



GUIDE TO GOING GLOBAL TAX

Full Handbook



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INTRODUCTION

Welcome to the 2023 edition of DLA Piper's *Guide to Going Global – Tax*.

GUIDE TO GOING GLOBAL SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Guide to Going Global* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that tax law is dynamic, and the legal regime in the countries surveyed could change.

ARGENTINA



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RESIDENCE AND BASIS FOR TAXATION

In Argentina coexist 3 levels of taxation: federal, provincial (state) and municipal level.

An entity is deemed resident for tax purposes when it is incorporated in Argentina under the laws of Argentina. An Argentine individual is considered a tax resident unless they lose their tax residence status by choice, obtain legal residence in other country or by fact, when the individual is outside the country for at least a 12-month period, with certain exemptions.

Domestic

Local entities and resident individuals are subject to income tax on domestic and foreign source income.

Foreign

Non-resident entities or individuals are taxed on income of Argentine source. The tax applicable is the income tax that comprises corporate earnings and capital gains. In general, a local resident paying to a foreign entity or individual is obliged to withhold income tax. The withholding rate varies in connection with the type of payment.

Permanent establishments are taxed as local entities on income attributable to the permanent establishment.

Income tax on indirect transfer

Income tax on an indirect transfer may apply if a non-resident entity is transferred provided that at least 30 percent of value of the entity is represented by assets located in Argentina and provided that the transferor owns at least 10 percent of the capital of such entity.

TAXABLE INCOME

Domestic

In general, the taxable income in the income tax for resident entities and resident individuals is equal to gross earnings minus deductions. In general, all expenses incurred to obtain, maintain and preserve taxable income are deductible unless expressly forbidden.

Foreign

Non-resident entities and individuals are taxed on income of Argentine source by way of income tax. The local resident paying to a foreign entity or individual is obliged to withhold the income tax at a 35-percent (or 15-percent for some gains as capital gains) tax rate applied on a presumption of taxable income that varies in connection with the concept by which the payment is made. The presumption of taxable income can be from 35 percent up to 100 percent of the amounts paid.

For incomes connected to the transfer of shares, bonds or titles, or incomes connected with the rental of real estate or the transfer of assets located in Argentina owned by a non-resident, the non-resident individual or entity is entitled to choose to apply the presumption of income or to present evidence of all the expenses incurred and deduct those expenses from the gross amount to be paid.

TAX RATES

Domestic

Local entities are subject to an income tax rate of 30 percent for the fiscal year 2020 and 25 percent as of the fiscal year 2021.

In general, local individuals are taxed at a progressive tax rate that goes from 5 percent to 35 percent, except for earnings with a fixed tax rate. Those are the following:

- For local individuals, the transfer of sovereign bonds or any title is taxed at a 5-percent income tax rate if the title is issued in Argentine pesos, or 15-percent income tax rate if a share of a corporation is transferred, or if the title or sovereign bond is issued in Argentine pesos with an adjustment clause or in foreign currency except an exemption results applicable.
- The transfer of real estate by a local individual is taxed at a rate of 1 percent of income tax.

Foreign

In general, non-resident entities and individuals are taxed at an income tax rate of 35 percent applied on the presumption of taxable income with effective tax rates of 12.5 percent up to 31.5 percent (see Taxable Incomes). Some concepts are not taxed at the general 35-percent tax rate and are taxed to a specific tax rate.

- Transfer of sovereign bonds or any title (public or private) is taxed at a 5-percent income tax rate if the title is issued in Argentine pesos, or 15-percent income tax rate if the title is issued in Argentine pesos with adjustment clause, or in foreign currency except an exemption results applicable. The transfer of shares of a local corporation is taxed at a 15-percent income tax rate. This assumes that the foreign beneficiary is in a jurisdiction considered as cooperative for tax purposes.
- Dividends paid to a non-resident individual or entity are taxed at a 7-percent tax rate for the fiscal year 2020 and 13 percent as of the fiscal year 2021.
- The applicable tax rates can be lower if a double taxation treaty is applicable.

TAX COMPLIANCE

Local entities and individuals are obliged to fill tax returns at the federal, state and municipal level depending on their activities. Tax returns must be filled on a monthly or yearly basis depending on the tax.

Information regimes are applicable to certain activities. Advance payment regimes are applicable for some taxes.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

In some cases, taxpayers are entitled to present to the tax authorities a request for a ruling on a specific case. The ruling is binding for the consultant.

Tax incentives

There are tax incentives at the federal, state and municipal level which target specific activities, such as renewables and software services and development.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Argentina tax legislation does not provide for a participation exemption.

Dividends paid by a local entity to another local entity are exempt from income tax. Dividends are only taxed when distributed to a local individual or to a foreign entity or individual.

CAPITAL GAIN

Capital gains are taxed by the income tax.

Domestic and foreign, see [Taxable income](#) and [Tax rates](#).

Income tax on indirect transfer

Income tax on indirect transfer may apply if a non-resident entity is transferred provided that at least 30 percent of value of the entity is represented by assets located in Argentina and provided that the transferor owns at least 10 percent of the capital of such entity. When the transfer is carried on intragroup, the income tax on indirect transfer is not applicable.

DISTRIBUTIONS

Distributions are taxed as dividends. Regardless of the tax residence of the recipient, dividends are taxed at a 7-percent tax rate for the fiscal year 2020 and 13 percent as of the fiscal year 2021.

Domestic and foreign, see [Taxable income](#) and [Tax rates](#).

LOSS UTILIZATION

Losses can be carried forward and can be offset with future profits for a 5-year period.

Losses considered to be of Argentine source can be offset only with profits considered to be of Argentine source. Losses considered to be of foreign source can only be an offset of foreign-source profits.

TAX-FREE REORGANIZATIONS

In Argentina, it is possible to carry on an intragroup reorganization with no tax effects. Mergers, spinoffs or partial spinoffs are exempted from income tax, VAT and turnover tax if certain requirements are met.

Income tax on indirect transfers can also be carried on with no tax costs if it is an intragroup transfer.

ANTI-DEFERRAL RULES

According to CFC rules, the profits of a foreign entity directly or indirectly owned by a local entity or individual should be declared and taxed in the fiscal year of accrual in the following cases:

- Trusts: When the trust is revocable, when the settlor is also the beneficiary or when the resident individual or entity has full control of the trust
- When the foreign entity is not considered a tax resident of the jurisdiction where it is incorporated
- When:
 - The local individual or entity directly or indirectly owns at least 50 percent of the capital of the foreign entity
 - The foreign entity does not have sufficient structure to carry on its business or when at least 50 percent of the profits of the foreign entity are passive income

- The taxes paid by the foreign entity in the country where it is incorporated are less than the 25 percent of the income tax that would be payable in Argentina (this requirement is deemed as occurred if the entity is incorporated in a non-cooperative jurisdiction).

FOREIGN TAX CREDITS

Subject to conditions and limitations, foreign tax credits are available for foreign income taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Domestic and foreign

When a local entity or a non-resident individual or entity sells or transfers real estate property located in Argentina, income tax is triggered.

For resident individuals, if the real estate property that is being transferred has been acquired by the seller before January 1, 2018, no income tax is applicable, and the local individual must pay a special tax on transfer of real estate property.

There is the possibility of a tax deferral on the income tax applicable to the sale of a real estate property using a sale and replacement mechanism.

TRANSFER PRICING

Argentine transfer pricing rules apply to transactions between an Argentine party and a foreign related entity or any entity domiciled in a tax haven jurisdiction, a jurisdiction considered as non-cooperative, or that is subject to a privileged tax regime.

Argentine transfer pricing rules follow arm's-length rule and follow the OECD guidelines with some divergences.

WITHHOLDING TAX

(see [Taxable income](#) and [Tax rates](#).)

Domestic

Payments made by banks and financial institutions to local entities or individuals in the case of interests on bank deposits or financial investments are subject to income tax withholding.

Dividends paid by a local entity to a local individual are subject to income tax withholding. The tax rate applicable is 7 percent for the fiscal year 2020 and 13 percent as of FY 2021.

Foreign

Non-resident entities or individuals are taxed on their income considered to be of Argentine source.

The local payer is obliged to withhold the income tax at the time of the payment. Tax rates and presumptions of taxable income vary in connection with the type of payment made.

Tax treaties may reduce or eliminate withholding of income tax.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Capital gains are taxed by the income tax (see [Taxable income](#) and [Tax rates](#)).

Stamp duty or stamp tax is a provincial tax triggered by the entering of written agreements signed by both parties. The tax rate applicable varies in connection with the province and in connection with the agreement. Tax rates are of 0.2 percent up to 5 percent of the total amount of the agreement.

There are legal mechanisms to avoid the payment of stamp tax by entering into an agreement as an offering letter.

Transfers of shares, assets and real estate property are taxed under the income tax (see [Taxable income](#) and [Tax rates](#)).

EMPLOYMENT TAXES

Employers must withhold income tax and social security contributions. Employers also must pay their share of social security contributions. These taxes are deductible by an employer for Argentine income tax purposes.

OTHER TAX CONSIDERATIONS

Provincial taxes - Turnover tax

Turnover tax or gross income tax is a tax collected by the province. The taxable event is the performance of commercial or industrial activity in the territory of the province. Tax rates can be 0.5 percent up to 6 percent in connection with the activity applied on the gross income. Some activities are charged with higher tax rates, such as online gambling, which is taxed at a 15-percent tax rate in the Province of Buenos Aires.

In some provinces, turnover tax is also applicable to the import of digital services.

Every province has its own turnover tax. However, the turnover tax collected by each province is similar, although different tax treatments may be applicable for certain activities.

Tax benefits

For some activities, there are special tax benefits at the federal level and provincial level.

There are tax benefits for an investment in renewable energy, software production and services, investments in capital assets, biodiesel fuel and mining.

The benefits may include partial or full exemptions, accelerated depreciation and drawback.

VAT on the import of digital services

The federal government collects VAT on the importation of digital B2C services. The taxpayer is the local resident unless the service provider has a fixed place in the Argentina. The tax rate is 21 percent.

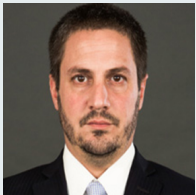
PAIS Tax

The PAIS tax is applicable to the purchase of foreign currency by resident individuals. It is also applicable when a local individual pays for services to a foreign entity using their credit/debit cards. The tax rate is 30 percent, or 8 percent when the service being paid is already taxed with the VAT on digital services.

Double taxation treaties

Argentina has signed tax treaties with Germany, Australia, Austria, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, United Arab Emirates, Spain, Finland, France, Italy, Mexico, Norway, Netherlands, the UK, Russia, Sweden and Switzerland (all in force), and Japan, Luxembourg, Turkey, China, and Qatar (signed but not yet in force).

KEY CONTACTS



Augusto Nicolás Mancinelli

Partner

DLA Piper (Argentina)

a.mancinelli@dlapiper.ar

T: +5411 41145500

[View bio](#)

AUSTRALIA



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RESIDENCE AND BASIS FOR TAXATION

A resident company is a company that is incorporated in Australia. It also includes a company that carries on its business in Australia and either its central management and control is in Australia or its voting power is controlled by shareholders resident in Australia.

Crucially, the Australian Taxation Office's (ATO) current position is that, if a company's central management and control is in Australia, the company may automatically be deemed to also carry on business in Australia.

As part of the Federal Budget 2020-21, the Australian Government announced that legislative amendments will be made to clarify that a company which is incorporated outside Australia will only be treated as an Australian tax resident if it has "significant economic connection" to Australia (ie, where a company has its central management and control and core commercial activities being undertaken in Australia). However, these measures have not been introduced to date.

Domestic

A resident company is subject to income tax on all of its income and capital gain from sources anywhere in the world.

Foreign

A non-resident company is generally taxed only on income from Australian sources and capital gains recognized on taxable Australian property. A network of Double Taxation Agreements (DTA) operates to modify these rules, including reducing the rate of withholding taxes.

Australia is also a signatory to the OECD's multilateral instrument (MLI). The Australian Government has enacted legislation which gave the multilateral instrument the force of law in Australia from January 1, 2019. The multilateral instrument will progressively modify Australia's DTAs between Australia and other relevant signatory countries.

TAXABLE INCOME

Domestic

Taxable income of a resident company is equal to assessable income less allowable deductions.

Foreign

Taxable income of a non-resident equals Australian-sourced income less allowable deductions incurred in respect of that income. Residents of countries that have a DTA with Australia are only subject to income taxes on business profits in Australia if they carry on business in Australia at or through a permanent establishment. There is no branch profits tax in Australia.

TAX RATES

Both resident companies and non-resident companies (with Australian-sourced income) are subject to income tax at the company tax rate of 30 percent, unless they qualify for a lower rate (25 percent for the 2021-22 income year and later income years) by satisfying specific requirements (ie, having an aggregated turnover of less than AUD50 million and satisfying an active income test).

TAX COMPLIANCE

Federal income tax returns must be lodged annually. The Australian tax year, or year of income, ends on June 30. A Substituted Accounting Period may be adopted as the income tax year with the written approval of the Commissioner.

Increased administrative penalties are imposed on entities with annual global income of AUD1 billion or more that fail to adhere to tax disclosure and related obligations. The increased administrative penalties apply from July 1, 2017 and:

- Increased the maximum penalty to AUD687,500 for multinational companies which fail to meet their reporting obligations and
- Doubled the penalties related to making false and misleading statements to the ATO with a view to discourage multinationals from being reckless or careless in their tax affairs.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

The ATO and the different state/territory revenue offices issue public rulings, determinations, interpretative decisions and practice statements that set out their views on the operation of the relevant federal or state law.

In addition, a taxpayer can seek certainty in respect of their tax affairs by applying for a private ruling. A private ruling is legally binding on the Commissioner.

Tax incentives

There are tax incentives for specific activities, including research and development, and deductions for certain mining and primary production industries. In addition, lower withholding tax rates (15 percent) are available for distributions to certain non-residents from eligible withholding managed investment trusts (MITs).

From July 1, 2019, certain income derived by MITs considered to be active business income will no longer be eligible for the 15-percent MIT tax rate (eg, MIT cross staple arrangement income, MIT agricultural income and MIT residential housing income). Rental income from commercial and industrial real estate continues to be eligible for the 15-percent MIT tax rate.

CONSOLIDATION

For income tax purposes, an Australian head company of a wholly owned group of Australian resident entities can elect to consolidate with its wholly owned Australian subsidiaries and form a consolidated group. For a consolidated group, the group is treated as a single taxpayer and intra-group transactions are ignored for income tax purposes.

Goods and services tax (GST) grouping and payroll taxes grouping are also available.

PARTICIPATION EXEMPTION

A Capital Gains Tax (CGT) exemption is available for the sale of an active foreign business by an Australian resident company.

Dividends received by resident corporate tax entities (eg, companies and corporate limited partnerships) that have a 10-percent or more equity interest in a foreign subsidiary are generally exempt from further Australian income tax.

However, these need to be addressed on a case-by-case basis.

CAPITAL GAIN

Capital gains tax forms part of the income tax regime. CGT applies to net capital gains relating to assets and notional assets acquired after September 19, 1985. The capital gain or loss is calculated on the proceeds from the disposal of the asset less its cost base and any incidental costs associated with its purchase and disposal. The taxable part of the gain is treated as assessable income. Where the sale proceeds are less than the cost base, the taxpayer will incur capital losses. These losses may only be offset against current or future capital gains.

Some assets are exempt from CGT, and certain concessions are available for eligible Australian entities (eg, 50 percent CGT discount for resident individuals and trusts and a 33.3-percent discount for complying superannuation funds).

DISTRIBUTIONS

Dividend distributions by companies are taxable for shareholders. Subject to integrity measures, Australian resident shareholders may be entitled to a tax credit for corporate tax paid by the company. Dividends to foreign residents are prima facie subject to withholding tax at 30 percent, which may be reduced under a DTA, subject to satisfying the integrity measures under the MLI (eg, the Principal Purpose Test) where applicable. In addition, certain exemptions are available in domestic tax law (eg, for dividends paid out of taxed profits).

