value added tax system in July 1999. In May 2004, when Slovenia became a member of the European Union, all provisions concerning intra-Community trade were enacted. The Slovenian VAT Act was changed with effect from 1 January 2010. The purpose of those changes was to follow the development of European VAT regulations.

TAXABLE PERSONS

A taxable person is any person who independently carries out in any location any economic activity, whatever the purpose or result of that activity. Taxable persons established abroad who perform taxable economic activity in Slovenia must also register with the Tax Administration.

A taxable person must apply for registration if the value of his supplies within the period of the last 12 months exceeds the threshold of EUR 25,000. There is a separate threshold for registration in the VAT system for agricultural activities exceeding EUR 7,500 in accordance with the cadastral income of agricultural and forestry land.

Small businesses (including farmers) may apply for voluntary registration which is valid for at least a five-year period.

RATES

There are two VAT rates applicable in Slovenia:

(1) The standard rate of 20% applies to all supplies of goods and services not specified as being subject to the reduced rate or to exemptions.

(2) The reduced rate of 8.5% applies to goods and services specifically defined by the VAT Act. These include food, medicines, the supply of medical appliances for the personal use of disabled persons, supply of water, supply of books and other printed materials, construction, renovation and supply of housing, and tickets to cultural and sports events. The list has been supplemented by new changes of VAT Act, mentioned above.

VAT ACT CHANGES WITH EFFECT FROM 1 JANUARY 2010

TAX REFUND

The tax refund must take place within 21 days of the day the taxpayer filed a tax balance to the tax authority.

THE PLACE OF SUPPLY OF SERVICES

Different rules apply to services depending on the place of the provision and type of service. From 1 January 2010, the new rules on the place of supply of services mean that business-to-business supplies of services are taxed where the buyer is situated, rather than where the seller is located. For business-to-consumer supplies of services, the place of taxation continues to be where the seller is established.

However, in certain circumstances, the general rules for supplies both to businesses and to consumers are not applicable and specific rules are applied to reflect the principle of taxation at the place of consumption. These exceptions concern services such as intermediary services; services connected with immovable property; transport services; cultural, artistic, sporting, scientific, educational, entertainment or similar services, ancillary transport services, valuations of movable tangible property or work on such property; restaurant and catering services; the hiring of means of transport, and electronic services supplied to consumers.

FOREIGN TAXABLE PERSONS VAT REFUND

Foreign taxable persons are entitled to a refund of VAT paid in the Republic of Slovenia on supplies of goods and services and upon importation of goods, if the conditions defined by law are fulfilled. The claim for a refund of VAT must be filed electronically in the claimant's own territory.

To obtain a refund of VAT in Slovenia, the taxable person established in another Member State must address an electronic refund application to Slovenia and submit it to the Member State in which he is established via the electronic portal set up by that Member State.

Minimum refund limits are as follows:

- 400 EUR or the equivalent in national currency if the refund period is between three months and less than a calendar year
- 50 EUR or the equivalent in national currency if the refund period is of a calendar year or the remainder of a calendar year.

SPECIAL SCHEME FOR FARMERS

Farmers are exempt from charging VAT if their farming income does not exceed EUR 7,500. They are not able to recover VAT incurred on their purchases, but they are allowed to charge VAT a flat rate at 8% on supplies to taxable persons and retain it.

SPECIAL CASH ACCOUNTING SCHEME

Small businesses with a taxable turnover of up to EUR 400,000 per year, exclusive of VAT, may opt for the cash accounting scheme, under which a taxable person may account for VAT on the basis of cash paid and received. Certain transactions are excluded from the scheme (i.e. exports, imports, intra-Community supplies, intra-Community acquisitions, etc.).

VAT ACT CHANGES WITH EFFECT FROM 1 JANUARY 2011

With effect from 1 January 2011 the important VAT Act changes are:

1. The place of supply of gas and electricity is where the seller is established.
2. The place of supply of some services is changed (those in the field of culture, art, sports, science, education, entertainment, fairs, exhibitions, including the sale of tickets for such purposes) if the purchaser of such service is registered as a taxpayer. If so, the place of supply of that kind of services is where the purchaser has its headquarters.
3. The tax rate for residential buildings is no more than 8.5 %, unless they are built or supplied as part of social policy.
4. Some other changes relating to post, transition of goods, joint liability etc.

FRINGE BENEFITS TAX

In principle, all fringe benefits given by employers or other persons to their employees or family members of employees in connection with employment, such as the private use of company cars, rental benefits, zero-interest loans, discounts on products and services, gifts and share options, are taxed.

LOCAL TAXES

There are no special regional or local taxes in Slovenia.

OTHER TAXES

Other taxes not covered above are:

- personal income tax
- derivative instruments gains tax
- contractual work tax
- contributions to social security insurance
- taxes on lottery winnings
- tax on gambling
- inheritance and gift tax
- property tax
- tax on vessels
- circulation tax
- tax on insurance services
- immovable property transfer tax
- customs duties
- excise duties.

B. DETERMINATION OF TAXABLE INCOME

DEPRECIATION

Depreciation costs are allowed in Slovenia. Rates applicable to the main types of assets are:

Building projects, including investment property	3%
Parts of building projects, including parts of investment property	6%
Equipment, vehicles and machinery	20%
Parts of equipment and equipment for research	33.3%
Computers and computer equipment	50%
Long-term plantations	10%
Breeding and working herds	20%
Other investments	10%

STOCK/INVENTORY AND RECEIVABLES

If the cost of stock/inventories exceeds the net realisable value, the effect of write-offs is tax deductible.

The write-off of a receivable is recognised as an expense when recorded in the business accounts. However, the amount written off must not exceed the lower of the following two amounts: the arithmetical average of the actual write-off of the last three years or the amount representing 1% of taxable revenues in the tax period.

CAPITAL GAINS AND LOSSES

Capital gains from regular income are subject to tax. Capital gains are included within the profits chargeable to corporation tax for an accounting period. Capital losses can be set against income of an accounting period when they are realised.

50% of capital gains derived on the disposal of shares are exempt where:

- the shares represent at least an 8% participation in capital or voting rights of the company
- the shares have been held for at least six months
- the company has at least one employee
- the participation is not in a company in a low tax jurisdiction (where the nominal tax rate is less than 12.5%).

DIVIDENDS

Companies paying dividends withhold tax at a rate of 15% on each dividend distributed to residents and non-residents of Slovenia. If international treaties on the avoidance of double taxation stipulate a tax rate lower than 15%, the tax rate from the treaty applies. No withholding tax applies where a resident taxpayer notifies the payer of its tax number or if a non-resident taxpayer with activities in a business unit in Slovenia notifies the payer of its tax number. No tax is withheld from payments of dividends and similar income distributed to companies resident in the EU with at least 10% equity stake which has been held for at least 24 months prior to the dividend payment.

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding the Principality of Liechtenstein) if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar applies to payments of dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds.

INTEREST DEDUCTIONS

Interest paid on borrowed money is treated as a regular financial expense and can be set against income arising in the same accounting period. Thin capitalisation rules apply to loan finance received from shareholders who have at least a 25% participation in the company unless the taxpayer can demonstrate that the loan finance would have been provided on the same terms by a non-related entity. These rules prescribe a maximum debt to equity ratio of 6:1 in 2008 to 2010, 5:1 in 2011 and 4:1 from 2012.

LOSSES

Losses are calculated as the surplus of expenses over revenues defined by the Corporate Income Tax Act. Losses may be offset against taxable profits in the following years. Losses may be carried forward undefined but the carry back of losses is not permitted.

The tax base may be decreased by the amount of loss from previous tax periods up to a maximum of tax base and unutilised tax losses can be carried forward into the following tax period for an unlimited period of time (this exception does not apply if more than 50% ownership of the capital has changed in this tax period).

FOREIGN SOURCE INCOME

Slovenia has no special rules that apply to foreign source income. All legal persons carrying out commercial activities and having their head offices in Slovenia or having their place of effective management in Slovenia (partnerships and other corporate forms, investment funds, banks, insurance companies, co-operative enterprises, public enterprises and other legal persons) are subject to corporate income tax. Non-residents (legal persons who do not have their headquarters in Slovenia or their place of effective management in Slovenia) are subject to corporate income tax to the extent that their income has its source in Slovenia.

INCENTIVES

A tax relief of 45% of eligible salary payments (subject to a maximum of the employer's tax base) is granted to a taxpayer who employs a person under the age of 26 or a person above the age of 55 who has registered as unemployed with the Employment Service of the Republic of Slovenia for at least six months and has not been employed with this taxpayer or his/her associated enterprise for the last 24 months.

There are further general tax incentivesavailable to entities that provide work for apprentices or disabled persons. A taxpayer who employs disabled persons under the Act regulating the vocational rehabilitation and employment of disabled persons may claim a tax deduction equal to 50% of the salaries of such persons but not exceeding the amount of the taxable base, while a taxpayer that employs disabled persons with a severe physical or hearing disability may claim a reduction in the taxable base in the amount of 70% of the salaries of such persons but not exceeding the amount of the taxable base. A taxpayer who employs disabled persons above the prescribed quota, their disability not being the consequence of a workplace injury or occupational disease at the same employer, may claim a reduction in the taxable base in the amount of 70% of the salaries of such persons but not exceeding the amount of the taxable base.

If a taxpayer under a teaching agreement employs an apprentice or student to perform practical work in professional education, the taxpayer may claim a reduction in the taxable base in the amount of the salary paid but not exceeding 20% of the average monthly salary in Slovenia for each month of performing practical work and each individual person who takes part in such professional education.

A taxpayer may claim a reduction in the taxable base for amounts paid in cash and in kind for humanitarian, disabled, charitable, scientific, educational, medical, sports, cultural, ecological and religious purposes;and for payments made to residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) who are established under special regulations for the performance of such activities and up to an amount equivalent to 0.3% of the taxpayer's taxable revenue in the current tax period.

A taxpayer may also claim a reduction in the taxable base for amounts paid in cash and in kind to political parties up to an amount equivalent to three times the average monthly salary per employee of the taxpayer in the current tax period. The cumulative amount of relief granted may not exceed the amount of the taxable base. An additional reduction of 0.2% of the taxpayer's taxable revenue is granted for amounts paid in cash and in kind for cultural purposes and voluntary societies incorporated for protection from natural and other disasters who work in the public interest and are residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) and are established under special regulations for the performance of such activities.

Relief for voluntary supplementary pension insurance up to 24% of the compulsory contributions for pension and disability insurance for an insured employee but no more than EUR 2,390 annually per employee may apply under certain conditions.

Additional tax incentives for eligible costs for initial investments and employment costs are given to companies which operate in economic zone (for details see in the section on economic zones).

C. FOREIGN TAX RELIEF

Relief for double taxation is provided by means of credit for overseas tax suffered on overseas income. The credit is the lower of the foreign tax paid and the Slovenian tax on the income concerned.

D. CORPORATE GROUPS

Groups cannot be taxed as a single entity in Slovenia.

E. RELATED PARTY TRANSACTIONS

Transactions of Slovenian resident companies with non-resident companies must be carried out on an arm's length basis or adjustments are required for tax purposes. The rules also apply to transactions between Slovenian resident companies with which they are related where one is in a tax-advantageous position (e.g. through losses brought forward from an earlier period). Companies are related by virtue of a 25% participation of one in the other or a common 25% participation by a third company.

F. WITHHOLDING TAX

A company paying dividends withholds tax at a rate of 15% on each distributed dividend to residents and non-residents of Slovenia but this may be reduced under the terms of a relevant double taxation treaty. No withholding tax is payable on dividends distributed to persons where a common system of taxation applies (broadly where the payee has at least 10% equity in the payor, with shares having been held for at least 24 months prior to the payment) or where the recipient is resident in another EU or EEA member state (provided that the withholding tax cannot be credited in the recipient's residence state).

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding the Principality of Liechtenstein) if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar applies to payments of dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds.

Withholding tax is charged in respect of payments to resident and non-resident persons by a resident of the Republic of Slovenia. This applies to dividends and similar incomes, except for dividends and similar incomes distributed through a business unit of non-residents that is located in the Republic of Slovenia:

- interest (with some exceptions such as interest on loans taken out by the Republic of Slovenia or any interest paid by a bank to a non-resident, except inter-bank interest)
- payments for using or for the right to use copyrights, patents, licences, trademarks and other owners' rights and other similar incomes
- payments for real estate leases
- payments for the services of contractors and athletes if these payments belong to another person (for example a society where they perform the service)
- payments for services to non-EU resident companies suffering tax at a rate less than 12.5%.

Withholding tax is not required on payments to:

- the Republic of Slovenia, a self-governing local unit in Slovenia or the Bank of Slovenia
- a taxable person who has informed the income payer of their tax number
- a non-resident taxable person who is obliged to pay the income tax which they generate through activities in a business unit or via a business unit in the Republic of Slovenia and who has informed the income payer of their tax number.

The domestic tax rate is 15% in all cases. Double tax treaties may apply which reduce the rate applicable.

G. EXCHANGE CONTROLS

There are no exchange controls in Slovenia.

H. PERSONAL TAX

PERSONAL INCOME TAX

Personal income tax is levied on six categories of income:

- income from employment
- business income
- income from basic agriculture and forestry
- income from rents and royalties
- income from capital
- other income accruing to persons liable to tax in the Republic of Slovenia.

Residents are liable to income tax on their worldwide income (i.e. income derived in Slovenia as well as abroad). Non-residents are liable to income tax on income derived in Slovenia.

An individual, regardless of his nationality, is a resident in Slovenia for personal income tax purposes if he has a formal residential tie with Slovenia (i.e. has permanent residence in Slovenia, is a Slovenian public employee employed abroad or was a Slovenian resident but is currently employed in an EU institution). A person who is present for more than 183 days in a taxable year in Slovenia is deemed to be resident there in that tax year.

Each individual is treated as a separate taxpayer. There is no taxation of spouses or a family as a whole. The tax year is the calendar year.

Tax on income from capital (on interest, dividends and capital gains) is paid according to a flat income tax rate. Any such tax payment is treated as a final tax for residents and non-residents alike. Tax rates are the following:

- interest: 20%
- dividends: 20%
- capital gains: 20% for a holding period of up to five years, 15% for a holding period from five to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years, and 0% for a holding period greater than 20 years.

Income tax on other categories of income (income from employment, business income, income from basic agriculture and forestry, rental income, royalties and other income hereinafter referred to as active income) is paid during the tax year in the form of advance tax payments. The rate for advance tax payment is prescribed by the Personal Income Tax Act. Any such advance tax payment of a non-resident is treated as a final tax while, in the case of a resident, it is treated as a prepayment of tax. The tax schedule for the year 2010 is as follows:

Taxable income (EUR)	Tax on lower amount (EUR)	Rate on excess
0 to 7,528.99	0	16%
7,528.99 to 15,057.96	1,204.64	27%
15,057.96 and over	3,237.46	41%

The tax schedule for the year 2011 is as follows:

Taxable income (EUR)	Tax on lower amount (EUR)	Rate on excess
0 to 7,634,40	0	16%
7,634,40 to 15,268,77	1,221,50	27%
15,268,77 and over	3,282,78	41%

Advance tax payments are deductible from the annual active income tax liability of a resident, and any difference is collected upon receipt of an assessment from the tax authorities.

The Tax Administration is obliged to generate an annual tax return from its own information, to assess the tax and submit the return to the taxpayer. If the taxpayer does not dispute the tax assessment, the tax will be due (the difference between the total tax payable and the total amount of tax paid in advance) within 45 days of the day the tax assessment is submitted.

When the total sum of advance payments exceeds the annual tax payable, a refund will be provided within the same time limit. If the tax assessment has not been submitted to the taxpayer by the end of May, then the taxpayer is obliged to file an annual income tax return by the end of June. Then the tax liability of the taxpayer will be calculated by the Tax Administration. The Tax Administration is obliged to issue a written order before 31 October of the same year. The tax due (the difference between the total tax payable and the total amount of tax paid in advance) must be paid within 30 days of the day the written order is submitted. When the total sum of advance payments exceeds the annual tax payable, a refund is provided within the same time limit.

Notwithstanding this, no annual tax return is required for:

– taxpayers whose annual taxable base does not exceed the amount of the general allowance (EUR 3,100.17 in 2010); and
– taxpayers whose only income is a pension, who during the taxable year have not paid an advance tax and have not claimed an allowance for dependent family members, and whose additional income does not exceed EUR 80.

These taxpayers may opt, whether to file a tax return or not.

Taxpayers who are liable to tax on business income are obliged to submit their income tax declarations on business income to the local Tax Administration office by 31 March of the following year.

All taxpayers (except for basic agricultural and forestry activity) must keep records of their income.

They are obliged to keep records for at least five years from the year to which they relate.

To avoid double taxation of income, Slovenia has concluded a considerable number of double taxation conventions.

EXEMPTIONS

There are a number of exemptions within each category of income which are defined by the Personal Income Tax Act.

ALLOWANCES AND DEDUCTIONS

Allowances and deductions that reduce the aggregated taxable base for a resident taxpayer on an annual level for 2010 include:

Allowances that reduce the aggregated taxable base (deductions) for a resident taxpayer on an annual level include (for the year 2010):

General allowance:
- EUR 6,120.00 for residents with active income up to EUR 10,200.00;
- EUR 4,147.67 for residents with active income between EUR 10,200.00 and EUR 11,800.00;
- EUR 3,100.17 for residents with active income more than EUR 11,800.00.

Allowances that reduce the aggregated taxable base (deductions) for a resident taxpayer on an annual level include (for the year 2011):

General allowance:
- EUR 6,205,68 for residents with active income up to EUR 10.342,80;
- EUR 4,205,74 for residents with active income between EUR 10,342,80 and EUR 11,965,20;
- EUR 3,143.57 for residents with active income more than EUR 11,965,20.

Personal allowances (for the year 2010):
- Disabled person's allowance: EUR 16,575.94 if the resident is a disabled person
- Seniority allowance: EUR 1,334.18 for a resident older than 65 years of age
- Independent artists, journalists and sportsmen: a special deduction of 15% of their revenues (up to EUR 25,000.00 of revenues)
- Student allowance: EUR 3,100.17 for income earned by pupils or students for temporary work done on the basis of a referral issued by a special organisation dealing with job-matching services for pupils and students.

Family allowances (for the year 2010): granted to residents who are supporting their family members, as follows:
- EUR 2,287.48 for the first dependent child; for each subsequent dependent child this amount is increased
- EUR 8,288.52 for a dependent child who requires special care
- EUR 2,287.48 for any other dependent family member.

Special deduction for voluntary additional pension insurance payments:
- Premiums paid by a resident to the provider of a pension plan based in Slovenia or in an EU Member State according to a pension plan that is approved and entered into a special register but limited to a sum equal to 24% of the compulsory contribution for compulsory pension and disability insurance for the taxpayer, or 5.844% of the taxpayer's pension, and no more than EUR 2,646.21 annually.

Pensioners and working disabled persons are entitled to a tax credit in the amount of 13.5% of the pension/compensation received from compulsory pension and disability insurance.

Self-employed persons may claim additional allowances:
- allowance for investment
- allowance for investment in research and development
- allowance for employing disabled persons
- allowance for donations.

An individual who is a resident of another EU Member State and derives income from employment, business income, income from agriculture, rental income, royalties or other income in Slovenia may claim a general allowance, seniority allowance or family allowance if the individual can attest that the above-stated income derived in Slovenia amounts to at least 90% of his/her entire taxable income for the tax year, and that this income is not taxed in the country of his/her residence. A non-resident claiming such allowances is obliged to file the same annual active income tax return that applies to residents.

DIRECT TAXES ON PROPERTY
INHERITANCE AND GIFT TAX

Inheritance and gift tax applies to transfers of property. The tax is paid by individuals or legal persons of private law receiving property in the form of inheritance or gifts.

Taxpayers are divided into four categories according to their relationship with the deceased or donor as follows:

- Class I: all direct descendants and spouses
- Class II: parents, siblings and their descendants
- Class III: grandparents
- Class IV: others.

The tax base of inherited or given property is the value after deduction of debts and other liabilities.

For real estate this value is set at 80% of gross appraisal value. For movable property, except money, this value is set as market value.

Exemptions to the inheritance and gift tax include:

- individuals classified under Class I
- taxpayers who inherit a house or apartment and who own only one house or apartment themselves and have lived in the same house as the decedent
- farmers who inherit agricultural land or an entire farm
- and legal persons of private law, established for religious, humanitarian, educational, cultural, charitable and certain other activities.

Movable property up to a value of EUR 5,000 is also exempt from taxation.

The tax is levied progressively depending on the value of the property and the category under which the relation to the deceased or donor is classified. Table 4 presents the tax rates.

Inheritance and gift tax rates are as follows:

Tax rate ranges	
Class II	5% to 14%
Class III	8% to 17%
Class IV	12% to 39%

Taxpayers must declare their liability to the local tax authority within 15 days of receiving a gift. The assessment of inheritance tax is made according to the inheritance decision sent by the court to the tax authority. The tax is payable within 30 days of the assessment being issued.

PROPERTY TAX
CHARGE FOR THE USE OF BUILDING LAND

A charge is levied on vacant land (but on which building is planned) and land on which buildings have already been constructed, held by legal persons and individuals. The charge is set by local communities. For vacant land, this is based on the area of thebuilding planned to be built. For ‘occupied’ land it is based on the useful area of the residential house or business premises thereon.

Exemptions are available for land and buildings used by the Army, churches, embassies and international organizations, for temporary or new buildings or apartments for five years, partial or full exemption for people with low incomes, building land planned for public infrastructure (health, social security, schools, culture, science, sport and public administration, etc.) and developed building land under public infrastructure.

The tax authority assesses the charge by 31 March for the present year. Tax is paid in instalments for the year in advance.

REAL PROPERTY TAX

Real property tax is levied on premises such as buildings and parts of buildings, including apartments, garages and secondary homes.

The taxpayer is the individual who is the actual or beneficial owner of the premises.

The taxable base for premises is the value ascertained according to special criteria issued by the government and local communities.

The tax rate for premises depends of the type of property and its value. The tax rate for dwellings varies from 0.10% to 1% of the value. The tax rates on premises used for rest and recreation are in the range of 0.20% to 1.50%. The tax rate for business premises varies from 0.15% to 1.25%. For business premises that are not used for attendant activities or are not rented, the tax rate is increased by 50%.

Exemptions to the real property tax include:
– buildings of less than 160 square metres
– buildings used for agricultural purposes
– business premises used by the owner or user for business activity
– cultural or historical monuments.

In addition, there is a temporary exemption for 10 years to taxpayers who own a newly constructed building or repaired or renovated buildings, if the value of these buildings has increased by more than 50% as a result of renovation .

Wheremore than three family members live in the owner's house, the tax decreases by 10% for the fourth and every additional family member.

The tax is assessed by the tax authorities by 31 March for the present year. Tax is paid in instalments for the year in advance. Tax is payable within 45 days of the assessment being issued.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

LIST OF DOUBLE TAXATION CONVENTIONS CURRENTLY IN FORCE AT 1 JANUARY 2011

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	15	15	15
Albania	10/5	7	7
Austria	15/5	5	5
Belgium	15/5	10	5
Bosnia-Herzegovina	10/5	7	5
Bulgaria	10/5	5	5/10
Canada	15/5	10	10
China	5	10	10
Croatia	5	5	5
Cyprus	10	10	10
Czech Republic	15/5	5	10
Denmark	15/5	5	5
Estonia	15/5	10	10
Finland	15/5	5	5
France	15/0	5	5
Germany	15/5	5	5
Greece	10	10	10
Hungary	15/5	5	5
India	15/5	10	10
Ireland	15/5	5	5
Israel	5/10/15	5	5
Italy	5/15	10	5
Korea, Republic of	15/5	5	5

S

	Dividends (%)	Interest (%)	Royalties (%)
Latvia	15/5	10	10
Lithuania	15/5	10	10
Luxembourg	15/5	5	5
Macedonia	15/5	10	10
Malta	15/5	5	5
Moldova	10/5	5	5
Montenegro	10/5	10	5/10
The Netherlands	15/5	5	5
Norway	15/0	5	5
Poland	15/5	10	10
Portugal	15/5	10	5
Romania	5	5	5
Russia	10	10	10
Singapore	5	5	5
Serbia	10/5	10	5/10
Slovak Republic	15/5	10	10
Spain	15/5	5	5
Sweden	15/5	0	0
Switzerland	15/5	5	5
Thailand	10	10/15	10/15
Turkey	10	10	10
Ukraine	5/15	5	5/10
United Kingdom	15/0	5	5
United States	15/5	5	5

New conventions have been ratified with Qatar, Kuwait and Egypt but are not yet effective.

SOUTH AFRICA

Currency: Rand (R) | Dial Code To: 27 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Johannesburg	Eugene du Plessis	011 384 8116 eugene.duplessis@pkf.co.za
Cape Town	Mike Betts	021 405 5340 mike.betts@pkf.co.za
Durban	Paul Gering	031 573 5000 paul.gering@pkf.co.za

S

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A company is resident in South Africa (SA) if it is incorporated, formed or established in South Africa or has its place of effective management (day to day management) in South Africa.

Subject to certain limited exemptions, South African resident companies and close corporations (companies) are taxed on their worldwide income – including foreign dividends (domestic dividends received being exempt from tax). Furthermore, and again subject to certain exemptions, the international ‘anti-avoidance’ practice of taxing income earned by Controlled Foreign Entities (CFCs) applies to South African residents.

Normal tax is payable by South African companies on their worldwide taxable income at the rate of 28%. The tax is payable by both public and private companies as well as close corporations.

Small business corporations are close corporations and private companies with only natural persons as shareholders, gross income of less than R14 million during a year of assessment, and where not more than 20% of its gross income consists of investment income or income from the rendering of a personal service. These corporations qualify for taxation at the following rates of tax:

Taxable income	Rates of tax
R0 – 57,000	Nil
R57,001 – R300,000	10% of the amount over R57,000
R300,001 +	R24,300 + 28% of the amount over R300,000

Life assurers are taxed according to the four fund approach. The taxable income of what is known as The Individual Policyholder Fund is taxed at 30%. The Company Policyholder Fund and The Corporate Fund are taxed at 28%. Retirement Fund's receipts and accruals are exempt from tax.

Mining companies are, in addition to their specific corporate rates of tax, subject to a royalty calculated on the gross sales relating to the transfer of mineral resources. The royalty is calculated in terms of a specific formula and depending on whether refined or unrefined minerals are transferred can range from 0.5% to 7%.

TRUSTS

South African trusts pay tax at a flat rate of 40% on each Rand of taxable income. Notwithstanding the aforementioned, special provisions apply to testamentary trusts (for so long as the beneficiaries remain minors under the age of 21 years) and trusts created for the benefit of mentally or physically challenged persons. These trusts pay tax at rates applicable to resident individuals.

Founders and donors of trusts may be taxed on income earned by the trust in terms of certain attribution rules (deeming provisions). The same can apply to beneficiaries of non-resident trusts in certain circumstances.

CAPITAL GAINS TAX (CGT)

CGT was introduced with effect from 1 October 2001. South African residents are taxed on their worldwide assets while non-residents are only subject to CGT on any direct or indirect interest or right in or to immovable property situated in SA, and assets of a permanent establishment through which they carry on a trade in SA.

CGT is triggered on the disposal or deemed disposal of an asset which includes but is not limited to any event, act, forbearance or operation of law that results in the creation, variation, transfer or extinction of an asset.

A noteworthy deemed disposal arises on emigration from SA or termination of SA tax residence.

CGT not only affects assets purchased and sold after 1 October 2001 but it also impacts on assets acquired prior to this date and disposed of thereafter. In the case of assets acquired prior to 1 October 2001 and disposed of subsequent thereto, the gain is calculated based on the growth in value after 1 October 2001 which, of necessity, has resulted in legislation providing for complex alternatives to determine the gain at the time of disposal.

Strictly speaking, CGT is not a tax in its own right but rather forms an integral part of South Africa's income tax legislation. In short, subject to any exclusions and exemptions, a taxable gain is calculated by taking the difference between the proceeds received on disposal of the asset and the base cost and then multiplying this amount by an inclusion factor (which varies depending on the nature of the taxpayer). The resultant sum is then added to the taxpayer's normal taxable income and taxed accordingly. A capital loss results where the base costs exceed the proceeds on disposal. Capital losses are however ring-fenced and may not be set off against a taxpayer's taxable income from revenue sources but is carried forward for set off against any capital gains arising in subsequent years of assessment.

A summary of some of the more relevant inclusion rates and effective rates are set out below:

Nature of taxpayer	Inclusion rate	Maximum tax rate	Effective rate
Company/close corporation	50%	28%	14%
Natural person	25%	40%	0% to10%
Trust	50%	40%	20%

BRANCH PROFITS TAX

Where a branch of a foreign company operates in South Africa, a branch profits tax at the rate of 33% of taxable income applies. However, such companies are exempt from STC.

SECONDARY TAX ON COMPANIES (STC)

Although dividends are currently exempt from tax in the recipient's hands, STC is charged at the rate of 10% on a company declaring a dividend. STC is payable by the company over and above the normal tax imposed on companies. Dividends received, which have already been subject to STC, can be set off against the dividend declared and STC is payable on the net dividend. Only certain exempt foreign dividends will qualify as dividends accrued for purposes of the determination of STC.

STC is expected to be replaced by a dividend withholding tax. The effective date of this change over is not known yet. The tax implications of the proposed change to a withholding tax regime is that a company declaring a dividend would no longer be liable for STC but would be obliged to withhold tax on behalf of shareholders who are entitled to the dividends. This is in line with international tax practices and it provides non-resident shareholders with an option to be able to claim tax credits on taxes withheld in accordance with double taxation agreements.

VALUE ADDED TAX (VAT)

VAT is imposed on all goods and services supplied by a vendor at 14%. Exports are zero-rated and very few exemptions exist.

FRINGE BENEFIT TAX

Employees are taxed on the value of fringe benefits as determined in accordance with a separate schedule to the Income Tax Act.

DONATIONS TAX

Subject to certain exemptions, donations tax is levied at the rate of 20% on the value of any property disposed of under any donation (or deemed donation) made by a natural person, company, municipality or trust resident for tax purposes in South Africa.

SECURITIES TRANSFER TAX

With effect from 1 July 2008, Securities transfer tax is levied on every transfer of a security. A security in essence means any share in a company, member's interest in a close corporation or any right or entitlement to receive any distribution from a company or close corporation.

Only securities issued by companies incorporated, established or formed inside the Republic and companies incorporated, established or formed outside the Republic, which are listed on a South African exchange, are taxable. The tax rate is 0.25% and is applied to the taxable amount in respect of any transfer of a security.

TRANSFER DUTY

Transfer duty is imposed on the transfer of immovable property.

Where the property is purchased by resident individuals, the following rates apply:

On the first R500,000	0%
For R500,000 to R1,000,000	5% on the value above R500,000
R1,000,001 and above	R25,000 + 8% on the value above R1,000,000

S

Transfer duty is payable by companies, close corporations or trusts at a flat rate of 8%.

OTHER TAXES

These include, amongst others, customs & excise duties, and skills development levies.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by deducting expenditure incurred in the production of income and other allowable expenses and allowances from the company's income. Capital receipts are subject to CGT with effect from 1 October 2001.

Allowances/plant, machinery and equipment used in manufacture.

Asset Type	Conditions for annual allowance	Annual Allowance
Industrial buildings or improvements	Construction of buildings or improvements on or after 1 January 1989, provided building is used wholly or mainly for carrying on process of manufacture or similar.	5% of cost (previously 2%) (Note 3)
	Construction of buildings or improvements on or after 1 July 1996 to 10 September 1999 and the buildings or improvements are bought into use before 31 March 2000 and used in the process of manufacture or similar process.	10% of cost (Note 3)
New commercial buildings (other than residential accommodation) (Note 1)	Any cost incurred in erecting any new and unused building, or improving an existing building on or after 1 April 2007 wholly or mainly used for the purpose of producing income in the course of trade	5% of cost
Building in an Urban Development Zone	Costs incurred in erecting or extending a building in respect of demolishing, excavating the land, or to provide water, power or parking, drainage or security, waste disposal or access to the building improvement to existing buildings	20% in first year 8% in each of the 10 subsequent years
Hotel Buildings	Construction of buildings or improvements, provided used in trade as hotelkeeper.	5% of cost
	Refurbishments (Note 2) which commenced on or after 17 March 1993	20% of cost
Hotel equipment	Machinery, implements, utensils or articles bought into use on or after 16 December 1989	20% of cost
Aircraft	Acquired on or after 1 April 1995	20% of cost (Note 3)
Farming equipment	Machinery, implements, utensils or articles (other than livestock) bought into use on or after 1 July 1988. Biodiesel plant and machinery bought into use after 1 April 2003.	50% in first year 30% in second year 20% in third year
Ships	South African registered ships used for prospecting, mining or as a foreign-going ship, acquired on or after 1 April 1995	20% of cost (Note 3)
Plant and Machinery	New and unused manufacturing assets acquired on or after 1 March 2002 will be subject to wear and tear allowances over 4 years	40% in first year 20% in each of the 3 subsequent years (Note 4)
Plant and Machinery (small business corporations only)	New and unused plant and machinery bought into use on or after 1 April 2001 and used by the taxpayer directly in the process of manufacture	100% of cost
Non-manufacturing assets (small business corporation only)	Acquired on or after 1 April 2005	50% in first year 30% in second year 20% in third year
Licences	Expenditure, other than for infrastructure to acquire a license from government body to carry on telecommunication services, exploration, production or distribution of petroleum or the provision of gambling facilities.	Evenly over the period of the licence, subject to a maximum of 30 years
Communication lines and cables	Acquiring electronic communication lines or cables for direct joint ownership Premium in respect of an indefeasible right of use (IRU)	5% of cost Period of use (IRU must have a legal term of at least 20 years)
Environmental treatment and recycling asset and improvements	Any new and unused air, water and solid waste treatment and recycling plant or pollution control and monitoring equipment used in the course of the taxpayer's trade and required by law of the Republic	40% in first year 20% in each of the three subsequent years

S

Asset Type	Conditions for annual allowance	Annual Allowance
Environmental waste disposal asset and improvements thereto	Any new and unused air, water, and solid waste disposal site, dam, dump, reservoir, or other structure of a similar nature of a permanent nature, used in the course of the taxpayer's trade and required by the law of the Republic	5% of cost

Notes:
1. Allowances available to owners as users of the building or as lessors/financiers
2. Refurbishment is defined as any work undertaken within the existing building framework
3. Recoupment of allowances can be deducted from the cost of the replacement asset
4. Where plant and machinery is used in a process of manufacture or similar process, the taxpayer is obliged to make use of the allowances and not the wear and tear rates.
5. Where assets have been acquired from connected persons, the cost on which the allowance is based may be limited, generally to the lesser of the original cost to the seller or the market value.

CERTIFIED EMISSION REDUCTIONS
Income received by a person disposing of credit emission reductions (CERs) emanating from Clean Development Mechanism (CDM) projects as envisaged in the Kyoto Protocol, will be wholly exempt from income tax and capital gains tax. This exemption includes "in specie" distributions and applies in respect of CERs disposals on or after 11 February 2009.

As CERs will, by default, be exported, they will be zero rated for VAT purposes.

ENERGY EFFICIENCY
In an effort to incentivise energy usage efficiency taxpayers are entitled to claim a notional allowance for energy efficiency savings from activities conducted in the production of income.

The allowance will be based on the following formula:
- Energy Efficiency Savings (expressed in kilowatt hours) x Applied Rate (lowest feed-in tariff (Rand per kilowatt hour) as determined by the National Energy Regulator) divided by two.

The allowance will become effective for years of assessment ending on or after 1 January 2010 and will expire on 1 January 2020.

STOCK INVENTORY
All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year ranks as a deduction. Trading stock is valued at the lesser of cost or net realisable value. Consumable stores and work-in-progress on hand constitute trading stock. The LIFO method of valuing trading stock is not permitted in respect of years of assessment commencing on or after 1 July 2000.

RESEARCH AND DEVELOPMENT EXPENDITURE (R&D)
Expenditure of a revenue nature incurred to undertake research and development activities in South Africa is deductible at a rate of 150% of the amount incurred. An allowance on capital expenditure, for example buildings, parts, plant and machinery, implements, utensils and articles, bought into use for the first time, allows a 50%/30%/20% allowance if such assets are used for research and development activities.

INTELLECTUAL PROPERTY
Where the expenditure was incurred before 29 October 1999, the deduction is allowed over the number of years of the duration of use or 4% of the expenditure, whichever is greater.

Where the expenditure was incurred on or after 29 October 1999 and exceeds R5,000, the annual deduction is limited to:
- 5% of the expenditure in the case of an invention, patent, copyright, knowledge or other property of a similar nature
- 10% of the expenditure in the case of a design or other property of a similar nature.

No allowance is allowed in respect of any expenditure incurred on or after 29 October 1999 in respect of the acquisition of any trademark or property of a similar nature.
Interest and finance charges

Interest incurred in the production of income is a deductible expense. Where the loan or instrument in respect of which interest is incurred complies with certain requirements, such interest is deemed to be incurred on a day-to-day basis. Pre-production interest incurred in respect of the acquisition, construction, erection or installation of certain specified capital assets, is deductible in the year in which the asset is brought into use.

TAX LOSSES
Subject to certain anti-avoidance provisions, tax losses are carried forward to the following year provided the trading activity is perpetuated.

INTEREST RECEIVED
Interest received (or accrued) is included in gross income. Where the loan or instrument in respect of which interest is received complies with certain requirements, such interest is deemed to accrue on a day-to-day basis.

FOREIGN SOURCED INCOME
South African resident individuals and corporates are subject to tax in South Africa on their worldwide income.

However, this general principle may be overridden by the provisions of a double taxation agreement or certain unilateral relief provisions contained in South African tax legislation.

INCENTIVES
The Department of Trade and Industry provides an additional industrial investment allowance for qualifying industrial assets and projects. No tax holiday scheme is in force.

REGIONAL HEADQUARTER COMPANY AND INVESTMENT FUND REGIMES
A headquarter company regime applies from years of assessment commencing on or after 1 January 2011. The main advantages for qualifying holding companies are that:

- Its subsidiaries are not treated as controlled foreign corporations
- Dividends declared are not subject to STC or the proposed dividend withholding tax
- No application of thin capitalisation rules because of the existence of back-to-back cross border loans; and
- Exemption from the pending withholding tax on interest in respect to back to back loans.

A regional investment fund regime also applies from years of assessment commencing on or after 1 January 2011. Qualifying foreign investors will be regarded as passive investors with no exposure to South African tax because of the use of a South African portfolio manager.

C. FOREIGN TAX RELIEF

Tax credits are granted in respect of foreign taxes paid in accordance with unilateral provisions contained in the Income Tax Act and numerous Double Tax Agreements.

D. CORPORATE GROUPS

Group taxation is not applicable. However, corporate rules exist which provide relief in respect of transactions between group companies and between founding shareholders and their company. The relief provisions deal with the following transactions:

- asset-for-share transactions
- intra-group transactions
- unbundling transactions
- transactions relating to liquidation, winding-up or deregistration
- amalgamation transactions.

Briefly, the corporate rules provide for the following tax relief in respect of the above mentioned transactions, provided certain requirements are met:

- CGT
- STC
- Securities transfer tax
- Stamp duty
- Income tax, specifically with respect to capital allowances claimed, recovery of capital allowances and the transfer of trading stock
- Transfer duty
- VAT.

E. RELATED PARTY TRANSACTIONS

The Commissioner for the South African Revenue Services is empowered to make adjustments to non-arm's length cross-border transactions and thin capitalisations between connected parties. There are also limitations on certain deductions and allowances on transactions between connected parties.

F. WITHHOLDING TAXES

Royalty and similar income are subject to withholding taxes at source.

South Africa does not currently impose withholding taxes on dividends or interest earned by non-residents. A dividend withholding tax regime is expected to be implemented in 2011 to replace the existing STC regime.

A 10% withholding tax on interest accrued to non-residents is to be imposed from 1 January 2013. Notable exclusions will include so-called portfolio debt capital, i.e government bonds, listed securities, debts owing by local banks, domestic brokerage accounts, etc, international bank finance, interest paid by foreign payers and interest paid by a headquarter company.

G. EXCHANGE CONTROL

Subject to certain limited exclusions, South African residents are subject to exchange controls. Non-residents are excluded from the ambit of exchange controls.

H. PERSONAL TAX

As a result of the change from a source-based system of taxation to a resident-basis of taxation, South African resident individuals are, save for certain exclusions, subject to tax on their worldwide income irrespective of the source of the income.

Non-resident individuals, subject to certain exclusions, are subject to tax on their South African source- based income only.

A natural person will be regarded as a resident for tax purposes if he is ordinarily resident in South Africa or where the person is not ordinarily resident in South Africa but spends more than a certain number of days in South Africa (the physical presence test).

The income tax rates applicable to natural persons for the tax year ending 28 February 2011 are:

R0 – R140,000	18% of each R1
R140,001 – R221,000	R25,200 + 25% of the amount over R140,000
R221,001 – R305,000	R45,450 + 30% of the amount over R221,000
R305,001 – R431,000	R70,650 + 35% of the amount over R305,000
R431,001 – R552,000	R114,750 + 38% of the amount over R431,000
R552,001 +	R160,730 + 40% of the amount over R552,000

DEEMED EMPLOYEES

Labour brokers and personal service providers are regarded as deemed employees. A labour broker is a natural person who, for reward, provides a client with other persons to render a service for the client or procures such other persons for the client and remunerates such person. A personal service provider is a company or trust where any service rendered on behalf of the entity to its client is rendered personally by any person who is a connected person in relation to such entity and certain provisions are met.

S

A labour broker not in possession of an exemption certificate will be subject to PAYE at the rate applicable to individual taxpayers. A personal service provider will be subject to PAYE at a rate of 33% in the case of a company and 40% in the case of a trust. Deductions available to deemed employees will be limited to remuneration for services rendered, contributions to pension and provident funds, legal expenses, bad debts, rent , finance charges, insurance, repairs and maintenance and fuel, incurred wholly and exclusively for trade.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Royalties paid from South Africa to a non-resident are subject to a withholding tax at a flat rate of 12% unless a Double Taxation Agreement (DTA) provides relief in respect of such royalties and know-how withholding taxes.

	Royalties (%)
Non-Treaty Countries:	12
Treaty Countries:	
Algeria	10
Australia	5
Austria	0
Belarus	5/10
Belgium	0
Botswana	10
China, People's Republic of	7/10
Croatia	5
Cyprus	0
Czech Republic	10
Denmark	0
Egypt	12
Ethiopia	12
Finland	0
France	12
Germany	12
Greece	5/7
Grenada	12
Hungary	0
India	10
Indonesia	10
Iran	10
Ireland	0
Israel	12
Italy	6
Japan	10
Korea	10
Lesotho	10
Luxembourg	0
Malawi	12
Malta	10
Mauritius	0
Mozambique	5
Namibia	10
Netherlands	0
New Zealand	10
Nigeria	7.5
Norway	0
Oman	8
Pakistan	10
Poland	10
Portugal	10
Romania	12
Russian Federation	0
Rwanda	10

	Royalties (%)	
Saudi Arabia	10	
Seychelles	0	
Singapore	5	
Slovak Republic	10	
Spain	5	
Swaziland	10	
Sweden	0	
Switzerland	0	
Taiwan	10	
Thailand	12	
Tunisia	10	
Turkey	10	
Uganda	10	
Ukraine	10	
United Kingdom	0	(1)
United States	0	
Zambia	12	
Zimbabwe	12	

Notes:

1. If the royalty is subject to tax in the recipient's country of residence, there is no withholding tax.
2. The above rates are provided as a guide only. A number of the DTAs provide for alternative rates, including zero, to be applied in specific circumstances. To view the complete Double Taxation Agreements refer to www.sars.gov.za

SPAIN

Currency: Euro (EUR) | Dial Code To: 34 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Barcelona	Aischa Laarbi Lombas	93 414 59 28 legaldpt@pkf.es
Madrid	Santiago González Barrau	91 556 11 99 sgonzalez@attest.es
Málaga	Ana López Narbona	95 222 19 96 alopez@fmclegal.com

A. TAXES PAYABLE

S

FEDERAL TAXES AND LEVIES

COMPANY TAX

Spanish resident companies are liable to corporation tax on all sources of income and capital gains, wherever arising. A company is treated as resident in Spain if it is incorporated in Spain, has its registered office in Spain or its effective management is in Spain.

A non-resident company is taxed on income and gains of a branch carrying on a trade in Spain.

Trading profits, other income and capital gains are liable to corporation tax at the rate of 30%. Special tax rates are chargeable on portfolio investment funds (1%), on mutual insurance societies (25%), on co-operatives (except for capital gains) (20%), and on non-profit institutions (10%). The rate applicable to small companies until 31 December 2010 was 25% on the first EUR 120,202.41 of taxable income (for companies with an annual turnover not exceeding EUR 8 million). From 1 January 2011 the rate is still 25% but is on the first EUR 300,000 of taxable income (for companies with an annual turnover not exceeding EUR 10 million).

There is a special reduced tax rate of 20% on the first EUR 120,202.41 of taxable income for years 2009 and 2010 and EUR 300,000 of taxable income for 2011 for small companies with fewer than 25 employees and revenue below EUR 5 million which maintain or create jobs. This special tax rate is applicable for the financial years started on 2009, 2010 and 2011. Tax is charged at 25% on profits in excess of the above mentioned limits.

The Spanish tax year is the calendar year but companies can establish a different tax year. The main condition is that the tax year must not exceed 12 months.

Corporation tax is due for payment 6 months and 25 days after the financial year end (on 25 July 2011, for example, for the year ended 31 December 2010). The tax return must be filed by the same date.

There are two systems for advance payments:

1. Payments are calculated as 18% of the previous year's tax liability. General rate is 18%. The payments are due on 20 April, 20 October and 20 December.
2. Payments are based on the forecasted taxable income of the period as follows. General rate is 21%. Three payments due on:
   - 20 April: Taxable income of the period January-March
   - 20 October: Taxable income of the period January-September less advance payment of 20 April
   - 20 December: Taxable income of the period January-November less advance payment of 20 October.

The second system is mandatory for Companies whose annual turnover is more than EUR 6,010,000.

CAPITAL GAINS
CORPORATE TAX
Capital gains are taxed as ordinary income. Foreign-sourced capital gains are fully liable to Spanish corporate income tax with a credit for any foreign taxes payable, although such gains can be exempt under the terms of a double tax treaty.

PERSONAL INCOME TAX
Capital losses may be offset against capital gains or carried forward for four years to offset against future capital gains.

From 1 January 2010 the personal income tax rate for capital gains is 19% for the first EUR 6,000 and 21% for the remaining amount.

BRANCH PROFITS TAX
Foreign branch profits of a Spanish company will be liable to Spanish tax.

SALES TAX/VALUE ADDED TAX (VAT)
VAT is levied on the supply of taxable goods and services. The normal VAT rate is 18%. There is a reduced rate of 8% and a super-reduced rate of 4% on certain basic goods and services. A zero rate exists for exports and international services provided to non-EU countries.

FRINGE BENEFITS TAX (FBT)
There is no fringe benefits tax in Spain.

LOCAL TAXES
The main local taxes comprise: trade licences, opening licences for each business premise, publicity licenses, traffic licences, construction licences and land rates.

OTHER TAXES
A 1% transfer tax applies to the value of contributions, in cash or in kind, to the share capital of a company. To incentivise the Spanish economy, from 3 December 2010, the creation of companies and share capital increases are exempt from the 1% transfer tax.

The transfer of real estate is generally subject to VAT at 18%. This is reduced to 8% for private residential property.

If the transferor is not within the VAT system, transfer tax at 6% is applicable. Transfer tax is also payable on the transfer of movable property. The rate is 4% of the value. The Spanish autonomous regions are allowed to modify the transfer tax rate and to fix their own rates (ie. the Catalonian tax rate for real estate properties is 8%).

B. DETERMINATION OF TAXABLE INCOME

Trading profits are calculated for tax purposes in accordance with financial accounts but adjusted for the main items as follows.

DEPRECIATION
Depreciation can be deducted on a straight-line basis, reducing-balance basis (in the case of new tangible assets with a life of more than three years) or on an individual basis (if approved by the tax authorities).

The Ministry of Finance issues guidelines as to the maximum straight-line rates as follows:

	Rate (%)
Motor vehicles	16
Office equipment	10
Industrial buildings and hotels	3
Office and shop buildings	2
Air conditioning and central heating	12
Computer equipment	25

Land cannot be depreciated.

STOCK/INVENTORY
Stock and work in progress are valued at the lower of cost or market value. FIFO and average cost methods are acceptable.

CAPITAL GAINS AND LOSSES
As discussed above, capital gains and losses are included in the overall taxable profits of companies.

Tax on gains realised from the disposal of tangible assets, intangible assets and investments are charged at a reduced rate of 18% if the full proceeds are reinvested into assets of a similar type. The reinvestment must take place within three years after a disposal or one year before a disposal.

DIVIDENDS
Dividends paid are subject to a 19% withholding tax at source whether they are paid to residents or non-residents. The withholding tax rate may be reduced under the relevant double tax treaties. Dividends received by certain companies are not subject to withholding tax at source if the holding is more than 10% and has been held for more than 12 months. Any withholding tax suffered may be credited against the recipient company's corporate income tax liability.

A Spanish company receiving a dividend from another Spanish company whose share participation is lower than 5% of the capital is subject to tax on 50% of the dividend. A Spanish portfolio investment company or a parent which has held more than 5% of the share capital is exempt from tax on dividends received from other Spanish companies.

INTEREST DEDUCTIONS
Interest is normally deductible on an accruals basis. Interest paid to foreign lenders requires Ministry of Commerce approval. Withholding tax of 19% is generally deductible from interest paid although this is normally reduced or eliminated by a double tax treaty.

Spanish resident companies financed by affiliated non-residents (except CEE) have not been able to obtain a full interest deduction if the debt/equity ratio exceeded 3:1. The excess is treated as a dividend. However, this may be overridden by non-discrimination articles.

LOSSES
Losses may be carried forward against all income within the next 15 accounting periods. Losses may not be carried backwards. The carry forward of losses is not normally restricted by a change in the ownership of a company's shares.

For newly incorporated entities, the period of 15 years must be counted from the start of the first period in which there is a tax profit.

FOREIGN SOURCED INCOME
Under the International Fiscal Transparency regime, Spanish resident companies can be subject to tax on profits earned by certain non-EU resident subsidiaries in which they have more than a 50% interest. These rules apply to passive income earned by the subsidiary and taxed at a rate less than 75% than that which it would have been subjected to if earned by the Spanish resident company.

INCENTIVES

A credit against tax payable may be taken for 25% of research and development expenses. Where the expenses exceed the average amount incurred in the preceding two years, a credit equal to 42% is available on the amount exceeding the average amount.

Other incentives are as follows:
- 3% of investment export activity (for fiscal year 2011 onwards this tax deduction will be eliminated)
- 1% - 2% of professional training costs (for fiscal year 2011 onwards this tax deduction will be eliminated)
- 8% of the cost of technological innovation of existing products.

These incentives are gradually being phased out and will finally expire in 2014.

Industrial development banks and companies and venture capital companies and funds are subject to special tax regimes.

C. FOREIGN TAX RELIEF

Foreign taxes may be credited against Spanish Corporation Tax regardless of whether a tax treaty exists with the foreign country. There is no system of global foreign tax credited. Under certain circumstances, profits arising in permanent establishments of Spanish companies may be exempt from Spanish tax if they have suffered a similar tax overseas. Foreign tax credits are not available for the underlying taxes which the foreign company pays on the profits.

D. CORPORATE GROUPS

Permission may be obtained from the tax authorities to consolidate the results of a group of companies for corporate income tax purposes. The group must be headed by a Spanish resident company which directly or indirectly owns more than 75% of its subsidiaries. All subsidiaries must be Spanish resident companies. The result of consolidation is that all income, gains and losses of the group are brought together for tax purposes.

E. RELATED PARTY TRANSACTIONS

For tax purposes, transactions between related companies will be treated as if they had been made at arm's length prices.

In certain cases (if certain thresholds are exceeded), the companies must disclose related parties transactions made during the year in the annual corporate tax form.

F. WITHHOLDING TAX

Withholding taxes paid to Spanish resident companies must generally be deducted from dividends and interest at 19% and from royalties at 24%. A 10% rate applies to royalties paid to associated EU resident companies until 2011 when a full exemption comes into force in line with the EC Interest and Royalties Directive. There are also withholding taxes payable on technical assistance fees and management fees payable to non-residents. All types of interest paid to EU resident companies (excluding Cyprus and Luxembourg holding companies) are exempt.

G. EXCHANGE CONTROLS

In principle, all direct investments into Spain require previous verification by the Dirección General de Transacciones Exteriores (DGTE). Outward direct investments also require approval by the DGTE.

H. PERSONAL TAX

Individual residents are liable to Personal Income Tax (IRPF) in respect of their world-wide income. Non-residents are liable to IRPF only on their Spanish sourced income.

An individual is deemed to be resident for tax purposes if:
(i) he stays in Spain for more than 183 days in any calendar year
(ii) his centre of vital interests is in Spain
(iii) his spouse and minor dependent children qualify as residents of Spain.

Fringe benefits in cash or kind constitute employment income.
Ordinary gains and losses are treated as ordinary income.

All businessmen and self-employed professionals are required to file quarterly returns and make advance payments by 20 April, 20 July and 20 October of the current year and 30 January of the next year on account of final income tax liability for the current year.

All resident employees and self-employed individuals must register and pay monthly contributions to the Spanish social security system. The rate of the employee's general social security contributions is 6.35% and the employer's contribution is 30.15%.

The current tax rates for taxpayers are as follows (2010):

Income in excess of (EUR)	Tax quota assessment (EUR)	Alternative tax basis (EUR)	Tax Rate %
0.00	0.00	17,707,20	24
17,707,20	4,249,73	15,300,00	28
33,007,20	8,533,73	20,400,00	37
53,407,20	16,081,73	more	43

The tax rate for savings income increases is 19% for the first EUR 6,000 and 21% on the excess. When the earned income is less than EUR 22,000, the individual is not obliged to prepare a tax return. If there is more than one individual in the same family unit, the limit is EUR 8,000. Resident individuals were subject to net wealth tax in respect of their worldwide assets. From 1 January 2008 this tax has been abolished.

Inheritance tax is also levied on the recipient of property passing by way of gift or death. The tax rates are chargeable from a minimum of 7.65% on assets worth up to EUR 7,993.46 and at a maximum of 34%. This rate applies to the excess of value transferred above EUR 797,555.08.

The rate is determined with reference to the total value of assets gifted to each beneficiary.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	19	19	24/10
Treaty Countries:			
Algeria	5/15	5/0	7/14
Arab Emirates	5/15	0	0
Argentina	15/10	12.5/0	3/5/10/15
Australia	15	10	10
Austria	15/10	5	5
Belgium	15	10	5
Bolivia	15/10	0/15	15/0
Brazil	10	15/10/0	10/12,5
Bulgaria	15/05	0	0
Canada	15	15	10/0
Columbia	5/0	10	10
Croatia	15/0	0	8
China	10	10	10
Chile	5/10	5/15	5/10
Cuba	15/5	10	5/0
Czech Republic	15/5	0	5/0
Denmark	15/0	10	6
Ecuador	15	5/10	5/10
Egypt	9/12	10/0	12
El Salvador	12	10	10
Estonia	15/5	10/0	5/10

S

	Dividends (%)	Interest (%)	Royalties (%)
Finland	15/10	10	5
France	15/0	10	5/0
Germany	15/10	10	5
Greece	5/10	8/0	6
Hungary	15/5	0	0
Iceland	5/15	5/0	5
India	15	15 /0	10
Indonesia	15/10	10 /0	10
Iran	10/5	7/5/0	5
Ireland	15	0/10	5/8/10
Italy	15	12/0	8/4
Israel	10	10/5/0	7/5
Jamaica	5/10	10	10
Japan	15/10	10	10
Korea	15/10	10/0/8	10
Latvia	15/5	10/0	5/10
Lithuania	5/15	10/0	5/10
Luxembourg	15/10	10/0	10
Macedonia	5/15	5/0	5
Malta	5/0	0	0
Malaysia	5/0	10/0	7/5
Mexico	15/5	10/15/0	10/0
Moldova	0/5/10	5	8
Morocco	10/15	10	10/5
Netherlands	10/15/5	10	6
New Zealand	15	10	10
Norway	15/10	10/0	5
Philippines	15/10	10/15/0	10/15/20
Poland	15/5	0	10/0
Portugal	15/10	15	5
Romania	15/10	10	10
Russia	5/10/15	5	5
Saudi Arabia	5/0	5	8
Serbia	10/5	10	5/10
Slovenia	5/15	5/0	5
South Africa	15/5	5/0	5
Sweden	15/10	15	10
Switzerland	15/0	0	5/0
Thailand	10	10/15/0	5/8/15
Trinidad & Tobago	0/5/10	8	5
Tunisia	15/5	10/5	10
Turkey	5/15	10/15	10
United Kingdom	15/10	12	10
United States	10/15	10	5/8/10/0
Former USSR States	18	0	5/0
Venezuela	10/0	10/4.95/0	5
Vietnam	5/7/10/15	10	10

S

SWEDEN

Currency: Kronor (SEK) Dial Code To: 46 Dial Code Out: 00

Please email Oliver Grosse-Brauckmann, PKF International EMEI Director, at oliver.grosse-brauckmann@pkf.com for details of Swedish tax contacts.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Corporate tax is levied on the worldwide income of companies resident in Sweden and also on profits which arise from activities carried out in Sweden through a branch or an agency.

A company is resident for tax purposes when it is registered in Sweden. Royalties received from Swedish licensees are taxable in Sweden as income from a permanent establishment situated in Sweden. Where a treaty exists, the right to tax may be waived or limited. Since 2004 Sweden has adopted Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. In accordance with the Directive, interest and royalty payments shall be exempt from withholding tax provided that the beneficial owner is a company or a permanent establishment in another Member State and the payor and payee are associated (one holds 25% or more of the capital of the other or a third company holds 25% or more of both companies).

The corporate tax rate is 26.3%. The fiscal year is the calendar year. A split financial year may end on 30 April, 30 June or 31 August. The assessment year is the calendar year following the applicable financial year. Permission from the tax authorities is needed to change from a calendar year to a split financial year. Tax returns are filed annually and should be submitted by 2 May.

Exemptions from tax on capital gains have been introduced. A complete exemption applies for Swedish limited liability companies on the sale of shares in non-listed Swedish or foreign companies after 30 June 2003, provided the shares are business-related holdings and not held as inventory. There are no requirements regarding the minimum holding percentage or period. Regarding shares in listed companies, the exemption from tax on capital gains applies only if the holding is at least 10% of the voting power in the company and the shares are held for a minimum period of one year.

BRANCH PROFITS TAX

A branch's taxable trading profits and capital gains are calculated on the same basis as for Swedish resident companies.

SALES TAX/VALUE ADDED TAX (VAT)

In general, output VAT is levied on all domestic sales but not on export or EU sales. The general rate of VAT for goods and services in Sweden is 25% of the assessed value. Certain goods and services are exempt from tax or taxed at a lower rate (12% or 6%). Returns for input and output VAT need to be settled each month or quarter with the Swedish tax authorities.

FRINGE BENEFITS TAX (FBT)

There is no specific FBT.

SOCIAL SECURITY CONTRIBUTIONS

Employers are liable to pay social security contributions relating to salaries and benefits paid to their employees. The social security fees levied for national social security is 31.42%. Employers also have to pay social security fees at a rate of 24.26% on pension costs. For 2010, the total of social security contributions for individuals between the age of 18 and 25 was reduced to 15.49%.

LOCAL TAXES

There are no local taxes imposed on companies.

OTHER TAXES

Stamp duty of 3% is levied on real property and 1.5% if the buyer is an individual.

Real property tax is charged at a rate of 0.5% on industrial buildings and 1% on commercial property, based on the assessed value. No real property tax is charged on residential property- but a fee is payable to the local municipality.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is primarily based on the financial accounts. The net profit for the year is adjusted for certain tax-related items. The taxable income of a company is determined using the accruals basis of accounting. Taxable income is based on worldwide income less allowable deductions. Generally, to be deductible, expenditure must be incurred for the purposes of the business. For flow-through entities such as partnerships and limited partnerships, taxable income is determined in a similar way as for corporations. The difference is that they are not taxable persons. Hence, the income is taxed at the partner/owner level.

Companies are allowed to make provisions to a tax allocation reserve (periodiseringsfond) of up to 25% of taxable income. The provision must be dissolved (added to income) after six years.

DEPRECIATION

SHORT-LIFE ITEMS

Equipment and machinery with a value of less than SEK 21,400 or with an expected economic life of three years or less may be fully depreciated in the year of acquisition.

MACHINERY AND EQUIPMENT

There are three methods of depreciating machinery/equipment. Two of them are linked to the financial accounts.

(1) The most common method is depreciation as recorded in the books. Depreciation of up to 30% per annum of the book value at the end of the year may be deducted.
(2) The alternative rule allows a straight-line depreciation of 20% per annum.
(3) The third method is only relevant for tax purposes and is independent of the depreciation made in the financial accounts. This method allows annual depreciation of 25% on the residual net tax value (i.e. on the reducing balance basis).

INTANGIBLE ASSETS

Intangible assets are depreciated in the same way as machinery and equipment, see above. However, it is not necessary to use the same method for all assets, i.e. machinery and equipment may be depreciated with 30% and the intangible assets with 20%.

BUILDINGS

Depreciation is allowed on an annual straight-line basis calculated on the acquisition cost at the rates of 1.5% to 5%. This method is independent of the depreciation made in the financial accounts.

STOCK/INVENTORY

Stock and work in progress is valued at the lower of acquisition cost or market value on a FIFO basis. However, stock may be valued at 97% of its aggregate acquisition value, excluding real property, debt claim and securities.

CAPITAL GAINS AND LOSSES

See discussion above.

DIVIDENDS

Dividends received from other Swedish companies are exempt from tax if the shares held are not listed. If the shares held are listed, the receiving company must hold 10% or more of the voting power of the shares of the distributing company for at least 12 months after the distribution is made. Should the ownership be less than 10%, the shares must be held for sound business reasons.

The exemption does not apply to dividends received from non-operating companies where the distributing company is listed and the recipient company holds less than 10% voting power.

INTEREST DEDUCTIONS

Interest is normally deductible on an accruals basis rather than a paid basis as far as companies are concerned. There are no thin capitalisation rules. Interest paid between affiliated companies must be at an arm's length rate. Interest paid from a subsidiary to the parent company which exceeds an arm's length rate will be treated as a dividend.

LOSSES

Losses can be carried forward indefinitely, provided there is continuity of ownership. Losses arising on the disposal of portfolio shares may only be offset against gains arising on the disposal of similar shares. Portfolio shares are those where the shareholder has not held 10% of the voting power in the company concerned for the requisite 12-month period.

FOREIGN SOURCE INCOME

Controlled foreign company rules apply such that some corporate shareholders of foreign legal entities with low-taxed income are taxed on their share of the income as normal Swedish business income. The rules apply where the shareholder has a direct or indirect interest in at least 25% of the capital of voting rights in the foreign legal entity. The net income of a foreign legal entity is considered low taxed if it is not taxed at all or taxed at a rate lower than 14.5%. There are extensive exceptions for foreign legal entities that are domiciled in, and with income from, jurisdictions on the so-called 'white list', although certain types of income received by entities in those jurisdictions are excluded. From 1 January 2008, an exemption from these rules applies to income from a controlled foreign entity that is resident within the EEA if the shareholder can prove that the foreign entity is established in the other country for business reasons and is engaged in real economic activities.