Capital distributions are taxable for shareholders to the extent they exceed the cost base of the shareholder's shares in the company.

LOSS UTILIZATION

Company tax losses can be carried forward indefinitely, subject to satisfying certain loss utilization tests.

For the 2022-2023 income year, eligible companies with annual turnover of less than AUD5 billion may also carry-back tax losses from the 2019-20, 2020-21, 2021-22 and/or 2022-23 income years to offset previously taxed profits in the 2018-19 or later income years, subject to satisfying the relevant requirements and integrity measures.

TAX-FREE REORGANIZATIONS

Tax-free reorganization provisions include CGT exemptions, exemptions for intragroup transactions in a consolidated group and a stamp duty exemption for corporate reconstructions.

ANTI-DEFERRAL RULES

Under the controlled foreign company (CFC) rules, a resident entity may be subject to income tax on a current basis on "attributable income" of the entity's controlled foreign companies.

FOREIGN TAX CREDITS

Where foreign-sourced income is included in a taxpayer's assessable income, foreign income tax offsets are available at the lesser of the foreign tax paid or the Australian tax payable.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Foreign residents are generally exempt from Australian CGT except where the relevant asset is a direct or indirect interest in Australian real property (including through an interposed entity).

From May 9, 2012, the 50-percent CGT discount allows for gains made by individuals on Australian real property to be reduced for any periods in which the taxpayer was a foreign resident during the period of ownership. Foreign resident CGT withholding tax (CGT WHT) regime applies in Australia. The CGT WHT rules provide that unless an exemption applies, purchasers of direct or indirect interests in Australian real property are required to withhold 12.5 percent of the purchase price and remit this to the ATO if at least one of the vendors is a foreign resident. The CGT WHT is not a final tax as the vendor may claim a credit for the tax withheld when lodging its tax return for the relevant year.

From December 12, 2019, a law change removed the CGT main residence exemption for foreign tax residents, except in certain limited circumstances.

TRANSFER PRICING

Arm's-length principles are applied to transactions between related parties under an international agreement.

Australian rules are similar in many respects to the OECD guidelines, with certain differences such as the transfer pricing documentation requirements and the Commissioner's reconstruction powers.

In addition to satisfying transfer pricing documentation requirements, multinational entities with an annual global income of AUD1 billion or more are required to provide the ATO with 3 statements (a master file, a local file and a country-by-country, or CbC, report) within 12 months after the end of their income tax year. These statements require multinationals to report details regarding their international related party dealings, revenues, profits and taxes paid by jurisdiction.

WITHHOLDING TAX

Dividends, royalties and interest

Generally, a 30-percent withholding tax rate applies to dividends (unless an exemption is available under domestic law (for example, dividends paid out of taxed profits – or DTA) and royalties and 10 percent for interest, which may be exempted under Australia's domestic law or reduced under a DTA.

The concessional withholding tax treatment for dividends, royalties and interests continue to be available under a DTA that is modified by the MLI, provided that the relevant integrity measures (eg, the Principal Purpose Test) are satisfied.

Service fees

Generally, no withholding tax applies to service fees, unless the services fees are regarded as royalties.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty. Stamp duties and transfer taxes may be imposed at the state and territory level on transfers of assets and other "dutiable transactions," which includes certain transfers of shares in "landholders."

Where applicable, exemption may be available on application to, and approval by, the relevant state/territory revenue office.

From July 1, 2016, share transfer duty was abolished in all states and territories.

EMPLOYMENT TAXES

Employers must withhold federal income tax from wages paid to employees. Employers must also pay Fringe Benefits Tax and Payroll Tax where applicable.

OTHER TAX CONSIDERATIONS

Anti-avoidance regime and OECD BEPS-related developments

Australia has a general tax anti-avoidance regime. The regime empowers the Commissioner to deny a tax benefit if, where a taxpayer obtains a tax benefit in connection with a scheme, the tax benefit would not have arisen without the scheme, and under an objective test there was a dominant purpose of entering into the scheme to obtain the tax benefit.

In an effort to tackle multinational anti-avoidance, Australia's general tax anti-avoidance regime was amended with the introduction of the Multinational Anti-Avoidance Law (MAAL) which was operative from January 1, 2016. The MAAL applies to multinational entities with an annual global income of AUD1 billion or more and is targeted at multinational entities entering into contrived arrangements to avoid a taxable presence in Australia.

Further, Australia's general tax anti-avoidance regime was amended with the introduction of the Diverted Profits Tax (DPT), which applied from July 1, 2017. The DPT is targeted at multinational entities with an annual global income of AUD1 billion or more that have entered into contrived arrangements to shift taxable profits out of Australia.

Under Australia's domestic law, protection under DTAs is not available for Australia's general tax anti-avoidance rules, which include the MAAL and DPT.

In addition, the Australian Government has introduced rules targeting hybrid mismatches, which has generally applied from January 1, 2019. These rules are generally in line with OECD's BEPS Action 2, with certain modifications including a specific integrity rule targeting interposed entity structures.

OECD Pillars One and Two

The OECD and the G20 Inclusive Framework have been directing their efforts to address various tax challenges arising from digitalization by introducing a Two-Pillar Solution:

- Pillar One: aims to ensure fairer distribution of profits and taxing rights among countries over the largest multinational enterprises. Pillar One is essentially focused on the reallocation of the consolidated profit of multinational enterprises to market jurisdictions where their users and customers are located, as well as the standardization of the remuneration of routine marketing and distribution activities; and
- Pillar Two: aims to impose a floor on tax competition on corporate income tax by introducing a global minimum corporate tax rate of 15 percent

The Australian government has indicated that it intends to implement the OECD's Two-Pillar Solution. The implementation of Pillar One in Australia will be guided by the OECD's progress on the multilateral convention; however, the government would have to introduce domestic legislation to implement Pillar Two.

Thin capitalization

In the 2022 federal budget, the Australian government announced several measures to tighten Australia's thin capitalization rules by:

- Replacing the current safe-harbor test limit with a test limiting debt deductions up to 30 percent of EBITDA. Any debt deductions denied under the 30-percent EBITDA test can be carried forward and claimed in a subsequent income year (for up to 15 years)
- Replacing the current worldwide gearing test with a test limiting debt deductions (for an entity in a group) up to the level of the worldwide group's net interest expense as a share of earnings (which may exceed the 30-percent EBITDA ratio) and
- Amending the arm's-length debt test so it is only available for an entity's external (third-party) debt – this test will no longer be available for related party debt.

The proposed changes would apply to income years commencing on or after July 1, 2023; however, draft legislation has not been introduced to date.

Deductions of payments for intangibles

As part of the 2022 federal budget, the government also announced the introduction of a new rule limiting multinational enterprises' ability to claim deductions for certain payments to related parties in relation to intangibles held in low or no tax jurisdictions. These jurisdictions are those with:

- A tax rate of less than 15 percent or
- A tax preferential patent box regime without sufficient economic substance.

The measures will have application to payments made on or after July 1, 2023; however, no draft legislation has been introduced.

Tax transparency

The Australian Government confirmed that it will introduce additional reporting requirements for certain types of taxpayers, increasing the level of tax related information they are required to publicly disclose:

- “Significant global entities” (broadly, those with global annual income of AUD1 billion or more) will be required to release to the public certain tax information on a country-by-country basis, including their approach to taxation. The precise details of the required information has not yet been announced
- Australian public companies (both listed and unlisted) will be required to disclose information regarding the number and tax domicile of their subsidiaries
- Entities tendering for Australian government contracts with a value of more than AUD200,000 will be required to disclose their country of tax domicile

These measures are to apply from July 1, 2023.

Superannuation

Employers must make superannuation contributions to their employees' nominated super fund, at the rate prescribed by the relevant legislation. The current superannuation rate for the year ended June 30, 2022 is 10 percent.

Workers' compensation

Employers are required to take out insurance with an approved insurer covering the employer's full liability for workers' compensation as well as damages.

Goods and Services Tax (GST)

GST is a form of value added tax (VAT). It applies at a rate of 10 percent to taxable supplies of goods, services and other things that are connected with Australia.

From July 1, 2017, GST has applied to inbound intangible supplies made to Australian Consumers, but GST will not usually apply if the same inbound intangible supply is instead made to an Australian business. This reform is referred to as the "Netflix Tax."

From July 1, 2018, GST has applied to inbound supplies of goods with a value of less than AUD1,000 which are made to Australian Consumers. This may capture online sales of goods made by non-residents to Australian consumers where the goods are shipped directly to Australian customers.

From July 1, 2019, offshore sellers of Australian commercial accommodation (including online sellers) are required to include sales of Australian accommodation in their GST turnover. Where the GST turnover totals AUD45,000 or more in a 2-month period, the offshore sellers are required to register for, charge and pay GST.

KEY CONTACTS

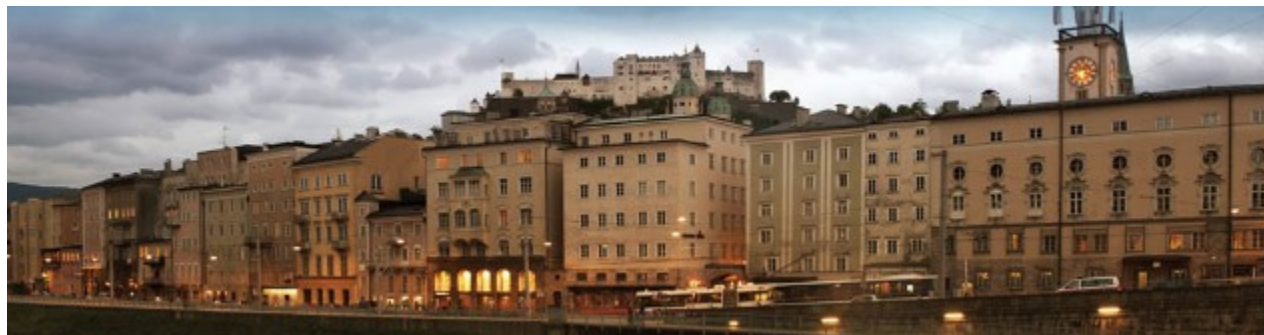
Jock McCormack
Head of Tax, Australia
DLA Piper Australia
jock.mccormack@dlapiper.com



T: +61 2 9286 8253

[View bio](#)

AUSTRIA



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RESIDENCE AND BASIS FOR TAXATION

A corporate entity (i.e. limited liability corporation [GmbH] or a stock corporation [AG]) is treated as a domestic entity for corporate income tax purposes if its registered seat (legal seat) or the effective place of management is located in Austria. The “place of effective management” is located where the day-to-day management of the company is actually carried out and not where singular board decisions are formally made. However, the definition of place of effective management under Austrian tax law does not significantly deviate from its definition under the Organisation for Economic Co-operation and Development (OECD) guidelines.

Domestic

Global income of a domestic entity generally is subject to Austrian taxation.

Foreign

Only certain income of legal entities which are neither seated in Austria nor have their effective place of management in Austria is subject to limited corporate income tax in Austria. Such income would be treated as connected with Austria under the applicable rules.

TAXABLE INCOME

The annual financial statements prepared in accordance with commercial/accounting law are the basis for determining the taxable income. Valuation methods may be used for both assessments pursuant to commercial /accounting law as well as for tax purposes, unless tax laws provide otherwise. Adjustment of profit or loss shown in the financial statements is to be made in order to level out any difference resulting from applying tax law or commercial/accounting law (*Mehr-Weniger-Rechnung*). Depreciation for tax purposes is generally in line with depreciation in accounting/financial statements. If depreciation stated in the financial statement exceeds the amount admissible under tax law, the provisions of tax law prevail, resulting in a difference between taxable income and the annual result. Goodwill acquired in the course of a takeover (asset deal) must be amortized over a period of 15 years for tax purposes. Buildings are to be depreciated. The depreciation rate ranges between 2.5 percent (eg, a factory) and 1.5 percent (eg, residential buildings) on a straight-line basis.

TAX RATES

Due to the qualification of corporations as independent tax subjects, a distinction must always be made between tax ramifications at the level of the company and those at the shareholder level. Since January 2023 profits of corporate entities are taxed at the company level at a flat rate of 24 percent corporate income tax (*Körperschaftsteuer*). In 2024 the corporate income tax will decrease again by 1 percent and will amount to 23 percent. Measures can be expected, such as a reduction in corporation tax from 25 percent to 21 percent over the course of several years. Payments where the recipient is not disclosed (*Empfängerbenennung*) may attract a 25 percent surcharge and are not tax deductible.

Following the reduction of the initial tax rate the second and third brackets of the wage and income tax are now also to be reduced within the framework of the Eco-Social Tax Reform 2022. As of July 1, 2022, the second bracket will be reduced from 35 percent to 30 percent, and then as of July 1 2023, the third bracket will be reduced from 42 percent to 40 percent.

The reduced tax rate of 30 percent with regard to the second tax bracket will thus be applied for the first time for salary payment periods ending after December 31, 2022, and the reduced tax rate of 40 percent with regard to the third tax bracket will be applied for the first time for salary payment periods ending after December 31, 2023. In the future, the tax brackets and, subsequently, the deductible amounts will be adjusted annually for inflation. In this way, the "cold progression," the inflation-related increase in average tax rates, is to be offset annually - at least by two-thirds of inflation. For 2023, the adjustment is between 3.5 percent and 6.3 percent.

TAX COMPLIANCE

The Austrian tax laws stipulate a number of tax compliance provisions, including an obligation to keep books and records (usually for 7 years), an obligation to file annual tax returns, generally, until June 30 (corporate tax and value-added tax, which may be extended if the entity is represented by a tax advisor) and notification duties. However, if the company is represented by an Austrian certified tax advisor, the tax return can be submitted by March 31 of the 2nd following year.

Horizontal monitoring

Beginning in 2019, corporations that fulfill certain requirements can apply for horizontal monitoring. Through the implementation of an internal control system, verified by tax advisors or auditors and extended disclosure requirements, horizontal monitoring can replace traditional tax audits.

ALTERNATIVE MINIMUM TAX

Corporations are subject to a minimum corporate income tax of 5 percent of the statutory minimum capital (GmbH EUR1,750 (5 percent of EUR35,000), GmbHs founded after 2013: reduced to EUR500 in the first 5 years after formation, EUR1,000 for subsequent years, AG EUR3,500 (5 percent of EUR70,000)). Special provisions apply for banks and insurance companies.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Since January 1, 2011, an Advanced Ruling is available. A complete disclosure is required. A notification is only issued subject to the condition that the applicable legal facts on which the tax authorities' assessment is based do not change. A request for an Advanced Ruling may only be filed with the tax authority that is competent locally with regard to the subject matter for the relevant facts. With respect to content, such Advanced Ruling may be received as of January 1, 2019 to the areas of restructuring (*Umgründungen*), international tax law, transfer prices, group taxation (*Gruppenbesteuerung*) and tax avoidance questions and, as of January 1, 2020, to VAT issues. An Advanced Ruling is subject to an administrative fee (*Verwaltungskostenbeitrag*), whereby amounts from EUR1,500 up to a maximum of EUR20,000 can be charged, depending on the requesting company's turnover. In addition, non-binding rulings are also available and have a high practical relevance.

Tax incentives

An invention premium is granted as a tax refund, which is directly credited or paid to the corporate entity. The premium equals 14 percent of the expenses for specific research and development activities. The premium is granted as a tax refund and may be claimed at the end of the tax year. An opinion of the Austrian Research Promotion Agency (FFG) is required. The premium applies to research and development activities with respect to expenses paid to companies or permanent establishments located in an EU or EEA country. The premium may also be claimed for contract research projects limited to expenses of EUR1 million per annum.

Tax incentives related to COVID-19

A lot of COVID-19 packages and support measures were provided by several federal institutions, e.g., the Austrian Ministry of Finance, the Austrian Social Security Institution for Self-Employed, and the Austrian Health Insurance Fund, as well as the Austrian federal states, municipalities, and professional organisations. They have introduced facilitations for tax payments, postponed annual income tax return due dates, as well as the disclosure of deadlines for the annual financial statements, made special a short-time work model available and also provides guarantees and subsidies (e.g. subsidy for fixed costs) across Austria and the federal states.