INCENTIVES

Foreign expatriates such as experts, key persons, scientists and company management living in Sweden are eligible for a tax relief during the first three years of residence. 75% of the salary and some allowances are taxable and the rest is tax-exempt. An employer does not have to pay social security fees on the part of the salary and allowances that are tax-exempt.

C. FOREIGN TAX RELIEF

Double taxation is generally relieved by providing credits for the foreign tax paid. However, some older Double Taxation Conventions exempt foreign income from Swedish tax if it is taxed abroad. Costs related to exempt income cannot be deducted. If international double taxation cannot be avoided by credit or exemption, the tax payer may deduct the foreign tax as a cost.

Many Swedish Double Taxation Conventions include rules about tax sparing (matching credit). These rules can be used when investing in developing countries.

D. CORPORATE GROUPS

Consolidated tax returns cannot be filed in Sweden. However, profits may be transferred between the entities in a Swedish group of companies by group contributions. Group contributions are deductible by the contributing company and taxable income of the receiving company. The main requirements for group contributions are:

(a) The companies must be registered in the EU and taxed in Sweden and none of them must be an investment company. Due to discrimination rules, group contributions between Swedish companies are accepted even if a foreign group company holds one of the Swedish companies. Group contributions between a foreign branch in Sweden and a Swedish company are also accepted due to discrimination rules.

(b) The parent company must hold – directly or indirectly – more than 90% of the shares in the group company for the entire fiscal year. If the operation in a company starts during the fiscal year, the parent company must have held the shares from the time when the operation started.

From 1 July 2010, a Swedish resident company may deduct a group contribution paid to its subsidiary which is resident in another EU Member State, provided the parent company holds at least 90% of the shares of the foreign subsidiary and the subsidiary has been dissolved through liquidation. The deductible amount cannot, however, exceed the lower of (i) the amount of the loss of the subsidiary in its final period and (ii) the loss of the subsidiary in the previous year (i.e. the year before liquidation) calculated under the tax rules in both countries in question.

E. RELATED PARTY TRANSACTIONS

Transactions at a non-arm's length price are subject to transfer pricing rules which allow the tax authorities to make an adjustment to impose arm's length prices. Assets may be transferred between Swedish companies without any tax consequences provided that group contributions between the companies are possible. Interest paid between affiliated companies must be at an arm's length rate if group contribution rules are not applicable.

F. WITHHOLDING TAX

There are no withholding taxes on interest, royalties and rent paid from Sweden to a receiver abroad. Dividends paid to a non-resident shareholder are subject to a 30%

withholding tax that may be reduced by Double Taxation Conventions. Dividends to a company resident within the EU holding 10% or more of the voting power in the distributing company are exempt from withholding tax.

Dividends to a company resident in a non EU-country are also tax-exempt provided that the receiving company has held 10% or more of the voting power in the distributing company for 12 months and the receiving company is taxed in the country where it is resident.

G. EXCHANGE CONTROL

There is no exchange control in Sweden.

H. PERSONAL TAX

Swedish residents are subject to tax on their worldwide income and capital gains. Taxable income includes all remuneration received from employers, whether in cash or in kind, such as free food, free accommodation, company cars etc. Pensions, unemployment benefits etc are also included in the taxable income. It is permissible to deduct certain costs from the income, e.g. travelling costs between work and home.

A foreign national will be liable to tax if he is regarded as resident in Sweden, if he has an essential connection to Sweden or if the individual is present in Sweden for a period of more than 183 days during the tax year.

Individuals pay both national income tax and municipal income tax. In 2010 taxable income of less than SEK 372,100 was subject to municipal tax only. The municipal income tax is proportional and amounts to an average of 31.52% (range from approximately 29% to 35%). The tax rate depends on where the individual lives. For taxable income exceeding SEK 372,100 there is also a national income tax calculated at a rate of 20% on income up to SEK 532,700. On taxable income exceeding this amount the rate is 25%. Taxable income is reduced by a tax allowance related to the basic amount (an amount used for national social security purposes) and by a standard deduction.

Non-residents are subject to tax only on income from sources in Sweden. Employment income is taxed at a flat rate of 25%.

Capital income is taxed separately from income from employment at a rate of 30% and is not subject to municipal income tax. Capital income is comprised of interest, gains from the sale of capital assets, gains from the sale of real estate, dividends etc. Interest expenses and capital losses can be set off against capital income. 30% (or 21% when the total net capital loss exceeds SEK 100,000) of a net capital loss can be set off against tax on income from employment.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Sweden has concluded approximately 70 multilateral or bilateral Double Taxation Conventions with other States. These conventions are often renegotiated which means that the withholding tax rates frequently change. A withholding tax rate in a convention where Sweden is one of the parties may also change because of a change in a convention concluded by third parties due to a most-favoured nation provision. Therefore, it is important to consult the relevant treaty to check the withholding tax rates listed in the table below.

	Individuals, Dividends (%)	(1)	Royalties (%)
Treaty Countries:			
Albania	15/5		5
Argentina	15/10		3/5/10/15
Australia	15		10
Austria	10/5		0/10
Bangladesh	15/10		10
Barbados	15/5		5
Belarus	10/0/5		3/5/10
Belgium	15/5		0
Bolivia	15/0		15

S

	Individuals, Dividends (%)	(1)	Royalties (%)
Bosnia and Herzegovina	15/5		0
Botswana	15		15
Brazil	25/–		25/–
Bulgaria	10		5
Canada	15/5		0/10
Chile	10/5		5/10
China	10/5		6/10
Croatia	15/5		0
Cyprus	15/5		0
Czech Republic	10/0		0/5
Denmark	15/0		0
Egypt	20/5		14
Estonia	15/5		5/10
Faroe Islands	15/0		0
Finland	15/0		0
France	15/0		0
The Gambia	15/0/5		5/12.5
Germany	15/0		0
Greece	0		5
Hungary	15/5		0
Iceland	15/0		0
India	10		10
Indonesia	15/10		10/15
Ireland	15/5		0
Israel	15/5		0/–
Italy	15/10		5
Jamaica	22.5/10		10
Japan	15/0/5		10
Kazakhstan	15/5		10
Kenya	25/15		20
Korea, Republic of	15/10		10/15
Latvia	15/5		5/10
Lithuania	15/5		5/10
Luxembourg	15/0		0
Macedonia	15/0		0
Malaysia	15/0		8
Malta	15/0		0
Mauritius	15/5		15
Mexico	15/0/5		10
Montenegro	15/5		0
Morocco	0		0
Namibia	15/0/5		5/15
Netherlands	15/0		0
New Zealand	15		10
Norway	15/0		0
Pakistan	– (2) /15		10
Philippines	15/10		15

	Individuals, Dividends (%)	(1)	Royalties (%)
Poland	15/5		5
Portugal	10		10
Romania	10		10
Russia	15/5		0
Serbia	15/5		0
Singapore	15/10		0
Slovak Republic	10/0		0/5
Slovenia	15/5		0
South Africa	15/0/7.5		0
Spain	15/10		10
Sri Lanka	15		10
Switzerland	15/0		0
Taiwan	10		10
Tanzania	25/15		20
Thailand	– (2) /15/20		15
Trinidad and Tobago	20/10		0/20/–
Tunisia	20/15		5/15
Turkey	20/15		10
Ukraine	10/0/5		0/10
United Kingdom	5/0		0
United States	15/0/5		0
Venezuela	10/5		7/10
Vietnam	15/5/10		5/15
Zambia	15/5		10
Zimbabwe	20/15		10

1 The reduced rate generally applies to dividends paid to corporates with a minimum participation in the Swedish company. The level of participation varies from treaty to treaty.

2 There is no reduction under the treaty – the domestic rate applies.

SWITZERLAND

Currency: Swiss Francs (CHF) | Dial Code To: 41 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Zurich	Daniel Carotta	44 285 75 00 info@pkf.ch
Zug	Daniel Carotta	41 711 86 85 info@pkf.ch
Geneva	Jean-Claude Roder	22 301 54 40 geneve@scfid.ch
Lugano	Donato Cortesi	91 911 11 11 info@pkftax.ch

A. TAXES PAYABLE

FEDERAL AND CANTONAL TAXES AND LEVIES

Taxes are governed in Switzerland by federal law and 26 different cantonal tax laws. The cantonal tax laws were harmonised with effect from 2001. Tax declaration procedures and the determination of the taxable income in the various cantons are similar and in line with the federal law. However, the cantons do set their own tax rates. The presence of different tax legislation means that the fiscal burden on a Swiss company depends not only on the size of its income and assets but, to a considerable degree, also on the location of its registered office, its business objects and the nature of its operations. Taxation may vary significantly from one canton to another, especially in the case of holding companies and domiciliary companies. In general, the cantonal laws are flexible and include tax privileges for special purpose companies e.g. holding companies.

CORPORATE TAX

Corporate income tax is payable by Swiss resident companies on corporate net profit. Exceptions to this rule may be found in some cantons where a special tax on capital gains realised on the sale of immovable property may be levied. Income of Swiss resident companies from business operations, permanent establishments and immovable property situated abroad is exempt from income tax but included in calculating progressive corporate income tax rates.

Each resident taxpayer has to file an annual tax return. As a rule, non-resident taxpayers have to file tax returns only if they maintain a permanent establishment or own immovable property in Switzerland including gains on the sale of such property and on income from debts secured by real estate situated in Switzerland.

Cantonal income tax rates are generally progressive and are based on the ratio of taxable income to net taxable equity. There are minimum and maximum rates applicable. Some cantons use graduated rates. The federal income tax is 8.5%.

Effective ordinary corporate tax rates on income vary significantly from one canton to another (from approximately 17% up to a maximum of approximately 28%).

There are a number of special purpose companies in Switzerland, i.e. domiciliary and holding companies.

Domiciliary companies only have administrative activities in Switzerland and are exclusively engaged in international business. Companies qualifying for domiciliary status are completely exempt from cantonal tax on dividend income and on capital gains from qualifying participation. Other Swiss-sourced income is taxed at ordinary income tax rates whereas profits from trading outside Switzerland are taxed at substantially reduced rates. Swiss federal tax does not provide for any particular relief for domiciliary companies.

Holding companies are exempt from cantonal and communal corporate income tax and are often also subject to capital tax at reduced rates. Holding companies may own real estate in Switzerland. However, as an exception, any income or capital gains generated from such real estate is subject to ordinary taxation. Federal income tax is levied at ordinary corporate income tax rates.

CAPITAL GAINS TAX

Capital gains on securities and movable property of companies required to keep books of account are aggregated and taxed in the same way as ordinary income. Capital gains on real estate for direct federal tax and several cantonal tax purposes is aggregated with and taxed in the same way as ordinary income. In other cantons, recaptured depreciation is aggregated with ordinary income, while the realised increase in value is subject to a special real estate gains tax.

Capital gains realised on the sale of investments are tax exempt, provided:
(1) the sales proceeds exceed the historical acquisition costs of the investment
(2) the securities sold amount to at least 20% of the sold company's share capital
(3) the investment was held for a period of at least one year
(4) the investment was bought after 1 January 1997.

BRANCH PROFITS TAX

Foreign branch income of a Swiss corporation is exempt from Swiss taxation. Swiss branches of foreign companies are assessed on the actual or assumed profit and capital attributable to the branch. Profits of branches are remittable abroad without deduction of withholding taxes. Branches of foreign companies are treated for income tax purposes basically in the same way as those of local corporations. Some cantons apply special rules to Swiss branches of foreign finance companies with headquarters in the Netherlands. These finance branches are exempt from cantonal and communal income taxes providing that the activity relates to foreign group companies.

VALUE ADDED TAX (VAT)

VAT is charged on the domestic delivery of goods and rendering of services and a tax on the importation of goods and services into Switzerland. The VAT rates range up to 8%.

LOCAL TAXES

The municipalities levy income taxes, mostly in the form of annually determined surcharges on the cantonal taxes. The tax rates may differ from one community to another.

OTHER TAXES
There are no taxes on income other than the federal, cantonal and communal taxes as mentioned above. In many cantons the churches also levy an income tax, generally based on a percentage of cantonal taxes.

SOCIAL SECURITY
Compulsory old age and survivors' insurance / unemployment insurance / children allowance / on gross salaries are payable at 12.5% (6.25% payable by the employer and employee respectively). Contributions to compulsory pension plans vary in accordance with the benefits covered and are usually shared by employer and employee. The employer generally has to bear at least half. Health insurance has to be organised and paid on a private basis.

STAMP DUTY TAX
The following securities are subject to stamp tax:

	Rate (%)
Shares of Swiss corporations	1*
Quotas of Swiss private limited companies	1*
Shares in Swiss co-operative societies	1*

* Nil % up to a paid-in capital of CHF 1,000,000

Further, the issue of debentures and money market papers is subject to issue stamp tax. The tax rates vary depending on the type and the term of debt instrument.

B. DETERMINATION OF TAXABLE INCOME

The starting point for determining taxable income of corporate entities is the net income reported as per statutory accounts. This means all types of income, including capital gains, are part of taxable income. The reported profit may be adjusted for tax purposes by adding back, eg expenses that are not commercially justified, such as excessive depreciation and provisions, hidden profit distributions and costs in connection with the purchase or improvement of fixed assets.

DEPRECIATION
Depreciation of tangible and intangible fixed assets is allowed where 'commercially justified' and recorded in the books. For tax purposes, both the straight-line and the declining-balance methods may be used. Accelerated rates of depreciation are allowed for assets used only for short periods or for assets under intensive use. Amortisation of intangible assets may be effective over five years, provided such assets generate taxable income.

STOCK/INVENTORY
Inventories must be carried at the lower of cost or market value. Cost is generally determined using the FIFO or average method. As a concession, a reserve against stock contingencies may be set up in the books. If this reserve does not exceed one-third of the lower of cost or market value of the inventory at the balance sheet date, it will be admitted by all tax authorities without enquiry.

CAPITAL GAINS AND LOSSES
See discussion above. As a rule, capital gains realised by corporations are not taxed separately but are added to any other income in the year of realisation and taxed at ordinary rates. Exceptions may apply to capital gains realised on the disposal of immovable property. Unrealised losses are deductible for tax purposes.

The sale of an investment of at least 20% in another company's share capital by a Swiss company to a foreign group company may, under certain circumstances, be made at either book value or fair market value. The sale of an investment of less than 20% in another company's share capital to a foreign affiliated entity or to a Swiss company regardless of the investment may only be completed at fair market value.

Capital gains realised by foreign shareholders on the sale of a Swiss subsidiary company are not subject to Swiss taxation, except for the sale of Swiss real estate companies, which would be considered as a direct sale of the Swiss properties owned by such companies.

DIVIDENDS
Dividends received are classified as business income but federal law and all cantonal laws allow a relief of taxes payable if the shareholding company owns more than 20% of the share capital or if the investment has a market value of more than SFR 2m (qualifying investment). If the recipient of a dividend is a holding company, dividend income is exempt from corporate income taxes at cantonal and communal level.

Dividends paid to residents and non-residents are subject to 35% withholding tax. Shareholders resident abroad may obtain relief under the appropriate double taxation treaty.

INTEREST DEDUCTIONS

A company may generally deduct all interest paid or accrued during a business year, although loan arrangements between related parties must be made on an arm's length basis. If the funds raised by interest bearing loans are loaned-on to affiliates, an interest spread of one-quarter to one-half per cent is basically required for the Swiss company if lending and on-lending are made in the same currency.

Thin capitalisation rules apply to reduce the deduction available where the interest relates to monies borrowed from related parties. The Swiss Federal Tax Administration has issued thin capitalisation guidelines in a Circular Letter (Kreisschreiben). In general, any interest paid on loans from related parties that are classified as hidden equity are treated as hidden profit distributions, i.e. may be added back to taxable income and be subject to withholding tax. The excessive portion of the loan, reclassified as equity, may be subject to capital tax.

LOSSES

Limited loss carry forwards (for seven years) are allowed for federal and cantonal income taxes. Swiss tax law provides neither for loss carry backs nor for the consolidation of profitable and unprofitable group companies.

FOREIGN SOURCED INCOME

Switzerland has no controlled foreign company legislation and a foreign company may be treated as a conduit only in instances where it is used for tax avoidance purposes. All income reported by a Swiss company is, in principle, subject to Swiss federal, cantonal and communal taxes.

INCENTIVES

Tax incentives are granted on a case-by-case basis, and their extent and duration largely depend on the size of the investment and the importance attributed to the economic development of the canton or region concerned by the cantonal and federal governments. Such an incentive may be either relief or exemption from income tax for up to ten years.

Provisions for future expenses relating to research and development payable to third parties are tax deductible up to a maximum of 10% of the net profit, with a ceiling of CHF 1m.

Under certain conditions, companies are allowed to set up a tax privileged 'recession reserve' up to an amount of 20% of the company's annual gross salaries paid. The amounts are deductible for federal, cantonal and communal tax purposes.

Accelerated write-down on fixed asset investments is granted in cantons and regions which are 'threatened with an economic decline'. A wide variety of non tax incentives are granted by these regions, such as cash grants, participation in project costs, partial or entire assumption of interest expenses on loans required for realisation of the project, subsidies for training personnel etc.

C. FOREIGN TAX RELIEF

Double tax relief is granted by means of tax exemption of foreign branch and real property income and by the deduction of any non-recoverable foreign withholding taxes. Based on most double taxation agreements, a credit against Swiss income taxes is granted for the unrelieved portion of foreign withholding taxes on dividends, interest and royalties or similar fees but not for underlying income taxes on dividends received from subsidiaries.

The tax credit is granted for taxes derived from treaty countries under which Switzerland has committed itself to such a tax credit. Foreign taxes of these countries are creditable only if they are irrecoverable and actually paid or, in respect of treaties that provide for a tax-sparing credit, if they are deemed to be paid.

D. CORPORATE GROUPS

Each entity in Switzerland is subject to taxes independent from the corporate group and tax returns have to be filed for each Swiss subsidiary. Revenue and capital losses cannot be transferred within a corporate group.

E. RELATED PARTY TRANSACTIONS

Inter-company transactions are not challenged by the tax authorities if they are made on an arm's length basis. There are neither provisions in tax laws nor any administrative practices that would challenge a transaction solely on the grounds of being made between related parties. However, inter-company transactions, where the consideration paid for goods or services is higher than what an independent third party would be willing to pay or the consideration for goods or services sold is less than what an independent third party would require, may be deemed as hidden profit distributions and be adjusted for determining taxable income. Hidden profit distributions are, in addition, subject to withholding tax in the same way as dividends.

Payments to foreign affiliates in respect of management fees, research and development, general and administrative expenses are deductible, if made on an arm's length basis. They should, however, be specific and identifiable as a commercially justified charge to the Swiss entity.

F. WITHHOLDING TAX

The company must withhold a tax of 35% and remit this amount to the tax authorities on all cash dividends and dividends in kind, including bonus shares and surplus liquidation proceeds. This tax is levied at source. Most treaties provide for a reduction of the normal 35% rate. Withholding tax on interest is levied at a rate of 35% but only on bonds, bond-like loans and deposits accepted by Swiss banks from non-bank clients. No withholding tax is levied on inter-company loans.

There is no withholding tax on royalties.

G. EXCHANGE CONTROL

There are, at present, no currency restrictions on inward investments, and the Swiss franc is freely convertible into any other currency. Bank accounts may be maintained in local or foreign currencies either in or outside Switzerland without restriction. There is no distinction between resident and non-resident accounts.

H. PERSONAL TAX

A Swiss resident individual is subject to Swiss federal, cantonal and communal taxes on his worldwide income and net wealth, with the exception of income from investments in foreign permanent establishments and real estate situated abroad. Basically, foreigners are regarded as resident from date of registration (usually within one week of arrival where the individual intends to stay permanently in Switzerland). The cantons levy a wage source tax on salaries paid by domestic employers to expatriates. The tax is deducted monthly from the expatriate's gross income, including any benefits in kind, based on the cantonal tax table.

Persons resident abroad and drawing income from or owning net assets in the form of a permanent establishment or real estate in Switzerland are subject to Swiss taxes thereon at the rates that would apply to their total taxable income or net assets. The tax liability is, however, limited to their Swiss taxable income and net assets.

Income tax is payable on assessable income less allowable deductions. The assessable income must include, in gross income, all compensation received as salary, living and housing allowances, tax reimbursements and the fair market value of any benefits in kind. The tax rates of direct federal tax on income and all cantonal taxes on income and net wealth are on a progressive basis.

The federal tax rates apply separately to single and married taxpayers and are currently as follows. These rates are valid for fiscal year 2010. The married taxpayers' rate also applies to registered couples of the same sex living together and to widowed, separated and divorced or single persons living with children who are minor and studying at their expense.

S

The tax rates for unmarried taxpayers is as follows:

If taxable income is between (CHF)		(CHF)	Tax on lower amount is (CHF)	Tax on excess is (%)
0	–	16,899	–	0
16,900	–	29,799	–	0.77
29,800	–	38,999	124.70	0.88
39,000	–	51,999	205.65	2.64
52,000	–	68,299	548.85	2.97
68,300	–	73,599	1,032.95	5.94
73,600	–	97,699	1,347.75	6.60
97,700	–	127,099	2,938.35	8.80

If taxable income is between (CHF)		(CHF)	Tax on lower amount is (CHF)	Tax on excess is (%)
127,100	–	166,199	5,525.55	11.00
166,200	–	712,499	9,826.55	13.20
712,500	–	. . .	81,937.50	11.50

If taxable income exceeds CHF 712,500 the exceeding income is subject to a flat rate of CHF 11.50%.

The tax rate for married taxpayers is as follows:

If taxable income is between (CHF)			Tax on lower amount is (CHF)	Tax on excess is (%)
0	–	29,199	–	0
29,200	–	47,899	–	1
47,900	–	54,899	212.00	2
54,900	–	70,899	352.00	3
70,900	–	85,099	832.00	4
85,100	–	97,399	1,400.00	5
97,400	–	108,099	2,015.00	6
108,100	–	116,999	2,657.00	7
117,000	–	123,999	3,280.00	8
124,000	–	129,299	3,840.00	9
129,300	–	132,899	4,317.00	10
132,900	–	134,699	4,677.00	11
134,700	–	136,499	4,875.00	12
136,500	–	843,599	5,091.00	13*
843,600	–	. . .	97,014.00	11.5*

* If taxable income exceeds CHF 843,600, the exceeding income is subject to a flat rate of 11.50%.

In addition, cantonal and municipal taxes are payable. The tax rates are dependent on the canton in which the individual is resident. There are also net wealth taxes, inheritance and gift taxes levied by some cantons.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Ordinarily the rate of Swiss withholding tax is 35%. Relief, when granted, is generally by way of refund. The table below stipulates the remaining tax for the recipient for each type of income. The information contained therein is valid as at 1 January 2010.

S

On 1 July 2005 the agreement on the taxation of savings income between Switzerland and the EU came into effect. A limited company with a direct participation of 25% or more can file a request for the application of the declaration procedure. In this case, 0% rate results.

	Dividends Portfolio (%)	Substantial Holdings (%) (1)	Interest (%)
Resident corporations and individuals	0	0	0
Non-resident corporations and individuals			
Non-Treaty Countries:	35	35	35
Treaty Countries:			
Albania	15	5	5
Algeria	15	5	0/10

	Dividends Portfolio (%)	Substantial Holdings (%) (1)	Interest (%)
Argentina	15	10	12
Armenia	15	5	0/10
Azerbaijan	15	5	10
Australia	15	15	10
Austria	15	0	0
Belarus	15	5	0/5/8
Belgium	15	10	0/10
Bangladesh	15	10	0/10
Bulgaria	15	5	0/10
Canada	15	5	0/10
Chile	15	15	15/5
China	10	10	0/10
Croatia	15	5	5
Czech Republic	15	5	0
Denmark	15	0	0
Ecuador	15	15	0/10
Egypt	15	5	0/15
Estonia	15	5	0/10
Finland	10	0	0
France	15	0	0
Germany	26,375/15	0	0
Ghana	15	5	10
Greece	35	35	10
Hungary	10	0	0
Iceland	18/15	5	0
India	10	10	10
Indonesia	15	10	10
Iran	15	5	0/10
Ireland, Republic of	0	0	0
Israel	15	5	0/5/10
Italy	15	15	12.5
Ivory Coast	15	15	0/15
Jamaica	15	10	5/10
Japan	15	10	0/10
Kazakhstan	15	5	0/10
Korea, Republic of	15	10	0/10
Kyrgyzstan	15	5	5
Kuwait	15	15	10
Latvia	15	5	10
Liechtenstein	–	–	0/– (2)
Lithuania	15	5	10
Luxembourg	15	0/5	0/10
Macedonia	15	5	0/10
Malaysia	15	5	10
Mexico	15	5	10/15
Moldova	15	5	0/10
Mongolia	15	5	0/10

	Dividends Portfolio (%)	Substantial Holdings (%) (1)	Interest (%)
Montenegro	15	5	10
Morocco	15	7	10
Netherlands	15	0	0/5
New Zealand	15	15	10
Norway	15	0	0
Pakistan	20	10	10
Philippines	15	10	10
Poland	15	5	10
Portugal	15	10	10
Romania	10	10	0/10
Russia	15	5	5/10
Serbia	15	5	10
Singapore	15	10	10
Slovak Republic	15	5	0/10
Slovenia	15	5	5
South Africa	15	5	5
Spain	15	0	0
Sri Lanka	15	10	5/10
Sweden	15	0	0/5
Thailand	15	10	0/10/15
Trinidad and Tobago	20	10	10
Tunisia	10	10	10
Ukraine	15	5	0/10
United Kingdom	15	0	0
United States	15	5	0
Uzbekistan	15	5	0/10
Venezuela	10	0	5
Vietnam	15	7/10	0/10

1 The rates necessary to constitute a substantial holding vary on a country by country basis accordingly reference should be made to the individual treaties.
2 The zero rate applies to loans secured on immovable property. The domestic rate applies in all other cases.

TAIWAN (REPUBLIC OF CHINA)

Currency: New Taiwan Dollar (NT$) | Dial Code To: 886 | Dial Code Out: 002

S
T

Member Firm:

City:	Name:	Contact Information:
Taipei	Wisdom Lee	2 8792 2628 wl@pkf.com.tw

A. TAXES PAYABLE

COMPANY TAX

Taiwan taxes all profit-seeking enterprises operating in that country. Domestic entities are taxed on a worldwide basis while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan-sourced income but no place of business or agent in Taiwan, the company's income is taxed at source under the withholding tax regime.

Domestic entities include companies that are incorporated under Taiwan Company Law.

A domestic company is incorporated when it is duly registered with the central competent authority and issued with an approval letter on its registration.

Company tax rates are as follows:

	Rate
Less than NT$120,000	0%
NT$120,001 and over	17%1

1 17% on the total taxable income but the tax may not exceed 50% of the portion of taxable income over NT$120,000.

TAX ON INTEREST

Interest received by a profit-seeking enterprise is taxable as non-operating income. A creditable withholding tax is imposed as follows:
(1) Domestic enterprises – 10%
(2) Foreign enterprises – 20%

For interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance, 15% of the payment is withheld.

For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 15% of the distribution is withheld.

For interest on government bonds, corporate bonds or financial bonds, 15% of the payment is withheld.

For interest derived from repo (RP/RS) trade whereby a taxpayer purchases securities or short-term commercial papers as described above in paragraphs 1 to 3 which shall be the net amount of the sale price at their maturity in excess of the original purchase price, 15% of the payment is withheld.

TAX ON RETAINED EARNINGS

Tax imputation system: Individual resident shareholders receiving dividends from a Taiwan company are entitled to an imputed credit for the income tax paid by the company. For corporate shareholders, the dividends received are not considered taxable income. However, the tax credits shall be included in the balance of its shareholder-imputed credit account (ICA) and will be imputed to the shareholders for future dividend distributions. Imputed tax credits do not apply to non-resident shareholders.

Tax on retained profits: Retained profits attract an additional 10% income tax. Profits that are earned in a year but not distributed by 31 December of the following year are subject to 10% advance tax which can be claimed as credit against the final tax liability of both resident and non-resident shareholders.

CAPITAL GAINS TAX

All gains and losses on the disposal of capital assets are taxable as current year income or deductible as expenses with the exception of marketable securities, futures and land.

Securities Transactions: The levy of tax on gains derived from the sale of marketable securities was suspended. Such transactions, however, are taxed an ad valorem Securities Transaction Tax. The transaction amount forms the basis of the tax and not the gain per se.

Futures Transactions: The levy of tax on gains from transactions of futures under Statute for Futures Transaction Tax was suspended. Such transactions, however, are taxed an ad valorem Futures Transaction Tax. The transaction amount forms the basis of the tax.

Land Transactions: See 'Land Tax' below.

BRANCH PROFITS TAX

A foreign company's branch or any other permanent establishment in Taiwan is subject to income tax only on its income from Taiwan source.

If the foreign enterprise has neither a branch nor a business agent in Taiwan, it is subject to withholding tax on its Taiwan source income.

The repatriation of profit by the Taiwanese branch of foreign enterprise is not taxable. It is proposed but not yet put into practice that a branch profits tax be imposed on the repatriation of profits by the Taiwanese branch of foreign enterprises so that a branch does not have a tax-preferable treatment over a subsidiary.

SALES TAX/VALUE ADDED TAX (VAT)

VAT at 5% is known as the business tax and applies to business persons in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rate. Financial institutions are subject to business turnover tax. Professional practitioners are not subject to VAT or business turnover tax for service revenue earned.

Currently, the tax rate that applies to banks, insurance companies, trust and investment companies, securities traders, futures traders, bills finance companies, and pawnshops (except reinsurance premium income, for which the rate is 1%) is 2%.

Profit-seeking enterprises (manufacturers, wholesalers, retailers etc) are collectors of VAT and are required to pay the net VAT, being taxes collected from sales less taxes paid on purchases and business expenses, to their district tax offices and file returns. Zero ratings and exemptions exist for some items.

FRINGE BENEFITS TAX (FBT)

Although there is no separate FBT, perquisite or other benefits supplementing normal wages and salaries are included in the computation of employment income and are taxable as such. Minor exceptions do exist. See 'Personal Tax'.

LOCAL TAXES

There are no local income taxes although minor provincial, country and city taxes are imposed. See other taxes below.

OTHER TAXES

Other taxes are summarised below.

CUSTOMS DUTY AND TRADE PROMOTION SERVICE FEE

Customs Duty on taxable imported goods is based on the value of the goods including transport and insurance costs or on the quantity imported with different rates depending on the category of the goods. There are no harbour duties but a 'Trade Promotion Service Fee' is payable at 0.04% of value of goods, and a 'Harbour Service Fee' is payable based on weight of goods.

COMMODITY TAX

Commodity Tax (Excise Duty) is imposed on certain designated commodities whether manufactured locally or imported. Commodity Tax on taxable commodities is based on the value or quantities of commodities manufactured or imported depending on the category of commodities.

STAMP TAX

Stamp Tax is imposed on business transaction documents, property titles, permits and the like. The following are exempt from stamp duty: all types of instruments used by offshore banking branches, documents executed abroad, receipts for the delivery of goods and certain other transactions. Subject to stamp tax are the following documents: receipts for cash, contracts or deeds for purchase or sale of chattels, contracts or deeds for undertaking jobs and contracts or deeds for sale, exchange, donation or division of real property.

SECURITIES TRANSACTION TAX

The rate is 0.3% for a transaction in shares or share certificates embodying the right of shares issued by a company limited by shares and 0.1% of corporate bonds or any securities which have been duly approved by the government. Bonds issued by governments are exempt from securities transaction tax.

The securities transaction tax levied on corporate bonds and finance bonds are exempted from levy for seven years as of 1st January 2010.

FUTURES TRANSACTION TAX

The tax rate is 0.1% for a transaction in option contracts or option contracts on futures. The tax rate for transactions in stock index futures contracts, interest rate futures contracts and other futures contracts varies from 0.0000125% to 0.01%.

LAND TAX

Three types of land tax are imposed: rural land tax, land value tax, and land value increment tax.

(1) Rural Land Tax: Applicable to rural or urban land used for agricultural production. The Rural Land Tax has not been levied since 1987.

(2) Land Value Tax: All land having value is subject to land value tax with a flat rate of 1% applicable to land for industrial use. For residential land meeting certain requirements for self-use, the flat rate is 0.2%. For the land reserved for public buildings, the rate is 0.6% if the land is used for buildings during the reserved period. Land used for other purposes is subject to a progressive rate of tax ranging from 1% to 5.5%.

(3) Land Value Increment Tax: The sale of land gives rise to tax imposed on the increase in the assessed value since the previous sale or transfer. Rates vary from 20% to 40% on a progressive scale except for:
   (a) self-use residential land under certain requirements is taxed at 10%
   (b) transfers by inheritance, government approved sale of industrial land, and sales followed by replacement purchases in certain circumstances are exempt.

A discount of between 20% and 40% from the amount taxed over the 20% rate is available where the land has previously been held for over 20 years.

DEED TAX
Deed Tax is imposed on the transfer of real estate at tax rates varying from 2% to 6%. Deed Tax is not imposed on the land where Land Value Increment Tax is imposed.

BUILDING TAX
Building Tax is levied annually on the assessed value of buildings and improvements at the following rates: commercial space 3% to 5%; professional offices, private hospitals, and premises of non-profit organisations 1.5% to 2.5%; and residential buildings 1.2% to 2%.

B. DETERMINATION OF TAXABLE INCOME

In arriving at taxable income, certain expenses are allowed against total income. Expenses relating to the earning of business income are generally deductible to the extent that they are ordinary and necessary business expenses. The expenditure must be incurred in the course of operating a business or subsidiary. Certain foreign enterprises are permitted to calculate their taxable income as a percentage of their net income rather than claiming deductions for expenses. A foreign enterprise engaged in certain sectors (eg international transport, construction contracting, technical services, equipment leasing), regardless of whether it has a branch or a business agent in Taiwan, may apply to the Tax Authorities to consider a percentage of its gross business income as taxable. This percentage is 10% for an international transport business and 15% for all other businesses.

The following adjustments are required when calculating taxable income.
Depreciation and depletion

The following methods are acceptable to the Tax Authorities: straight-line, declining-balance, sum-of-year's-digits, production quantity and machine/working hour methods. In specified circumstances, revaluation of fixed assets so as to increase claims for depreciation is allowable.

Property with a useful life of less than two years or a value of less than NT$80,000 are fully deductible in the year the purchase occurs. There is a depreciation limit of NT$1.5 million on passenger cars but NT$2.5 million on the passenger cars newly purchased since 1 January 2004.

LOSSES
The carry forward of losses is limited to ten years while loss carry back is prohibited. In the case of loss carry forwards, these are only available to companies which keep a complete set of accounting records and which file blue returns or returns certified by a CPA.

STOCK/INVENTORY
Inventory may be valued at cost or the lower of cost or market value. Generally, however, cost may be determined using actual cost LIFO, FIFO, moving average or the weighted average method. Uniformity between book and tax reporting is not required.

DIVIDENDS
A domestic company which owns shares in another domestic company is, regardless of the percentage of ownership, exempt from business income tax on the dividends from another domestic company. However, imputation credits may not be used by companies and must be passed on to shareholders who are individuals.

A domestic company is taxable on dividends received from foreign companies although a unilateral foreign tax credit is generally available subject to the requirement of reciprocal treatment by that foreign country and limited to the lesser of foreign tax paid or the tax which would otherwise have been payable in Taiwan.

INTEREST DEDUCTIONS
Interest payable on loans necessary for business operations is deductible in the period it is actually incurred or paid provided certain procedural requirements are satisfied.

Interest on borrowings from individuals or firms other than financial institutions over the standard rate prescribed by tax offices will be disallowed to the extent of the excess. Thin capitalisation rules are proposed but not yet put into practice.

FOREIGN SOURCE INCOME
Foreign income of Taiwanese corporations is taxable in Taiwan with double taxation being relieved by way of foreign tax credits.

TAXES
All taxes with the exception of income tax and taxes related to capital acquisitions (eg taxes on the purchase of land) are deductible. However, the deduction is only available in the year they are paid or accrued. Fines or penalties under Taiwanese law are not deductible.

INCENTIVES
Based on the Statute of Industrial Innovation, a company may credit up to 15% of the company's total expenditure on R&D against its business income tax payable for that year; provided, that this credit shall not exceed 30% of the business income tax payable by the company in that year.

Based on the Biotech and New Pharmaceutical Development Act, biotech and new pharmaceutical companies are entitled to a deduction from their profit-seeking-enterprise income tax liability when undertaking R&D on new drugs and high-risk medical devices, as well as the training of personnel. The deduction is limited to 35% of the total amount invested in R&D and personnel training and may be credited against the profit-seeking-enterprise income tax within five years from the year the tax liability is incurred.

Besides, Investors who invest in Biotechnology and new Pharmaceutical companies and hold the shares for more than three years are entitled to a deduction from the profit-seeking-enterprise income tax payable for a period of five years starting from the year the tax liability is incurred, up to 20% of the acquisition cost of the shares.

The Statute for Private Participation in Infrastructure Projects provides tax incentives and government support for a private company investing in government-approved infrastructure projects. The tax incentives are:
- A company can enjoy a five-year tax exemption on business profits derived from government-approved infrastructure projects.
- Corporate shareholders holding registered stock issued by a private company in a government-approved infrastructure projects for at least four years can offset the shareholder investment tax credit against their profit-seeking-enterprise income tax liability. The tax credit is 20% of the cost of the shares.
- A private company investing in government-approved infrastructure or transportation construction project may credit 5% to 20% of qualified expenditure incurred against its profit-seeking-enterprise income tax liability starting from the year the expenditure is incurred.

Under the Offshore Banking Act 1983 domestic and foreign banks can conduct offshore banking business exempt from income tax, business tax, stamp duties, and withholding tax on interest.

ALTERNATIVE MINIMUM TAX
The Income Basic Tax (IBT) Act is effective from 2006. If the amount of regular Income Tax for a company or an individual is greater than or equal to the amount of basic tax, the Income Tax shall be calculated in accordance with the Income Tax Law. Where the amount of regular Income Tax is less than the amount of basic tax, the total tax payable is the amount of the basic tax. According to the Act, capital gains derived from marketable securities and futures and some other income exempted from Income Tax by incentives shall be included in the basic income of the company and subject to IBT.

C. FOREIGN TAX RELIEF

Foreign tax suffered on overseas income is creditable against Taiwanese tax subject to a limit of the Taiwanese tax payable on such income.
Any unused tax credits may not be carried backward or forward to other years.

D. CORPORATE GROUPS

Generally, group taxation is not permitted except for meeting the requirements of consolidated tax returns in Merger and Acquisition Law.

E. RELATED PARTY TRANSACTIONS

Royalties, interest and service fees paid to foreign (and Taiwanese) affiliates require adequate supporting transaction vouchers and documents to be deductible. Such payments are subject to withholding tax. Transactions between related parties are subject to Transfer Pricing Guidelines effective from 1 January 2005 and contemporaneous documentation is required on an annual basis.

F. WITHHOLDING TAXES

Domestic corporations paying certain types of income are required to withhold as follows: (1) (2) (3) (4)

Recipient	Salaries %	Dividends %	Interest %	Royalties/ rentals %	Profess-ional fees/ commis-sions %
Resident corporations	N/A	–	10	10	10
Resident individuals	6 (2)	–	10 (1)	10	10
Non-resident corporations	N/A	20	15/20 (3)	20	20
Non-resident individuals	18	20	15/20 (3)	20	20

1 For the interest on short-term marketable securities, the final withholding tax rate is 10%.
2 Withholding in accordance with withholding schedule or a flat rate of 6%.
3 See "Tax on Interest" above.

G. EXCHANGE CONTROL

At present there is no limit on genuine trade-related remittances whether inward or outward. For non-trade-related remittances, the long standing controls were relaxed from 1997. Business entities can remit up to US$50,000,000 (or the equivalent) into or out of Taiwan each year without advance approval from Central Bank. The limit for individuals remains unchanged at US$5,000,000 per year. Each remittance in excess of US$1,000,000 for a corporate or US$500,000 for an individual requires supporting documentation.

H. PERSONAL TAX

Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions. Non-residents who stay in Taiwan for no more than 90 days within a calendar year are taxed on their gross income under the withholding tax system without allowance for deductions and exemptions. A non-resident staying in Taiwan over 90 days but less than 183 days within a calendar year who has no Taiwan source income other than salaries from local employers is not required to file an income tax return if 20% tax on local salaries is withheld. In practice, however, a non-resident may prefer to file an annual tax return voluntarily, without allowance for deductions and exemptions, in order to keep a clean tax record in Taiwan.

Residence is determined on the basis of whether a person is domiciled in Taiwan and lives in Taiwan on a regular basis. An individual will also be considered to reside in Taiwan when, although not domiciled in Taiwan, they reside in Taiwan for 183 days or longer within a calendar tax year.

The types of compensation deemed to be taxable income include:
- cost of living allowance
- expatriation premium
- relocation allowance
- education for dependent children
- life insurance premiums exceeding NT$2,000 per month paid by the employer on the employee's behalf.

Tax-exempt Income includes:
- qualifying professional expatriates' housing provided by the employer may be tax-exempt
- meals allowance of up to NT$1,800 per month
- overtime pay for up to 46 hours per month
- travel expenses to allow an qualifying professional expatriate employee to return to the home country.

DEDUCTIONS
A taxpayer may select either the 'standard deduction' or 'itemised deductions' and may, in addition thereto, declare 'special deductions'.

Standard deduction: For 2010, NT$ 76,000 for a single taxpayer; NT$ 152,000 for a taxpayer and his (her) spouse.
Itemised deductions, subject to certain limitations, include:

- charitable contributions
- insurance premiums up to NT$24,000 per insured person for life or labour insurance
- medical and childbirth expenses
- disaster losses incurred due to force majeure, if not otherwise covered by insurance
- mortgage interest incurred on self-use residential dwelling up to NT$300,000 per income tax return per year
- rent for housing up to NT$120,000 per income tax return per year. However, no deduction shall be made for taxpayers who have filed the aforesaid mortgage interest on the same tax return.

Special deductions, subject to certain limitations, include:

- losses from disposal of properties other than land and securities, not to exceed total gains from disposal of properties in the same taxable year
- salary or wage earner's special deduction up to NT$104,000 per salary or wage earner in 2010
- interest income exclusion up to NT$270,000 per income tax return in 2010
- deduction for the disabled up to NT$104,000 per disabled person in 2010
- deduction for higher education of children up to NT$25,000 per person.

EXEMPTIONS
Remuneration for services rendered in Taiwan received from an employer outside Taiwan (with no charge back to a Taiwan entity) by an employee who is a non-resident will be exempt from tax provided the employee stays in Taiwan for no more than 90 days.

Remuneration for services rendered in Taiwan received from an employer outside Taiwan is also exempt if received by non-resident directors, managerial officers and technicians of an approved FIA entity who are sent to Taiwan for no more than 183 days in a tax year to undertake preparatory work such as investment planning, plant construction or market surveys.

PERSONAL EXEMPTION
For 2010, the personal exemption is NT$82,000.

The new tax brackets and rates of resident individual income tax for 2010 are as follows:

Net taxable income (NT$)	Rates (%)
1 – 500,000	5
500,001 – 1,130,000	12
1,130,001 – 2,260,000	20
2,260,001 – 4,230,000	30
4,230,001 and above	40

ALTERNATIVE MINIMUM TAX
The Income Basic Tax (IBT) Act is effective from 2006. The basic tax is calculated in a similar manner as for companies with items added back to calculate the relevant income including the following:

- income derived from overseas sources excluded from gross consolidated income
- non-cash donations or contributions deducted from gross consolidated income.

T

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The following withholding tax rates are applicable to Taiwanese-source dividends, interest and royalties paid to non-residents where the income is not connected with a permanent establishment in Taiwan.

	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries:	20	15,20	20
Treaty Countries:			
Australia	10,15	10	12.5
Belgium	10	10	10

	Dividends (%)	Interest (%)	Royalties (%)
Denmark	10	10	10
Gambia	10	10	10
Indonesia	10	10	10
Israel	10	7,10	10
Macedonia	10	10	10
Malaysia	12.5	10	10
New Zealand	15	10	10
The Netherlands	10	10	10
Paraguay	5	10	10
Senegal	10	15	12.5
Singapore	– (1)	– (2)	15
South Africa	5,15	10	10
Sweden	10	10	10
Swaziland	10	10	10
United Kingdom	10	10	10
Vietnam	15	10	15

1 The treaty limits the aggregate of the corporate income tax and the tax on the dividends to 40% of that part of the taxable income out of which the dividends are declared.
2 The treaty is silent so the domestic rate applies. See Section F above.

THAILAND

Currency: Baht Dial Code To: 66 Dial Code Out: 001

City: Bangkok

Please email Stephen Darley, PKF Asia Pacific Regional Director at stephen.darley@pkf.com for details of Thai tax contacts

A. TAXES PAYABLE

CORPORATE INCOME TAX

Corporate income tax (CIT) is a direct tax levied on a juristic person which is established under Thailand or foreign law and carries on business in Thailand or which derives from certain types of income from Thailand.

The term 'juristic person' (hereinafter referred to as 'company') means a juristic company or partnership operating in Thailand. The term also includes any joint venture and any trading or profit-seeking activity carried on by a foreign government or its agency or by any other juristic body incorporated under a foreign law.

Companies incorporated in Thailand are subject to corporate income tax on all profits derived from both domestic and foreign sources on its worldwide net profit at the end of each accounting period 12 months). The ordinary fiscal year for tax submission is for the 12 month period ending 31 December. However, with the consent of the Director-General, corporate taxpayers may choose a substituted accounting period for the purpose of determining taxable income.

A 'foreign company' means a company incorporated under foreign law. Generally, a foreign company is treated as carrying on business in Thailand if it has an office, a branch or any other place of business in Thailand or has an employee, agent or representative for carrying on business in Thailand. A foreign company carrying on business in Thailand is subject to CIT only for net profit arising from or in consequence of business carried on in Thailand, at the end of each accounting period. A separate profit remittance tax of 10% of the amount remitted is imposed on foreign companies that remit their Thailand-based profits offshore. Profit means any sum set aside out of profits as well as any sum which may be regarded as profit.

A foreign company that does not carry on business in Thailand but derives certain types of income such as professional fees, interest, dividends, royalties, rents and management fees from Thailand may be subject to CIT on the gross amount received. It is collected in the form of withholding tax by which the payer of income shall deduct the tax from the income at the rate shown in the Table of Withholding Taxes (Tax Rates – Payments to Non Resident Countries). A foreign company engaged in international transport is also only subject to tax on its gross receipts.

CIT rate in Thailand is 30% and such tax is payable twice a year. However, the rates vary depending on the types of taxpayers.

Thai and foreign companies carrying on business in Thailand are required to file their annual tax returns (Form PND50) within 150 days from the closing date of their accounting periods. Tax payment must be submitted together with the tax return.

In addition to the annual tax payment, any company subject to CIT on net profits is also required to file their half-year tax return (Form PND51). A company is obliged to estimate its annual net profit as well as its tax liability and pay half of the estimated tax amount within two months after the end of the first six months of its accounting period. The prepaid tax is creditable against its annual tax liability.

CAPITAL GAINS TAX
There is no capital gains tax in Thailand. Capital gains are treated as ordinary income for the purpose of calculating income tax.

BRANCH PROFITS TAX
There is no branch profits tax in Thailand. The Thai branches of foreign companies will generally only be taxed in Thailand on the net profits arising from the business carried on in Thailand. The Thai branches are subject to the same rate of tax as resident companies. A separate profit remittance tax is, however, imposed on such profits remitted out of Thailand.

VALUE ADDED TAX (VAT)
VAT replaced sales tax on 1 January 1992. It is an indirect tax imposed on the value added of each stage of production and distribution.

Any person or entity that regularly supplies goods or provides services in Thailand and has an annual turnover exceeding Baht 1.8m is subject to VAT in Thailand. A supplier of services to an offshore person will also attract VAT if the service is used in Thailand. VAT will also apply to any import of goods or services. Suppliers of goods and services collect VAT output tax. Purchasers of goods and services pay VAT input tax. Input tax is deducted from output tax to determine VAT liability.

VAT is currently levied at a rate of 7% on gross receipts effective until 30 September 2012 but may increase to the normal rate of 10% thereafter, although a zero rate applies to exported goods and services (that are totally used abroad). Certain businesses are exempt from VAT.

OTHER TAXES
SPECIFIC BUSINESS TAX (SBT)
There are some businesses that are not subject to VAT but are subject to SBT, although certain entities and activities may be exempt from SBT. The tax is imposed on gross revenue and the rate of tax differs according to the nature of the business performed as follows:

Business		Tax base	Tax rate (%)
1.	Banking, Finance and similar business	Interest, discounts, service fees, other fees, profits from foreign exchange	3.0
2.	Life Insurance	Interest, service fees and other fees	2.5
3.	Pawn Brokerage	Interest, fees, remuneration from selling overdue property	2.5
4.	Real estate	Gross receipts	3.0*
5.	Factoring	Interest, discounts, service fees and other fees	3.0

Note: Local tax at the rate of 10 % is imposed on top of SBT.

* SBT has been reduced to 0.1% from 29 March 2009 to 28 March 2010. After this period, the normal rate at 3% will apply.

PETROLEUM INCOME TAX
Income derived from petroleum operations is subject to the Petroleum Income Tax Act.

STAMP DUTY
Stamp duties are payable on most documents filed by companies with the Government agencies or entities and on official documents of the company, including transfers of land, leases, stock transfers, debentures, mortgages, life assurance policies, annuities, power of attorney, promissory notes, letters of credit, cheques etc. Stamp duties are taxed on instruments and not on transactions or persons. For the purposes of stamp duty, an instrument is defined as any document chargeable with duty under the Revenue Code. The stamp duty rules are contained in Chapter VI of Title II of the Revenue Code.

Only instruments listed in the stamp duty schedule are subject to stamp duty and the persons liable to pay stamp duty are those associated with the instrument. They are, for example, the persons executing the instrument, the holders of the instrument or the beneficiary. General exemptions are available under the Revenue Code. Rates vary according to the class of the instrument. Non-compliance can result in a penalty or surcharge of tax.

EXCISE TAX
Excise tax is levied on certain types of products such as alcoholic beverages, tobacco and fruit juice.

LOCAL TAXES
SIGNBOARD TAX
This tax may be imposed at various rates per square meter (depending on the language) on any signs or billboards which display a name, trademark or product for the purpose of advertising or providing information on businesses.

PROPERTY TAXES
Owners of land and buildings in designated areas may be subject to either local administration tax (based on the unimproved capital value of land) or house and land tax (calculated at a percentage of actual or imputed annual rental value). Local administration tax is based on the appraised value of land as determined by the local authorities. Land which is subject to house and land tax is not subject to this tax. House and land tax covers all properties with the exception of owner occupied residences. The annual value is the official assessment of rental income that could be derived from such premises.

B. DETERMINATION OF TAXABLE INCOME

Income tax is payable by both individuals and companies on their taxable income. Taxable income is defined as assessable income less allowable deductions. For individuals, certain additional allowances can also be deducted against the assessable income.

CIT of a company carrying on business in Thailand is calculated from the company's net profit on the accruals basis. A company shall take into account all revenue arising from or in consequence of the business carried on in an accounting period and may deduct all expenses in accordance with the conditions prescribed by the Revenue Code. Additional deductions on certain types of expenditure may also be allowable.

Taxpayer	Tax base	Rate
1. Small company: (1)	net profit not exceeding Baht 0.15m	exempt (2)
	net profit over Baht 0.15m but not exceeding Baht 1m	15% (2)
	net profit over Baht 1m but not exceeding Baht 3m	25%
	net profit exceeding Baht 3m	30%
2. Companies listed on Stock Exchange of Thailand (SET):		
a. Listed between 6 September 2001 and 31 December 2005	net profit for first five accounting periods beginning on or after 6 September 2001	25%
b. Application for newly listed on SET between 1 January 2007 and 31 December 2008and registered by 31 December 2009	net profit for first three accounting periods after listing	25%

T

Taxpayer			Tax base	Rate
	c.	Listed before 29 July 2008	net profit on first Baht 300m for three accounting periods from 1 January 2008 to 31 December 2010	25% (4)
			net profit on the amount exceeding Baht 300m for three accounting periods from 1 January 2008 to 31 December 2010	30%
3.	Company listed on Market for Alternative Investment (MAI)			
	a.	Listed during 6 September 2001 to 31 December 2005	net profit for first five accounting periods beginning on or after 6 September 2001	20%
	b.	Application for newly listed on MAI between 1 January 2007 and 31 December 2008 and registered by 31 December 2009	net profit for first three accounting periods after listing	20%
	c.	Listed before 29 July 2008	net profit on first Baht 20m for three accounting periods from 1 January 2008 to 31 December 2010	20% (4)
			net profit on the amount exceeding Baht 20m for three accounting periods from 1 January 2008 to 31 December 2010	30%
4.	Bank deriving profits from International Banking Facilities (IBF)		net profit	10%
5.	Foreign company engaging in international transportation		gross receipts	3%
6.	Foreign company not carrying on business in Thailand but receiving dividends from Thailand		gross receipts	10%
7.	Foreign company not carrying on business in Thailand but receiving other types of income apart from dividends from Thailand		gross receipts	15%
8.	Foreign company remitting profits out of Thailand		amount remitted	10%
9.	Profitable association and foundation		gross receipts	2% or 10%
10.	Regional Operating Headquarters (ROH)		net profit	10% (5) or exempt
11.	Board of Investment (BOI)		net profit	0% (6)

1. Small company refers to companies with paid-up capital not exceeding Baht 5m at the end of each accounting period.
2. The 15% rate applies for accounting periods beginning on or after 1 January 2004. An income tax exemption for the first Baht 150,000 is effective for the accounting periods beginning on or after 1 January 2008.
3. The reduced rate applies for currently listed companies for five accounting periods beginning on or after 6 September 2001.
4. The rates apply for currently listed companies which do not utilise other corporate income tax privileges granted including that specified under No. 2b and 3b in the Table above.
5. An entity may qualify for concessions granted as an ROH. There are two types of ROH applications. The old ROH includes a reduced corporate income tax rate of 10% and a flat personal income tax rate of 15% for expatriate individuals (for a four-year period) if certain conditions are met including the provision of administrative, technical, management and other supporting roles to 'affiliates' or branches in at least three other countries other than Thailand.

T

The new ROH includes a corporate income tax exemption for 10 years on the service income derived from abroad and a corporate income tax and withholding tax exemption for 10 years on dividends received from and paid to foreign entities. It also grants a reduced corporate income tax rate of 10% for a 10 year period on the service income derived in Thailand as well as royalties and interest income derived from abroad. A flat personal income tax rate of 15% for expatriate individuals (for an eight-year period) is also provided if certain conditions are met. The new ROH has more stringent rules in order to qualify for this concession including the requirement for a minimum number of associated companies or branches outside Thailand, minimum expenditure requirements and minimum requirements in relation to employees.

6. Depending on the location (investment zone) and type of activity undertaken, a company may qualify for a tax exemption (tax holiday) for three to eight years on corporate profits as well as a reduction of import duty on imported machinery and materials, as well as an exclusion of income tax on dividends derived from BOI activities.

DEDUCTIBLE EXPENSES

For the purpose of calculating CIT, the following items are allowed to be deducted:

1. Ordinary and necessary expenses. However, the deductible amount of the following expenses is allowed at a special rate:
   – 200% deduction of Research and Development expenses
   – 200% deduction of job training expenses
   – 200% deduction of expenditure on the provision of equipment for the disabled
2. Interest, except interest on capital reserves or funds of the company
3. Taxes, except for Corporate Income Tax and Value Added Tax paid to the Thai government
4. Net losses carried forward from the last five accounting periods
5. Bad debts
6. Wear and tear
7. Donations of up to 2% of net profits
8. Provident fund contributions
9. Entertainment expenses up to 0.3% of gross receipt but not exceeding Baht10 m
10. Further tax deduction for donations made to public education institutions and also for any expenses used for the maintenance of public parks, public playgrounds, and/or sports grounds
11. Depreciation: Special accelerated depreciation rates are available for certain asset classes. Alternatively, a company can use the rate based on the estimated life of the asset.
12. Exhibition or expo costs incurred either domestically or overseas
   – 200% deduction of rental expense
   – 200% deduction of construction fee
   – 200% deduction of other related expenses e.g. freight, insurance, transportation fee
   * Applies to the expenses incurred during the period from 14 October 2010 to 31 December 2011.
13. 200% deduction for domestic employee training expense incurred during 2010 and 2011 (including seminar room rental cost, accommodation, transportation, food and other expenses).
14. 60% deduction for depreciation upon acquisition of movable assets e.g. equipment, fixtures and furniture (excluding motor vehicles) acquired between 16 June 2010 and 31 December 2011 for a company carrying on tourism business
15. Full depreciation for car purchase in respect of the car rental business for the expense incurred from 14 October 2010 onwards. Previously, a cost limit of Baht 1 million in respect of depreciation applied.

DIVIDENDS

A resident individual taxpayer who derives dividends has a choice of including the dividend in assessable income or paying a final withholding tax at 10% and excluding such dividend from their income. Taxpayers who choose the first option must gross up the dividend to include the 10% withholding tax deducted as well as the company tax paid on that dividend (normally 30%). A tax credit is, however, granted for both the withholding tax and company tax deducted.

Dividends received by a company listed on the Stock Exchange of Thailand are exempt from tax as are those received by any other company incorporated in Thailand holding at least 25% of the voting shares in another Thai company, without any cross shareholding either directly or indirectly, provided that the related investments have been held for a period of at least three months before and three months after the receipt of the dividends. Where a Thai company does not qualify for the conditions specified above including the 25% voting shareholding and no cross shareholding criterion, it will nevertheless only need to include in its assessable income an amount of 50% of a dividend received from another company incorporated in Thailand if it can maintain that three month holding period before and after distribution of dividend.

Dividend paid by a foreign company to a Thai company after November 2005 will be exempt from Thai corporate income tax if the paying company has a minimum corporate tax rate of 15% and the Thai company has a 25% or more equity interest in the foreign entity and maintains its shareholding in that company for a six-month period.

INTEREST
Interest income derived by a resident individual may, at the taxpayer's election, be excluded from the computation of income tax provided that tax at 15% is withheld at source. However, the following forms of individual's interest income are exempt from any tax:

- interest on bonds or debentures issued by a government organisation
- interest on saving deposits in commercial banks if the aggregate amount of interest received is not more than Baht 20,000 during a taxable year.

With respect to interest expenses, there is no thin capitalisation law that restricts deductibility.

INCOME FROM SALE OF IMMOVABLE PROPERTY
There are special rules applicable to individuals calculating the gains on sale of immovable property which may allow the taxpayer to pay final withholding tax to the Land Department in lieu of including the gain on sale as normal assessable income.

LOSSES
A tax loss, being the excess of allowable deduction over assessable income, can only be carried forward for a maximum of five years.

C. FOREIGN TAX RELIEF

For income derived from countries which do not have a Double Taxation Agreement (DTA) with Thailand, foreign tax credits are allowed, subject to certain criteria and conditions, up to the amount of Thailand tax that would have been payable had the income been derived in Thailand. The same rules apply with respect to foreign tax relief for DTA countries.

D. CORPORATE GROUPS

Each company is taxed as a separate legal entity. Losses incurred by one affiliate may not be offset against profits made by another affiliate.

E. RELATED PARTY TRANSACTIONS

Regulations have been issued to counter aggressive inter-company pricing practices. These regulations are intended to prevent the manipulation of profits and losses within a group of related companies and ensure that goods and services traded between the related companies are priced at an arm's length value. The Revenue Department also has the power to assess income resulting from transfers which it deems is below market value.

F. WITHHOLDING TAX

WITHHOLDING TAX – PAYMENTS TO RESIDENT INDIVIDUALS
For certain categories of income, the payer of income has to withhold tax at source, file the necessary return (Form PND 1, 2, or 3 as the case may be) and submit the amount of tax withheld to the District Revenue Office. The tax withheld shall then be credited against tax liability of a taxpayer at the time of filing the PND return. The following are the withholding tax rates on some categories of income:

Types of income	Withholding tax rate
1. Employment income/hire of work	0 – 37%
2. Interest	15%
3. Dividends	10%
4. Royalty	0 – 37%
5. Rents (1)	5%
6. Prizes	5%
7. Service and professional fees (1)	3%
8. Public entertainer remuneration	5%
9. Advertising fees (1)	2%
10. Capital Gain (2)	0 – 37%

1 Not applicable if an individual is the payer of income.
2 Not applicable for sale of shares on the SET.

WITHHOLDING TAX RATES – PAYMENTS TO RESIDENT CORPORATIONS AND BRANCHES OF FOREIGN COMPANIES

Certain types of income paid to companies are subject to withholding tax at source. The withholding tax rates depend on the types of income and the tax status of the recipient. The payer of income is required to file the return (Form PND 53) and submit the amount of tax withheld to the District Revenue Offices within seven days of the following month in which the payment is made. The tax withheld will be credited against final tax liability of the taxpayer. The following are the withholding tax rates on some important types of income:

Types of income	Withholding tax rate
1. Interest	10% if paid to associations or foundations or 1% in other cases
2. Dividends	10%
3. Royalties	10% if paid to associations or foundations or 3% in other cases
4. Rents	10% if paid to associations or foundations or 5% in other cases
5. Prizes	5%
6. Services and professional fees	10% if paid to associations or foundations or 3% in other cases
7. Hire of work	3% if paid to Thai company or foreign company having a permanent branch in Thailand
	5% if paid to foreign company not having a permanent branch in Thailand
8. Advertising fees	2%

Government agencies are required to withhold tax at the rate of 1% on all types of income paid to Thai companies.

WITHHOLDING TAX RATES – PAYMENTS TO NON-RESIDENTS

Apart from dividends, which attract withholding tax at 10%, most other payments applicable to a non-resident that resides in a non-DTA country (including interest, royalties, rent, management fees, consultancy payments and capital gains) would attract withholding tax at 15%. A DTA, however, exists with many countries. The rates of withholding tax may therefore be reduced depending on the rate specified in the applicable DTA (see treaty and non-treaty WHT rates).

G. EXCHANGE CONTROL

Exchange control regulations are in place to govern the importation and repatriation of funds by residents and non-residents, and the import and export of goods. Subject to certain criteria and thresholds, forms are also required.

H. PERSONAL TAX

Personal Income Tax (PIT) is a direct tax levied on the taxable income of a person. A person means an individual, an ordinary partnership, a non-juristic body of persons, a deceased person and an undivided estate. In general, a person liable to PIT has to compute his tax liability, file tax returns and pay tax, if any, on a calendar year basis. Taxpayers are classified into 'resident' and 'non-resident'. A 'resident' means any person residing in Thailand for a period or periods aggregating 180 days or more in any tax (calendar) year. A resident of Thailand is liable to pay tax on income from sources in Thailand on a cash basis, regardless of where the money is paid, as well as on the portion of income from foreign sources that is brought into Thailand in the same year that the foreign income is derived. A non-resident is, however, subject to tax only on income from sources in Thailand.

Income chargeable to PIT is called 'assessable income'. The term covers income both in cash and in kind. Therefore, any benefits provided by an employer or other persons, such as rent-free housing or the amount of tax paid by the employer on behalf of the employee, are also treated as assessable income of the employee for the purpose of PIT.

Assessable income is divided into eight categories. Certain deductions and allowances can be offset against assessable income in order to calculate taxable income. Taxpayers shall make deductions from assessable income before the allowances are granted.