CONSOLIDATION

Group Taxation (Consolidation)

In 2005, a new system of group taxation (*Gruppenbesteuerung*) was introduced. The system of group taxation allows allocating profit or loss of domestic members of such tax group to the holding company, which is the only taxpayer for the whole group with respect to corporate income tax. In addition, losses from foreign directly held subsidiaries may be utilized against Austrian income, subject to certain requirements and restrictions, but have to be recaptured if utilized in subsequent periods in the foreign jurisdiction.

In general, the only requirements for becoming a group member of a tax group is a direct or indirect major shareholding in a corporation and the execution of a group consolidation contract. However, there are certain

additional provisions for foreign entities. Furthermore, the group members must apply for group taxation with the competent tax authorities. A tax group must be in existence for a period of at least 3 years. If a group member withdraws from the group before this period has elapsed, such group member's tax will be assessed as if it never had been a group member.

Excessive Interest (interest barrier)

The new Section in the Corporate Income Tax Act, entitled "Zinsschranke" (interest barrier), is intended to implement the provisions of Art 4 ATAD2 limiting the deductibility of interest payments into national tax law, for the purpose of determination of the arm's length nature of related party financing. These provisions aim to combat any profit shifting by groups of companies in the form of excessive interest payments by limiting the deductibility of excess debt capital costs.

§ 12a Corporate Income Tax Act sets out the basic rule of the interest barrier, according to which excess interest is only deductible to the extent of 30 percent of the taxable EBITDA or contains an tax-free amount of EUR3 million, i.e. excess interest up to this amount is to be immediately deductible as a business expense regardless of the amount of the taxable EBITDA. Any financing expenses in excess of the aforementioned amount will be non-deductible but can be carried forward.

PARTICIPATION EXEMPTION

Austrian dividends distributed to a resident company are exempt from corporate income tax under the national participation exemption rules (*Beteiligungsertragsbefreiung*). Foreign dividends distributed to a resident company are also exempt from corporate income tax. However, there are special provisions that differ between companies that are resident in an EU member state or in a state with which Austria signed an extensive tax administrative assistance agreement.

CAPITAL GAIN

Capital gains resulting from the sale of a shareholding in a resident company are subject to corporate income tax. Capital gains resulting from the sale of a shareholding in a foreign company are, in general, exempt from corporate income tax. However, there are detailed special provisions and restrictions that apply in such cases.

DISTRIBUTIONS

Distributions (Dividends)

Dividends paid to a domestic or non-domestic individual are subject to a 27.5 percent income withholding tax rate (*Kapitalertragsteuer*). Austria's double tax treaties may provide for a reduced withholding tax rate, which could apply at source or by way of a refund procedure. Claiming the reduced rate may require certain documentation, including a residency certificate. Austrian dividends paid to resident individuals are not subject to further income tax if the 27.5 percent income tax has already been withheld at source.

Dividends distributed to domestic or foreign corporations are, in general, subject to a 25 percent withholding tax. An exemption from withholding taxation of dividends distributed to an Austrian or EU parent company is applicable, provided that the following conditions are met:

- The shareholder is a corporation resident in Austria or
- in another EU member state and the shareholder has held at least a 10 percent interest for 1 year.

Additionally, withholding tax relief may be provided for recipients resident in countries with a double tax treaty with Austria. Dividends paid to foreign corporations are only exempt from Austrian withholding tax if the activities of the foreign company go beyond those of a mere holding company, that staff is being employed and business premises are used.

If dividends are paid to domestic or non-domestic individual or corporate shareholders optionally by dissolution of the share premium of a company, there is no income withholding tax due. Such dividends are paid without source taxation and are treated as capital repayment (*Einlagenrückzahlung*).

LOSS UTILIZATION

Tax losses (resulting from operating revenues) may be carried forward for an indefinite period of time and may be offset against both trading income and capital gain. However, for corporations, only 75 percent of current income may be offset against tax losses brought forward; thus, 25 percent of current income is invariably subject to tax.

This limitation does not apply to individuals. Excess tax losses can still be carried forward. Loss carrybacks are not permitted.

TAX-FREE REORGANIZATIONS

According to the provisions of the Austrian Reorganization Tax Act (*Umgründungssteuergesetz*), reorganizations of partnerships and corporations may be carried out tax-neutrally under certain conditions. In the case of cross-border reorganizations, it is especially essential that a possibly existing right to tax of the Republic of Austria continues to exist. If the requirements of the Reorganization Tax Act are (intentionally) not fulfilled, the reorganization is tax effective, which could be useful in specific situations.

ANTI-DEFERRAL RULES

No text yet.

FOREIGN TAX CREDITS

No text yet.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Real estate transfer tax

In addition to the real estate transfer tax (up to 3.5 percent from the purchase price), the real estate registration duty (1.1 percent) will be levied. In the case of real estate transfers within the closer family circle a tax rate of 2 percent applies, the rate for transfers without compensation is subject to different levels (0.5 percent for a property value of below EUR250,000, 2 percent up to EUR400,000, and 3.5 percent over EUR400,000). For transfers in connection with corporate restructuring under the Reorganisation Tax Act, the tax rate amounts to 0.5 percent of the property value. Specific taxes exist also for some specific industries (eg, banks, insurances, airlines).

In case of direct transfer of at least 95 percent of the shares in an Austrian or foreign company possessing Austrian real estate, a real estate transfer tax of 0.5 percent from the fair market value of the real estate becomes due.

VAT on acquisition and sale of real estate

Sales of real estate are usually VAT exempt, but an option to VAT liability can be exercised under certain circumstances and in this case, 20 percent VAT will be due. An entrepreneurial purchaser can request a refund of VAT (input tax). In the case of changes in VAT treatment, the input tax must also be adjusted pro rata.

Direct acquisition of real estate – Asset Deal

The real estate investor can acquire real estate in Austria by the means of an asset deal (e.g. direct acquisition of real estate) or by means of a share deal (e.g. acquisition of a corporation owning real estate).

In case of an asset deal, the seller transfers all or part of a business to the buyer. The property is transferred directly via purchase contract, inheritance or donation (for example).

Gains are taxed at 25 percent corporation tax for corporations (up to 55 percent for natural persons according to the progression tax rate).

Real estate transfer tax up to 3.5 percent of the purchase price in the case of transfer against payment, but at least of the value of the land plot and registration fee of 1.1 percent of the purchase price (including VAT) will be levied.

Indirect acquisition of real estate – Share Deal

In the case of a share deal, only shares in a company owning real estate are transferred.

Capital gains on the sale of shares in Austrian corporations by private persons/ partnerships/single entrepreneurs in the amount of 27.5 percent and by corporations corporate income tax of 25 percent generally will be levied.

The transfer of company shares is VAT exempt and Real estate transfer tax for the acquired real estate amounts to 0.5 percent of the real estate value at change of shareholders in partnerships or association of shares in partnerships when more than 95 percent are transferred within 5 years to new shareholders or in case of an reorganisations according to UmgrStG will be collected. No registration fee, will be levied as the real estate continues to be the property of the company.

TRANSFER PRICING

INTERNATIONAL BUSINESS-RELATED ISSUES

Controlled Foreign Companies (CFC) and thin capitalization

Beginning in January 2019, the Austrian government introduced a Controlled Foreign Company Rule. According to this rule, passive income of foreign subsidiaries in low-taxed countries (equal or below 12.5 percent) will be added to the income of the Austrian shareholder, if certain conditions are fulfilled. The CFC rule applies to foreign entities which are controlled by a domestic entity that holds more than 50 percent of the voting rights alone or together with its affiliated companies. These rules only apply to non-distributed profits of the CFC arising especially from the following categories of passive income: interest or any other income generated by financial assets, royalties or any other income generated from intellectual property, dividends, financial leasing, income from insurance and banking, etc. An exemption is available if a CFC carries out substantial economic activity through engagement of staff, equipment, property and buildings, as evidenced by relevant facts and circumstances. If only 1/3 or less of the total income of the foreign entity falls within the categories of passive income as listed above, the foreign entity will not be considered a CFC. In general, tax rules as the substance-over-form-principle, beneficial ownership concept and other anti-abuse rules remain.

Austrian tax law does not provide for specific thin capitalization rules. However, the Austrian courts have developed various principles to determine under which circumstances debt financing from shareholders is to be treated as equity for tax purposes. With regards to an interest deduction, intragroup interest payments by Austrian companies to foreign connected low or non-taxed entities are not recognized for tax purposes.

Double taxation treaties

Austria has signed 100 double taxation treaties with other countries to avoid double taxation of income or gains arising in one territory and paid to residents of another territory. These treaties either grant a credit against Austrian tax for foreign taxes paid on the same income (eg, with the US, UK, Japan and Italy) or exempt foreign-source income.

If there is no applicable tax treaty, the Austrian Ministry of Finance may grant unilateral relief in order to avoid double taxation.

Transfer Pricing

Transfer pricing documentation based on the OECD Transfer Pricing Guidelines (master file, local file, country-by-country report) must be prepared and submitted with the Austrian tax authorities according to the Austrian Transfer Pricing Documentation Law. The size of required documentation depends on the turnover of a corporate entity.

All business transactions between related parties, one of which is a resident while the other is a non-resident, must be effected at arm's length, or at fair market value. Following from this principle, should a company through a transfer pricing transaction pay more for a service to a non-resident related party than what would be considered at arm's length in accordance with the Austrian corporate tax law, then the excess amount of the transaction would not be a deductible expense for the resident company for profit tax purposes. In Austria, 5 methods that can be used for establishing whether the business transactions between related parties are agreed at market prices, which are in line with the OECD Transfer Pricing Guidelines (comparable uncontrolled price method, resale price method, cost plus, profit split method, and transactional net margin method).

Business transactions between related parties and prices agreed between them will be recognized for tax purposes and accepted by the tax authorities if the taxpayer has in its possession, and provides upon a request from the tax authorities, details on the method used for determining the transfer prices.

WITHHOLDING TAX

Withholding Tax

In regards to dividend distributions, see the explanations above. In regards to interest, no withholding tax becomes due in Austria, as long as the beneficial payee is a corporate entity or an individual, resident in a state with whom Austria has automatic exchange of information (otherwise withholding tax of 25 percent or 27.5 percent may become due). Royalties are subject to 20 percent withholding tax, subject to tax treaty limitation or limitation according to the EU Interest and Royalty Directive.

Exit Taxation

In the case of a transfer of assets that formed part of a business from Austria to a foreign country (e.g. allocation of assets to a foreign branch), 25 percent latent capital gains generally are taxed at the time of the transfer. The same applies if the Austrian taxing rights regarding an asset are lost due to other circumstances. In case these assets are transferred to and taxing rights are lost vis-à-vis an EU/EEA member state, it is possible to apply for a payment by instalments (i.e., 7 years for non-current assets and 2 years for current assets).

Reporting Obligations under DAC 6

The aim of the DAC6 is to prevent aggressive tax planning by strengthening the control of the activities of tax intermediaries. According to the proposal, these intermediaries, such as tax advisors, accountants and lawyers who design and/or offer tax planning models, are to be obliged to report models that are considered potentially aggressive. By means of defined “hallmarks,” models are to be identified that must be reported to the tax authorities. The fact that a model must be notified does not mean per se that it is harmful, but only that it may be of interest to the tax authorities to examine it more closely. While some models have perfectly legitimate purposes, the aim is to identify those where this is not the case.

The reportable tax arrangements must be reported to the competent national authority within 30 days. The Member States are in turn to be required to exchange the information thus obtained automatically among themselves via a central database. Member States would be obliged to impose penalties on intermediaries who do not comply with the transparency rules.

Member States had until December 31, 2019 to implement the Directive into national law. The new reporting requirements apply from July 1, 2020. Member States must then exchange information every 3 months, namely within 1 month of the end of the quarter in which the information was received. The first Automatic Information Exchange took place on October 31, 2020.

Hybrid Mismatch

As of January 1, 2020 and based on the provisions of EU Directives (ATAD and ATAD II), provisions on hybrid mismatch are in effect. These provisions define the tax treatment of cross-border hybrid mismatch arrangements. Hybrid mismatches are the consequence of differences in the legal characterization of 2 jurisdictions regarding payments (financial instruments) or entities that arise as a result of interaction between these 2 jurisdictions.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty

Austria levies stamp duty on certain legally predefined transactions for which a written contract has been established. Stamp duty has to be paid if at least 1 Austrian party is involved or, even if a contract is concluded between non-Austrian parties only, if the subject of the contract relates to Austria. The Austrian administration's understanding of a 'written contract' is very broad and covers not only paper contracts but also contracts concluded by electronic means (e.g. electronically signed emails).

Relevant legal transactions subject to stamp duty include:

- Instructions (2 percent)
- Rental agreements: e.g. rental contracts for movable or immovable property, leases (1 percent)
- Declarations of surety and specific guarantees (1 percent)
- Mortgage (1 percent)
- Assignments of receivables (0.8 percent)

It should be mentioned that exemptions are available. Loan and credit agreements are not subject to stamp duty.

EMPLOYMENT TAXES

Austrian wage tax is a withholding tax which has to be paid by the employer but is also partly borne by the employee. Along with this wage tax, the employer also has to pay social insurance contributions and other taxes. As a general, but very rough rule approximately 50 percent of the salary costs for an employee are taxes and social security contributions.

OTHER TAX CONSIDERATIONS

Digital services tax

In 2020 a digital tax of 5 percent on online advertising for large companies was introduced in Austria.

Online advertising services are subject to the digital tax if they are provided for remuneration by online advertising providers in Austria and only for large multinational companies with a worldwide revenue of at least EUR750 million and a yearly domestic revenue at least EUR25 million.

Advertising tax

The purpose of the Advertising Tax Act is to tax advertising services in print media, radio and outdoor advertising at 5 percent of direct remuneration. A prerequisite for the obligation to pay the tax is an advertising

service which is provided in Austria against payment. Advertising on the Internet on homepages, Web TV or Web radio is exempt from the advertising tax.

Inheritance and gift tax

There is no inheritance and gift tax in Austria.

Excise taxes

Excise taxes are for example imposed on petroleum, tobacco products and alcoholic beverages.

VAT

Under the Austrian VAT law, companies and individuals, independently carrying out an active business on a permanent basis are qualified as entrepreneurs for VAT purposes. Non-residents may also be subject to VAT if they carry out taxable transactions in Austria.

Under the provisions of the Austrian Value Added Tax Act (VATA), the following transactions are taxable:

- The supply of goods and services within Austria for a consideration by taxable persons within the scope of their business;
- The withdrawal of goods and rendering of services for the taxable person himself (self-supply);
- The import of goods from a country outside the EU;
- Intra-Community acquisitions of goods.

VAT place of supply

A supply of goods is deemed to have taken place within Austria if the goods were located in Austria at the point at which the power of disposition was transferred. In the case of the dispatch or transport of supplies of goods, the supply is deemed to have been made from the point at which the goods are handed over to the forwarding agent.

The place of supply primarily depends on whether the supply is made to a taxable person (B2B) or to a non-taxable person (B2C). For supplies of services to taxable persons, the general rule is that the place of supply of services should be the place where the recipient is established (B2B general rule). Services supplied to nontaxable persons should be taxed at the place where the supplier has established its business (B2C general rule). However, there are numerous exceptions to these general rules.

VAT rate

In general, an Austrian VAT rate of 20 percent exists. A certain limited range of goods and services is taxed at the reduced rate of 10 percent (e.g. books, food, restaurants, passenger transportation, medicine, hotel accommodation) or 13 percent (e.g. animals, seeds and plants, cultural services, museums, zoos, film screenings, wood, ex-vineyard sales of wines, domestic air travel, public pools, youth care, athletic events). Certain other transactions are exempted from Austrian VAT (e.g. export transactions).

Due to the COVID-19 pandemic, the Austrian government has announced and already introduced several measures, including VAT reductions, to strengthen the economy. This includes a reduction of the VAT rate for certain supplies of respirators and COVID vaccine from 20 percent to 0 percent, reduced VAT rate of 5 percent for supplies of all food and beverages in restaurants and other catering establishments, access to museums, cinemas, or musical events, and supplies in the publishing sector and hotels until December 31, 2021.

VAT exemptions

The numerous exemptions from VAT can be classified in 2 categories, depending on whether or not they preclude the deduction of input VAT.

The following supplies of goods and services are VAT exempt (with the loss of input VAT recovery): health services, financial, banking and insurance services, securities and share transactions, sales of immovable property, unless the taxable person opts to pay VAT, and supplies of small businesses (up to EUR35,000 net per annum).

Input VAT Deduction

Entrepreneurs are entitled to deduct Austrian input VAT insofar as the input VAT does not result from goods /services purchased that are directly linked to certain VAT-exempt categories as mentioned above. To be entitled to deduct input VAT, the entrepreneur must obtain an invoice from one's supplier that fulfills certain formal requirements.

Reverse Charge

Under the reverse charge system, the VAT liability of a non-resident business is shifted to the recipient of the supply. The reverse charge system applies to all supplies of services, installation supplies of goods rendered by nonresident taxable persons in Austria.

VAT Filing

The monthly/quarterly VAT return must be submitted until the 15th of the 2nd month following the month /quarter concerned. The Annual VAT return must be filed until June 30 of the following year if filed electronically. If represented by a tax advisor, an extension until March 31 of the 2nd year following the year concerned might be granted within the quota agreement, although earlier filing may be requested by the Austrian tax authorities.

KEY CONTACTS



Dimitar Hristov

Partner

DLA Piper Austria

dimitar.hristov@dlapiper.com

T: +43 1 531 78 1112

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BELGIUM



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RESIDENCE AND BASIS FOR TAXATION

Domestic

According to Belgian tax law, a corporation is resident of Belgium if it has its main establishment or place of effective management in Belgium. If a company's registered office is in Belgium, it is presumed to be a resident of Belgium. This presumption can be rebutted.

Foreign

Non-resident entities can be subject to Belgian non-resident income tax if they realize income that is sourced in Belgium or income that is connected with a Belgian establishment (or a permanent establishment in case a double tax treaty is in place).

TAXABLE INCOME

Domestic

The taxable income of a corporation includes its worldwide income, less allowable deductions. For Belgian corporate tax purposes, taxable income is determined on the basis of the approved Belgian GAAP annual accounts, subject to certain adjustments in accordance with the Belgian Income Tax Code.

Foreign

Non-resident entities can be liable to pay Belgian non-resident income tax on specific types of income. Computation of the taxable base is generally subject to the same rules that apply to the corporate income tax for resident companies.

TAX RATES

Resident companies are subject to a standard corporate income tax rate of 25 percent. The first income band of EUR100,000 of small companies is subject to a lower rate of 20 percent, provided that certain conditions are met.

TAX COMPLIANCE

In principle, domestic corporate income tax returns must be submitted to the tax authorities by the date mentioned on the official tax return form. In general, corporate income tax returns should be filed within 7 months following the financial year-end closing date.

ALTERNATIVE MINIMUM TAX

Belgian legislation does not provide for alternative minimum tax.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Certainty over the application of Belgian tax laws to a specific transaction or situation can be obtained by means of a formal ruling involving the agreement of the Advance Ruling Commission (*Service des Décisions Anticipées en matières fiscales / Dienst Voorafgaande Beslissingen in fiscale zaken*).

Tax incentives

Subject to certain conditions, a company may benefit from investment, IP and R&D related tax incentives.

CONSOLIDATION

Pursuant to the latest corporate tax reform, a corporate income tax consolidation regime has been introduced as of January 1, 2019 (assessment year 2020).

PARTICIPATION EXEMPTION

Dividend income received by a Belgian company is subject to corporate tax at the standard rate. The Belgian participation exemption regime, however, allows for a deduction of 100 percent of the received dividend amount if certain conditions are met.

CAPITAL GAIN

Capital gains realized on the disposal of business assets are treated as business income. Standard corporate tax rates apply in such case. Subject to reinvestment of the sales proceeds in qualifying assets and certain other conditions, the taxation of the capital gain realized on business assets may be deferred.

Subject to certain conditions, capital gains realized on the disposal of shares may be tax exempt. Capital losses may be deductible depending on the underlying asset.

DISTRIBUTIONS

Distributions paid by a corporation to its shareholders are treated as dividends. Distributions that stem from paid-in capital, as defined under Belgian tax law, are, subject to certain conditions, not subject to income tax.

LOSS UTILIZATION

Losses may be carried forward indefinitely, but their use in a given tax year is limited to EUR 1,000,000 plus 70 percent of the taxable basis in excess of EUR 1,000,000. Any carried-forward tax losses that cannot be used due to this limitation may be further carried forward indefinitely. The remaining 30 percent of the taxable basis in excess of EUR 1 million will be subject to normal corporate income tax rates.

As of income year 2023 (assessment year 2024), the 70-percent threshold has been reduced to 40 percent to increase the minimal taxable basis to 60 percent instead of 30 percent. This measure is temporary, as regulators intend to abolish this measure as soon as the global minimum tax rules (OECD Pillar Two) enter into force in Belgium.

TAX-FREE REORGANIZATIONS

Qualifying reorganizations (merger, demerger, partial demerger, contribution of a universality of goods or a business line) involve the direct transfer of all assets and liabilities from the transferor to the receiving company.

Subject to certain conditions, national and EU cross-border reorganizations can be performed under a tax-neutral regime under which capital gains would not be taxed. The regime provides for restrictions on the transferability of certain deductions (eg, tax losses) from the transferor to the receiving company and on the use by the receiving company of its tax losses and other carried-forward deductions after reorganization.

ANTI-DEFERRAL RULES

CFC

A CFC-regime has been introduced as of January 1, 2019 (assessment year 2020) in compliance with the EU Anti-Tax Avoidance Directive 2016/1164 of July 12, 2016.

Subject to certain conditions, non-distributed profits stemming from foreign controlled artificial constructions will be attributed to the taxable base of the controlling Belgian entity.

FOREIGN TAX CREDITS

Foreign tax credits are available for foreign taxes paid, subject to limitations.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Certain real property fund structures benefit from a favorable tax regime in Belgium.

TRANSFER PRICING

Belgium generally adheres to the OECD transfer pricing guidelines. The arm's-length principle therefore constitutes a basic transfer pricing principle in Belgium. Advance pricing agreements (whether unilateral, bilateral or multilateral) may be obtained.

WITHHOLDING TAX

Dividends, royalties, interest, etc.

A 30 percent withholding tax applies to the payment of dividends, royalties and interest. Domestic law provides for reduced rates and exemptions in certain circumstances. The applicable rate may further also be reduced under an applicable double taxation treaty.

Service fees

Withholding tax may, under specific conditions, apply to service fees paid to non-residents, subject to certain conditions.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Share transfers are not subject to stamp duty or transfer tax. Stamp duties and transfer taxes may, however, be imposed on other transactions (eg, transfer of real estate).

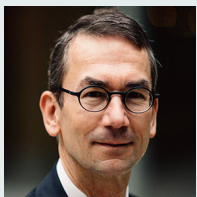
EMPLOYMENT TAXES

Employers must withhold federal income tax on the salaries paid to their employees. Employers must also pay social security contributions on such salaries. Such social security contributions are tax deductible in the hands of the employers.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Philippe Hinnekens

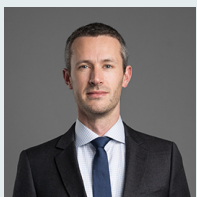
Partner

DLA Piper UK

philippe.hinneken@dlapiper.com

T: +32 (0) 2 500 1500

[View bio](#)



Nicolas Engelmann

Partner

DLA Piper Belgium

nicolas.engelmann@dlapiper.com

T: +32 (0) 2 500 16 35

[View bio](#)

BRAZIL



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RESIDENCE AND BASIS FOR TAXATION

Domestic

A legal entity incorporated under Brazilian legislation will be treated as a domestic legal entity.

A Brazilian national is automatically a resident while legally domiciled in Brazil or, if not domiciled in Brazil, upon his or her election to be treated as a resident for tax purposes.

Foreign

As a rule, foreign legal entities are not subject to Brazilian taxes except when carrying out activities in Brazil through a permanent establishment.

Foreign individuals are considered residents for tax purposes from the moment they enter the country to work under an employment contract. Foreign individuals appointed to management positions in Brazilian companies (officers) are required to obtain a permanent work permit and a visa. Foreign individuals may be considered Brazilian tax residents in other scenarios, depending on how long they stay in Brazil.

Non-resident individuals and legal entities who render services to a Brazilian party are subject to Brazilian withholding income tax received from Brazilian sources. Other taxes may apply depending on the transaction at hand.

TAXABLE INCOME

Domestic

Corporate income tax (IRPJ)

As a general rule, Brazilian legal entities are required to pay corporate income tax (IRPJ) in Brazil. The IRPJ may be calculated under two different methods, the actual profits method or under the deemed profits method.

Brazilian legal entities are taxed by the IRPJ on their worldwide income and capital gains, regardless of their origin.

Under the actual profits method, the IRPJ may be accrued and paid on a quarterly or annual basis. If quarterly, a 15 percent rate will levy over the net income of the period, plus a 10 percent surtax over the net income exceeding BRL60,000, per quarter.

On the other hand, if the IRPJ is calculated annually, taxpayers are required to anticipate monthly installments, which are calculated on an estimated income basis. The estimated income shall correspond to 8 percent up to 32 percent of the total monthly gross revenue, depending on the taxpayer's activity, in addition to any capital gains perceived in the period, as well as other revenues and positive results incurred by the company. Alternatively, taxpayers may calculate these anticipated monthly installments over the net balance accounted. Over the calculated basis, the IRPJ shall levy at a 15 percent rate, plus an additional 10 percent surtax over the estimated income that exceeds BRL20,000 per month.

At the end of the year, the taxpayer may request the reimbursement of overpaid amounts, or be required to pay the difference between the amount paid monthly and the one calculated based on the annual income.

Note that certain taxpayers are allowed to calculate the IRPJ under the deemed profits method, as long as certain thresholds set in the legislation are met (ie, maximum gross revenues in the prior calendar year not exceeding BRL78 million per year or fraction).

Under this method, the IRPJ is calculated on a quarterly basis. Similar to the monthly anticipations made under the actual profits method, the taxable basis of the IRPJ will vary from 8 percent up to 32 percent of the legal entity's revenues, depending on the taxpayer activity. Over such basis, the IRPJ shall levy at a 15-percent rate, in addition to a 10-percent surtax on the excess of deemed profits of BRL60,000, per quarter.

Please note that if the deemed profits method of taxation is adopted, the taxpayer will not be able to make any adjustments to the IRPJ's taxable basis.

Social contribution on net income (CSLL)

The CSLL is a social contribution that funds the social security system. The CSLL is assessed on net profits before income tax (ie, IRPJ) and after the adjustments for non-deductible items and deemed profits.

The rules for calculating the CSLL are substantially the same as those for IRPJ. In effect, CSLL is a true corporate income tax surcharge, that levies at 9 percent rate over taxpayer's net income specifically adjusted for CSLL purposes. It is important to notice that some financial institutions are subject to a 20-percent CSLL rate.

Together with the IRPJ, the combined corporate income taxes rate (ie, IRPJ and CSLL) for most companies is currently 34 percent.

Interest on net equity (INE)

INE is a hybrid instrument used by companies to pay its shareholders and, simultaneously, generate a deductible expense at the company level. Accordingly, INE may be paid or credited to the relevant shareholder, provided that the company:

- Duly deliberates the INE's payment or credit
- Has retained or current year earnings and

- Follows specific thresholds limits set in the legislation

The amount of INE to be paid or credited to the shareholder shall be calculated by applying the government long-term interest rate (*Taxa de Juros de Longo Prazo - TJLP*), calculated on a pro rata die basis, over the following net equity accounts:

- Corporate capital
- Capital reserve
- Profit reserve
- Treasury shares and
- Accumulated losses.

The withholding income tax shall be levied over amounts paid or credited at a 15 percent tax rate.

For purposes of corporate income tax (IRPJ and CSLL) deduction, the following limits must be adopted, whichever is higher:

- 50 percent of the taxpayer's net profit accrued at the end of the year before the INE deduction or
- 50 percent of the sum of the accumulated and reserve profits

We highlight that the Brazilian Government is studying possible changes to the rules regarding the payment of INE and its respective tax effects.

TAX RATES

See [Taxable income](#).

TAX COMPLIANCE

Legal entities must file tax returns at federal, state and local levels depending on their activities. Some of these returns are monthly obligations.

ALTERNATIVE MINIMUM TAX

Brazilian legislation does not provide for alternative minimum tax.

TAX HOLIDAYS, RULINGS AND INCENTIVES

[Tax rulings](#)

On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

Tax incentives

Brazil provides for different types of tax incentives at the federal, state and local levels, which target the development of specific regions of the country or specific activities.

CONSOLIDATION

Brazilian tax legislation does not provide for consolidation.

PARTICIPATION EXEMPTION

Brazilian legislation does not provide for participation exemption. As a general rule, dividends received from other domestic legal entities are exempt. Note, however, that the Brazilian Government is studying possible changes to the rules regarding the payment exemption.

CAPITAL GAIN

Capital gain recognized by a legal entity is taxed at the same rate as ordinary income for IRPJ and CSLL purposes. Non-operating losses are deductible. However, non-operating losses accrued in previous years can only be offset in future years with gains of the same nature.

For individuals and non-residents, as from January 1, 2017, capital gains earned as a result of the disposal of assets and rights of any nature are taxed at progressive rates varying from 15 percent up to 22.5 percent.

DISTRIBUTIONS

Distributions paid by a Brazilian legal entity to shareholders are treated as tax-free dividends, regardless of where the shareholder is domiciled. As mentioned above, the Brazilian Government is studying possible changes to the rules regarding the payment exemption.

LOSS UTILIZATION

Under the actual profits method, net operating losses generated in a given period/year can be used to offset up to 30 percent of the taxable income the accrued on the subsequent periods/years.

TAX-FREE REORGANIZATIONS

The recognition of gains or losses in reorganizations can be structured at cost and deferred.

ANTI-DEFERRAL RULES

As a general rule, profits of controlled foreign companies are taxable in Brazil every December 31, regardless of when profits are made available. Optional specific consolidation rules for direct and indirect controlled foreign companies may apply, including relief for foreign losses subject to certain conditions and limitations.

FOREIGN TAX CREDITS

Subject to conditions and limitations, foreign tax credits are available for foreign income taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Brazil provides for a special and optional tax regime for real estate developments.

TRANSFER PRICING

Brazilian transfer pricing rules apply to transactions between a Brazilian party and a foreign related entity or any entity domiciled in a tax haven jurisdiction or subject to privileged tax regime. In general, Brazilian transfer pricing rules follow arm's-length principles, but deviate significantly from the OECD guidelines as they provide for only certain methods and fixed statutory margins. The legislation allows taxpayer to freely choose the method as there is no best method rule and no functional analysis required.

However, by the end of the year 2022, new Transfer Pricing rules were issued, in line with the Arm's Length Principle of the OECD Guidelines, through a Provisional Measure (No. 1152) that has the same effects of Law, but Congress must ratify and convert it into law within 120 days (60 days, with one postponement). It is important to notice that Brazilian Congress may reject such Provisional Measure, and the rules previously applicable could return into effect.

The new rules will be mandatory as of January 1, 2024, but taxpayers may elect to apply them as early as January 1, 2023. The rules will additionally be applicable for transactions involving goods, commodities, intangibles, cost sharing, services, internal organizations, guarantees and financial transactions.

The prior rules provided for methods inspired by the OECD's traditional methods (CUP, RPM and Cost Plus), but are mostly based on fixed gross margins, better suited for tangible goods, resulting in burdensome analysis and tax adjustments. The new rules have introduced the possibility of using the TNMM and Profit Split methods.

In addition, federal tax authorities are expected to issue regulations providing further guidance related to the implementation of the new rules.

WITHHOLDING TAX

In general, payments made to non-residents are subject to WHT in Brazil. As a general rule, payments to non-residents for services rendered to Brazilian residents and payments to non-resident individuals as work compensation are subject to the general WHT at a 25 percent rate.