Deductions permitted for the calculation of PIT

Table 1

Type of Income	Deductions
1. Income from employment	40% but not exceeding Baht 60,000
2. Income from hire of work	40% but not exceeding Baht 60,000
3. Income received from copyright	40% but not exceeding Baht 60,000
4. Income in the nature of interest, dividend, capital gain	–
5. Income from letting out of property on hire:	
– building and wharves	30%
– agricultural land	20%
– all other types of land	15%
– vehicles	30%
– any other type of property	10%
6. Income from professional services	30% except for the medical profession where 60% is allowed
7. Income derived from contract of work whereby the contractor provides essential materials besides tools	actual expense or 70%
8. Income derived from business, commerce, agriculture, industry, transport, or any other activities not specified earlier	actual expense or 40% to 85% depending on the types of income

Allowances permitted for the calculation of PIT

Table 2

Types of Allowances	Amount
Personal allowance	
– Single taxpayer	Baht 30,000 for the taxpayer
– Non-juristic partnership or body of persons	Baht 30,000 for each partner but not exceeding Baht 60,000 in total
Spouse allowance (legally married)	Baht 30,000
Child allowance (child under 25 years of age and studying at educational institution, or a minor, or an adjusted incompetent or quasi-incompetent person)	Baht 15,000 each (limited to three children)
Education (additional allowance for child studying in educational institution in Thailand)	Baht 2,000 each child (limited to three children)
Life insurance premium paid by taxpayer or spouse	Amount actually paid but not exceeding Baht 100,000 each
Health insurance premium paid for tax-payer's and spouse's parents (total income of parents shall not exceed Baht 30,000)	Amount actually paid but not exceeding Baht 15,000
Approved provident fund contributions and retired mutual fund	Maximum allowance (exemption) of Baht 500,000 but not exceeding 15% of income
Long term equity fund	Maximum allowance (exemption) of Baht 500,000 but not exceeding 15% of income
Home mortgage interest	Amount actually paid but not exceeding Baht 100,000

Types of Allowances	Amount
Social security contributions	Amount actually paid
Parent allowance (parents of either taxpayer and/or legal spouse over 60 years of age with income less than 30,000 Baht)	Baht 30,000 each parent
Disability allowance (cost of caring for disabled persons)	Baht 60,000 Baht
Undivided estate	Baht 30,000
Charitable contributions	Amount actually donated but not exceeding 10% of income after standard deductions and allowances
Educational contributions	Two times the actual donation but not exceeding 10% of income after standard deductions and allowances

The tax rates for resident and non-resident individuals (2008 and subsequent years) are as follows:

Table 3

Taxable income (Baht)	Tax rate (%)	Tax amount	Accumulated tax
0 – 150,000	Exempt	–	–
150,001 – 500,000	10	35,000	35,000
500,001 – 1,000,000	20	100,000	135,000
1,000,001 – 4,000,000	30	900,000	1,035,000
4,000,001 and over	37	–	–

Persons over age 65 get an exemption on the first Baht 190,000 of taxable income instead of the normal Baht 150,000 threshold.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The schedule below is only intended to give a general outline of the rates of tax applicable to interest, dividend and royalty payments under Thailand's Double Tax Treaties. It is advisable to consult the relevant tax treaty for more detailed information. The table below sets out the lower of the treaty rate and the applicable domestic rate on dividend, interest and royalty payments.

	Dividends (1) (%)	Interest (2) (%)	Royalties (3) (%)
Non-Resident Company:			
Non-Treaty Countries:	10	15	15
Treaty Countries:			
Armenia	10	10/15	15
Australia	10	10/15	15
Austria	10	10/15	15
Bahrain	10	10/15	15
Bangladesh	10	10/15	15
Belgium	10	10/15	5/15
Bulgaria	10	10/15	5/15
Canada	10	10/15	5/15
Chile	10	10/15	10/15
China	10	10/15	15
Cyprus	10	10/15	5/10/15
Czech Republic	10	10/15	5/10/15

T

	Dividends (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Denmark	10		10/15		5/15	
Finland	10		10/15		15	
France	10		3/10/15		5/15	
Germany	10		10/15		5/15	
Hong Kong	10		10/15		5/10/15	
Hungary	10		10/15		15	
India	10		10/15		15	
Indonesia	10		10/15		15	
Israel	10		10/15		5/15	
Italy	10		10/15		5/15	
Japan	10		10/15		15	
Korea	10		10/15		15	
Kuwait	10		10/15		15	
Laos	10		10/15		15	
Luxembourg	10		10/15		15	
Malaysia	10		10/15		15	
Mauritius	10		10/15		5/15	
Nepal	10		10/15		15	
Netherlands	10		10/15		5/15	
New Zealand	10		10/15		10/15	
Norway	10		10/15		5/10/15	
Oman	10		10/15		15	
Pakistan	10		10/15		10/15	
Philippines	10		10/15		15	
Poland	10		10/15		5/15	
Romania	10		10/15		15	
Russia	10		10		15	
Seychelles	10		10/15		15	
Singapore	10		10/15		15	
Slovenia	10		10/15		10/15	
South Africa	10		10/15		15	
Spain	10		10/15		5/8/15	
Sri Lanka	10		10/15		15	
Sweden	10		10/15		15	
Switzerland	10		10/15		5/10/15	
Turkey	10		10/15		15	
Ukraine	10		10/15		15	
United Arab Emirates	10		10/15		15	
United Kingdom	10		10/15		5/15	
United States	10		10/15		5/8/15	
Uzbekistan	10		10/15		15	
Vietnam	10		10/15		15	

1 The lower rate generally applies if certain conditions are met including having a specified minimum percentage of equity in the company paying the dividend.
2 The lower rate generally applies to interest for which a financial institution is beneficially entitled.
3 The lower rate generally applies to payments made as consideration for the right to use any copyright of literary, artistic or scientific work.

TUNISIA

Currency: Tunisian Dinar (TND)	Dial Code To: 216	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Tunis	Lasaad Marouani	71 88 98 35 pkf.marwani@gnet.tn

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Limited companies, limited partnerships and cooperatives are liable to corporate income tax on their profits stemming from any business they carry on in Tunisia. Foreign companies not carrying on business in Tunisia but deriving certain types of income from Tunisia are subjected to company tax.

Tax rates: Companies are liable to corporate income tax at the rate of 30% (this rate was reduced in 2007 from 35% to 30%). However, a number of companies and legal entities such as companies operating in handicraft activities, agriculture and fishing are taxable at the rate of 10%. This tax rate is also applicable to profits made from export activities from 2011.

Minimum tax liability: A corporation has to pay a minimum tax liability of 0.1% of the total gross turnover with a minimum account, due even without any turnover, of 200 Dinars for companies taxable at the rate of the 10%. For those taxable at the rate of 30%, the minimum amount is 350 Dinars.

Legal entities liable to company tax and individuals liable to personal income tax carrying on a trade business are subjected to three tax installments each representing 30% of the total levy calculated on incomes and profits of the previous year. Tax installments should be paid during the 28 days of respectively the 6th, 9th and 12th months following the balance sheet date.

CAPITAL GAINS TAX
CAPITAL GAINS OR LOSSES

For non-resident legal entities, gains stemming from disposal of buildings established in Tunisia or rights related to them are subject to corporate income tax. Capital gain is the difference between sale price and cost price or purchase price. These entities may choose to be imposable at withholding discharge of 15% of the sale price. For closed-end investment companies and credit institutions, capital gains related to securities are deductible from taxable income.

For both residents and non-residents, interest is subject to a withholding tax at 20% (a more favorable rate if the case is covered by a non-double imposition treaty).For the non-resident, the amount withheld is offset against ordinary income tax on this income.

Rental income from student accommodation or catering is deductible from taxable income during the first 10 years. This rent should respect specifications established by the supervisory ministry.

From 1 January 2011, the following are exempt from capital gain from the sale of securities

- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed before 1 January 2011 and the sale of shares in a transaction introductory Stock Exchange of Tunis is deductible from taxable income.
- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed from 1 January 2011 is also deductible from taxable income when the transfer takes place after the expiry of the year following the year of acquisition or subscription of a maximum of 10,000 dinars per year. Otherwise the gain described above shall be subject to income tax at 10% thereof.
- Corporation tax is payable by non-resident legal persons not established in Tunisia at a rate of surplus value cited above. The capital gain subject to tax on companies is equal, in this case, to the difference between the sale price and the purchase price of stocks, shares or units or the subscription price and from transfer operations performed during the year preceding the tax after deduction of capital loss from operations in question.

SALES TAX/VALUE –ADDED TAX

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax.

All economic activities conducted in Tunisia, including industrial and handicraft activities, liberal or commercial professions, are subject to value-added tax.

Exports by definition are consumed abroad and are usually not subject to VAT and any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports and ultimately export-derived income or revenue.

VAT that is charged by a VAT-registered business and paid by its customers is known as "output VAT" (that is, VAT on its output supplies). VAT that is paid by a business to other businesses on the supplies that it receives is known as "input VAT" (that is, VAT on its input supplies). A business is generally able to recover input VAT to the extent that the input VAT is attributable to (ie, used to make) its taxable outputs. Input VAT is recovered by setting it against the output VAT for which the business is required to account to the Tunisian government or, if there is an excess, by claiming a repayment from the Tunisian government.

Three different VAT rates apply in Tunisia:
– 6%: information technology services, hotels and restaurant activities, and equipment
– 12%: raw materials, craft industry products, medical activities, and canned food
– 18%: operations related to services and goods not subject to another rate.

According to article 18 of the Tunisian VAT code, a sales invoice issued by a VAT registered business should contain certain compulsory information including client name, address and fiscal register, date of the transaction, price of the goods or services sold, VAT rate.

FRINGE BENEFITS TAX
Fringe benefits are considered to be a part of the salary paid to an employee; hence they're subject to social security and income taxes.

Fringe benefits taxable are evaluated on the basis of their market value.

LOCAL TAXES
The tax on the rental value is a municipal tax on buildings. The owner of the property is liable for collection of the tax. The base of this tax is the gross rental value determined in accordance with a general census carried out every three to five years by the local authorities. The rate is fixed per local authority which may be divided into two zones, urban and suburban (where the rate is lower).

The land tax on undeveloped land is owed by occupiers, owners or persons enjoying the land.

OTHER TAXES AND LEVIES
SOCIAL SECURITY TAXES
The social security rates are 9.18% on behalf of the employee and the 16.57% on behalf of the employee and 0.5% for employer's compensation on behalf of the employer.

REAL ESTATE TAX
The purchase of real estate is subject to the following:
- A registration duty of 5% on the purchase price increased by VAT
- A stamp duty of 2DT per sheet of contract
- A real estate property conservation duty of 1% on the purchase price increased by VAT
- A registration will be increased by 1% of purchase price for non registration of the property purchased
- A supplementary charge of 3% in cases where the owner has failed to declare the value of his property .

Any real estate buyer who is an individual or a corporate entity subject to a regular accounting system must withhold tax on the real estate purchase price. This tax is 2.5% on the purchase price increased by VAT.

EXCISE TAX
This is a federal tax on specific goods and services either imported or manufactured in Tunisia. It is levied on a variety of items such as cigarettes, tobacco, alcoholic beverages, cosmetics, perfume and private cars. Excise tax is levied on sale price or customs value for imported goods.

According to the Tunisian Excise Tax Code, several rates apply to different goods. A joint list is available on the code, fixing different rates.

GIFTS, WEALTH, ESTATE, AND/OR INHERITANCE TAX
Inherited property and gifts are subject to tax at the following rates:
- Direct line relatives (children, spouses, parents, etc.): 2.5%
- Brothers and sisters: 5%

- Collateral line relatives: 25%
- Relatives beyond the fourth degree: 35%
- Unrelated individuals: 35%.

VOCATIONAL TRAINING TAX
This is payable monthly at the rate of 2% of the total gross wages. A special rate of 1% is applicable to the manufacturing sector.

TAX FOR PROMOTING EMPLOYEES' ACCOMMODATION
Employers have to pay a tax at the rate of 1% of total grass salaries to promote the employee's accommodation. Farmers are exempt of this tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results.

Profits are habitually considered gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income.

Taxable income includes also capital gains, except for capital gains stemming from disposal of securities listed on the Tunisian Stock Exchange and capital gain from an initial public offering on TSE.

DEPRECIATION
Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted.

Assets of a lower value than 200DT may be fully written off during their first year. Companies may choose the declining-balance method to calculate depreciations on hardware, agriculture equipments and newly purchased manufacturing equipment (from 1 January 1999).

From 1 January 2008, a company is eligible to use declining balance method to compute depreciations on manufacturing equipments financed by a leasing.

STOCK/INVENTORY
For the determination of net income, inventories must be valued at their cost price. If market value or realizable value is lower at the end of the year, the company must set up reserves for depreciation of inventories, which is deductible within the limit of 30% of the taxable income.

DIVIDENDS
Collected dividends that are distributed by Tunisian companies are tax-exempt for both residents and non-residents. The non-capitalised earnings, amounts given to partners or shareholders and attendance fees given to members of the board of directors are assimilated to dividend payment.

Gains from stock Option exercises: in Tunisia, stock options are recognised only in certain sectors of activities, which are as follows:
- Software engineering
- Software services
- Telecommunications and new technologies sectors
- Listed companies.

When the plan is not recognized by Tunisian Law to be a stock option, the gain is not subject to taxation. This advantage is awarded under the double condition that:
- At the date the stock option is granted, the employee does not hold more than 10 % of the subscribed share capital; and
- The shares are not sold during a period of three years starting from 1 January of the subsequent year in which the option is exercised.

When the Tunisian law does not recognise the stock option plan, the exercise gain made by the employee (difference between the exercise price and the fair market value of the shares at the date of exercise) will be subject to income tax.

INTEREST DEDUCTION
Interest from foreign currency deposits or from convertible Dinar is deductible from taxable income.

The interests on loans granted, or left at the disposal of the Tunisian company by partners or shareholders are fully deductible from the taxable income of shareholders or partners, under the following conditions:

- The interest rate does not exceed 8%
- The amounts do not exceed 50 % of the capital which should be fully paid up.

Limitation of interest rates is not applicable when the partner or shareholder who benefits from these interests is a bank in which case interests are deductible from the taxable base to the limit applicable on the market.

LOSSES

The deficit recorded during a business year which resulted from a regular accounting record in compliance with corporate accounting legislation is deducted successively from the results of the following business years up until including the fourth year.

For any profit business year, the deduction of deficits and depreciations is carried out according to the following order:

a) Reportable deficits
b) The depreciation of the concerned business year
c) Deferred depreciation in deficit periods.

During a business year when the profit is not sufficient to carry out the total deduction of the deficit and depreciation, the remaining part is put back successively on the results of the subsequent business years up until and including the fourth year.

FOREIGN SOURCED INCOME

According to the Tunisian tax legislation, revenues from foreign-source realised by individuals and which were subject to tax payment in the country of origin are not taxed.

Non-resident legal entities are taxable on their Tunisian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost.

Relief from foreign Taxes in Tunisia depends on double tax treaty concluded by Tunisia.

INCENTIVES

The Tunisian tax legislation has established a certain number of incentives to investment and creation of projects, in certain sectors of activity, either by Tunisian or foreign promoters being resident or nonresident or in partnership according to the overall development strategy, mainly aiming at accelerating growth rate and job creation within activities related to fields determined in article one of the Investment Incentives Code.

Various tax incentives are available for totally exporting companies. 100 % of the exporting activity income is deductible from total taxable income up until 31 December 2011. This deduction is made notwithstanding the minimum tax. From 1 January 2012 the exporting activity income is taxable at the rate of 10%. Major incentives are available for investments made by enterprises settled in areas that need development (regional development zones). Income stemming from investments carried out in these areas is fully deductible from the taxable income during the first ten years of activity but, for subsequent business years, only 50% is deductible from the tax base.

As part of the promotion of Small and Medium Enterprises, the Finance Act 2011 has provided management measures to support businesses created from 1 January 2011. It concerns new investment for which the turnover does not exceed 300,000 dinars for service activities and non-commercial professions, and 600,000 dinars for trade and activities such as processing and consumption on the premises.

Companies are deductible from taxable income, revenues or profits from operations conducted during the first three years of operation at the following rates:

– 75% for the first year
– 50% for the second year
– 25% for the third year.

The benefit of this advantage is subject to the condition that the keeping of accounts in conformity with accounting law firms.

C. FOREIGN TAX RELIEF

Relief from foreign Taxes in Tunisia depends on whether a double tax treaty has been concluded by Tunisia.

Tunisia has concluded 67 non-double imposition treaties applicable on 1 January 2008.

D. CORPORATE GROUPS

When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Tunisia and abroad are consolidated.

F. WITHHOLDING TAX

For certain categories of income, the prayer of income has to withhold tax at source, file tax return and submit the amount of tax withheld to the finances.

In the context of harmonization of the rate of withholding tax on interest paid for loans to banks, non-resident, non-established in Tunisia with those contained in the conventions on avoidance of double taxation, the finance law for the management of 2011 replaced the rate of withholding tax of 2.5% by 5%.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on income of an individual.

Taxpayers are classified into resident and non-resident.

According to Tunisian laws, three criteria are used to indicate that an individual has an habitual residence in Tunisia.
1. Main residence of the person is in Tunisia
2. Principal place of residence (period equal to or more than 183 days during a civil year)
3. Civil servant or state employee carrying out his/her duty in a foreign country, where they aren't subject to personal income tax on global income.

A non-resident is subject to tax only on personal income from Tunisian sources.

Income chargeable to the Personal Income Tax is called assessable income. Assessable income is divided into seven categories:
1. Income from commerce and industry
2. Income from non-trading professions
3. Income from agriculture and fishing activities
4. Wages, salaries, pensions and life annuities
5. Land income
6. Income in the nature of dividends and interests resulting from the detention of securities and bonds.
7. Income from any other activity not specified earlier.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.

In general, a person liable to Personal Income Tax has to compute his tax liability, file tax return and pay tax, if any, accordingly on a calendar year basis.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of family. A spouse can report income of the children on his/her tax return in certain circumstances.

INCOME TAX RATES

	Rate	Effective tax rate of the upper limit
0 TO 1500 Dinars	0%	0%
1500,001 TO 5000 Dinars	15%	10.5%
5000,001 TO 10000 Dinars	20%	15.25%
10000,001 TO 20000 Dinars	25%	20.12%
20000,001 TO 50000 Dinars	30%	26.05%
Over 50000 Dinars	35%	–

For trading and non-trading activities in accordance with the revenue code, a minimum tax liability is due of 0. 1% of the total gross turnover or receipts except for turnover or receipts from export activities, with a minimum amount of 100 Dinars due even without any turnover.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

- Fees, royalties and non-trading activities compensation paid to non-resident 15%
  - When a treaty exists, apply the treaty rate if less than 15%
- Capital gains paid to non-resident 20%
  - When a treaty exists, apply the treaty rate if less than 20%
- Interests on loans paid to banks not established in Tunisia 5%
  - When a treaty exists, apply the treaty rate if less than 5%
- Invoice that exceeds 1000 dinars (with State) ....1.5 %
- Invoice that exceeds 2000 dinars (with Private).......................................1.5 %

TURKEY

Currency: Turkey New Lira (TRY)	Dial Code To: 90	Dial Code Out: 00

Correspondent Firm:

City:	Name:	Contact Information:
Ankara	Enver Güney	312 468 81 50 guneye@superonline.com
Izmir	M Saim Uysal	232 466 01 22 suysal@pkfizmir.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Corporations in Turkey can be regarded as either limited or full taxpayers. Full taxpayers are liable for tax on their worldwide income. Limited taxpayers are subject to tax on income derived in Turkey.

Corporations are regarded as full taxpayers if their statutory head office or actual business centre is located in Turkey as stated in the articles of association. Thus, foreign-owned subsidiaries wholly established in Turkey are regarded as unlimited taxpayers whereas foreign branches are treated as limited taxpayers.

A foreign corporation is regarded as a limited taxpayer in Turkey and is taxable on its Turkish-sourced income only.

The basic rate of corporation tax for resident and non-resident companies is 20%. In addition to the basic rate, there is a corporate withholding tax which varies from 0% to 20%.

The tax year is the calendar year although a special permit can be obtained from the Ministry of Finance for a different fiscal period. Returns are due during the fourth month (until April 25) after the fiscal year end. Corporation tax is normally payable in April. The taxpayer also has to pay an advance tax throughout the accounting period which is credited against the tax liability of the same period to be calculated in the return for that tax year.

CAPITAL GAINS TAX

Capital gains are normally regarded as part of ordinary corporate income. Capital gains derived from the sale of shares in a local company by either a foreign company or a local company are, in principle, taxable.

Taxation of capital gains derived from the sale of shares between non-residents (individuals or corporations) differs according to the legal status of the company whose shares are held. The existence of a bilateral tax treaty between the country of residence of the non-resident shareholder and Turkey may generally result in capital gains tax being avoided in Turkey on the condition that the holding period exceeds one year.

In general, this is also true for the capital gains arising from the sale of shareholding in a limited company.

Tax resident companies are eligible for the participation exemption scheme in respect of certain shareholdings. Under this scheme, 75% of the gains derived from the sale of shares in subsidiaries are exempt. Two conditions must be met:

- the shares must have been held for two years prior to the disposal
- the amount of the gain must be kept in a special reserve account for at least five years.

The sale revenue must be collected by the end of the second calendar year following the year of sale.

BRANCH PROFITS TAX

There is no branch profits tax in Turkey. Permanent establishments of foreign companies are taxed on the profits earned in Turkey.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is levied on all goods and services supplied within the scope of commercial, industrial, agricultural and independent professional activities and on the importation of goods and services. The supply of all goods and services is subject to VAT unless exempt. The standard rate is 18%. Currently, there are also various different rates ranging from 1% to 18%.

VAT is levied monthly. Returns have to be filed on or before the 24th day of the next month and the tax has to be paid by the 26th.

SPECIAL CONSUMPTION TAX

Special consumption tax was introduced on 12 June 2002 in order to simplify the Turkish tax system. When special consumption tax came into force, the high level VAT taxes were decreased to a maximum of 18%.

Special consumption tax is realised during importation or at the end of production and at rates from 0.5% to 87%. There are four different types of main product groups that are listed under the special consumption tax law. The lists and the related product groups are classified as follows:

List No.	Product groups
1.	Petroleum and solvent products
2.	Vehicles (Transportation vehicles are included, tractors are excluded).
3.	Tobacco products and alcoholic/non alcoholic beverages
4.	White goods, electrical home products, luxury goods

LOCAL TAXES

There are general municipal taxes and real estate taxes on building and land.

B. DETERMINATION OF TAXABLE INCOME

Basically, corporate income is calculated as the difference in the value of the net assets on the last day and the first day of the calendar year. Assets which are added or withdrawn during this period should either be subtracted from or added to the resulting difference. Deductible and non-deductible expenses and tax-exempt corporate income also affects the calculation of taxable income.

DEPRECIATION

The taxpayer may choose either the straight-line or the declining-balance method. A taxpayer who initially chooses the declining balance method for an asset may switch to the straight – line method but the tax payer who begins with the straight line method is not permitted to switch to the declining balance method. Depreciation rates to be applied for fixed assets are determined and announced by the Ministry of Finance through communiqués based on the asset's useful life. The maximum depreciation rate is 50%.

STOCK/INVENTORY

Inventory is valued at cost using the FIFO or weighted average method.

CAPITAL GAINS AND LOSSES

Capital gains and losses of resident companies constitute regular business income.

DIVIDENDS

Dividends received from Turkish resident companies and paid to residents or non-residents are subject to 15% withholding tax.

INTEREST DEDUCTIONS
Interest paid for business purposes in an operational period may be deducted but it must be capitalised if it relates to the acquisition of a fixed asset. Interest paid or calculated on the basis of equity capital is disallowable.

LOSSES
Net operating losses can be carried forward for five years. The loss must be covered by the first available year's income. Losses cannot be carried back.

FOREIGN SOURCED INCOME
Controlled foreign company (CFC) rules exist in Turkey. They apply where a resident company has at least a 50% interest in a non-resident company and the following conditions apply:
- 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income
- the CFC must be subject to an effective income tax rate lower than 10% on its commercial profit in its home country
- gross revenue of the CFC must exceed the equivalent of TRY100,000 in a foreign currency in the related period.

INCENTIVES
With effect from 28 February 2009, up to a 75% reduction in the corporate income tax rate is available for earnings derived from production of plants in specific sectors located in cities specified by the Council Ministers (usually in regions having priority for development) This incentive applies until 31 December 2010 for five years following the date of the relocation provided the plant has at least 50 employees.

C. FOREIGN TAX RELIEF

Taxes paid to foreign authorities by resident companies on their foreign sourced income may be credited against the corporation tax calculated in Turkey on the company's total income. The total tax credited is the lower of:
- the overseas tax incurred and
- the Turkish tax on the income concerned.

D. CORPORATE GROUPS

Group consolidation for tax purposes is not available.

E. RELATED PARTY TRANSACTIONS

The thin capitalisation issue is re-arranged in the new law article 12. According to the article, if the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as thin capital.

From 1 January 2006, transfer pricing rules apply to resident companies with transactions with related parties, whether resident or not in Turkey. However, transfer pricing rules are not applied to domestic transactions between related companies unless a loss to the Treasury has occurred. The Act applies retroactively as of 1 January 2008.

Prescribed arm's length pricing methods in the law are those described in the OECD transfer pricing guidelines, including:
- comparable uncontrolled price method
- cost-plus method
- resale price method.

Alternatively, companies can also use alternative methods if these are considered more appropriate.

F. WITHHOLDING TAXES

The following are liable to withholding taxes when paid to a non-resident entity:

Type of Income	Rate
Wages and services fees	20%
Professional services in general	20%
Petroleum exploration services	5%
Rentals	20%

Type of Income	Rate
Deposit interest	15%
Bills and bonds	0 – 10%
Income from sales of securities	15%
Sum derived from sale or transfer of copyrights patents and trademarks	20%
Royalties	20%

Withholding taxes on dividends, interest and royalties may be reduced under the terms of the various double tax treaties with Turkey.

G. EXCHANGE CONTROL

The flow of capital in and out of Turkey is regulated by Decrees to protect the value of the Turkish currency.

H. PERSONAL TAX

Individuals resident in Turkey are liable for income tax on their worldwide income but non-resident individuals are liable for income tax only on income earned in Turkey. Turkish nationals are deemed to be tax resident unless they have evidence of residence abroad. Foreigners are regarded as resident if they stay in Turkey without interruption for more than six months in a calendar year, other than for reasons of imprisonment or assignments for specific and temporary projects.

Income tax is charged on a trade or business, employment, professional services, dividends and interest, agriculture and rentals.

The general rule is that taxpayers must remit the amount of tax due in two equal payments. Taxpayers carrying on business or professional activities must make quarterly income tax payments during the tax year.

The income tax rates for 2011 are as follows:

Taxable income amount (TRY)	Tax on lower amount (TRY)	Rate on excess (%)
0 – 9,400	0	15
9,401 – 23,000	1,410	20
23,001 – 80,000	4,130	27
Over 80,000	19,520	35

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)	Interest (%)	Royalties (1) (%)
Non-Treaty Countries:	15	0–10–15	20
Treaty Countries:			
Albania	5–15	10	10
Algeria	12	10	10
Austria	5–15	5–10–15	10
Azerbaijan	12	10	10
Bahrain	10–15	10	10
Bangladesh	10	10	10
Belarus	10–15	10	10
Belgium	15–20 (1)	15	10
Bosnia & Herzegovina	5–15	10	10
Bulgaria	10–15	10	10
China	10	10	10
Croatia	10	10	10
Cyprus (Northern Republic of)	15–20	10	10

	Dividends (%)		Interest (%)	Royalties (%)	(1)
Czech Republic	10		10	10	
Denmark	15–20		15	10	
Egypt	5–15		10	10	
Estonia	10		10	5–10	
Ethiopia	10		10	10	
Finland	15–20		15	10	
France	15–20		15	10	
Georgia	10		10	10	
Germany	15–20		15	10	
Greece	15		12	10	
Hungary	10–15		10	10	
Italy	15		15	10	
India	15		10–15	15	
Indonesia	10–15		10	10	
Iran	15–20		10	10	
Ireland	5–10–15		10–15	10	
Israel	10		10	10	
Japan	10–15		10–15	10	
Jordan	10–15		10	12	
Kazakhstan	10		10	10	
Korea, Republic of	15–20		10–15	10	
Kuwait	10		10	10	
Kyrgyzstan	10		10	10	
Latvia	10		10	5–10	
Lebanon	10–15		10	10	
Lithuania	10		10	5–10	
Luxembourg	10–20		10–15	10	
Macedonia	5–10		10	10	
Malaysia	10–15		15	10	
Moldova	10–15		10	10	
Mongolia	10		10	10	
Morocco	7–10		10	10	
Netherlands	15–20	(2)	10–15	10	
Norway	25–30		15	10	
Oman	10-15		10	10	
Pakistan	10–15		10	10	
Poland	10–15		10	10	
Portugal	5–15		10–15	10	
Qatar	10–15		10	10	
Romania	15		10	10	
Russia	10		10	10	
Saudi Arabia	5–10		10	10	
Serbia	5–15		10	10	
Singapore	10–15		7.5–10	10	
Slovak Republic	5–10		10	10	
Slovenia	10		10	10	
South Africa	10–15		10	10	
Spain	5–15		10–15	10	

T

	Dividends (%)		Interest (%)	Royalties (%)	(1)
Sudan	10		10	10	
Sweden	15–20		15	10	
Syria	10		10	10–15	
Tajikistan	10		10	10	
Thailand	10–15		10–15	15	
Tunisia	12–15		10	10	
Turkmenistan	10		10	10	
Ukraine	10–15		10	10	
United Arab Emirates	10–12	(3)	10	10	
United Kingdom	15–20		15	10	
United States	15–20		10–15	5–10	
Uzbekistan	10		10	10	
Yemen	10		10	10	

1 In accordance with the protocol decrees, if a dividend is received by a Belgian company from a Turkish company the rate will be 5% in Belgium and the rate will be 10% in Turkey
2 In accordance with the protocol decrees, if a dividend is received by a Netherlands company from a Turkish company the rate will be 5% in the Netherlands and the rate will be 10% in Turkey.
3 If the dividends are received from the government of that country or from a public institution wholly publicly owned, the maximum rate is 5%.

TURKS AND CAICOS

Currency: Dollar ($) | Dial Code To: 1649 | Dial Code Out: 00

Correspondent Firm:

City:	Name:	Contact Information:
Grand Turk	Ervine M Quelch	946 2504 mcal-gdt@tciway.tc

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

The Turks and Caicos Islands are a tax neutral jurisdiction. There are therefore no income or capital gains taxes. Corporations, whether resident or not or carrying on business in the Islands, are not subject to any form of taxation on income or gains. The only form of direct taxes imposed on any person or corporation are customs excise duties on the importation of goods into the Islands and ad valorum stamp duties on the consideration passing on the sale of real estate.

In addition to enjoying the benefits of being incorporated in a tax neutral jurisdiction, an International Business Company (IBC/exempt company) is provided on incorporation with a written guarantee by the Governor, on behalf of the Government of the Islands, that the IBC will not be liable for a period of 20 years to pay any taxes that may be imposed in the future.

Liquidations or reorganisations do not give rise to any tax implications in the Islands. An exempted company may transfer to another jurisdiction if such a transfer is not prohibited by the other jurisdiction.

An 8% stamp duty is also imposed on the consideration passing on the transfer of shares of companies holding land in the Islands and a nominal duty on the consideration on the transfer of shares in a domestic company.

B. DETERMINATION OF TAXABLE INCOME

Shareholders of Turks and Caicos corporations (whether corporations or individuals) are not subject to taxation in the Islands on income or gains arising from holdings in foreign corporations.

There is, however, a system of National Insurance contributions and National Health Insurance contributions.