However, interest, royalties and other fees that are not paid in connection to the provision of services are taxed at a 15 percent rate.

The WHT shall also be levied at a 15 percent rate over the provision of technical services, administrative assistance and other similar services, which do not involve transfer of technology.

Note that payments made to entities located at low tax jurisdictions are subject to the WHT at a 25 percent rate. Tax treaties may reduce or eliminate WHT.

Other taxes may be imposed on the local source of payment depending on the nature of the transaction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Brazil does not impose capital duty or stamp duty. Transfer taxes may be imposed at the state (ITCMD) or local level (ITBI) as discussed below.

EMPLOYMENT TAXES

Employers must withhold income tax and social security tax. Employers also must pay their share of social security tax, unemployment tax and other payroll charges in respect of compensation paid to employees. These social and payroll taxes are deductible by an employer for Brazilian corporate income tax purposes.

OTHER TAX CONSIDERATIONS

Contribution for intervention in the economic domain (CIDE)

The contribution is due for payments made in connection with:

- License agreements
- Acquisition of technological know-how or
- Agreements involving cross-border transfer of technology

CIDE also applies to the cross-border provision of technical services, administrative assistance and other similar services that do not involve the transfer of technology.

CIDE is generally imposed at a 10 percent rate over the total amount paid, credited, delivered or remitted abroad to non-resident beneficiaries.

Welfare contributions on gross revenues (PIS/COFINS)

The Contribution to the Social Integration Program (PIS) and the Contribution to Finance Social Security (COFINS) are welfare contributions that are levied over a taxpayer's gross revenue. Currently, there are 2 methods of calculating PIS/COFINS, the cumulative and non-cumulative methods.

The cumulative method is applicable to cooperative organizations, immune or exempt entities companies, financial institutions, insurance companies and taxpayers that accrue the corporate income tax in accordance with the deemed profits method. Under such method, the PIS shall apply at a 0.65 percent rate, whereas the COFINS will apply at a 3 percent rate.

The non-cumulative method is applicable to most legal entities. The main purpose of this legislation is to avoid the cascading effect of the welfare contributions by granting tax credits that can be offset with PIS/COFINS payable amounts. Currently, PIS and COFINS apply at a combined rate of 9.25 percent, with PIS at 1.65 percent and COFINS at 7.6 percent.

The taxpayer is entitled to calculate tax credits over the following expenses:

- Acquisition of goods for resale
- Inputs (ie, goods and/or services) that are deemed as necessary and essential for the maintenance of the taxpayer's activities
- Acquisition of electric energy
- Payment of leases related to buildings, machinery and equipment
- Lease expenses derived from leasing transactions (*arrendamento mercantil*)
- Acquisition or manufacture of machinery and equipment to be leased to third parties, or used in the manufacture of products intended for sale, and/or for incorporation as a fixed asset
- Buildings and betterments in third-party real estate property to be used in the company's operations
- Storage and freight costs, incurred in sale transactions, supported by the seller
- Meal coupons, transportation and uniforms provided to employees by a company that engages in cleaning, conservation and maintenance services and
- Intangible assets, acquired for the utilization in the manufacture of goods destined for sale or in the rendering of services.

Furthermore, PIS and COFINS shall not apply to:

- Revenues resulting from export transactions of goods and services, whose payment represents an inflow of foreign capital into Brazil and
- Revenues derived from domestic sales by trading companies (*empresas comerciais exportadoras*) with specific export purposes

Originally, under the non-cumulative system, a taxpayer's financial revenues were taxed by PIS/COFINS at a 0-percent tax rate (except those derived from interest on equity perceived by holding companies and hedge transactions). However, the tax rate applicable to these specific revenues is now 4.65 percent, with PIS at 0.65 percent and COFINS at 4 percent.

The concept of "gross revenues" for the calculation of the PIS and COFINS under the cumulative system has been changed under legislation. Accordingly, "gross revenues" for such purposes is defined as:

- The results of the sale of goods and provision of services
- The result of operations on behalf of third parties and
- Revenues derived from taxpayer's main activity that are not comprised as retail of goods and provision of services

PIS and COFINS over import transactions (PIS/COFINS-import)

PIS and COFINS are also charged on import transactions of goods and services. As a general rule, in respect of the importation of goods, PIS shall apply at a 2.1 percent rate and COFINS at a 9.65 percent rate. Whereas, in respect of the importation of services, PIS shall apply at a 1.65 percent rate, and COFINS at a 7.6 percent rate.

Please note that the importation of certain goods, such as pharmaceuticals, are taxed at specific tax rates. In addition, with respect to certain import transactions, a COFINS 1 percent surcharge may apply.

The tax basis shall be the customs value of the imported goods or the amount charged for the service by the foreign contractor.

Taxpayers that are subject to the PIS/COFINS under the non-cumulative system are allowed to accrue tax credits from the PIS and COFINS paid on their imports and offset them against the PIS and COFINS accrued over their respective gross revenue.

Federal excise tax (IPI)

IPI is a Federal value-added tax, which applies to manufactured products, either to their importation or manufacture in Brazil. IPI rates may vary depending on the type of product and whether it is regarded as essential.

Import duty (II)

II is due upon customs clearance of imported products on an ad valorem basis. The rate varies, depending on the tariff classification of the product imported.

As mentioned above, import transactions are also subject to the PIS/COFINS-import and to the IPI. Import transactions are also taxed by the State VAT (ICMS). These taxes, along with II, are calculated as follows:

- The II and the PIS/COFINS-import are imposed over the good's customs value (ie, CIF value)
- The IPI is levied on the CIF value plus II and

- The ICMS is levied on the CIF value plus II, IPI and ICMS itself

Export tax (IE)

IE applies to the export of certain listed goods and the tax is calculated on an ad valorem basis. The tax rate varies depending on the type of product exported.

Financial transaction tax (IOF)

The IOF applies to several types of transactions such as credit, exchange and insurance, loans, as well as on transactions involving gold, financial asset or exchange instruments. IOF rates and basis vary depending on the nature of the transaction. IOF over exchange transactions are expected to sunset by 2029.

State VAT on sales and services (ICMS)

Similar to the IPI, the ICMS is another value-added tax on sales, communication and transportation services, payable upon the importation of a product into Brazil, the sale of a good in the Brazilian market, or upon the provision of certain communication and intrastate and interstate transportation services.

ICMS rates and tax benefits vary from State to State and depend on the type of transaction (eg, import, intrastate or interstate sale of goods, communication or transportation services, etc.).

The ICMS non-cumulative system permits a taxpayer to offset the ICMS paid in acquired goods and services against the ICMS due on subsequent taxable transactions (eg, sale of goods and services subject to ICMS tax). The difference is the amount due to the state government.

Note that State ICMS legislation may attribute the responsibility to pay the ICMS to a legal entity that, although it did not perform the relevant taxable transaction per se, had an indirect relation to it. An example is the responsibility for paying the ICMS attributed to electricity generator or distributors on 1 or more operations, from production or importation until the end consumer.

Specific rules apply to operations with hydrocarbons, such as oil, lubricants and natural gas.

Estate and gift tax (ITCMD)

ITCMD is a state tax that is levied on the transmission of movable or immovable assets as a result of donation or in the event of the death of the owner. As a general rule, ITCMD is subject to rates varying from 4 percent to 8 percent, depending on the state, over the fair value of the movable asset, real estate or transmitted rights.

Tax on services (ISS)

ISS is a municipal tax that applies to the price charged for the provision of certain listed services. Rates vary from 2 percent to 5 percent, depending on the type of service and the particular municipality in which the party rendering the services is located.

The ISS shall also apply to the importation of services. In such circumstances, each municipality may set forth in the relevant municipal legislation that the contracting parties located in Brazil are liable for collecting the relevant tax.

The ISS shall not apply to the exportation of services, except over those developed in Brazil and whose results also occur in Brazil, even if the contracting party is a foreign resident.

Real estate property tax (IPTU)

IPTU is a municipal tax levied annually, at progressive rates according to the appraised value and use of the real estate, and over the ownership, possession and use of urban realty.

Real estate transfer tax (ITBI)

ITBI is a municipal tax on the transfer of real estate. The rates may vary according to the actual value of the transaction or the appraised value of the property, whichever is higher.

Individual income taxation (IRPF)

Brazilian tax legislation distinguishes individual residents from non-residents. As mentioned above, a Brazilian national is automatically a resident while legally domiciled in Brazil or, if not domiciled in Brazil, upon their election to be treated as a resident for tax purposes.

In general, resident individuals are subject to tax on their worldwide income, regardless of nationality (universal taxation), while non-residents are generally subject to tax in Brazil only on Brazilian source income (limited taxation).

A foreign individual will be considered to be a tax resident in Brazil when:

- Admitted to the country under a permanent visa or
- Admitted to the country under a temporary visa, and
 - Under an employment relationship for purposes of Brazilian law, on the day such relationship is established or
 - Upon completing 184 days, consecutive or not, of physical presence in Brazil within a 12-month period

The duration of the time period for this visa begins on the day the foreigner enters Brazil, independent of the calendar year. The days counted are only those days spent within the country, interrupted upon the moment they leave Brazil and recommenced if they return.

Tax residents are subject to income tax on worldwide income on a cash basis for each year, even if the income is generated abroad. An individual income tax return should be filed by the last business day of April to report income received in the previous year, with no extensions.

Brazil has a different set of rules for ordinary income, capital gains, income received from abroad and from individuals and income from financial products.

Ordinary income is subject to progressive rates ranging from 7.5 percent up to 27.5 percent.

Compensation received from a Brazilian company for services provided under an employment relationship or as an individual contractor is subject to WHT at monthly progressive rates also ranging from 7.5 percent up to 27.5 percent, depending on the amount of income perceived.

In the annual income tax return, the taxpayer must report all ordinary income received from all Brazilian payment sources on a consolidated basis. Consolidated ordinary income will be subject to income tax at the progressive rates mentioned above. Because each payment source calculates WHT separately, without taking into account the taxpayer's overall income and bracket, the taxpayer might be required to make an additional tax payment upon filing of the annual income tax return.

Capital gains resulting from the disposition of assets and other rights, including investments in the capital markets (ie, disposition of stocks, commodities and other rights) are subject to income tax at capital gains, at rates varying from 15 percent up to 22.5 percent.

Income received from paying sources located abroad and from individuals in Brazil are subject to a mandatory monthly tax payment (*Carnê Leão*), which is due at the same progressive tax rates applicable to ordinary income mentioned above. The tax must be collected until the last business day of the following month.

Financial income from Brazilian sources is subject to a final withholding tax system performed by the financial institution. Tax rates shall vary according to the type of investment and also on the term under which it was made.

Brazil provides double taxation relief through a foreign tax credit system applicable to income tax paid to countries with which Brazil has entered into a tax treaty or on a reciprocity basis when the source country also grants a foreign tax credit for taxes paid in Brazil on Brazilian source income. The Brazilian tax authorities have agreed on a reciprocity basis with the United States, Germany, United Arab Emirates and United Kingdom.

KEY CONTACTS



Alex Jorge

Partner and Co-Head of Tax
Campos Mello Advogados in
cooperation with DLA Piper
alex.jorge@cmalaw.com
T: + 55 11 3077 3515



Humberto Marini

Partner and Co-Head of Tax
Campos Mello Advogados in
cooperation with DLA Piper
humberto.marini@cmalaw.com
T: + 55 21 2217 2011

CANADA



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RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a Canadian jurisdiction is treated as a Canadian-resident corporation for Canadian tax purposes. A corporation formed outside of Canada can also be treated as a Canadian-resident corporation if its central "mind and management" is in Canada, subject to any relief provided under an applicable tax treaty.

Domestic

A resident corporation is subject to Canadian tax on its worldwide income. A Canadian-resident corporation generally is not subject to Canadian tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (eg, the foreign accrual property income rules).

Foreign

Non-resident corporation are not generally subject to Canadian income tax except on:

- Income earned from carrying on business in Canada;
- Income arising on the disposition of taxable Canadian property; and
- Certain types of cross-border payments which are subject to non-resident withholding taxes. Income tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Domestic

Taxable income of a resident corporation is generally equal to all gross income less applicable deductions.

Foreign

Income earned in Canada (including one-half of capital gains arising as a result of the disposition of taxable Canadian property) is generally subject to Canadian income tax at general tax rates. Branch profits tax may also apply to income earned in Canada that is repatriated by a non-resident corporation. Income tax treaties can reduce or eliminate these taxes.

TAX RATES

The federal general corporate tax rate for 2023 is 15 percent on general active business income, and the combined federal and provincial corporate tax rates for 2023 range from 23 percent to 31 percent depending on the provinces in which the permanent establishments of a corporate taxpayer are located.

TAX COMPLIANCE

Corporate income tax returns are generally due no later than 6 months after the end of each tax year. A corporate income tax return must generally be filed no later than 3 years after the end of the relevant tax year to receive a tax refund.

ALTERNATIVE MINIMUM TAX

Corporations (non-resident or resident) are not subject to federal alternative minimum tax in Canada. A corporate minimum tax may be imposed at the provincial level.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Under certain circumstances, taxpayers can request a private letter ruling that applies to the specific issues addressed therein.

Tax incentives

There are tax incentives for specific activities, including in respect of scientific research and experimental development and certain Canadian production, resource exploration and development and renewable energy activities.

CONSOLIDATION

Canada does not allow income tax returns to be filed on a consolidated basis for affiliated or related corporations.

PARTICIPATION EXEMPTION

There is no general participation exemption for dividends or capital gains recognized on the stock of foreign subsidiaries. If certain ownership and source requirements are satisfied, a deduction may apply with respect to dividends received from certain domestic and foreign corporations.

CAPITAL GAIN

One half of a capital gain earned by a corporation is required to be included in computing the taxable income of the corporation. Capital losses may be applied to reduce capital gains, but not regular income, of a corporation for tax purposes.

DISTRIBUTIONS

Distributions paid by a corporation are generally treated as dividends. Certain distributions on shares of a corporation, such as returns of capital (to the extent of the paid-up capital in respect of the relevant shares), may generally be returned to shareholders on a tax-free basis.

LOSS UTILIZATION

Non-capital losses may generally be carried forward 20 taxation years and back 3 taxation years, subject to certain loss limitation rules. Net capital losses may generally be carried forward indefinitely and back 3 taxation years, subject to certain loss limitation rules.

TAX-FREE REORGANIZATIONS

Certain qualifying corporate reorganizations, combinations and divisions may be eligible to be executed on a tax-deferred basis for federal tax purposes, subject to the detailed statutory restrictions in the *Income Tax Act* (Canada). Certain special rules apply to cross-border reorganizations.

ANTI-DEFERRAL RULES

FAPI

Under the foreign accrual property income (FAPI) rules, a Canadian-resident corporation may be subject to tax on a current basis in respect of "passive income" of a controlled foreign affiliate.

OIFP

Under the offshore investment fund property (OIFP) rules, a Canadian-resident corporation may be subject to tax on a prescribed basis in respect of interests in certain non-resident entities.

FOREIGN TAX CREDITS

Subject to certain limitations and restrictions, foreign tax credits or deductions may be available to be claimed in respect of certain foreign taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Generally, any gain realized by a non-resident person on the disposition of Canadian real property may be taxable in Canada.

TRANSFER PRICING

Arm's-length principles generally are applied under Canadian tax law to transactions between a taxpayer and any non-resident person with which the taxpayer does not deal at arm's length. The applicable Canadian rules are similar in many respects to the OECD guidelines, with certain material differences.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

A 25-percent withholding tax applies to dividends, certain royalties, interest payments to non-arm's length persons, rent, and certain other payments made by a resident corporation to a non-resident person, subject to reduction under an applicable income tax treaty.

Service fees

Withholding tax may apply to certain payments in respect of services rendered by a non-resident, particularly where the services are rendered in Canada, subject to reduction under an applicable income tax treaty.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Canada does not levy a general capital tax, but federal and provincial capital taxes may be imposed on certain financial institutions. Canada does not have a general stamp duty; however, transfer taxes may be imposed at the provincial level. Some provinces and municipalities also impose speculation tax or vacancy taxes on residential properties.

EMPLOYMENT TAXES

Employers must withhold federal income tax, Canada Pension Plan (CPP), or Quebec Pension Plan (QPP), contributions and Employment Insurance (EI) premiums from compensation paid to employees. Employers must also pay the employer's portion of the CPP (or QPP) contribution and the employer's portion of the EI premium in respect of compensation paid to employees. These contributions are generally deductible by an employer for Canadian income tax purposes. Other withholding obligations and taxes, such as employer health tax, may apply at the provincial level.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Kevin Fritz

Partner

DLA Piper (Canada) LLP

kevin.fritz@dlapiper.com

T: +1 416 941 5397

[View bio](#)

CHILE



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RESIDENCE AND BASIS FOR TAXATION

Any company incorporated in Chile is considered a tax resident. Likewise, an individual becomes a tax resident if they spend more than 183 days in the country during any 12-month period. Also, an individual can become a tax resident if they establish a domicile in the country in accordance with Civil Law provisions.

Basis for taxation of Residents

According to the Chilean Income Tax Law (CITL), tax residents are subject to Income Tax in Chile on their worldwide income.

Basis for taxation of Non-Residents

Non-residents are subject to tax solely on their Chilean-sourced income. However, individuals which become tax residents in Chile may still be taxed as non-residents for the first 3 years. Following said period, they shall start paying Income Tax in Chile on their worldwide income.

TAXABLE INCOME

Corporate Income Tax ("CIT")

The Chilean Income Tax Regime is structured as an imputation credit system in which CIT paid by companies may be used to offset the Personal Income Tax (PIT) or Withholding Tax arising for final shareholders on the dividends by companies subject to CIT.

CIT is paid by the entity on its income which must be assessed following Income Tax law pertinent provisions.

Domestic

The taxable income is assessed by computing gross income (turnover) less applicable deductions (costs and certain expenses).

Foreign (“Withholding Tax”)

As a rule, withholding tax is imposed on the gross amount of the payments made abroad.

TAX RATES

The CIT rate is 25 percent for entities that qualify as small to medium enterprises (average yearly income up to USD4.2 million), which is the general rule. The rate is increased to 27 percent for larger enterprises.

Personal Income Tax

Individuals which are tax residents in Chile are liable to pay Personal Income Tax on an annual basis. The rates are progressive depending on the level of income earned each year and the maximum rate is 40 percent.

Value-added tax

erally, value-added tax (VAT) applies to sale of goods and services, at a rate of 19 percent.

In general, Chilean VAT law contains minimal exemptions.

TAX COMPLIANCE

Corporate income tax returns must be filed before the end of April. Likewise, the company must submit monthly tax returns based on gross income obtained within a month.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Foreign individuals who are domiciled or resident in Chile will pay taxes in Chile only on their local income during the first 3 years following their settlement in Chile.

Tax rulings

Chilean tax authorities issue general rulings (*Circulares*) aimed to interpret, instruct, implement or clarify application of tax regulations. They are compulsory for the civil servants that work in the Chilean Tax Service (*Servicio de Impuestos Internos*, or the Chilean IRS).

Taxpayers may request the Chilean tax authorities to issue a specific ruling (*Oficio*) to determine the regulations and taxation applicable to particular operations. These rulings shed light on the application of tax regulations and could serve as precedent for other cases (they can even be used to argue a presumption of good faith for taxpayers).

Tax incentives

There are tax incentives for the activities performed by companies to foster economic development of certain types of activities and local economic growth.

VAT refund on fixed assets

Upon the fulfillment of certain conditions, Chilean legislation allows the recovery of carried-forward input VAT derived from the purchase of fixed assets.

VAT exemption on import of capital goods

Certain taxpayers can qualify for a VAT exemption on the import of capital goods destined for certain investment projects to be carried out in Chile (eg, Renewables Parks).

Reduced rate for interest paid by financial institutions abroad.

Interest paid to foreign banks, financial institutions, foreign insurance companies or foreign fund managers may qualify for a reduced 4-percent withholding tax rate.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Intercompany dividend distributions (between Chilean tax residents) are exempt of CIT at the level of the recipient. Foreign dividends paid to Chilean companies are subject to CIT with the possibility of using foreign taxes to offset CIT liability.

CAPITAL GAIN

Capital gains derived from the sale of shares, corporate rights, immovable property and assets in general is subject to the Income Tax General regime, meaning CIT and PIT.

Domestic legislation releases from taxation capital gains derived from the sale of specific assets (eg, intellectual property sold by the author). There are additionally reduced rates due to the application of a Double Tax Convention in which Chile is a contracting state (eg, Spain and Portugal). Preferential rates may apply if there is a double tax treaty in force.

DISTRIBUTIONS

Profits distributed by corporate entities are treated as dividends for the shareholders and are subject to final taxes. Corporate Income Tax paid by the corporation is creditable against final taxes.

LOSS UTILIZATION

Net operating losses can be carried forward indefinitely to offset CIT liability. However, there are restrictions for the utilization of losses in case of change of ownership. Loss carryback is still possible when a company with losses receives dividends from a subsidiary. However, it will be terminated, progressively, from 2020 until 2024.

TAX-FREE REORGANIZATIONS

Chile has several tax-neutral regimes when certain operations (eg, mergers, spinoffs, contributions in kind and indirect sales) are carried out within the context of a corporate group reorganization.

ANTI-DEFERRAL RULES

Under the controlled foreign company (CFC) rules, the passive income received or accrued by foreign controlled entities shall be included in the tax basis of Chilean controllers (proportionally) regardless of the existence of a distribution.

FOREIGN TAX CREDITS

Income tax liability arising from foreign-sourced income derived by Chilean residents can be offset with taxes paid abroad on such income (imputation of foreign tax credits).

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Properties in Chile are subject to a real estate tax, which shall be paid each year in 4 installments (in April, June, September and November). The amount of the tax to be paid will depend upon the fiscal value of the property (*avalúo fiscal*) determined by the Chilean IRS. The rates vary depending on the qualification of the soil, type of construction and use of the land, capped at 1.4 percent in case of non-farming real estate and 1 percent for farming real estate, over the fiscal valuation of the property.

Nevertheless, there is a surtax on real estate which values exceed approximately USD530,000.

TRANSFER PRICING

Transactions between Chilean entities and their foreign related parties shall be at arm's length or otherwise the tax authority may be entitled to challenge prices fixed for such transactions and apply a 40-percent penalty tax.

Chile has domestic transfer pricing regulations and also follows the OECD Transfer Pricing Guidelines. standards.

WITHHOLDING TAX

The general WHT rate is 35 percent applicable to payments made to non-residents. Certain payments in exchange for services or other transactions may qualify for domestic reduced rates or for Double Tax Convention reduced rates.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Credit operations (eg, granting of loans, issuance of bonds, or other operations that create a lender-borrower relationship) are subject to Stamp Tax. Generally it becomes chargeable upon the issuance of the document evidencing the credit operation or when it is accounted for by a Chilean entity if the document is issued abroad. Maximum rate is 0.8 percent imposed on the principal amount.

EMPLOYMENT TAXES

All employment income (eg, salaries, wages, allowances, bonuses, participations) are subject to payroll tax (*Impuesto Único de Segunda Categoría*). Said income is taxed according to a progressive scale ranging from exemption to 40 percent.

Employers shall withhold, file and pay this tax on behalf of the employee.

STAMP TAX

The stamp tax taxes documents or transactions involving a money lending operation (eg, loans, promissory notes, and any other document, even those dematerialized issued).

The stamp tax rates are:

- 0.066 percent of the document's face value for every month or fraction of a month lapsed between its execution and maturity and may not exceed 0.8 percent.
- 0.332 percent of the document's face value for the documents payable on demand or without a maturity date.

Non-payment of the stamp tax bans the execution of the debt before the Chilean Courts.

OTHER TAX CONSIDERATIONS

Municipal Tax

The carrying on of any business is levied with a Municipal Tax in Chile (although there are some specific exemptions) at the level of the entity conducting such business.

Municipal Tax payment is calculated annually and is payable in 2 installments each year. The rate depends on address and municipality, but it can vary from 0.0025 to 0.005 percent of the tax equity, determined the previous year (equity calculated for tax law purposes). In any case, municipal tax has a minimum payment of approximately USD65 and a maximum limit of approximately USD470,000.

Inheritance, gift and estate taxes

The Inheritance Tax contemplates a progressive rate of up to 25 percent, considering in certain cases surcharges or exempted amounts. The Donation Tax has the same progressive rate; however, its surcharges and exemptions have different conditions and lower ceilings.

SIGNIFICANT CHANGES IN TAX LEGISLATION

On February 4, 2022, came into force the Law N° 21,420, which "Reduces or Eliminates the Tax Exemptions indicated" modifying 9 legal bodies with different particular effective dates. Among other changes, it is worth mentioning the following:

1. Single tax rate of 10 percent on capital gains of transfer of publicly traded debt instruments (securities) or shares (in force in 6 months as of publication of the mentioned law).
2. Transitory reduction for two years and subsequent elimination of the Special VAT Credit for Construction Companies (CEEC).
3. Elimination of the tax benefits for the third home from now on, for those who have acquired DFL 2 homes before 2011.
4. Affectation of VAT to all services, except for health, education, and transportation sectors, and for all taxpayers who issue fee receipts.
5. Inheritance tax for life insurances. Which will affect all benefits obtained under life insurance contracts executed since the publication of the referred law.

KEY CONTACTS



Rodrigo Alvarez Aravena

Partner
DLA Piper
ralvarez@dlapiper.cl
T: +56 2 2798 2603
[View bio](#)



Amory Heine Acevedo

Partner
DLA Piper
amory.heine@dlapiper.cl
T: +56 2 2798 2655
[View bio](#)

CHINA



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RESIDENCE AND BASIS FOR TAXATION

A resident enterprise is an enterprise established in China under the laws of China or an enterprise that is established under the laws of a foreign country (region) but that maintains its place of effective management in China.

Domestic

A resident enterprise is subject to enterprise income tax in China on its worldwide income.

Foreign

A non-resident enterprise is subject to enterprise income tax in China only if:

- It has derived China-sourced income by an establishment or place in China, or it has income incurred outside China but effectively connected with its establishment or place in China or
- It has derived China-sourced income even if it does not have an establishment or place in China, or the income is not effectively connected with its establishment or place in China.

TAXABLE INCOME

Domestic

The taxable income of a resident enterprise is the balance of its annual gross revenue less all applicable deductions and losses.

Foreign

The taxable income of a non-resident enterprise is either the balance of its China-sourced gross revenue less all applicable deductions when the income is derived by or effectively connected with its establishment or place in China, or the gross revenue derived from China when the income is not effectively connected with its establishment or place in China.

TAX RATES

The standard enterprise income tax rate is 25 percent, with a few preferential tax rates applicable to qualified enterprises.

The standard withholding income tax rate for non-resident enterprises is 10 percent, which may be reduced by applicable tax treaties.

TAX COMPLIANCE

A resident enterprise must report and pay enterprise income tax on an annual basis, with quarterly provisional tax filings. The annual enterprise income tax return is due by May 31 of the following year. A non-resident enterprise may have to file an income tax return on its own if it has an establishment or place in China or may be subject to tax withholding by a withholding agent as applicable.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Tax holidays are available to certain encouraged industries, such as basic infrastructure projects, environmental protection and energy and water conservation projects and software enterprises.

Tax rulings

There is no established procedure for advance tax rulings.

Tax incentives

Preferential tax rates are available to certain encouraged enterprises, such as High and New Technology Enterprises and encouraged investment in West China as well as certain encouraged industries in certain selected areas.

Tax exemption or deduction is applicable when an enterprise has generated certain encouraged types of revenue, such as revenue from agriculture, forestry and technology transfer.

CONSOLIDATION

Consolidated tax filing of multiple enterprises is not allowed unless otherwise prescribed by the State Council. However, if a foreign company has more than 2 establishments in China, it may elect to have the main establishment in China make a consolidated tax filing for other establishments if it satisfies the conditions imposed by the PRC tax authority.

PARTICIPATION EXEMPTION

Dividends received by a resident enterprise from another resident enterprise are exempt from enterprise income tax, except for dividends paid by a publicly listed enterprise to a shareholder that has continuously held the shares for less than 12 months.

CAPITAL GAIN

Capital gain is included in taxable income and is not otherwise differentiated from other types of income.

DISTRIBUTIONS

The part of the distribution equivalent to retained earnings is treated as a dividend; the remaining part is treated as return of capital, with any exceeding amount being treated as capital gain.

LOSS UTILIZATION

Loss can be carried forward for 5 years in general, and may be extended in limited scenarios, for example, 10 years for certified High and New Technology Enterprises.

TAX-FREE REORGANIZATIONS

Reorganizations (eg, equity purchases, asset purchases, mergers or splits) may be subject to "Special Tax Treatment" (tax deferral) upon meeting certain substantive and procedural conditions. Additional restrictions are applicable to cross-border reorganizations.

ANTI-DEFERRAL RULES

The general anti-avoidance rule (GAAR) of the enterprise income tax law may be cited by the Chinese tax authorities to make adjustments on transactions that do not have reasonable business purposes.

A classic application of the GAAR is in the context of an indirect transfer. The transfer of shares of an offshore intermediate company that holds significant assets in China may be recharacterized as a direct transfer of the equity in the underlying China operating company if the indirect transfer is found no reasonable business purpose. It may then give rise to the China capital gain taxes.

CFC

If an offshore company is established in a low-tax jurisdiction (with an effective income tax rate below 12.50 percent) and is "owned or controlled" by Chinese residents (enterprises and/or individuals), the Chinese resident shareholders must include in their taxable income the profits of the offshore company even if the offshore company has not actually distributed any profits without reasonable business needs.

Thin-Capitalization Rule

If the ratio of debt to equity received by an enterprise from related parties exceeds the prescribed limit (currently 2 to 1 for non-financial enterprises and 5 to 1 for financial enterprises), the excess interest expense cannot be deducted for income tax purposes, unless the interest rate is considered arm's length.

FOREIGN TAX CREDITS

Foreign income tax paid by directly or indirectly owned foreign subsidiaries of a resident enterprise may be credited against the resident enterprise's income tax payable in China, subject to certain limitations.

Any unused foreign tax credit may be carried forward for 5 years.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Income from direct or indirect transfers of real property located in China is considered income sourced in China.

TRANSFER PRICING

Related party transactions must be conducted on an arm's-length basis. Otherwise, the Chinese tax authorities may make an adjustment within 10 years.

Enterprises reaching certain thresholds must prepare contemporaneous transfer pricing documentation, including a country-by-country report as applicable.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Chinese payers have the legal obligation to withhold tax when remitting dividends, royalties, interest, rents and other payments to foreign recipients.

Service fees

Service fees are subject to income tax in China if the foreign recipient has created an establishment or place (or a Permanent Establishment in a tax treaty context) in China. Where applicable, a Chinese payer of service fees may also be designated as the withholding agent by the PRC tax authority.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty in the PRC upon capital contribution. China has also abolished registration fee based on the amount of registered capital of an enterprise. Stamp duty and transfer taxes (value-added tax) may be imposed on asset and equity transfers as applicable.

EMPLOYMENT TAXES

Employers must withhold Individual Income Tax when paying salaries and wages to employees. Mandatory social insurance and housing fund contributions are deductible for Individual Income Tax purposes.

OTHER TAX CONSIDERATIONS

R&D expenses may have a bonus deduction, including R&D service fees paid to a foreign R&D service provider.

KEY CONTACTS



Peng Tao

Partner

DLA Piper

peng.tao@dlapiper.com

T: +1 212 335 4875

[View bio](#)

COLOMBIA



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RESIDENCE AND BASIS FOR TAXATION

A resident company is a corporation that:

- Is incorporated in Colombia,
- Has its principle domicile in Colombia, or
- Has its place of effective management in Colombia.

Domestic

Resident companies are subject to income tax on their worldwide income. A credit method for taxes paid on foreign source income is provided to avoid double taxation if certain criteria are met.