Under the National Insurance Ordinance 1991, every person gainfully occupied in the Turks and Caicos Islands either as an employed or self-employed person is insured. The scheme is funded through contributions by employers and employees and self-employed persons. In the case of employed persons other than public officials, the rate of contribution is 8% of earnings, 4.6% payable by the employer and 3.4% by the employee. For public officials, the contribution rate is 6.5% of earnings, 4.025% of which is payable by the employer. For a self-employed person, there is a flat rate contribution of 5.5% of earnings. No contribution is payable on any part of earnings exceeding US $600 per week in the case of a weekly paid employee or US $2,600 per month in the case of a monthly paid employee.

Similarly, under the National Health Insurance Ordinance 2009, every person gainfully occupied in the Turks and Caicos Islands either as an employed or self-employed person is insured. Again the scheme is funded through contributions by employers and employees and self-employed persons. In the case of employed persons, the rate of contribution is 2.5% of earnings up to US $7,800 per month for both the employee and employer. In the case of a self-employed person, there is a flat monthly rate of US $250 per month unless the self-employed person provides evidence of their monthly earnings that support paying a reduced rate.

INCENTIVES
The absence of direct taxation has encouraged the use of Turks and Caicos companies for a variety of purposes. The Islands have introduced legislation designed to encourage the continued growth of the jurisdiction as an offshore finance centre.

Exemptions from Customs and Excise and land transfer duties as well as concessionary rates on the use of Crown land are among a wide range of other incentives for the encouragement of development available for approved projects.

C. FOREIGN TAX RELIEF

The Turks and Caicos Islands have signed numerous tax information exchange agreements (TIEAs). The Turks and Caicos Islands has therefore reached the agreed standard set by the Organisation for Economic Co-operation and Development (OECD) for inclusion on the 'white list' representing a major endorsement of the Turks and Caicos Islands as a transparent financial centre.

UGANDA

Currency: Shilling (UGX)	Dial Code To: 256	Dial Code Out: 000

Member Firm:

City:	Name:	Contact Information:
Kampala	Murtuza Dalal	41 4341523/5 39 2700094 mdalal@ug.pkfea.com

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX
Resident companies are taxable on their worldwide income and gains whereas non-residents are taxed on income sourced in Uganda. Uganda-sourced income is clearly defined for purposes of the Income Tax Act.

The tax rates applicable to residents and non-residents are as follows:

- for companies (other than mining companies) and retirement funds – 30%
- for mining companies – calculated according to the following formula: 70 – 1500/X where X is the number of percentage points represented by the ratio of the chargeable income to the gross revenue of the company.
  If the rate of tax calculated above exceeds 45%, then the rate of tax shall be 45% and, if the rate of tax calculated above is less than 25%, then the rate of tax shall be 25%.

Special rates of tax apply to income from small businesses (i.e. those businesses where the income does not exceed UGS 50m per year). These presumptive tax rates fall in defined bands/ranges of gross income.

The fiscal year in Uganda runs from 1 July to 30 June. Companies must file a return of income each year by 31 December following the end of the tax year. A different accounting period (referred to as substituted year) can be opted for by seeking permission from the revenue authorities. In such cases, return of income should be filed within six months of applicable year end.

CAPITAL GAINS TAX
Capital gains are added to the income from all other sources and taxed at the rate applicable to that person.

BRANCH PROFITS TAX
Non-resident companies are subject to Ugandan corporate income tax in respect of profits earned from branches in Uganda. In addition, the branch is taxed on the repatriated income at the rate of 15%.

VALUE ADDED TAX (VAT)
VAT is payable on:
- every taxable supply in Uganda made by a taxable person
- every import of goods other than an exempt import
- the supply of any imported services by any person.

A taxable supply is defined as 'a supply of goods or services, other than an exempt supply, made by a taxable person for consideration as part of his business activities'.

A taxable person is a person who is required to be registered under the statute. Persons who are required to be registered are those who:
- during any period of three calendar months make taxable supplies, the value of which exclusive of any tax exceeds one quarter of the annual registration threshold
- have reasonable grounds to expect that in any period of three calendar months will make taxable supplies, the total value of which will exceed one-quarter of the annual registration threshold
- the annual registration threshold is, at present, UGS 50m.

RATES OF TAX (VAT)
There are three categories of supplies for VAT purposes: Exempt, Zero-rated and Standard rated.

The standard rate is 18%. Some types of supplies are zero rated or exempt.

FRINGE BENEFITS TAX
This is not applicable in Uganda but perquisites to employees are valued as per rules of valuation under the Income Tax Act 1997 and added to the employment income to determine the tax.

LOCAL TAXES
Local service tax is levied by local authorities on resident individuals (with a few exceptions) who are above the age of 18 and are in gainful employment with effect from 1 July 2008.

Local Hotel Tax was also introduced with effect from 1 July 2008.

OTHER TAXES
Excise, import and custom duties are applicable on several items either on ad valorem basis or at specific rates.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
The Industrial building allowance is 5% on straight-line basis.

Initial allowance is 50% or 75% of the cost of eligible property in the first year of use. On industrial buildings the initial allowance is 20%.

U

The mining allowance is 100% of capital expenditure incurred in searching for, discovering and testing or winning access to deposits of minerals in Uganda.

Horticulture business allowance is 20% on straight-line basis of the capital expenditure incurred in the acquisition or establishment of a horticultural plant or the construction of a greenhouse.

DEPRECIATION
Depreciation is allowable on written-down value basis at the following rates:

1.	Computers and data handling equipment	40%
2.	Automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction and earth-moving equipment	35%

3.	Buses with a seating capacity of 30 or more passengers, goods vehicles designed to carry or pull loads of 7 tonnes or more; specialised trucks, tractors, trailers and trailer-mounted containers, plant and machinery used in farming, manufacturing or mining operations	30%
4.	Railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised public utility plant, equipment and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another group	20%

STOCK/INVENTORY
A deduction is allowed for the cost of trading stock disposed of during a year of income. The closing value of trading stock is the lower of cost or market value of trading stock on hand at the end of the year.

CAPITAL GAINS AND LOSSES
Capital gains or losses are taxable only if the asset on which the gain or loss arises is owned by a business and is a non-depreciable asset. This is determined by subtracting the cost base of the asset from the consideration received on sale of the asset.

Cost base of the asset is the original cost to the taxpayer as increased by any expenditure incurred to alter or improve the asset which has not been allowed as a deduction. In case of immovable property purchased prior to 31 March 1998, the taxpayer may substitute the market value of the property as on 31 March 1998 for the original cost of the asset. Capital gains and losses are added or subtracted from the other income of the taxpayer for that year of income and not taxed separately.

DIVIDENDS
Dividends are subject to 15% withholding tax except dividends paid by companies listed on the stock exchange to resident individuals which is 10%.

INTEREST DEDUCTIONS
Allowable in full except where a foreign-controlled resident company which is not a financial institution has a foreign debt-to-equity ratio in excess of 2:1 at any time during a year of income. A deduction is disallowed for the interest paid by the company during the year on that part of the debt which exceeds the 2:1 ratio.

LOSSES
Assessed losses are allowed to be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income. These are allowed to be carried forward indefinitely.

FOREIGN SOURCED INCOME
The gross income of a resident person includes income derived from all geographic sources and the gross income of a non-resident includes only income derived from sources in Uganda.

INCENTIVES
Industrial zones for the production of exports are being set up and investors locating in these zones will be entitled to a ten-year corporation tax holiday; duty exemption on raw materials, plant and machinery and other inputs; stamp duty exemption; duty drawback to apply on import of goods from domestic tariff area; no export tax on goods exported; exemption of withholding tax on interest on external loans; and dividends repatriated to get relief from double taxation.

From 1 July 2008, the following new incentives were granted:
1) Resident airlines have been granted exemption from income tax and withholding tax on lease rentals.
2) Business income derived from managing, operating and running schools and tertiary educational institutions is exempt from income tax.
3) New agri-processing investments set up outside a 30 km radius of Kampala are exempt from income tax. With effect from 1 July 2009 this has been modified to exempt income of a person derived from agro-processing where the person applies in writing to the Commissioner to be issued with a certificate of exemption at the beginning of his or her investment and invests in new plant and machinery to process agricultural products for final consumption. The process should involve processing of agricultural products grown or produced in Uganda.
4) Interest income derived out of deposit auctions issued by Bank of Uganda is exempt from withholding tax.

C. FOREIGN TAX RELIEF

A resident taxpayer is entitled to a credit for any foreign income tax paid by the taxpayer in respect of foreign-sourced income included in the gross income of the taxpayer.

E. RELATED PARTY TRANSACTIONS

There are no specific restrictions but, under the anti-avoidance section, the Commissioner may distribute, apportion or allocate income, deductions or credits between the taxpayers for any transaction between associates as is necessary to reflect the chargeable income the taxpayers would have realised in an arm's length transaction.

F. WITHHOLDING TAX

Withholding tax is a final tax on:

- interest paid by a financial institution to a resident individual
- interest paid to any person on treasury bills by the Bank of Uganda
- dividends paid to a resident individual.

Rates of withholding tax are as follows:

	Resident	Non-resident
Management fees and royalties	Nil	15%
Consultancy, agency fees, etc	6%	15%
Professional fees (1)	6%	15%
Dividends (2)	15% or 10%	15%
Interest (3)	15%	15%
Artists and public entertainers	Nil	15%

1 For residents applicable only if the professional is not registered for VAT.
2 Does not apply where the dividend income is exempt from tax in the hands of a shareholder.
3 Does not apply to: (i) interest paid to a natural person; and (ii) interest paid to a financial institution.

Besides the above, withholding tax is also applicable and charged on import of goods at the rate of 6%.

In case of local transactions of goods and services, 6% withholding tax is applicable where the payer is the Government or government body. A designated list of withholding tax agents has been issued and any payments made by them are subject to 6% withholding tax.

The rate of withholding on payments to non-residents is reduced in some cases under the provisions of double taxation agreements entered into with a small number of overseas territories (see Section I below).

G. EXCHANGE CONTROL

There are no restrictions on foreign currency flows in and out of the country. Realised exchange gains and losses are taxable/allowable in the year of realisation.

H. PERSONAL TAX

Income tax is levied on the worldwide income of resident individuals and on the income of non-resident individuals from sources in Uganda.

An individual will be regarded as resident in Uganda if he or she:

- has a permanent home in Uganda
- is present in Uganda for a period of, or periods amounting in aggregate to 183 days or more in any 12-month period that commences or ends during the year of income
- is present in Uganda during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income
- is an employee or official of the government of Uganda posted abroad during the year of income.

The income tax rates applicable to resident individuals are:

Chargeable income (UGS)	Rate of tax
Up to 1,560,000	Nil
1,560,001 – 2,820,000	10% of the amount by which chargeable income exceeds UGS 1,560,000

Chargeable income (UGS)	Rate of tax
2,820,001 – 4,920,000	UGS 126,000 plus 20% of the amount by which chargeable income exceeds UGS 2,820,000
Over 4,920,000	UGS 546,000 plus 30% of the amount by which chargeable income exceeds UGS 4,920,000

The income tax rates applicable to non-resident individuals are:

Chargeable income (UGS)	Rate of tax
Up to 2,820,000	10%
2,820,001 – 4,920,000	UGS 282,000 plus 20% of the amount by which chargeable income exceeds UGS 2,820,000
Over 4,920,000	UGS 702,000 plus 30% of the amount by which chargeable income exceeds UGS 4,920,000

Where a taxpayer's income consists exclusively of employment income derived from a single employer and from which tax has been withheld, no tax return needs to be filed.

Small businesses with income not exceeding UGS 50m per year run by resident individuals do not need to file a return.

I. TREATY RATES OF WITHHOLDING TAX

	Dividends				
	Individuals/ companies (%)	Qualifying companies (%)	Interest (%)	Royalties (%)	Technical/ management fees (%)
Country:					
Denmark	15	10	10	10	10
India	10	10	10	10	10
Mauritius	10	10	10	10	10
Norway	15	10	10	10	10
South Africa	15	10	10	10	10
United Kingdom	15	15	15	15	15
Italy	15	15	15	10	10

1 A company is a 'qualifying company' if it owns at least 25% of the capital of the company paying the dividend.

UNITED ARAB EMIRATES

Currency: Dirham (D) Dial Code To: 971 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Dubai	Graham Martins	4 223 6508 grahammartins@pkfuae.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

DIRECT TAXES

There are no taxes levied by the Federal Government on income or wealth of companies and individuals.

However, most emirates have issued tax decrees of general application. These impose income tax of up to 50% on taxable income of 'bodies corporate, wheresoever incorporated'. In practice, however, the enforcement of the decrees is limited to oil exporting companies and foreign banks.

Corporate income tax is imposed on foreign oil companies, i.e. companies dealing in oil or oil exploration rights. Although the tax rate applicable to oil companies is generally 55% of operating profits, the amount of tax actually paid by the oil companies is calculated on the basis of a rate agreed mutually on the basis of specific individual concessions between the company and the respective Emirate. The tax rate may range between 55% and 85%.

The tax of Foreign Banks is not enforced in all the emirates. Branches of foreign banks are taxed at 20% of their taxable income in the Emirates of Abu Dhabi, Dubai, Sharjah and Fujairah. The basis of taxation does not differ significantly between the various Emirates. Dubai, Sharjah and Fujairah have issued specific tax legislation for branches of foreign banks, while Abu Dhabi does not have a specific decree. Special arrangements also exist for major government controlled joint venture companies and some foreign banks. No tax returns are requested or required of other businesses operating in the United Arab Emirates (UAE). Further, there are no withholding taxes on outward remittance, whether of dividends, interest, royalties or fees for technical services, etc from the other businesses operating in the UAE.

In view of the above, detailed consideration is not given to the income tax decrees. Companies establishing major ventures in the UAE might, however, be well advised to seek formal tax exemptions from the respective Ruler in order to avoid future assessments. Arrangements may also, on occasion, be made by foreign companies wishing to pay tax (for example, where profits from foreign branches are not subject to home state taxation if foreign taxes are paid) for tax to be paid at less than the tax decree rates.

UAE free zones, which permit 100% foreign ownership, grant specific tax exemptions ranging from 15 to 50 years to companies operating in the free zones.

INDIRECT TAXES

Municipal taxes are charged in some of the Emirates. In Dubai a 10% municipal tax is charged on hotel revenues and entertainment. In all the Emirates, except Abu Dhabi, income from renting commercial premises is taxed at a rate of 10%, and from renting residential premises at a rate of 5%. Abu Dhabi does not levy a municipality tax on rented premises but landlords are required to pay certain annual licence fees.

Customs (import) duties are levied generally at a rate of 5% but there are many items which are duty exempt, such as medicines, most food products, capital goods and raw material for industries etc. Imports by free zone companies are also exempted unless products move outside the zone. If the products are moved outside the zone, customs duty is levied at 5%.

After the introduction of the new uniform customs tariff on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% customs duty, while the product of GCC countries shall enter into each others' markets free of customs duties. Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, customs duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union have applied since 1 January 2003.

There are no consumption taxes or VAT in the UAE, but individual Emirates may charge levies on certain products such as liquor and cigarettes and on certain services such as those provided in the hospitality industry.

I. TREATY AND NON-TREATY WITHHOLDING RATES

The UAE has entered into avoidance of double taxation treaties with several countries.

Tax treaties signed by UAE may have little relevance from the UAE tax perspective as a UAE tax liability is predetermined. The taxes paid in UAE can be claimed as credit in the home country of the foreign company depending on the double taxation avoidance agreements (DTAA) and the domestic laws of that country.

DTAAs for the United Arab Emirates are as follows:

Treaty countries:		
Algeria	Italy	Romania
Armenia	Jordan	Seychelles
Austria	Korea	Singapore
Bangladesh	Lebanon	Spain
Belarus	Luxembourg	Sri Lanka
Belgium	Malaysia	Sudan
Bulgaria	Malta	Switzerland
Canada	Mauritius	Syria
China	Mongolia	Tajikistan
Czech Republic	Morocco	Thailand
Egypt	Mozambique	Tunisia
Finland	Netherlands	Turkey
France	New Zealand	Turkmenistan
Germany	Pakistan	Ukraine
India	Philippines	Uzbekistan
Indonesia	Poland	Yemen

UNITED KINGDOM

Currency: British Pound (GBP) Dial Code To: 44 Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Cardiff	Denise Roberts	0292 064 6220 denise.roberts@uk.pkf.com
Glasgow	David Jenkins	0141 429 5900 david.jenkins@uk.pkf.com
London	Jon Hills	01483 408049 jon.hills@uk.pkf.com
Manchester	Ian Bingham	0161 832 5481 ian.bingham@uk.pkf.com
Nottingham	Fraser Goodall	0115 962 9300 fraser.goodall@uk.pkf.com

A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES
COMPANY TAX

A UK resident company is liable to corporation tax on all its sources of income and capital gains, wherever arising. A company is deemed resident in the UK if it is incorporated in the UK or has its central management and control located in the UK.A non-resident company carrying on a trade in the UK through a permanent establishment located in the UK is liable to corporation tax on all income and gains attributable to that establishment.

U

Corporation tax rates are fixed for each financial year ended 31 March. If the company's accounting period does not coincide with the financial year, its profits must be time-apportioned and the corporation tax rate is applied accordingly. The coalition Government has announced that it intends to reduce the rate of corporation tax to 24% by 1 April 2014.

Profit	1 April 2010 – 31 March 2011	1 April 2011 – 31 March 2012
£0 – 300,000	21%	20%
Over £1,500,000 ('main rate')	28%	27%

Marginal relief applies to companies with profits between £300,000 and £1,500,000.

The above thresholds may be reduced where the UK company has associated companies worldwide or an accounting period of less than 12 months.

Large companies (broadly, those with profits taxed at the main rate) are required to pay their tax in instalments (generally in four equal instalments). The first payment is due six months and 14 days from the first day of the accounting period. There is a de minimis limit which enables companies with an annual corporation tax liability of £10,000 or less to avoid making such payments. For companies not required to pay their tax in instalments, corporation tax is due for payment nine months and one day after the end of the company's accounting period.

CAPITAL GAINS TAX

Capital gains are taxed at the appropriate corporation tax rate. Non-resident companies are only taxed on capital gains from the sale of assets used in, or for the purposes of, a trade which is carried on through a permanent establishment located in the UK. There are special provisions allowing tax deferrals by UK resident and non-resident companies. Capital losses can only be offset against capital gains or carried forward indefinitely but cannot be carried back.

In addition, disposals of qualifying shareholdings after 1 April 2002 are exempt. A capital gain or loss accruing on the disposal of shares in a trading company may be exempt where at least 10% of the share capital has been held for a minimum of 12 months.

BRANCH PROFITS TAX

There is no branch profits tax in the UK. Foreign branch profits of a UK company are liable to UK company tax but, with effect from a date in 2011 as yet unspecified, most UK companies will be able to elect that their overseas branches are exempt from tax. If the election is made, any branch losses are not available to offset against the company's profits. A UK branch of a non-resident company is taxable on its profits and gains in the same way as a UK resident company.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is charged on the supply of most goods and services made by businesses in the UK. VAT is collected at each stage of the supply chain, generally when title to the goods passes or when services are performed. The burden of the tax falls on the ultimate consumer.

Supplies of goods or services made in the UK by foreign entities can give rise to a requirement to register for VAT in the UK. From 1 April 2010, VAT registration is compulsory for businesses making UK taxable supplies exceeding £70,000 p.a. although voluntary registration is sometimes available for businesses trading below this level.

From 4 January 2011, the standard rate of VAT in the UK is 20%. Some supplies, such as the grant of certain interests in land, insurance, education, financial services, and health and welfare, are exempt from VAT (i.e. no VAT is charged but recovery of VAT on related purchases may be restricted). There is the 'option' for businesses to charge VAT on non-residential property transactions in order to recover VAT incurred, subject to anti-avoidance restrictions.

The export of goods from the UK, plus UK supplies of some other goods and services (eg books, food, children's clothing) are zero-rated. Others are subject to VAT at the reduced rate of 5% (eg certain building works and energy saving products). VAT-registered businesses with an annual taxable turnover not exceeding £150,000 may elect to simplify their VAT accounting by using the 'flat rate' scheme. Businesses account for VAT at a flat rate on turnover rather than on every single transaction but will not be able to recover VAT on expenditure other than capital items over £2,000.

FRINGE BENEFITS TAX (FBT)

No FBT is payable by the employer as the employees are normally taxed on benefits provided by virtue of their employment. However, National Insurance may be payable by the employer on the cash equivalent of the benefit provided.

LOCAL TAXES

Local authority rates are charged on the occupier of commercial property in the UK based on the rateable value of real estate at a level determined by central government.

OTHER TAXES

Stamp duty, at a rate of 0.5%, is payable by the purchaser (whether or not UK resident) on the transfer of shares in a UK incorporated company. Stamp duty on property transactions was largely replaced on 1 December 2003 by stamp duty land tax (SDLT) which is payable on UK land and buildings transactions and the rates are between 1% and 5%. Special provisions apply to leases.

For the year to 5 April 2012, social security contributions are charged on employees at a rate of 12% on earnings over £139 per week up to earnings of £817 per week and 2% thereafter. There is no upper limit to the employer's contribution which is broadly charged at 13.8% of an employee's earnings over £139 per week.

B. DETERMINATION OF TAXABLE INCOME

TRADING PROFITS
Taxable trading profits are calculated by ascertaining assessable income and subtracting allowable deductions. Generally, to be deductible, expenditure must be wholly and exclusively incurred for the purposes of the trade.

DEPRECIATION
Capital allowances are granted for depreciation of equipment and other assets at the following rates (using the reducing balance method, unless stated otherwise):
- An annual investment allowance provides for 100% tax relief on £100,000 of qualifying plant and machinery expenditure per business, company or group. From April 2012, this will be reduced to £25,000.
- Plant, machinery and equipment – generally 20% (18% from April 2012) where working life is less than 25 years. For certain assets where the working life is greater than 25 years or the asset is one on a list of 'integral features', the writing down allowance is 10% (8% from April 2012).
- Private cars – cars with CO2 emissions of up to 160g/Km from April 2009 onwards form part of the general plant and machinery pool and attract allowances at 20% (18% from April 2012) whereas cars with higher emissions go into a special rate pool with annual allowances limited to 10% (8% from April 2012).
- Research and development (R&D) – 100% capital allowances are available to companies which incur qualifying expenditure of a capital nature on R&D. In addition, there are enhancement allowances in some cases. See 'Incentives' below.
- Investment in energy-saving equipment and environmentally-friendly equipment – 100% first year capital allowances are available for expenditure on designated energy-efficient equipment and cars with very low CO2 emissions. Tax credits may be claimed instead of allowances by loss-making companies (although not in respect of low CO2 emitting cars).

Since April 2002, many intangible assets have been taxed or relieved based on the amount depreciated or realised in the accounts.

STOCK/INVENTORY
Stock and work in progress are valued at the lower of cost and net realisable value, the only bases acceptable for tax purposes.

CAPITAL GAINS AND LOSSES
As discussed above, capital gains are included within the profits chargeable to corporation tax for an accounting period. Gains are normally computed by deducting the cost of an asset from its sale proceeds. An indexation allowance for inflation is available to companies. Capital losses can only be set against current or future capital gains and not against income.

DIVIDENDS
Dividends received from both UK and overseas companies are generally exempt from corporation tax with effect from 1 July 2009. For further details see section C below.

INTEREST DEDUCTIONS
Interest is generally deductible on an accruals basis. The main exception is where, under certain circumstances, the interest is payable to a connected party and remains unpaid for more than 12 months after the end of the accounting period. Relief for such interest is deferred until it is paid unless the lender is liable to UK corporation tax and has brought the interest receivable into account.

A new 'worldwide debt cap' regime applies for accounting periods beginning on or after 1 January 2010. The regime only applies to large groups. These are groups:
- with at least 250 employees or
- turnover of more than EUR 50m and gross assets of more than EUR 43m (irrespective of the number of employees).

The regime is very complicated but, broadly speaking, it seeks to restrict the tax deductions for financing expenses in the UK companies of a worldwide group to the worldwide external finance expense of the group as a whole.

Interest paid to a parent or fellow subsidiary (under common control) is not deductible to the extent that the payment would not have been made if the companies had not been connected. There are no statutory debt/equity restrictions although the UK tax authorities may consider debt to equity ratios exceeding the range of 1:1 and interest cover of less than 3:1 as not arm's length. From 1 April 2004, the UK thin-capitalisation provisions were incorporated into the transfer pricing rules which, in turn, were extended to encompass UK to UK transactions.

LOSSES
Trading losses may be:

- set off against income and capital gains of the same accounting period
- carried back for set off against income and capital gains of the previous year (up to £50,000 of losses incurred in accounting periods ending between 23 November 2008 and 23 November 2010 may be carried back for up to three years)
- carried forward against future trading profits from the same trade. Where within a period of three years there is both a greater than 50% change in a company's ownership and a major change in the nature or conduct of a trade, loss carry forwards and carry backs will be denied.

FOREIGN SOURCED INCOME
The UK has controlled foreign company (CFC) legislation which is designed to tax holding companies on the profits of subsidiary companies in a 'low tax territory' (countries where the tax rate is less than three-quarters of the corresponding UK tax on those profits). UK resident companies that hold a 25% or greater interest in a CFC may be taxed on the profits of the CFC but there are a number of exceptions to this rule.

INCENTIVES
There are a number of grants and other forms of assistance available to businesses in the UK. Certain qualifying research and development revenue expenditure qualifies for 175% tax relief if incurred by small and medium sized companies. 130% relief may also be available for large companies.

C. FOREIGN TAX RELIEF

Foreign tax paid on income and gains of a UK resident company may be credited against the corporation tax on the same profits. The foreign tax relief cannot exceed the UK corporation tax charged on the same profits.

Domestic and foreign dividends received by UK resident companies from 1 July 2009 are generally tax exempt. Various conditions need to be met and those conditions are different depending on whether the recipient is a small company.

D. CORPORATE GROUPS

Tax losses (other than capital losses) may be surrendered within a 75% UK group effectively allowing consolidation of losses against profits and capital gains. Where a UK group company takes over the trade of a 75% fellow UK group member, the unused trading losses and capital allowances are transferred to the acquiring company. The trade losses are offset against future profits of the trade transferred.

Companies may also benefit from consortium relief. A company is owned by a consortium if at least 75% of the ordinary share capital is held by companies, each of whom owns at least 5%.

The transfer of assets within a 75% group of UK companies does not give rise to a capital gain. If the transferee company leaves the group within six years of such a tax-free transfer, it will become liable to capital gains tax based on the market value of the asset at the time of the transfer.

A company with capital losses may elect to treat a gain which would have been realised by another UK group company as if it had been realised by it. The practical effect is to give a form of 'group relief' for capital losses.

E. RELATED PARTY TRANSACTIONS

UK companies and partnerships are required under self assessment to document all relationships with overseas associated parties and to identify and include in the tax calculation prices which are in line with what would be expected if the relevant transactions had taken place on an arm's length basis. From 1 April 2004, these rules were extended to cover UK to UK transactions. However, in certain circumstances, small and medium-sized groups may be exempted from the UK's transfer pricing provisions.

F. WITHHOLDING TAX

Subject to the terms of the tax treaty, withholding taxes must usually be deducted from interest and royalties. No withholding tax applies to dividends paid by UK resident companies.

G. EXCHANGE CONTROL

There are no exchange controls in the UK.

H. PERSONAL TAX

Taxable persons comprise resident or ordinarily resident individuals, trustees and executors as well as non-resident individuals, trustees and executors on their UK-source income. Resident persons are generally subject to income tax on their worldwide income as it arises. Non-residents are normally only subject to income tax on income arising in the UK. Broadly, UK resident or ordinarily resident individuals are liable to capital gains tax while non-residents are not.

Residence has historically been determined by physical presence in the UK for at least 183 days in any one tax year (6 April – 5 April) or if visits (or intended visits) for four consecutive years average 91 days or more. However, recent tax cases have shown a change in HMRC policy in using the number of days as the determining factor. Instead, a more 'qualitative' approach is being used which looks at other factors such as availability of UK accommodation, location of family and the maintenance of social or business interests in the UK.

A person is normally regarded as ordinarily resident if he has been in the UK for three years or it is clear from the date of arrival that his intention is to stay for three years or more. A person will also be treated as ordinarily resident if he becomes resident and has a UK property available for his use.

Broadly, an individual is domiciled in the country or state which he regards as his permanent home. He acquires a domicile of origin at birth, normally that of his father, and retains it until he acquires a new domicile of choice. To acquire a domicile of choice, a person must sever his ties with his domicile of origin and settle in another country with the clear intention of making his permanent home there. There are special rules which can allow non-domiciled or not ordinarily resident individuals from being taxed on their non-UK source income and gains until they are remitted to the UK. The rules regarding remittance to the UK are complicated and some UK residents are subject to a £30,000 annual charge for using this facility.

An employee who is resident but not ordinarily resident in the UK is only subject to UK tax on the part of his emoluments related to duties performed abroad in so far as they are remitted to the UK. However, individuals who are resident or ordinarily resident are taxed on all remuneration paid under a single contract of employment even if some of the duties of that employment are carried out overseas. It may be possible for foreign domiciled employees to continue to get relief if there are separate contracts of employment covering UK and overseas duties. The contract for the foreign duties should be with an overseas employer.

Husbands and wives are taxed separately and each is entitled to a personal allowance for the year to 5 April 2012 of £7,475 (although the allowance is reduced by £1 for every £2 above which an individual's annual income exceeds £100,000).. The income of a minor unmarried child is also taxed separately, unless it originates from funds given to the child by the parent and it is in excess of £100. Donations to UK registered charities are made net of basic rate tax. For each £80 donated by an individual, the charity receives a total of £100. Higher rate tax relief is given by extending the basic rate band by the grossed up amount of the gift (see below).

A UK resident individual under the age of 75 may join a personal pension scheme and make contributions. Tax relief for all contributions in a tax year is given on the higher of 100% of relevant UK earnings and £3,600 (gross), and is further restricted to the annual allowance. This was £255,000 for 2010/11 but has been reduced dramatically to £50,000 from 6 April 2011 onwards. A new facility has been introduced to allow individuals to carry forward their unused annual allowances for up to three years. The total amount an individual may contribute into a pension over his lifetime (including any capital growth) is determined by the lifetime allowance (£1,800,000 for 2011/12 but to be reduced to £1,500,000 from 2012/13 onwards).

Interest on loans taken out for wholly and exclusively business purposes qualify for tax relief and these include interest on loans taken out to:
(a) acquire shares in a close company
(b) acquire shares in an employee-controlled company
(c) acquire interest in a partnership or to acquire machinery or plant for use in a partnership or employment.

Individuals are entitled to a tax credit of up to 20% of the value invested in qualifying shares in the enterprise investment scheme (EIS) up to £500,000 per annum; and 30% of the amount subscribed on venture capital trusts (VCT) companies up to £200,000 per year. In addition, dividends received from ordinary VCT shares are exempt from income tax. EIS shares also qualify for capital gains deferral relief and there is no upper limit.

Up to £10,680 annually may be invested in individual savings accounts (ISA) of which no more than £5,340 may be invested as cash deposits (the rest must be invested in shares). Any income or gains from investments in an ISA is tax-free.

Capital gains chargeable on taxpayers other than companies are subject to capital gains tax at a rate of 18% or 28%, depending on the total of income and gains arising in the tax year. There is an annual exemption from tax on capital gains available per individual which for the year ended 5 April 2011 was set at £10,100. Capital gains derived from assets outside the UK will not be subject to UK tax in the hands of a foreign domiciled individual unless remitted to the UK provided the remittance basis has been claimed for that tax year. Individuals who leave the UK and become not resident and not ordinarily resident for a period of less than five complete tax years may still be liable to tax on their return on any capital gains realised on assets owned prior to departure from the UK. This rule applies to those individuals who were resident and ordinarily resident for at least four out of seven tax years immediately proceeding the year of departure.