Foreign

Foreign companies are subject to income tax on their Colombian source-income, including capital gains obtained within Colombian territory. Foreign companies having a permanent establishment in Colombia are subject to income tax on their worldwide income attributable to the permanent establishment.

TAXABLE INCOME

Domestic

The taxable income for resident companies is equal to the gross income (ordinary and extraordinary) less costs and expenses authorized for tax purposes incurred in the income-producing activity. Taxable income may be adjusted for exempt or non-taxable income.

Foreign

Non-resident companies may be subject to 3 different tax regimes in Colombia:

- Tax on the gross payments through the withholding mechanism which results in its final income tax liability, if the tax is withheld in accordance to articles 407 to 411 of the Colombian Tax Code (eg, interest, royalties, services, and taxable dividends)
- If non-resident entities obtain a different type of income, if the withholding tax is not applied, or if the payor is not a qualified withholding agent, they could be required to file an income tax return and, therefore, their Colombian-source income may be subject to income tax at a rate of 35 percent as of 2022.
- If the non-resident entity has a permanent establishment (PE) in Colombia, they are subject to income tax on the worldwide income attributable to the PE at a rate of 35 percent as of 2022. The relevant rule indicates that the determination of the income and capital gains attributable to the PE shall be determined taking into consideration the functions, assets, risks, and people involved in obtaining said income or capital gain.

TAX RATES

Corporate Income Tax Rate is 35 percent as of 2022. Financial institutions that report a taxable income exceeding 120,000 UVT (in 2022, COP4,598,484,000) are subject to a special rate of 38 percent from 2022 to 2025.

TAX COMPLIANCE

A tax year in Colombia starts on January 1 and ends on December 31. Corporate tax returns have to be filed after the tax year ends, on due dates determined by the Colombian government every year. In general, due dates of Corporate Income Tax are between April and June.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

3 days a year, certain goods are exempted from VAT, such as clothing, household appliances, toys and games, sport elements, school supplies, and certain supplies for the agricultural sector.

Tax rulings

Taxpayers can request rulings from the tax authority in Colombia. Tax rulings are not binding for taxpayers; however, they are mandatory for the tax authority.

Tax incentives

Some of the tax incentives set forth in the Colombian tax code are:

Income exempted from corporate income tax, under certain requirements

The income obtained from the following activities is exempted from Income Tax, provided that certain requirements are met:

- Income received by companies carrying certain activities classified as activities of "Orange Economy" will be exempt from Income Tax for 5 years. These activities include software development, film production, architecture, among others.
- Companies carrying out investments in the Colombian agricultural sector will be exempt from Income Tax for 10 years.
- Income obtained in the sale of energy generated based on renewable sources specially indicated in the tax code.
- Income related to the development and sale of interest or priority housing projects is exempt from Income Tax.

We highlight that, under Colombian Law, Income Tax exemptions are not transferable to shareholders.

Special corporate income tax rates

- 27 percent for taxpayers that perform new investments in fixed assets equal or exceeding UVT30,000,000 (in 2022, COP1,140,120,000,000) and create more than 400 direct employments. The requirements vary for investments in activities with a high technological component, e-commerce, or the aeronautical sector. Profits obtained from such investments are not subject to the dividends tax.
- 20 percent for certain users of Free Trade Zones.
- 9 percent for taxpayers undertaking specific activities (eg, hotel services and ecological tourism).
- 0 percent for companies that create a specific number of employments, and perform commercial, industrial, agricultural, touristic, or health activities in certain Colombian territories (Arauca, Guajira, Norte de Santander, Quibdó and Armenia). This tax rate applies for the first 5 years, and for the following 5 years these companies would be subject to the 50 percent of the general corporate tax rate (ie, 17.5 percent as of 2022).

Tax incentives for using, developing, and generating of renewable energy

Subject to certain requirements, the following tax incentives apply for developing and generating renewable energy:

- A special income tax deduction equivalent to 50 percent of the investments completed in renewable energy projects. This tax deduction cannot exceed 50 percent of the net taxable income and can only be deducted in the 15 years following the taxable year in which the investment took place.

- Accelerated depreciation rate of 20 percent for machinery, equipment and other assets used in the project. This is a tax incentive because, generally, there are maximum annual tax depreciation rates provided by law in respect of different types of tangible assets (between 2.2 percent and 20 percent). The accelerated depreciation only applies to the generation of renewable energy.
- Purchase and import of machinery and equipment, and related services, acquired for renewable projects will be VAT- exempt
- Imports of equipment and machinery will be exempt from customs duties.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Colombia has a Colombian Holding Companies (CHC) regime for resident corporations. This regime establishes that:

- Foreign dividends and capital gains obtained by the CHC Holding are exempted from corporate income tax. The same treatment applies for Distribution of dividends by the CHC Holding to non-Colombian residents is not taxable in Colombia.
- Sale of shares in the CHC Holding by non-Colombian residents could be a non- taxable income. This benefit is limited if the CHC Holding performs activities in Colombia.

CAPITAL GAIN

Capital gains tax rate is 10 percent. This tax rate will apply in general to:

- Gains obtained on the sale of fixed assets held for, at least, 2 years.
- Gains obtained on the liquidation of a company that has been in existence for at least 2 years, in excess to paid-in capital or investment. This rate would not apply to the extraordinary distribution of profits triggered by the liquidation.
- Inheritances, gifts, legacies and donations.

Capital gains obtained from lotteries, gaming, or similar activities are taxed at a 20 percent tax rate.

DISTRIBUTIONS

Dividends taxation in Colombia depends on whether the dividends are paid from profits obtained before 2017.

Profits obtained before 2017

- Dividends distributed out of profits taxed at the level of the distributing company do not trigger additional income taxes for the shareholder. Conversely, dividends paid out of profits untaxed at the company's level are taxed at the corporate income tax rates (35 percent).

Profits obtained as of 2017

- **Individuals tax residents, non-residents (individuals and entities), and permanent establishments of foreign entities**

If the beneficiary of the dividend is an individual tax resident, a non-resident, or a permanent establishment of a foreign entity, the dividends tax rate is 10 percent. If the profits were not taxed at a corporate level, the profits will be taxed at the ordinary Corporate Income Tax (35 percent) plus the 10 percent dividends tax (the 10 percent applies on the distributed amount after subtracting the 35 percent).

These tax rates can be reduced under Tax Treaties.

For individual tax residents, the dividends tax does not apply if the amount of the dividends is less than 300 UVT (in 2022, COP 11,401,200).

- **Colombian companies**

If the beneficiary of the dividends is a Colombian Company, the dividends are subject to a withholding dividends tax of 7.5 percent. If the profits were not taxed at a corporate level, the profits will be taxed at the ordinary Corporate Income Tax (35 percent) plus the 7.5 percent withholding dividends tax rate. The withheld amount (7.5 percent) is creditable towards the dividends tax of the ultimate beneficial owner (individual tax resident or foreign investor).

The withholding dividends tax does not apply in the following cases:

- (i) Colombian companies that have registered a control situation or a corporate group with respect to the distributing Colombian company before the Chamber of Commerce; or
- (ii) Companies registered in the CHC regime (described in the Participation Exemption section of this Guide).

LOSS UTILIZATION

Utilization of tax losses depends on whether such losses were obtained before 2017:

- Tax losses generated before 2017 can be offset with ordinary taxable income obtained in any of the subsequent fiscal years.
- Tax losses generated as of 2017 can only be offset with ordinary taxable income obtained in the twelve subsequent fiscal years.

Carry-back of losses is not permitted. Capital losses cannot be offset against ordinary income.

TAX-FREE REORGANIZATIONS

There are tax-free reorganizations (in-kind contributions, mergers, and spin offs) if they comply with certain requirements.

It is worth noting that Colombia taxes the indirect sales of Colombian assets through the sale of foreign entities, whenever Colombian assets represent more than 20 percent of the total assets of the foreign entity being sold considering their book value and/or commercial value.

Income tax or capital gain tax should be determined as if the Colombian asset is sold directly. If the seller fails to comply with its tax duties under this tax regime, the subsidiary in Colombia and the purchaser will be jointly liable.

Once the indirect sale is made subject to income tax, the tax cost that shall be considered for a subsequent purchase, will be the value proportionally paid for the shares, participations or rights in the foreign entity that owns the underlying assets located in Colombia.

This tax regime is not applicable when the shares or rights in the foreign entity are listed in a Stock Exchange Market recognized by the Colombian government, and the shares are not more than 20-percent owned by the same beneficial owner.

Mergers and spin-offs between foreign entities where Colombian assets are being transferred are not subject to tax in Colombia when Colombian assets do not represent 20 percent or more of the worldwide assets of the multinational group to which the foreign entity belongs to.

ANTI-DEFERRAL RULES

Under Colombian controlled foreign company (CFC) rules, domestic corporations or tax residents in Colombia that hold, directly or indirectly, a share percentage equal or greater to 10 percent of the total equity of the CFC or in its results, shall include in their income tax return the passive income obtained by such CFC.

A CFC is an entity that:

- Is controlled by a Colombian tax resident, and
- Does not have tax residency in Colombia.

CFC includes corporations, trusts, interest private foundations, investments funds or any other corporation or entity constituted or domiciled abroad, regardless of whether such entity is a legal entity or a disregarded entity for tax purposes.

The Colombian Tax Code sets forth a list of items of income that are considered as passive income. This list includes:

- Dividends, with some exceptions.
- Interests.

- Royalties.
- Sale of assets that generate passive income (such as certain shares or bonds).
- Lease or sale of immovable property.
- Sale of corporate goods provided that certain conditions are met.
- Some services that meet certain requirements.

If a Colombian tax resident includes in its income tax return the passive income obtained by the CFC, the dividends distributed from the CFC will be untaxed in Colombia.

FOREIGN TAX CREDITS

Colombian tax residents that receive foreign-source income subject to income tax in the source country are entitled to a tax credit in Colombia for income tax purposes. Foreign tax credits cannot exceed the Colombian income tax attributable to the net foreign taxable income but it is possible to carry forward indefinitely the unused foreign tax. The Colombian taxpayer must obtain a certification of the foreign tax paid.

Foreign tax credits are not allowed if the tax was applied on income qualified for tax purposes as a Colombian source income. Different rules apply under double taxation treaties.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Real property is subject to municipal taxation, which depends on the value of the property, the economic use of each property, and the municipal regulations. In general, this tax is levied annually on the ownership, usufruct or possession of real estate property. It is collected by the municipality where the property is located, and the tax rate varies between 0.3 percent and 3.3 percent.

TRANSFER PRICING

Colombia's transfer pricing regime is based on the OECD guidelines and is applied to transactions between related companies. Taxpayers subject to the transfer pricing regime must consider and follow commercial standards, under which a transaction between related parties must satisfy the conditions that would have been used in comparable transactions with unrelated parties.

WITHHOLDING TAX

Payments to non-tax residents are subject to withholding tax at the following rates, among others:

- 20 percent for personal services, fees, royalties, lease and any other payment for the use of intellectual property.

- 20 percent for technical services, technical assistance and consultancy, either rendered in Colombia or abroad.
- 20 percent on interest payment for loans with a term less or equal to 1 year.
- 15 percent on interest payment for loans with a term exceeding 1 year or financial lease payments.
- 5 percent on interest payments on cross-border loan agreements that have a term equal to or greater than 8 years and are destined to public-private infrastructure projects under the conditions set in Law 1508 of 2012.
- 10 percent on capital gains.
- There is a general 15 percent withholding rate when the type of income has not an specific withholding tax rate.

Withholding tax rate on payments made to non-tax residents may be reduced under double taxation treaties.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

- **Capital and Stamp Duties**

The Registry Tax levies the registration of documents before the Chamber of Commerce and before the Registry of Public Deeds, including the increase of capital in a corporation and any transfer of immovable property. Tax rates vary from 0.1 percent to 1 percent.

Generally, for capitalizations the rate is 0.7% for capital and 0.3% for share premium, but rates may vary depending on the local jurisdiction where the entity is registered.

For documents that do not embed any value it applies a fixed value.

- **Financial Transactional Tax**

The 0.4 percent financial transactional tax is accrued on every transaction aimed, in general, at withdrawing resources from checking, deposit or savings accounts, and cashier checks.

50 percent of Financial Transaction Tax is a deductible expense regardless if it is related or not to the income-producing activity.

EMPLOYMENT TAXES

Social security

Employees in Colombia must be enrolled in the social security system (for pension, health, and labor risks) and employers have the obligation to make the relevant monthly contributions.

If foreign employees are enrolled to a pension system abroad, they are not obligated to be enrolled or pay contributions to the Colombian pension system.

Payroll taxes

Employers in Colombia must make contributions to SENA, ICBF, and Family Compensation Fund, known as payroll taxes, that should be determined on the ordinary monthly salary earned by the employee, including any vacation. In the case of employees earning integral salary, the contribution will be determined on the 70 percent of the salary. Non-salary payments are excluded from payroll taxes. Payroll taxes do not have any cap.

For employees earning an ordinary salary lower than 10 MMLW (in 2022, COP10,000,000), employers are exempted for making contributions to SENA, ICBF and to the healthcare system.

Payroll taxes and social security charges correspond to the following percentage over the employee's salary:

Contributions ¹	Rate	Employer	Employee
Pension	16 percent	12 percent	4 percent
Health	12.5 percent	8.5 percent	4 percent
Solidarity Pension Fund ²	1 percent - 2 percent	N/A	1 percent - 2 percent
Labour Risks	0.348 percent - 8.7 percent	0.348 percent - 8.7 percent	N/A
Payroll Taxes ³	4 percent - 9 percent	4 percent - 9 percent	N/A

¹ The basis to calculate contributions to the social security system (pensions, solidarity pension fund, health and labor risks) is the ordinary monthly salary earned by the employee. However, if the monthly salary exceeds 25 times the minimum wage, contributions to the social security system will be calculated on the maximum basis of 25 times the minimum wage. Non-salary payments agreed between the employer and the employee are not included in the basis to calculate social security contributions, if such payments do not exceed 40 percent of the employees' compensation. If these non-salary payments exceed 40 percent, the difference will be subject to social security contributions. In case of employees earning integral salary, 70 percent of salary will be the basis to calculate contributions to the social security system.

² The contribution to the Solidarity Pension Fund only applies for employees who earn more than 4 times the legal minimum wage. This payment is equivalent to 1 percent of the monthly salary, but in the case of employees earning more than 16 times the minimum wage the rate will be increased as follows: between 16 and 17 times the minimum wage, an extra 0.2 percent; between 17 and 18 times the minimum wage an extra 0.4 percent; between 18 and 19 times the minimum wage an extra 0.6 percent; between 19 to 20 times the minimum wage an extra 0.8 percent and between 20 and 25 times the minimum wage an extra 1 percent. Contributions to the solidarity fund also have the cap of 25 times the minimum wage.

3 Contributions to SENA, ICBF, Family Compensation Fund (payroll taxes) shall be calculated based on the ordinary monthly salary earned by the employee, including any paid rest, such as vacation. In case of employees earning integral salary, 70 percent of salary will be the basis for this contribution. Non-salary payments are excluded from payroll taxes. Payroll taxes do not have any cap.

OTHER TAX CONSIDERATIONS

Equity tax

The latest version of the equity tax (Law 2010, 2019) levied Colombian tax resident individuals and non-tax residents that held a net equity equal to or exceeding COP5,000,000,000 as of January 1, 2020 for fiscal years 2020 and 2021.

Non-tax residents' individuals are subject to equity tax only with respect to its assets held in Colombia unless they have a permanent establishment in the country. In that case, the non-tax resident could be subject to equity tax with respect to the net equity attributable to it.

According to the Law 2010, 2019 foreign entities were levied with this tax in respect to its assets located in Colombia different to shares, receivable accounts, and portfolio investments.

As of 2022 no equity tax is applied; however, it could be re-introduced as from 2023.

Value added tax – VAT

VAT is an indirect national tax applicable on:

- Sales and imports of tangible goods.
- Provision of services in Colombia or from abroad (if the beneficiary is located in Colombia).
- Sale or transfer of rights over certain intangibles associated with industrial property.
- Gambling activities (except of those operated online).