	Taxable income	Rate on income other than dividends	Rate on dividends*
Basic rate	£0 – 35,000	20%	0%
Higher rate	£35,000 – 150,000	40%	25%
Additional rate	Excess	50%	36.1%

* This is the effective rate after taking account of the tax credit attached to the dividend.

There is a 10% starting rate for savings income only, with a limit of £2,440. This does not apply if taxable non-savings income is above this limit. The rates applicable to dividends in 2009/10 are 10% for persons paying tax only in the basic rate band and 32.5% for higher rate taxpayers. A tax credit is available which reduces the effective tax rate to 0% in the basic rate band and 25% in the higher rate band. Those earning total annual income in excess of £150,000 are subject to tax on dividends at a rate of 42.5% (or 36.11% after the tax credit is taken into account).

INHERITANCE TAX (IHT)

A UK domiciled or deemed domiciled individual is potentially subject to IHT on the transfer of any property owned by him or her while a non-UK domiciled individual may only be subject to IHT on the transfer of property situated in the UK. IHT is a combination of gift and death tax. The first £325,000 is free of IHT (the 'nil rate band'). It normally only arises on death but, in certain circumstances, lifetime gifts can also be chargeable to IHT. The rate on lifetime chargeable transfers is 20% and property passing on death is charged at 40%. On death, IHT may also be levied on gifts made within the previous seven years at the death rate. Special rules apply to IHT on trusts.

A foreign domiciled individual automatically acquires a 'deemed' domiciled in the UK for IHT purposes if he or she has been resident in the UK for 17 out of the previous 20 tax years, unless he or she is excluded from this rule under the terms of a double taxation treaty. There are also some lifetime exemptions such as an annual exemption of £3,000; small gifts exemption of £250 per donee; wedding gifts to a child £5,000, grandchild £2,500 or remoter issue £1,000. Transfers between spouses are exempt from IHT except when the transfer is made to a foreign domicile spouse by a UK-domiciled spouse, when the exemption is limited to £55,000.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The table is for general guidance only. The rates in the table below reflect the lower of the treaty rate and the rate under domestic tax law. Where a treaty rate is higher than the domestic rate, the domestic rate applies. There is no withholding tax on dividends.

	Payments by UK companies of				
	Dividends	Interest %	(1)	Royalties %	
Non-Treaty Countries:	–	20		20	
Treaty Countries:					
Antigua and Barbuda	–	20	(2)	0	
Argentina	–	12		3/5/10/15	(3)
Australia	–	0/10	(4)	5	
Austria	–	0		0/10	(5)

	Payments by UK companies of				
	Dividends	Interest %	(1)	Royalties %	
Azerbaijan	–	10		5/10	(6)
Bangladesh	–	7.5/10	(4)	10	
Barbados	–	15		0/15	(18)
Belarus (7)	–	0		0	
Belgium	–	15		0	
Belize	–	20	(2)	0	
Bolivia	–	15		15	
Bosnia-Herzegovina	–	10		10	
Botswana	–	10		10	
Brunei	–	20	(2)	0	
Bulgaria	–	0		0	
Canada	–	10		0/10	(9)
Chile	–	5/15		10/5	
China	–	10		7/10	(10)
Croatia (8)	–	10		10	
Cyprus	–	10		0/15	(18)
Czech Republic	–	0		0	
Denmark	–	0		0	
Egypt	–	15		15	
Estonia	–	10		5/10	(11)
Falkland Islands	–	0		0	
Fiji	–	10		0/15	(9)
Finland	–	0		0	
France	–	0		0	
Gambia, The	–	15		12.5	
Georgia	–	0		0	
Germany	–	0		0	
Ghana	–	12.5		12.5	
Greece	–	0		0	
Grenada	–	20	(2)	0	
Guernsey	–	20	(2)	20	(2)
Guyana	–	15		10	
Hungary	–	0		0	
Iceland	–	0		0	
India	–	10/15	(4)	10/15	
Indonesia	–	10		10/15	(11)
Ireland	–	0		0	
Isle of Man	–	20	(2)	20	(2)
Israel	–	15		0/15	(18)
Italy	–	10		8	
Ivory Coast	–	15		10	
Jamaica	–	12.5		10	
Japan	–	0/10	(4)	0	
Jersey	–	20	(2)	20	(2)
Jordan	–	10		10	
Kazakhstan	–	10		10	
Kenya	–	15		15	

U

	Payments by UK companies of				
	Dividends	Interest %	(1)	Royalties %	
Kiribati	–	20	(2)	0	
Korea, Republic of	–	10		2/10	(11)
Kuwait	–	0		10	
Latvia	–	10		5/10	(11)
Lesotho	–	10		10	
Libya	–	0		0	
Lithuania	–	0/10	(12)	5/10	(11)
Luxembourg	–	0		5	
Macedonia (8)	–	10		10	
Malawi	–	0/20	(13)	0/20	(13)
Malaysia	–	10		8	
Malta	–	10		10	
Mauritius	–	0/20	(14)	15	
Mexico	–	0/5/10/15	(15)	10	
Moldova	–	5		5	
Mongolia	–	7/10	(4)	5	
Montenegro (8)	–	10		10	
Montserrat	–	20	(2)	0	
Morocco	–	10		10	
Myanmar (formerly Burma)	–	20	(2)	0	
Namibia	–	20	(2)	0/5	(9)
Netherlands	–	0		0	
New Zealand	–	10		10	
Nigeria	–	12.5		12.5	
Norway	–	0		0	
Oman	–	0		0	
Pakistan	–	15		12.5	
Papua New Guinea	–	10		10	
Philippines	–	10/15	(16)	15/25	(18)
Poland	–	0/5	(19)	5	
Portugal	–	10		5	
Qatar	–	0/20	(21)	5	
Romania	–	10		10/15	(6)
Russian Federation	–	0		0	
St Kitts and Nevis	–	20	(2)	0	
Saudi Arabia	–	0		5/8	(20)
Serbia (8)	–	10		10	
Sierra Leone	–	20	(2)	0	
Singapore	–	10		0/10	(6)
Slovak Republic	–	0		0	
Slovenia	–	5		5	
Solomon Islands	–	20	(2)	0	
South Africa	–	0		0	
Spain	–	12		10	
Sri Lanka	–	0/10	(4)	0/10	(6)
Sudan	–	15		10	

	Payments by UK companies of				
	Dividends	Interest %	(1)	Royalties %	
Swaziland	–	20	(2)	0	
Sweden	–	0		0	
Switzerland	–	0		0	
Taiwan	–	10		10	
Tajikistan (7)	–	0		0	
Thailand	–	0/25	(4)	5/15	(6)
Trinidad and Tobago	–	10		0/10	(9)
Tunisia	–	10/12	(4)	15	
Turkey	–	15		10	
Turkmenistan (7)	–	0		0	
Tuvalu	–	20	(2)	0	
Uganda	–	15		15	
Ukraine	–	0		0	
United States	–	0		0	
Uzbekistan	–	5		5	
Venezuela	–	0/5	(4)	5/7	(17)
Vietnam	–	10		10	
Zambia	–	10		10	
Zimbabwe	–	10		10	

1 Many treaties provide for an exemption for certain types of interest, e.g. interest paid to the State, local authorities, the central bank, export credit institutions, or in relation to sales on credit. Such exemptions are not considered in this column.
2 The domestic rate applies – there is no reduction under the treaty.
3 The 3% rate applies to royalties paid for news; the 5% rate applies to copyright royalties (other than films, etc); the 10% rate applies to industrial royalties; the 15% rate applies to any other royalties.
4 The lower rate applies to interest paid to banks and other financial institutions.
5 The higher rate applies if the Austrian company controls more than 50% of the voting stock in the UK company.
6 The lower rate applies to copyright royalties.
7 The treaty concluded between the UK and the former USSR.
8 The treaty concluded between the UK and the former Yugoslavia.
9 The lower rate applies to copyright royalties (excluding films, etc).
10 The lower rate applies to copyright royalties (excluding films), computer software, patents and know-how.
11 The lower rate applies to equipment rentals.
12 The lower rate applies (apart from interest mentioned in note 1 above) to interest paid by a public body.
13 The domestic rate applies if the Malawi company controls more than 50% of the voting power in the UK company.
14 The zero rate applies to interest paid to banks; the domestic rate applies in other cases (no reduction under the treaty).
15 The zero rate applies (apart from interest mentioned in note 1 above) to interest paid by a public body; the 5% rate applies to interest paid to banks and insurance companies and to interest on bonds and securities regularly and substantially traded on a recognized securities market; the 10% rate applies to interest paid by a bank or by a purchaser of machinery and equipment in connection with a sale on credit.
16 The lower rate applies to interest paid by a company in respect of the public issue of bonds, etc.
17 The lower rate applies to royalties for patents and know-how.
18 The higher rate applies to films etc.
19 The lower rate applies to interest paid to financial institutions (as defined).
20 The 5% rate applies to royalties which are paid for the use of, or the right to use, industrial, commercial or scientific equipment. The 8% rate applies in all other cases.
21 The interest is exempt from withholding tax if it is paid to any of the following: the State of Qatar, an individual, a company regularly traded on a stock exchange, a company whose shares are less than 25% owned by non-Qatar residents, a pension scheme, or a financial institution not related to the payor. It is also exempt if it is paid by the UK Government, a bank in the ordinary course of its business or on a quoted Eurobond.

UNITED STATES

Currency: Dollar ($)	Dial Code To: 1	Dial Code Out: 011

Member Firm:

City:	Name:	Contact Information:
Akron, OH	Robert Burak	330 762 9785 rburak@bobermarkey.com
Atlanta, GA	Edgar Moore	404 253 7500 edgar.moore@frazierdeeter.com
Bellevue, WA	John Forrest	425 629 1990 jforrest@sweeneyconrad.com
Birmingham, AL	Michael Baker	205 871 1880 cpa@dentbaker.com
Boston, MA	George Janes	617 753 9985 gjanes@pkfboston.com
Charlotte, NC	John Norman	704 377 0239 jnorman@gwllp.com
Chicago, IL	Tom Murtagh	630 545 4530 tom.murtagh@wolfco-fs.com
Chicago, IL	William Condon	708 614 1166 wcondon@thecondongroup.com
Cincinnati, OH	Michelle Class	513 241 8313 mclass@barnesdennig.com
Detroit, MI	Kevin McKervey	248 358 0920 kmckervey@claytonmckervey.com
Houston, TX	Edward Goldsberry	713 860 1400 egoldsberry@pkftexas.com
Los Angeles	Georgette Green	213 891 9911 ggreen@pkfla.com
Milwaukee, WI	Rick Taylor	414 431 9385 rtaylor@wipfli.com
New York, NY	Leo Parmegiani	212 867 8000 lparmegiani@pkfny.com
Newport News, VA	Michael S Haigh	757 873 1587 mhaig@wittmares.com
Philadelphia, PA	Kelly Fisher	610 565 3930 kfisher@elkocpa.com
Richmond, VA	Michael Straus	804 323 0022 mstraus@wittmares.com
San Diego, CA	Curt Welker	619 238 1040 cwelker@pkfsandiego.com
San Francisco, CA	Ronald Bersaglieri	415 421 5378 rbersaglieri@pkfsf.com
San Jose, CA	Ray Scheaffer	408 377 8700 rscheaffer@aslcpa.com
Spartanburg, SC	Charles Brown	864 585 0176 ebrown@swaimbrown.com
Washington, DC	Kevin F Reilly	703 385 8809 kreilly@pkfwittmares.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Company tax is payable by all corporate entities, except for certain exempt organisations and pass-through corporations subject to special rules. Corporations incorporated in the US are subject to tax on their worldwide income and foreign corporations are generally only subject to tax on their income effectively connected to a US trade or business.

The US levies corporate tax on a graduated scale as follows:

Taxable income Over (US$)	Not over (US$)	Tax (US$)
0	50,000	15%
50,000	75,000	7,500 + 25% of excess over $50,000
75,000	100,000	13,750 + 34% of excess over $75,000
100,000	335,000	22,250 + 39% of excess over $100,000
335,000	10,000,000	113,900 + 34% of excess over $335,000
10,000,000	15,000,000	3,400,000 + 35% of excess over $10,000,000
15,000,000	18,333,333	5,150,000 + 38% of excess over $15,000,000
18,333,333	–	Flat 35%

It should be noted that personal service corporations pay a flat 35% tax on all income. Corporations in a controlled group share in the benefits of the lower brackets.

Generally, a corporation is required to prepay its estimated tax liability in four instalments. Penalties may be assessed if estimated instalments are less than 100% of the actual liability.

The US imposes income taxation at both the business and personal levels. Corporate earnings, taxed first to the corporation and again later when distributed as dividends to shareholders, may be taxed at a combined federal rate exceeding 45%. Therefore, business is increasingly being conducted through flow-through entities such as traditional partnerships, limited liability companies (LLC), and certain tax-election corporations ('S corporations'). S corporations may not have non-resident individuals or corporations as shareholders. Foreign-owned businesses in the US may not derive as much benefit from these structures as domestic businesses due to the interaction of US withholding and branch profits taxes.

US flow-through entities are often used by non-US persons as holding companies for US and non-US businesses and assets. Significant planning opportunities are available for both US domestic and foreign taxpayers through the use of 'hybrid' entities. These companies are treated as flow-through entities by one jurisdiction and as taxable entities by another. US rules are often flexible in allowing US taxpayers to select the desired tax status of the entity under the "check-the-box" regime.

Corporate tax returns and payments are due by the 15th day of the third month following the end of the fiscal year. Calendar year taxpayers must file by 15 March. An automatic extension of six months may be granted if requested by the original due date of the return. Extensions to file a return, however, do not extend the time for payment of tax due.

CAPITAL GAINS TAX

For corporations, the excess of the net gains from the sale of capital assets over net losses from the sale of assets or net capital gains is taxed at the same rates applicable to ordinary income. However, capital losses may only be used to offset capital gains and the excess of losses over gains may be carried back three years or forward five years. Losses must be applied to the earliest carry back year before any carry forwards may be used.

ALTERNATIVE MINIMUM TAX (AMT)

The US imposes an alternative minimum tax on certain corporations at a rate of 20%. The AMT income is derived from regular taxable income adjusted by specified items that received preferential treatment under the regular tax system. Such 'tax preference' items may include accelerated depreciation, depletion and intangible drilling costs. The AMT is imposed if the tax on the alternative minimum taxable income is greater than the regular tax. It does not apply to small corporations, defined as corporations with less than US$7.5 million of average annual gross receipts over a three-year period.

BRANCH PROFITS TAX

The tax on a foreign corporation's US branch's profits and earnings is the same as regular corporate tax, except that an additional 30% branch level tax (BLT) is imposed upon the after-tax earnings of the US branch that are not reinvested in the business by the close of the tax year or that are repatriated in a later tax year. The branch level taxable base is adjusted for any changes in the net equity of the US branch. The BLT may be reduced or eliminated by any relevant tax treaties or replaced by the secondary withholding tax.

In addition to the branch profits tax, a branch level interest tax is imposed at 30% of any interest paid by the US branch to a foreign entity not engaged in the same business activity. The tax also is assessed on any excess interest deducted on the US tax return over the amount actually paid.

SALES TAX

Sales taxes are imposed at the state and municipality levels and vary in rates and in bases. In general, sales tax is imposed on tangible goods sold to the final consumer. A use tax is imposed on goods purchased for use in a business but only when no sales tax has been collected. Generally, vendors must register and collect sales tax in states where they are considered to be 'doing business'. The question of whether sellers are required to collect and pay sales taxes on sales of goods and services ordered via the internet or other electronic means is currently unsettled in the US. Foreign sellers who merely ship products ordered over the internet to the US will typically not be subject to state and local taxation although many states are becoming increasingly aggressive in this area.

VALUE ADDED TAX (VAT)

The US does not impose any VAT.

FRINGE BENEFITS TAX (FBT)

The US does not impose any corporate level taxes on fringe benefits provided to its employees. However, certain fringe benefits are taxable to employees receiving the benefits and are required to be reported on their personal income tax returns.

The US does require employers and employees to pay certain payroll related taxes including:

(1) a portion of an employee's Social Security (FICA), taxable at 6.2% of the wage base (currently $106,800, annually adjusted). For 2011 only, the employee's portion is reduced to 4.2%
(2) federal unemployment tax (FUTA) at 6.2% of the first $7,000 of wages (less credits of up to 5.4% for state unemployment tax)
(3) state unemployment tax (SUT) which varies from state to state
(4) Medicare at 1.45% of total wages paid.

LOCAL TAXES

Most states and some municipalities of the US impose income taxes on corporations. Rates vary as do the tax bases. Most states allow income to be apportioned to a state if business is conducted in more than one state. Historically, a three-factor formula consisting of tangible assets, sales and receipts, and payroll has generally been used. However, many states are moving to formulas that are more heavily weighted to sales. Most states begin with federal taxable income in the computation of their taxable base but many states require adjustments to calculate taxable income for their purposes.

Several states have imposed a tax on gross margin or gross sales in lieu of a tax on net income. It is also important to note that state income taxes are not subject to the provisions of the various US income tax treaties and that, therefore, some states consider foreign companies to be subject to their state income tax even if the company is not subject to US federal income tax. It is also important to note that foreign sellers may be subject to other states taxes such as sales tax even if not subject to state or local income taxes.

Other taxes that may be levied at the state level include real and personal property tax, franchise tax, intangibles tax, transfer tax, and tax on capital. Taxes paid to the states and municipalities are deductible on the federal income tax return in the year paid or accrued.

OTHER TAXES

In addition to corporation income taxes, the US also imposes the following taxes.

ACCUMULATED EARNINGS TAX

Corporations accumulating over US$250,000 of prior and current period earnings and profits may be subject to this tax. The tax is imposed at a rate of 15% on 'accumulated taxable income'. The amount of accumulated taxable income subject to tax is reduced by earnings retained for the reasonable needs of the business.

PERSONAL HOLDING COMPANY (PHC) TAX
Closely-held corporations that receive substantial income from passive activities and do not distribute this income to shareholders are subject to the PHC tax. The tax is imposed at a rate of 15% on the undistributed income. This tax is in addition to the regular corporate tax.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is determined by ascertaining assessable gross income and reducing it by allowable deductions. Allowable deductions must be segregated into ordinary and special deductions. Corporations are taxed at the entity level. For flow-through entities such as partnerships, limited liability companies and S corporations, taxable income is determined in a similar fashion. However, each entity flows through the income or loss and special deductions to its shareholders/members/partners who are taxed on their own returns.

DEPRECIATION AND DEPLETION
Property, plant and equipment may be written off over its effective useful life as established under a statutory cost recovery system. For property acquired or placed in service after 31 December 1986, the capitalised costs must be depreciated using the Modified Accelerated Cost Recovery System (MACRS) over a life of three to 39 years. Most tangible property is in the three, five and seven year category while real property is categorised as 27.5 or 39 year property. However, depreciation on certain components of buildings and real property improvements can be accelerated to shorter lives through the use of cost segregation studies designed to identify the proper categorisation of costs for tax asset classification purposes. Recently enacted tax law provides for a 15-year recovery period for qualified leasehold improvements and restaurant property placed in service before 1 January 2012.

For some smaller corporations, an election may be made to treat the cost of $134,000 of assets as an expense rather than as a capital expenditure. The maximum deduction is US $500,000 and is limited to taxable income determined without regard to the above election. This expense benefit is phased out if qualified purchases exceed a certain threshold amount (US $530,000). In addition, taxpayers may qualify for 100% bonus depreciation for qualified property placed in service before 1 January 2012 and 50% bonus depreciation before 2013.

A deduction for depletion is allowable for expenditures on natural resources. Generally, depletion may be calculated using either a cost or percentage method. Cost depletion is based on the adjusted basis of the property and an estimate of the number of units that make up the deposit and the number of units extracted during the year.

Under the percentage depletion method, a flat percentage of gross income is taken as the depletion deduction. It may not exceed 50% (100% for oil and gas properties) of the taxable income from the property before the depletion deduction. For independent oil and gas producers and royalty owners, the depletion deduction may not exceed 65% of the taxpayer's taxable income.

STOCK INVENTORY
Inventories are generally stated at the lower of cost or market value on the first in, first out (FIFO) method or cost only on the last in, first out (LIFO) method.

Uniform capitalisation rules may require the inclusion in inventory or capital accounts of certain otherwise deductible indirect and administrative costs incurred for real or personal property produced or acquired for resale.

CAPITAL GAIN AND LOSSES
See discussion above.

DIVIDENDS
A US corporation is entitled to a special deduction for dividends received from other domestic corporations. A deduction is allowed for 70% of the dividends received from corporations owned less than 20% by the recipient corporation. The deduction increases to 80% if the corporation is owned more than 20% but less than 80% by the recipient corporation and increases to 100% if the ownership is 80% or more. With some exceptions, dividends from foreign corporations are 100% taxable.

INTEREST DEDUCTIONS
A taxpayer generally may deduct business interest paid or accrued within the tax year on indebtedness. However, such debt must pertain to the debt of the taxpayer and must result from a genuine debtor-creditor relationship. Numerous exceptions and

limitations exist regarding the deductibility of interest. For example, if a corporation's debt to equity ratio exceeds 1.5 to 1, then interest expense deductions on certain related party debt may be disallowed or deferred.

LOSSES
Generally, net operating losses from a trade or business may be carried back two years or forward 20 years to be applied against taxable income. A successor corporation may use carryovers of a predecessor to a limited extent in a change of ownership, a subsidiary liquidation or a specified reorganisation. Special rules apply to 2008 and 2009 losses which extend the carry back period if certain conditions are met.

FOREIGN SOURCE INCOME
US corporations are taxed on worldwide income, including any foreign branch income. To avoid any double taxation, foreign tax deductions or credits are available on the US return. Where US shareholders have more than a 50% interest in a foreign subsidiary, certain income of the foreign subsidiary may be taxed as if received directly by the US shareholder. Other special rules apply to certain types of foreign corporations with US shareholders.

INVESTMENT TAX CREDIT
The Investment Credit comprises four components:
(1) the rehabilitation credit
(2) the energy credit
(3) the qualifying advanced coal project credit and
(4) the qualifying gasification project credit.

For flow-through entities, the credits must be allocated to the individual partners/shareholders on a pro rata basis. Generally, the credit is 10% of qualifying expenses (20% in the case of certified historic structures).It should be noted that no investment credit is allowed for investment credit property to the extent it is financed with non-qualified non-recourse debt.

INCENTIVES
In addition to investment tax credits, other preferential tax incentives are available for activities such as those related to export, activities engaged in US possessions, qualified private activity bonds, research and development expenditures, and for hiring certain specified individuals. Also, a deduction is available for certain manufacturing/production activities.

OTHER
Other issues that need to be mentioned include the following:
(1) Deductions are allowable for charitable contributions but for corporations may not exceed 10% of taxable income computed without regard to the contributions. Excess contributions may be carried forward for five years.
(2) Organisational and business start-up expenditures are deductible up to $10,000, subject to certain limitations and the remainder must be written off over 180 months.
(3) Meals and entertainment expenses are limited to 50% of expenses incurred in most circumstances. Certain entertainment expenses are entirely non-deductible.
(4) Bad debts, except for certain financial institutions, are deductible only under the specific method for receivables that become uncollectible in whole or in part during the tax year.
(5) Life insurance premiums paid on key employees are deductible only to the extent that they are:
    (a) included in the employees' compensation
    (b) not unreasonable in amount
    (c) the employer is not directly or indirectly a beneficiary.

C. FOREIGN TAX RELIEF

A US corporation or a foreign corporation engaged in business in US may elect to claim either a credit or a deduction for income taxes paid to another country if the taxes are connected with or related to its business and if the income is also taxed by the US. Generally, the tax credit is available only if such foreign tax is based on foreign source income. The tax credit may not reduce the US tax liability on income from US sources. Any credit unusable in one year may be carried back to the prior year and forward ten years.

D. CORPORATE GROUPS

Affiliated groups of US corporations (parent has 80% ownership) are permitted to offset the losses of one affiliate against the profits of another via the filing of consolidated federal income tax returns. State and local rules vary from federal rules in this regard and may not permit loss offsetting. Some may also require, alternatively, that returns are filed to include results of all related companies, including companies that are not includable in a federal consolidated income tax return.

E. RELATED PARTY TRANSACTIONS

Related party transactions negotiated at arm's length are treated the same as non-related party transactions. However, in general, a deduction may not be taken by one party until the transaction has been included in gross income by the other party. The Internal Revenue Service may make any adjustments necessary to reflect the income of the related parties.

For multi-national groups, additional emphasis is placed on the 'transfer price' among members of the group. Several methods are provided to determine a proper arm's length price including the use of unrelated third party comparables, the comparable profits and the profit split methods. Significant compliance burdens now apply in these situations. Failure to maintain contemporaneous documentation of pricing determinations could result in substantial penalties (up to 40% of the tax due). US regulations require taxpayers to conduct transfer pricing studies to determine the 'best method' under the applicable circumstances.

Transfer pricing determinations must often meet standards in multiple jurisdictions. US rules for determining transfer pricing may vary from the rules of other countries that have introduced transfer pricing standards and from OECD guidelines. US states are increasingly interested in both multi-national and multi-state transfer pricing and may at times take positions differing from those of the Internal Revenue Service.

F. WITHHOLDING TAXES – NON-US PAYEES

Taxes are required to be withheld from portfolio dividends, interest, rents, and royalties, and certain other types of income paid to non-US payees. The statutory rate is 30% but reduced rates may apply if the recipient is a resident of a treaty country. Foreign persons or entities may also be exempted from withholding if the US source income is connected with conduct of a trade or business in the US. This exemption is not available unless the foreign recipient provides notice to the US payor prior to payment. Portfolio interest is exempt from withholding. Portfolio interest includes interest earned on US bank deposits and portfolio debt obligations.

Special withholding tax rules apply to non-US partners in US partnerships and non-US members of an LLC that conducts a trade or business in the US. A 35% withholding tax rate is applied to a foreign partner's (whether an individual or corporation) current year US source income. Special withholding tax rules also apply to direct or indirect sales or other dispositions of US real property by foreigners. A 10% withholding rate applies to the gross amount realised or sales price on the disposition unless specific permission is granted for a reduction.

G. EXCHANGE CONTROL

No direct exchange controls exist. Transactions in currency of $10,000 or more must be reported to the Internal Revenue Service. Multiple related transactions must be treated as a single transaction for disclosure purposes. The direct or indirect transportation of currency or other monetary instruments exceeding $10,000 to a foreign jurisdiction must also be reported. Transfers through normal banking procedures that do not involve the physical transportation of currency are not required to be disclosed.

H. PERSONAL TAX

US citizens and other resident individuals are subject to the same tax rules. Taxes are assessed on worldwide income reduced by certain adjustments, deductions and exemptions. Non-resident individuals are generally subject to tax on their income from US sources. Certain credits are available to reduce the tax computed. Generally, income consists of compensation from employment services, interest and dividends, income or loss from self-employment, capital gains and losses, rents and royalties and income or loss from pass-through entities. Allowable deductions include medical expenses, home mortgage and investment interest, state, local and real estate taxes, casualty losses, charitable contributions and other business and investment-related miscellaneous deductions.

Limitations exist for the amount of losses and deductions that may be claimed by a taxpayer. Most deduction limitations are based upon the income levels of the individual.

Income tax rates vary depending upon the filing status of the taxpayer. The five categories of filing status are:

(1) single
(2) married filing a joint return
(3) married filing separate returns
(4) head of household
(5) qualifying widow(er) with dependent child.

The current maximum tax rate is 35%.

The US requires employers to withhold federal and state income taxes, social security and Medicare from an employee's salary. These taxes must be remitted to the government on a periodic basis. Self-employed individuals are required to make quarterly estimated payments equal to at least 90% of their actual tax liability in most cases. Higher income individuals may need to pay in 100% of the current year's tax or 110% of the prior year's tax. Penalties and interest may be assessed for underpayment of these taxes.

Special tax rates apply to capital gains and dividend income of individuals. The rate is based on the length of time that the asset is held as well as the type of capital asset. Many dividends also receive a preferential tax rate. Non-resident individuals are typically subject to tax on income from US sources and are generally not taxed on US source capital gains unless the gains are directly or indirectly related to sales of US real property. Many non-resident individuals do not receive preferential tax rates on dividend income. The current preferential rate for qualified dividends and long term capital gains is 15%.

In addition to the regular income tax, individuals may also be liable for other taxes on their tax returns. These taxes include the alternative minimum tax (AMT), self-employment tax, social security and Medicare tax and qualified retirement plan tax. Most states and some municipalities also impose income taxes that vary in rates and bases. The US imposes other taxes on individuals such as gift tax and estate tax.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Portfolio	Substantial holdings (%) (1)	Interest (%) (2)	Royalties (%) (3)
Non-Treaty Countries:	30	30	30	30
Treaty Countries:				
Resident corporations and individuals:	Nil	Nil	Nil	Nil
Non-resident corporations and individuals:				
Australia	15	5	10	0/5
Austria	15	5	0	0/10
Barbados	15	5	5	5
Belgium	15	5	15	0
Canada	15	5	10	0/10
China	10	10	10	10
Commonwealth of Independent States (CIS)	30	30	0/30	0
Cyprus	15	5	10	0
Czech Republic	15	5	0	0/10
Denmark	15	5	0	0
Egypt	15	5	15/30	0/15
Estonia	15	5	10	5/10
Finland	15	5	0	0/5
France	15	5	0	0/5

	Portfolio	Substantial holdings (%)	(1)	Interest (%)	(2)	Royalties (%)	(3)
Germany	15	5		0		0	
Greece	30	30		0/30		0/30	
Hungary	15	5		0		0	
Iceland	15	5		0		0/30	
India	25	15		15		15/10	
Indonesia	15	10		10		10/15	
Ireland, Republic of	15	5		0		0	
Israel	25	12.5		17.5		15/10	
Italy	15	5/10		15		5/8/10	
Jamaica	15	10		12.5		10	
Japan	10	5		10		0	
Kazakhstan	15	5		10		10	
Korea, Republic of	15	10		12		15/10	
Latvia	15	5		10		5/10	
Lithuania	15	5		10		5/10	
Luxembourg	15	5		0		0	
Mexico	10	5		15		10	
Morocco	15	10		15		10	
Netherlands	15	5		0		0	
New Zealand	15	15		10		10	
Norway	15	15		0		0	
Pakistan	30	15		30		0/30	
Philippines	25	20		15		15	
Poland	15	5		0		10	
Portugal	15	5		10		10	
Romania	10	10		10		10/15	
Russia	10	5		0		0	
Slovak Republic	15	5		0		0/10	
South Africa	15	5		0		0	
Spain	15	10		10		5/8	
Sweden	15	5		0		0	
Switzerland	15	5		0		0	
Thailand	15	10		15		5/8/15	
Trinidad and Tobago	30	30		30		0/15/30	
Tunisia	20	14		15		10/15	
Turkey	20	15		15		5/10	
Ukraine	15	5		0		10	
United Kingdom	15	0/5		0		0	
Venezuela	15	5		10		5/10	

1 Refer to the relevant treaty for details of the necessary interest that the recipient needs to hold in the payor in order for this rate to apply.
2 Certain interest paid by banks and insurance companies to non-residents are exempt.
3 For copyright royalties the individual treaties should be consulted due to rate variations. Royalties may include personal property rentals.

URUGUAY

Currency: Peso (P)	Dial Code To: 598	Dial Code Out: 010

Member Firm:

City:	Name:	Contact Information:
Montevideo	Juan Antonio Chiarino	2 915 5833 jachiarino@pkfuruguay.com.uy

A. TAXES PAYABLE

CORPORATE TAX

Corporations and individuals are subject to corporate income tax (IRAE) on their net income of Uruguayan source originating from industrial, commercial and agricultural activities at a rate of 25%.

IRAE is levied on resident legal entities and permanent establishments of non-resident entities. Non-residents with no permanent establishment in Uruguay are subject to a new specific tax on income of non-residents (impuesto a la renta de los no residentes).

Companies or individuals deriving income from agricultural activities may opt to be subject to IRAE or, alternatively, to the tax on disposal of agricultural goods (IMEBA). However, certain types of companies or companies with income superior to certain amount cannot choose and are always subject to IRAE.

The tax year is the same as the commercial year of the company, provided that adequate accounting records are kept. Othotherwise, the fiscal year is the calendar year. In either case, companies must file their tax returns by the end of the fourth month following the end of their tax year end. Advance tax payments are made on account of the final liability for the relevant tax year. If the total advance payments exceed the final liability, a refund is made by means of credit certificates, which may be used to pay the taxpayer's future taxes but may not be repaid.

CAPITAL GAINS TAX

Capital gains are subject to the same fiscal treatment as normal taxable income and must be included in the same tax return.

BRANCH PROFITS TAX

Branches of foreign corporations are subject to IRAE and IMEBA at the same rate as resident companies. Dividends, profit distributions or remittances paid or credited abroad by taxpayers subject to IRAE are also subject to a withholding tax called IRNR at the rate of 7%. Repatriations of branch profits to a head office outside Uruguay are subject to this tax.

SALES TAXES/VALUE ADDED TAX (VAT)

Imports and the supply of goods and services in Uruguay are subject to VAT at the basic rate of 22%. Land, cattle and non-industrial agricultural products are exempted. Certain essential goods and medicines, as well as new building are subject to the minimum rate of 10%. A monthly payment is due on sales of the previous month. Tax included in the purchases of merchandise, services and fixed assets is deductible from the tax billed to customers.

FRINGE BENEFITS TAX

Corporations and individuals are subject to social security taxation on all salaries and fringe benefits paid to employees, at the rate of 7.5% plus 5% of medical care. Additionally, employees are subject to a withholding of 21% on the amounts received. Both percentages are due monthly on amounts paid for the previous month.

LOCAL TAXES

Two principal municipal taxes are in force. The main one – 'real property contribution' – is due to municipal authorities on land and buildings located in their area. It represents a percentage (generally 1.5%) of the cadastral value and is due yearly over three to six payments. The second tax is payable by owners of buildings on a monthly basis for the services rendered by the local authority. This amount is adjusted periodically according to current inflation.

OTHER TAXES

A very important federal tax is the net worth tax, due annually by corporations and individuals. Corporations that pay IRAE are subject to the tax at a standard rate of

1.5% on their net worth, calculated on the difference between taxable property and deductible liabilities. Agricultural activities are exempted from this tax.

The net worth personal tax return must be payable each year in May, on the basis of net worth as of 31 December of the previous year.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
Depreciation of assets used in business activities must be computed at a maximum annual percentage. In principle, depreciation is calculated under the straight-line method. Key depreciation rates include the following:

Asset	Rate
Machinery and equipment	10%
Automobiles	10%
Buildings in urban areas	2%

TERRITORIALITY
Uruguay taxes income on a territoriality basis rather than a worldwide basis. Hence, overseas income is not taxable.

STOCKS/INVENTORY
On the basis of original costs in local currency, companies are free to choose between FIFO or average cost. The method chosen cannot be changed without the agreement of the Tax Authority.

CAPITAL GAINS AND LOSSES
No special tax rules apply to capital gains or losses. They must be included in the tax return together with the current income.

INTEREST DEDUCTIONS
Interest paid to banks, financial institutions and companies that pay IRAE is deductible without limitations. Interest paid to individuals or to financial institutions located abroad is deductible up to a limited percentage that is established for the fiscal year by the Tax Authority.

LOSSES
Losses resulting from the tax return are deductible from gains of the next five years and, up to that date, are revaluated according to inflation coefficients.

FOREIGN SOURCED INCOME
Foreign source income is not taxable in Uruguay, except for financial income of resident individual taxpayers.

FREE TRADE ZONES
Strategically located within Mercosur, Uruguay offers a very liberal treatment for free trade zones. Those areas of the national territory with a distinctive economic regime enjoy customs and tax exemptions and are excluded from the jurisdiction of the state monopolies. All types of export focused activities such as commercial, industrial or service oriented activities may be developed in free trade zones.

OTHER
An inflation adjustment must be calculated applying the inflation coefficient for the period on the difference between assets (except fixed assets) and liabilities at the beginning of the exercise. If the difference is positive, the adjustment originates a deductible loss and, if it is negative, a taxable income.

C. FOREIGN TAX RELIEF

Foreign tax relief is not available under Uruguayan fiscal law because overseas income is not taxable.

D. CORPORATE GROUPS

There are no special tax rules relating to corporate groups.

E. RELATED PARTY TRANSACTIONS

Taxation of related party transactions must be calculated on the basis of the current local prices, independently of the agreement between the parties.

F. WITHHOLDING TAX

Dividends, profit distributions or other remittances paid or credited by taxpayers subject to IRAE are subject to withholding tax at the rate of 7%. Interest paid is subject to withholding tax at the following rates:

- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term
- 3% on interest on bonds with a term of more than three years issued through a public offer and quoted on the stock exchange
- 5% on interest from one-year term deposits or deposits of less than a year
- 12% on other interest.

Royalties paid by taxpayers to non-residents are subject to a withholding tax of 12%. Technical assistance fees paid to individuals or corporations abroad are also subject to a 12% withholding tax.

G. EXCHANGE CONTROL

No exchange controls are in force in Uruguay. All remittances to foreign countries can be carried without limitations through banks, financial institutions and authorized currency exchange houses.

H. PERSONAL TAX

Residents of Uruguay are subject to income tax impuesto a la renta de las personas físicas (IRPF) on their Uruguayan-source income. The only exception is that from 1 January 2011 income deriving from financial assets located abroad will also be subject to this tax. Income subject to IRPF includes income from dependent or independent personal services, pensions, income from capital, and capital gains. Income tax is assessed under a schedular system, based on the nature of the income, which is classified in the following categories:

- Category I: income from capital and capital gains
- Category II: income from dependent or independent personal services and pensions.

Salaries and other remuneration derived by individuals from dependent personal services are subject to individual income tax as applicable in respect of Category II.

Income from Category II (income from work) is subject to individual income tax at progressive rates:

Taxable income (BPC)	Tax rate (%)
Up to 60	0%
61 to 120	10%
121 to 180	15%
181 to 600	20%
601 to 1,200	22%
Over 1,200	25%

Individuals are subject to individual income tax on dividends, interest and royalties under the rules applicable to Category I. As mentioned above, income deriving from assets located abroad are subject, to IRPF at the rate of 12% from 1 January 2011.

Dividends and profit distributions are subject to tax at the rate of 7% provided that they are paid out of profits subject to IRAE (otherwise they are exempt from tax).

Interest is subject to tax at the rates of:

- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term
- 3% on interest from bonds with a term of more than three years issued through public offer or on the stock exchange
- 5% on interest from one-year-term deposits or deposits of less than a year
- 12% on other interest.

Royalties are subject to tax at the standard rate of 12%.

Income from immovable property is subject to tax at the standard rate of 12%. For leases of immovable property, housing agency commission, the real estate tax and the primary education tax are deductible for purposes of determining taxable income. Individuals are subject to individual income tax on capital gains under the rules applicable to Category I at the standard rate of 12%.

I. TREATY WITHHOLDING TAX RATES

To date, Uruguay has signed general treaties to avoid double taxation with Germany and Hungary. The normal withholding tax rate of 25% is reduced to 15% in respect of dividends, interest and royalties. Uruguay has also signed treaties with Paraguay and Chile to avoid taxation on airline companies.

During 2010 Uruguay signed treaties with Spain, México, Portugal, Switzerland, France, Belgium, Lichtenstein, Malta, South Korea, Finland, India and a new one with Germany. All these treaties are subject to the approval of Parliament.

VENEZUELA

Currency: Bolivar (Bs) | Dial Code To: 58 | Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
Caracas	Beniamino Carpentieri M.	212 952 4050 bcarpentieri@pkfve.com

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Venezuelan resident or domiciled companies are subject to profit tax on their worldwide income. Non-resident or non-domiciled companies are subject to corporation tax only on Venezuelan-sourced income even when do not have permanent establishment or a fixed base in Venezuela.

Foreign resident or domiciled companies who have a permanent establishment or fixed base in the country will exclusively pay taxes by the income of national or foreign source attributable to this permanent establishment or fixed base.

Tax is imposed on a current year basis. The tax year adopted is generally that specified in a company's statutory documents with the standard year being a calendar year. However, it should be noted that other periods are also allowed, including periods of 12 months or less. Final tax is payable when lodging the final corporation tax return, usually required within three months of the end of the accounting period.

The corporate income tax rates are as follows:

Taxable income (Tributary unit (TU))	Rate %
0 TU to 2,000 TU	15
2,001 TU to 3,000 TU	22
Over 3,001 TU	34

CAPITAL GAINS TAX

There is no separate or distinct tax on capital gains. However, capital gains and/or losses from the sale of assets belonging to companies that are situated or located in Venezuela are included in the calculation of the income for the purposes of determining the tax liability of companies (income tax).

Under the law, a flat tax of 34% is established for dividends arising from the excess of the dividend payer's net income (on which dividends were declared) over its taxable net income (taxed fiscal net income). Dividends received from companies incorporated and domiciled abroad or incorporated abroad and domiciled in Venezuela are excluded from net income as contemplated in the law but tax paid on such dividends may be applied outside Venezuelan territory.

BRANCH PROFITS TAX

There is no tax on earnings of branch offices in Venezuela. Venezuelan branches of foreign companies are taxed in Venezuela for income obtained in the country pursuant to the corporate tax. According to the income tax law, companies or community estates established abroad and domiciled in Venezuela or established and domiciled abroad, which have a permanent establishment in Venezuela, are responsible for paying a tax of 34% on any excess of the net income of the permanent establishment that is neither exempt nor exonerated over its taxed fiscal net income for the fiscal year on behalf of their partners, shareholders or joint owners. This presumed dividend does not apply in cases where the branch can prove to the Tax Administration's satisfaction that it reinvested the full amount of the difference between its net income and its taxed fiscal net income in the country. The reinvestment must remain in the country for at least five years.

VALUE ADDED TAX (VAT)

The VAT is applicable to the transfer of chattels, the rendering of services and the importation of goods, as specified in the law and is applicable throughout the entire Venezuelan territory (the Free Port of the State of Nueva Esparta, Paraguaná Peninsula in the State of Falcón and in the Cultural Scientific and Technological Tax- Free zone in the State of Mérida, will be exempt from VAT). It will be paid by individuals and corporations, unincorporated or de facto companies, joint ventures and other public or private legal or economic entities, in their capacity as importers of goods, habitual or not. It will also be paid by manufacturers, producers, assembly plants, independent merchants and service providers who engage in activities that are defined by the law as taxable acts.

Certain imports of goods and services are exempt from tax. Exporters who are regular taxpayers are entitled to recover the tax paid upon the purchase of tangible chattels or receipt of services related to their export activities. This also applies in the case of chattels imported for export. The VAT amount accruing is determined by taxation periods of one calendar month, subtracting the aggregate tax credit amounts from the respective aggregate tax debit amount. The result is the VAT to be paid. The standard rate, currently 12%, is charged on the net price of the transaction.

FRINGE BENEFITS TAX (FBT)

There is no tax payable by the company on fringe benefits. Instead, any benefits provided to employee are included in their personal income and are subject to tax.

LOCAL TAXES

There is only a municipal tax that is assessed on gross income from commercial-industrial activities at different percentages, depending on the business activities conducted and the geographic jurisdiction in which the company is located.

OTHER TAXES

CUSTOMS DUTIES

This involves paying tax on goods that are imported in accordance with the customs tariff which is calculated based on the CIF value.

STAMP TAX

This is applied on certain transactions including transfer of ownership, formation of companies and a wide range of legal transactions and operations.

PUBLIC REGISTRY

These are duties that are incurred for the registration and certification of authenticity of various documents in the Main and Subsidiary Registry Offices of each geographic jurisdiction in which the operation is conducted.

MANDATORY SOCIAL SECURITY (MSS)

These are payments that are made monthly by employers and employees on the payroll of companies for the purpose of guaranteeing the functioning of the national worker social security system.

LAW FOR PROVIDING HOUSING AND HABITAT

Companies must contribute to the obligatory savings fund with 2% monthly of workers payroll. Workers' contribution shall be 1% of his salary. The savings fund must finance housing programs for the workers.

NATIONAL INSTITUTE OF EDUCATIONAL COOPERATION (NIEC)

Employers must contribute to this Institute on a quarterly basis at the rate of 2% of the total wages and compensation paid to their workers. Workers must contribute 0.5% of the profits paid to them by the employer at the end of the corporate business year. These contributions are for the purpose of professional training of workers and young apprentices, and tackling national illiteracy.

TAX ON ESTATES AND GIFTS

This is assessed on gratuitous transfers of rights causa mortis or inter vivos.

ORGANIC LAW OF SCIENCE, TECHNOLOGY AND INNOVATION (LOCTI)

This Law establishes a number of contributions the companies must make according to the activities they indulge in, as follows:

a) hydrocarbon companies, 2% of annual gross revenues
b) companies in mining and electrical power activities, 1% of annual gross revenues
c) large companies indulging in other production sectors of goods and services, 0.5% of annual gross revenues, (it is understood by large companies with annual gross revenues over 100,000 UT (Tax Units).

The Law establishes that such contributions may be made in research developed in the same companies or into Government dependent Funds.

ORGANIC LAW AGAINST ILLEGAL TRAFFIC AND CONSUPTION OF STUPEFYING AND PSICHO TOXIC SUBSTANCES (LOCTISEP)

This Law establishes a contribution of 1% of annual net income of companies employing 50 or more workers. This contribution must be invested in programs for the prevention of drug traffic and consumption within the same company for its workers and their family environment. Likewise, the Law establishes that 2% of their annual net income must be contributed by companies manufacturing or importing alcoholic beverages, tobacco and its mixtures, like chewing tobacco, to maintain and operate prevention and rehabilitation centres for consumers of these substances.

ORGANIC LAW OF TELECOMMUNICATIONS

In the Organic Law of Telecommunications, various taxes and duties are set forth on the companies indulging in the business of telecommunications and making use of radio-electric spectrum, sound broadcasting and open television, among others. The various taxes and duties they must pay go between 0.05% and 2.3% of their annual gross revenues.

ORGANIC LAW OF TOURISM

The Organic Law of Tourism sets forth a contribution of 1% monthly on gross revenues obtained, that must be paid by those rendering tourist services.

B. DETERMINATION OF TAXABLE INCOME

The net revenue is determined by subtracting the costs and deductions permitted by the Income Tax Law from the net income. To arrive at the taxable income, some expenses must be considered as non-deductible and some income as non-taxable.

INVESTMENT ALLOWANCE

The Venezuelan income tax law provides for the benefit of tax abatements. In an amount equivalent to 10% of the amount of new investments made in the country, other than land that has not been used previously by other companies, and made in the following activities: industrial and agribusiness activities, construction, electric power, telecommunications, science and technology (other than hydrocarbons and related activities) and, in general, all activities of an industrial nature that represent investments to meet the requirements of advanced or state-of-the-art technology.

Taxpayers engaging in the extraction of hydrocarbons and related activities such as refining and transportation shall be entitled to a tax credit equal to 8% of the amount of any investments. The law also provides for an additional tax credit of 4% of the total cost of investment in: exploration, drilling and related facilities for production, transportation and storage; secondary recovery of hydrocarbons; use, conservation and storage of gas, including liquefied gas; and, upgrading of hydrocarbons and expenditure for research.

Parties receiving income from tourism services who are duly registered in the National Tourism Registry shall be entitled to a tax credit of 75% of the amount of new investments for construction of hotels, inns, and lodgings; expansion, improvements or re-equipping building or services; for providing any type of tourism service or for educational and training of their workers.

DEPRECIATION

The amount admissible as deduction for depreciation during the tax year is the percentage necessary to recover the cost of such assets during the time that they are available to be used in production. Depreciation may be increased by adjusting depreciable fixed assets for inflation. Only the straight-line or the production unit method is admitted. The Tax Administration may admit other methods. Accelerated depreciation of assets is not admitted.

STOCK/INVENTORY
Taxpayers shall draw up an inventory of all goods intended for sale at the start of their activities and at the close of each tax year. The inventoried goods shall be appraised at the cost price. They can also be appraised at the wholesale market price when that is less than the cost price.

DIVIDENDS
From 1 January 2001, net income from dividends is considered to be a portion of income from dividends paid or credited to account, in cash or in kind, and arising from net income that is neither exempt nor exonerated, that exceeds the taxed fiscal net income, and accordingly, has not been taxed with income tax.

Dividend income is taxed at the rate of 34% of the amount paid. The full amount of the tax must be withheld at the time of payment or credit to account. Tax on dividends from companies in the oil and mining industry are taxed at the rate of 67.7% and 60% respectively and tax is to be withheld in full at source. Dividends received from companies incorporated and domiciled abroad or incorporated abroad and domiciled in Venezuela are excluded from net income as contemplated in the law but tax paid on such dividends may be applied outside Venezuelan territory.

INTEREST DEDUCTIONS
Interest on capital borrowed and invested in income-producing activity is deductible. In the case of interest received by companies abroad, there must be withholding in accordance with the following percentages:

Beneficiary	Rate %
Financial Institutions (Domiciled)	5
Financial Institutions (Non-domiciled)	4.95
Parent Company	5
Legal Entity other than the above	32.3

LOSSES
Operating losses can be shifted for three consecutive periods following the fiscal year in which they occur. The losses from the adjustment for inflation may be carried over one year.

FOREIGN SOURCED INCOME
The current Income Tax Law established the obligation of residents of Venezuela and of companies domiciled in the country to pay income tax on all the revenue they obtain, whether in Venezuela or abroad.

INCENTIVES
The customs duty paid on imports of goods and products used in the production of goods for export would be reimbursed by Banco Central de Venezuela (BCV).

REGULAR ADJUSTMENT FOR INFLATION
The income tax law considers the regular adjustment for inflation, which represents the greater or lesser value of the net worth obtained by recognising the effects of the inflation in non-monetary assets and liabilities through the application of Consumer General Price Index, based on procedures established in the Venezuelan tax legislation. The fiscal adjustment for inflation, thus calculated, is considered as a taxable gain or a deductible loss in determining the income tax expense.

C. FOREIGN TAX RELIEF

Venezuela has signed wide agreements in order to avoid double taxation and in relation to shipping and air transportation.

D. CORPORATE GROUPS

There is no provision for consolidated tax returns.

E. RELATED PARTY TRANSACTIONS

In cases involving commercial transactions between companies that could be considered related, they must follow the methodology stipulated in this chapter in transfer prices to determine their income. The rules on transfer prices stipulate that application thereof is mandatory in the case of operations between related parties. The law also determines when a relationship shall be deemed to exist, therefore, when the transaction is between related parties.

F. WITHHOLDING TAX

In the case of tax withholding, the Tax Administration considers it to be a tax advance, which may be deducted from the tax determined in the fiscal year in which it is declared.

G. EXCHANGE CONTROL

Exchange controls are currently in effect. Foreign currency transactions are controlled by the Commission of Administration of Currency (CADIVI). Also all foreign currencies entering the territory were to be mandatory sold to the Central Bank of Venezuela. Financial institutions cannot engage in a foreign exchange business without prior approval of CADIVI and/or Central Bank of Venezuela.

H. PERSONAL TAX

The tax of individuals is determined on revenue received annually, provided that such revenue is greater than 1.500 T.U. and they are allowed personal abatements and abatements for family charges, as well as personal expenses incurred during the fiscal year, e.g. medical expenses, school payment, insurance policies, etc.

Tax Rate Table Taxable income (Tributary unit)	Rate %
0 TU to 1,000 TU	6
1,001 TU to 1,500 TU	9
1,501 TU to 2,000 TU	12
2,001 TU to 2,500 TU	16
2,501 TU to 3,000 TU	20
3,001 TU to 4,000 TU	24
4,001 TU to 6,000 TU	29
Over 6,001 TU	34

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends %	Interest %	Royalties %	
Non Treaty Countries:	34	4.95	15/34	(1)
Treaty Countries:				
Andean Community	0	0	0	
Austria	5/15	4.95/10	5	
Barbados	5/10	5/15	10	
Belgium	5/15	10	5	
Brazil (Not effective)	10/15	15	15	
Canada	5/15	10	10	
China	5/10	5/10	10	
Cuba	10/15	10	5	
Czech Republic	5/10	10	12	
Denmark	5/15	5	10	
France	5/15	5	5	
Germany	5/15	5	5	
Indonesia	10/15	10	20	
Iran	5/10	5	5	
Italy	10	10	7/10	
Korea	5/10	5/10	5/10	
Kuwait	5/10	5	20	
Netherlands	0/10	5	5/7	
Norway	5/10	5/15	12	

V

	Dividends %	Interest %	Royalties %
Portugal	10/15	10	12
Qatar (Not Effective)	5/10	5	5
Russia (Effective 1/1/2010)	10/15	5/10	10/15
Spain	10	4.95/10	5
Sweden	5/10	10	7/10
Switzerland	10	5	5
Trinidad and Tobago	5/10	15	10
United Kingdom	10	5	5/7
United States	5/15	4.95/10	5/10

(1) On 90% of the gross payment.

VIETNAM

Currency: Vietnam Dong (VND)   Dial Code To: 84   Dial Code Out: 84

Member Firm:

City:	Name:	Contact Information:
Hanoi	Hung Pham	989 194 898 hungpt@pkf.com.vn
Ho Chi Minh City		8 54491 476/477 hcm@pkf.com.vn
Da Nang		511 3531 399 dn@pkf.com.vn

A. TAXES PAYABLE

TAXES AND LEVIES
COMPANY TAX

The Corporate Income Tax (CIT) rate applicable is 25%, except for business establishments involved in the prospecting, exploration and exploitation of petroleum and gas and other precious natural resources, where the applicable tax rate is 32-50%.

Enterprises shall make a self-declaration of CIT payable. For each quarter, the enterprise shall determine the amount of CIT provisionally payable for the quarter and the tax finalization for the whole year shall be determined within 90 days after the year end.

The total income generated by Vietnamese enterprises shall be subjected to CIT, regardless of whether the income is generated in Vietnam or overseas, comprising income earned from production except income earned from:

- products of cultivation, husbandry and aquaculture by co-operatives
- performance of technical service contract directly serving agricultural production
- performance of contracts for scientific research and development
- production of and trading in goods and services by business establishments specially reserved for disabled employees or persons involved in crime.

The CIT payable shall be determined by applying the applicable tax rate on the taxable income, which is the total turnover less reasonable expenses. Reasonable expenses which are deductible for the purpose of calculation of taxable income including expenses actually used for the production or trading in goods and services, and expenses incurred with receipts or source documents issued in accordance with the law.

Tax year: A tax year for the purpose of tax finalization shall be the calendar year (from 01 January to 31 December annually). Where a business establishment is permitted to apply a tax year other than the calendar year, tax finalization shall be conducted in accordance with such a year.

CAPITAL GAINS TAX

The capital gain tax rate applicable is 20%.

SPECIAL SALES TAX

Special Sale Tax is applicable to special goods and services (luxury). The basis for calculating Special Sale Tax shall be based on the quantity of taxable goods sold, their taxable value and the applicable tax rates.

Taxable goods and their applicable tax rates are set out in the following schedule:

No.	Type of Goods or Services		Tax rate
I	**Goods**		
1.	Tobacco products		
	a)	filtered cigarettes produced mainly from imported raw materials	65
	b)	cigarettes without filters and cigars	25
2.	Spirits		
	a)	over 40 degrees proof	75
	b)	from 20 to 40 degrees proof	30
	c)	under 20 degrees proof and fruit spirits	20
	d)	medicinal spirits	15
3.	Beer		
	a)	bottled beer, canned beer and fresh beer	75
	b)	draught beer	30
4.	Automobiles		
	a)	Up to 5 seats	80
	b)	From 6 to 15 seats	50
	c)	From 16 to 24 seats	25
5.	Gasoline of various kinds, naphtha, reformed component and other compounds for mixing gasoline		10
6.	Air-conditioners with a capacity of 90,000 BTU or less		15
7.	Playing cards		40
8.	Votive gilt paper and votive objects		70
II	**Services**		
1.	Discotheque, massage parlours and karaoke bars		30
2.	Casino and reward games, including jackpot, slot and other similar machines		25
3.	Betting business		25
4.	Golf business, including sale of membership cards and golf game tickets		10
5.	Lottery business		15

VALUE ADDED TAX

VAT is a sales tax levied on the sale of goods and services in the services, manufacturing, consumption and businesses in Vietnam (except for the cases stipulated in law). The VAT rate is calculated based on the selling price (exclusive of tax). There are three levels of tax rates, depending on the type of goods and services: 0%, 5% and 10%. In general, most goods and services are subject to VAT of 10%.

OTHER TAXES:
BUSINESS LICENCE TAX

This is tax on the business capital of business establishments. The tax payment deadline is at the end of the first month of operations (for the new business establishments) and as at 31 January of each calendar year for business establishments already in operations. Business Licence Tax rate (annually) depends on the registered capital as follows:

1	Over VND10 billion	VND3,000,000
2	From VND5 billion to VND10 billion	VND2,000,000
3	From VND2 billion to VND5 billion	VND1,500,000
4	Less than VND2 billion	VND1,000,000

EXPORT-IMPORT TAX
Export-import Tax is levied on the export or import of goods across the Vietnamese border or domestic goods brought into and out of customs free areas. The tax rate for each item is determined based on the tax rate schedule.

NATURAL RESOURCES TAX
Natural resources tax is levied on organizations and individuals conducting the exploitation of natural resources in Vietnam. Natural resources tax is determined by the actual natural resources exploited, the unit price and the tax rate stipulated for the specific resources.

B. DETERMINATION OF TAXABLE INCOME

CIT payable = (Assessable income - Allocation to R&D fund) x CIT rate (R&D fund is Science and Technology Development Fund)

Assessable income equals Taxable income less Exempt income and Losses carried forward in accordance with law. Taxable income equals Turnover less Deductible expenses plus Other income items. Generally, to be deductible, the expenses must be related to the activities of production and business of the enterprise and accompanied by legal and complete invoices and source vouchers as required by law.

TAX LOSSES
Enterprises which suffer losses after tax finalization shall be entitled to carry forward those losses to taxable income of the following years. Losses may be carried forward for a maximum period of five years as from the year following the year in which the loss arose.

FOREIGN SOURCED INCOME
Vietnamese enterprise which makes an offshore investment and derives income from production and business activities overseas must declare and pay CIT in accordance with the current Law on CIT of Vietnam, including when the enterprise is entitled to a tax reduction or exemption under the law of the foreign country.

INCENTIVES
Specific incentives are provided for high technology fields.

C. FOREIGN TAX RELIEF

If income from an investment project overseas has been subject to CIT (or any other type of tax which is basically similar to CIT) overseas, then when assessing CIT payable in Vietnam, the Vietnamese enterprise shall be entitled to deduct the amount of tax paid overseas or paid on its behalf by the foreign party accepting such investment (including tax payable on interest on shareholding), but the amount of tax deductible must not exceed the amount of tax payable pursuant to the Law on CIT of Vietnam.

E. RELATED PARTY TRANSACTIONS

The related party transactions are subjected to the transfer pricing rules.

F. WITHHOLDING TAXES

The income from foreign contractors and sub-contractors are taxed at source and tax must be paid to the tax office within 20 business days from the date of signing the contract.

Withholding tax is levied on goods and services provided by foreign contractor to generate income in Vietnam. Tax applicable to foreign contractors comprises:
- Value Added Tax and
- Corporate Income Tax.

Value Added Tax is levied on any value-add to a product or service, as follows:

1	Lease of insurance machinery, or equipment	50%
2a	Construction with supply of material	30%
2b	Construction without supply of material	50%
3	Manufacturing and other business activities	50%

Corporate Income Tax is calculated by ratio over taxable income based on the following table:

1	Trading: distribution, supply of goods, materials, machinery and equipment, together with the provision of services in Vietnam	1%
2	Lease of machinery and equipment, and insurance	5%
3	Construction	2%
4	Manufacturing, transport and other businesses	2%
5	Lease of aircraft and vessels (including components)	2%
6	Overseas reinsurance	2%
7	Transfer of securities	0,1%
8	Borrowing cost	10%
9	Royalties	10%

EXCHANGE CONTROL

Upon the purpose of money taken out of Vietnam (for studying, for curing, …), there is separate level that the departing individual must report this to an Vietnam Customs Officer. The amount of 7,000 USD (or the equivalent of foreign currency) or 15 million VND that are brought into Vietnam must also be reported.

H. PERSONAL INCOME TAX

All residents and non-residents are subject to Personal Income Tax.

A resident is liable to pay tax on income sourced in Vietnam as well as on the portion of income from foreign sources (except for non-taxable income, including income from real estate transferred between a husband and wife and blood-relations, scholarships, and overseas remittances).

Deductions are available for family considerations for residents, comprising children under 18, unemployed spouses and elderly and unemployed parents.

Individuals are responsible for self-declaration and payment of tax.

A non-resident is subject to tax only on income sourced in Vietnam.

The applicable Personal Income Tax rates are as follows:

Resident			
I	Income from salaries and wages, business and production (million dong)		
Level	**Taxable income/year**	**Taxable income/ month**	**Tax rate (%)**
1	Up to 60	Up to 5	5
2	From 60 to 120	From 5 to 10	10
3	From 120 to 216	From 10 to 18	15
4	From 216 to 384	From 18 to 32	20
5	From 384 to 624	From 32 to 52	25
6	From 624 to 960	From 52 to 80	30
7	Over 960	Over 80	35
II	Income from capital investment, copyright and franchise activities		5
III	Income from transfer of capital		20
IV	Income from transfer of real estate		25

Non-residents		
I	Income from business and production	
1	Income from business and production of goods	1
2	Income from business and production of services	5
3	Manufacturing, construction, transport and other activities	2
II	Salary and wages	20
III	Income from capital investment	5

Non-residents		
IV	Transfer of capital	0.1
V	Transfer of real estate	2
VI	Copyright and franchise activities	5
VII	Lottery winning, inheritance and gifts which are securities, capital or assets	10

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Withholding tax rates for dividend, interest and royalties are as follow:

	Dividend (%)	Interest (%)	Royalties (%)
Country:			
Algeria	15	15	15
Australia	10	10	10
Bangladesh	15	15	15
Belarus	15	10	15
Belgium	5, 7, 10 or 15	10	5, 10 or 15
Bulgaria	15	10	15
Canada	5, 10 or 15	10	7.5 or 10
China	10	10	10
Cuba	5, 10 or 15	10	10
Czech Republic	10	10	10
Denmark	5, 10 or 15	10	5 or 15
Finland	5, 10 or 15	10	10
France	7, 10 or 15	Nil	10
Germany	5, 10 or 15	10	7.5 or 10
Hungary	10	10	10
Iceland	10 or 15	10	10
India	10	10	10
Indonesia	15	15	15
Italy	5, 10 or 15	10	7.5 or 10
Japan	10	10	10
Korea	10	10	5 or 15
Laos	10	10	10
Luxembourg	5, 10 or 15	10	10
Malaysia	10	10	10
Mongolia	10	10	10
Myanmar	10	10	10
Netherlands	5, 7, 10 or 15	7 or 10	5, 10 or 15
North Korea	10	10	10

	Dividend (%)	Interest (%)	Royalties (%)
Norway	5, 10 or 15	10	10
Pakistan	15	15	15
Philippines	10 or 15	15	15
Poland	10 or 15	10	1, 10 or 15
Romania	15	10	15
Russian	10 or 15	10	15
Seychelles	10	10	10
Singapore	5, 7 or 12.5	10	5 or 15
Spain	7, 10 or 15	10	10
Sri Lanka	10	10	15
Sweden	5, 10 or 15	10	5 or 15
Switzerland	7, 10 or 15	10	10
Thailand	15	10 or 15	15
Ukraine	10	10	10
United Kingdom	7, 10 or 15	10	10
Uzbekistan	15	10	15

$100 www.pkf.com