Generally, VAT's taxable base is the price of the goods or services, and the tax rate is 19 percent. However, there is a special taxable base and/or a special tax rate (5 percent or 0 percent) for certain goods or services.

Usually, a taxpayer may reduce input VAT by offsetting it against output VAT.

Foreign suppliers providing services, including digital services, rendered in Colombia to Colombian recipients that are not VAT responsible (eg, individuals) must generally register with the Colombian Tax Office and account for VAT on their supplies.

Consumption tax

National consumption tax is levied on the following services

- Mobile phone, internet and mobile navigation services, with a 4 percent rate.
- Sale of certain vehicles, aircraft, and other goods, with a rate of 8 percent or 16 percent.
- Restaurant and cafeteria services with an 8 percent rate, provided that these services are not rendered under a franchise agreement (restaurant franchise services are levied with VAT). According to Law 2155, 2021, Consumption Tax would not apply to bars and restaurants in 2022.

Turnover Tax – ICA

Local Tax on Industrial, Commercial and Service Activities Tax (“ICA”) levies the gross income generated from industrial, commercial, or service activities carried out in the corresponding municipality. The tax rates are between 0.2 percent and 1.4 percent.

50 percent of the ICA paid in a certain period can be used as a tax credit to offset the Corporate Income Tax or, alternatively, 100 percent can be used as a deductible expense.

SIMPLE Taxation Regime

Colombia provides for a voluntary simple tax regime for small businesses (“SIMPLE Taxation”). The SIMPLE tax replaces income tax, the consumption tax and the turnover tax, with a single, unified payment.

In order for a taxpayer to be able to access to the SIMPLE Taxation regime, among other requirements, gross annual income of the previous taxable year must be less than 100,000 UVT (In 2022, COP3,800,400,000).

The simple consolidated rate will depend on the annual gross income, as well as the business activity of each company. Tax rates range between 1.8% and 14.5% on the gross ordinary and extraordinary income accrued during the taxable year.

Taxpayers of the SIMPLE Taxation regime will not be subject to withholding income tax neither self-withholding, and shall not act as withholding agents except in the case of labor payments.

KEY CONTACTS



Andres Gonzales

Partner

DLA Piper Martinez Beltran

agonzalez@dlapipermmb.com

T: +57 1 3174720

[View bio](#)

FINLAND



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RESIDENCE AND BASIS FOR TAXATION

Domestic

Companies incorporated in accordance with Finnish legislation or whose place of effective management is located in Finland are subject to tax in Finland (unlimited tax liability).

Foreign

Foreign companies are subject to tax in Finland only to the extent specified in Finnish tax legislation (limited tax liability).

TAXABLE INCOME

Domestic

Unlimited tax liability refers to tax on worldwide income. Taxable profit is, roughly speaking, calculated as total income reduced by the costs generated by the business.

Foreign

Limited tax liability triggers taxation in Finland for a foreign company on income attributable to a Finnish permanent establishment, income accrued from Finland (with certain limitations) and income related to Finnish real estate.

TAX RATES

The corporate income tax rate is 20 percent.

TAX COMPLIANCE

Both unlimited and limited tax liable companies are liable to submit an income tax return. No tax return is required for income subject to withholding tax only. The income tax return shall be submitted to Finnish tax authorities within 4 months after the end of the company's financial year.

ALTERNATIVE MINIMUM TAX

Not applicable.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable.

Tax rulings

Companies may apply for a binding advance ruling concerning a specific tax question with the Finnish tax authorities or alternatively with the Finnish Central Tax Board.

Tax incentives

Key foreign expert employees working in Finland may, under certain conditions, apply to be taxed at flat rate of 32 percent on their employment-related income. Such tax treatment is applicable for a maximum of 48 months.

CONSOLIDATION

Companies cannot file corporate income tax returns on a consolidated basis in Finland. However, Finnish companies that belong to the same group (which applies to share ownership of more than 90 percent of the shares) may exchange group contributions to facilitate tax consolidation on a company level. A group contribution is deductible for the paying company and is taxable for the recipient company.

PARTICIPATION EXEMPTION

Participation exemption regarding dividends covers dividends from unlisted companies in Finland, from foreign companies covered by the EU parent subsidiary directive and from foreign companies pursuant to the applicable tax treaty. Dividends received from a listed company by a non-listed company are tax exempt only if holding is at least 10 percent.

Participation exemption additionally covers capital gains from a sale of shares in a company, but under strict criteria as follows:

- Shareholding at least 10 percent in the target company

- A holding period of at least 1 year
- Sold shares are part of fixed assets
- The target company is located in EU or a tax treaty country and
- The main purpose of the target company is not to hold real estate.

The participation exemption is not applicable to capital gain received by private equity companies.

CAPITAL GAIN

Capital gain is the difference between the sales price and acquisition price and is taxed with a 20-percent corporate tax rate.

DISTRIBUTIONS

Distributions paid by a company to a shareholder are primarily regarded as dividends for tax purposes, but treatment under capital gain rules is possible under specified criteria. A transfer of funds from a shareholder to a company is generally tax exempt.

LOSS UTILIZATION

Tax losses can be carried forward up to 10 years. Changes in the ownership of a company with tax losses carried forward results in forfeiture of tax losses, but Finnish tax authorities may, upon application, grant an exception to utilize the losses.

TAX-FREE REORGANIZATIONS

Finnish implementation of the EU merger directive covers tax-exempt mergers, full and partial divisions, transfers of business and share exchanges. A wide-ranging case law exists.

ANTI-DEFERRAL RULES

[Under general anti-avoidance rules, arrangements can be taxed based on their substance over the chosen form under strict criteria. The applicability of the rules is defined in case law.]

Finnish controlled foreign company (CFC) rules state that a Finnish shareholder with a direct or indirect interest equal to at least 25 percent of the equity or voting rights in a foreign legal entity, which has a tax rate below 3/5 of the Finnish rate of tax, is subject to taxation on its proportionate share of the foreign legal entity's profits. CFC legislation does not apply to entities within the European Economic Area (EEA) to the extent the entity has actual substance in that area and practices financial activity there. In addition, CFC legislation does not apply to entities outside the EEA i) which practice financial activity, ii) if the relevant jurisdiction is not included in the blacklist

drafted by European Council, iii) if the relevant jurisdiction has an applicable international information exchange treaty with Finland and iv) if the income of the entity in that jurisdiction is derived from industrial or corresponding production, related service rendering, shipping, related sales and marketing activity or intra-group trade with a group company within the same jurisdiction.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Finnish taxation can be credited under the Finnish tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Transfer tax on the acquisition of Finnish real estate is 4 percent on the purchase price payable by the buyer. In case a real estate transaction is carried out by acquiring shares in a real estate company, transfer tax is 2 percent on equity value added with value of debt transferred to the buyer.

Real estate tax is payable by the owner of the real estate. The general real estate tax rate is between 0.93 percent and 2 percent.

TRANSFER PRICING

The Finnish transfer pricing rules are based on the arm's-length principle and OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Under the general rule, dividend and royalty payments to a foreign company are subject to 20-percent withholding tax.

Withholding tax is not levied on a dividend payment to a company within the EU if such company holds more than 10 percent of the shares in the paying company and fulfills the requirements in the EU parent subsidiary directive.

Withholding tax is also not levied on royalty payments paid to a company within the EU in accordance with the EU directive on the condition that the 25-percent direct or indirect holding threshold is met.

Finland does not levy withholding tax on interest except on a few rare occasions.

Special withholding rates apply to foreign persons working in Finland – for example, sportsmen and artists.

Finland has a treaty network with over 70 countries. The tax treaties typically lower the applicable statutory rates depending upon the type of income. Withholding tax for foreign companies on Finnish dividends under the respective tax treaty is typically – but not always – 5 percent when the recipient holds at least 25 percent of the shares of the company making the payment.

Service fees

Typically exempted from Finnish withholding tax.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Sale of Finnish shares (of a non-real estate company) is subject to a 1.6-percent transfer tax on equity value of the transaction payable by the buyer. Transfer tax is not applicable on transfers of Finnish shares between non-Finnish parties.

For transfer tax on the sale of real estate, please see “Special rules applicable to real property” above.

EMPLOYMENT TAXES

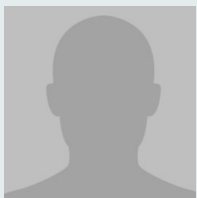
Finnish employers are liable to pay withholding obligations on salary paid to the Finnish employees. The tax base covers cash salary, benefits as valued by the tax administration and share-based employee benefits. The tax rate on salaries is progressive, up to approx. 57 percent.

In addition, Finnish employers are required to withhold the employee’s share of social security contributions from the salary payment. Moreover, Finnish employers are liable to pay their share of social security payments based on their paid total salaries.

OTHER TAX CONSIDERATIONS

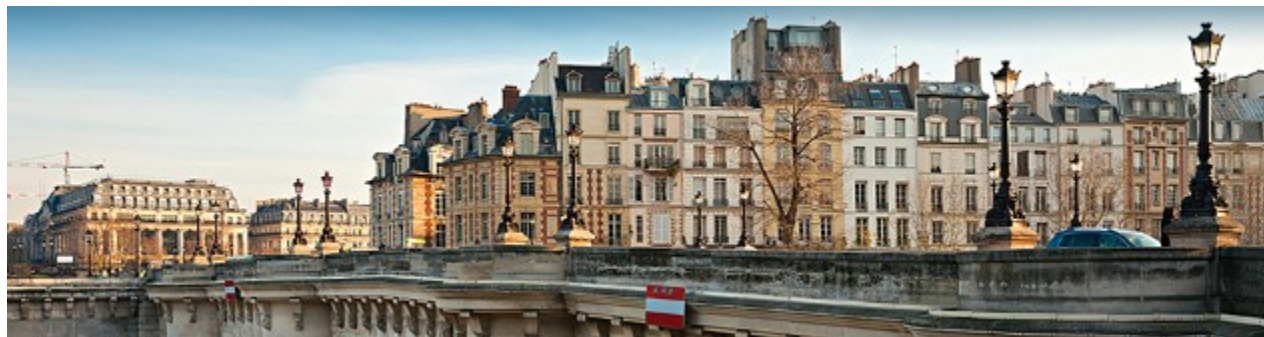
Not applicable.

KEY CONTACTS



Antti Paloniemi
Partner
DLA Piper Finland Attorneys Ltd.
antti.paloniemi@fi.dlapiper.com
T: +358 40 586 1051

FRANCE



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RESIDENCE AND BASIS FOR TAXATION

A company is a resident of France if its legal seat or place of effective management is in France. As a general rule, the corporate income tax base is territorial.

Domestic

Profits of a resident corporation generally are subject to French corporate tax only if derived from a business operated in France (including any capital gains, dividends and interest derived from French or non-French investments), real estate assets located in France or activities taxable in France pursuant to a double tax treaty. Resident corporations can be subject to tax in France on foreign source income under anti-avoidance rules (eg, CFC rules).

Foreign

Foreign corporations are not subject to French corporate tax unless they have in France:

- An autonomous establishment
- A dependent agent empowered to act on behalf of the corporation or
- A complete cycle of activity.

For residents of tax treaty countries, these concepts generally are superseded by the permanent establishment rules set out in the applicable double tax treaty.

TAXABLE INCOME

Domestic

Taxable income is the net income as determined by the company's profit and loss statement, reduced by certain non-taxable items and increased by certain non-deductible expenses, such as the interest deduction limitation rules.

The Finance Act for 2019 has introduced from January 1, 2019 new rules regarding interest deductibility. In particular, net financial charges may be deductible up to the higher of the following 2 amounts:

- EUR3 million and
- 30 percent of the adjusted taxable income, before offsetting of tax losses.

Specific rules apply to members of a tax consolidated group as well as to thin-capitalized companies.

Moreover, other limitations on interest deductibility may be triggered, under certain conditions.

The Finance Act for 2020 has transposed into French law the provisions regarding hybrid mismatches of Directive (EU) 2016/1164 of 12 July 2016 (ATAD I) as amended by Directive (EU) 2017/952 of 29 May 2017 (ATAD II).

These provisions aim at neutralizing the tax effects of hybrid mismatch arrangements, which exploit differences in the tax treatment of an entity or instrument under the laws of 2 or more EU member states. ATAD II extends the scope of these provisions to arrangements involving non-EU countries.

Foreign

Foreign corporations are subject to French corporate tax on French-source income from profits derived from a business operated in France, real estate assets located in France, a share of profits in a French partnership (except for partnerships that are regulated investment funds – SLP or société de libre partenariat), dividends from a French source or services rendered in France. Tax treaties can reduce or eliminate these taxes. Specific tax rules apply to:

- Investors or payments related to a "non-cooperative jurisdiction" and
- Capital gains on "substantial participations" (more than 25 percent of financial rights).

TAX RATES

The Finance Act for 2018 provided for a progressive reduction of corporation tax rates to 28 percent on January 1, 2020, applicable from the first euro, 26.5 percent on January 1, 2021 and 25 percent as from January 1, 2022. Graduated income tax rates start at 15 percent with a top rate of 25.83 percent in 2022 (including a 3.3-percent additional contribution).

TAX COMPLIANCE

Corporate income tax returns must be filed no later than the second working day after May 1 for calendar year taxpayers, or within 3 months after the end of the relevant financial year otherwise, with no extensions.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

Tax incentives

There are tax incentives for specific activities, including R&D credits. The payroll tax credit for competitiveness and employment has been replaced as from January 1, 2019 by social charges exemption.

CONSOLIDATION

The French tax consolidation regime allows a French parent company and its 95-percent-owned domestic subsidiaries to combine their profits and losses and to pay corporate income tax on the consolidated result. A French parent company indirectly owning at least 95 percent of French affiliates through 1 or more foreign companies based in the EU, Iceland, Norway or Liechtenstein (intermediary companies) can also form a tax group. Similarly, it is possible to set up a tax group between sister companies with the parent company established in the EU, Iceland, Norway or Liechtenstein.

PARTICIPATION EXEMPTION

A participation exemption regime is applicable to long-term capital gain (88-percent exempt) and dividends (as a rule, 95-percent exempt), subject to a minimum shareholding of 5 percent of the share capital and a minimum holding period of 2 years. A specific participation-exemption regime applies to dividends distributed within a tax consolidated group (99-percent exempt) as well as, under conditions, to distributions made by foreign companies based in the EU, Iceland, Norway or Liechtenstein. Capital gain on the disposal of shares of real estate companies is excluded from the participation exemption regime.

CAPITAL GAIN

Capital gains realized by corporations that are subject to corporate income tax are treated as regular income, subject to exceptions. One exception is the one that applies to long-term capital gains on shares benefiting from the participation exemption regime, as described above.

DISTRIBUTIONS

A participation exemption regime is available for eligible dividends. Non-eligible distributions are subject to corporate income tax at ordinary rates.

LOSS UTILIZATION

Operating losses can be carried forward without time limitation but with a utilization cap per financial year of EUR1 million plus 50 percent of the taxable profit of the current financial year. Losses can be carried back only for the previous financial year, with a EUR1 million cap.

TAX-FREE REORGANIZATIONS

For all types of restructurings (eg, mergers, spinoffs or partial spinoffs), a favorable tax regime may apply if the assets are transferred under special valuation rules.

ANTI-DEFERRAL RULES

CFC rules

If a French company subject to corporate income tax in France has a foreign branch or if it holds, directly or indirectly, an interest (eg, shareholding, voting rights or a share in the profits) of at least 50 percent in any type of structure benefiting from a privileged tax regime in its home country (ie, effective tax paid that is 40-percent lower than the tax that would be paid in France in similar situations), the profits of such a foreign branch, entity or enterprise are subject to corporate income tax in France. Under certain conditions, the shareholding threshold is reduced to 5 percent if more than 50 percent of the foreign entity is held by French companies acting in concert or by entities controlled by the French company.

FOREIGN TAX CREDITS

No credit is given for the underlying corporate income taxes levied abroad, and, unless a relevant double tax treaty provides, foreign withholding taxes levied on the income received in France are not creditable against French tax on that income. Foreign tax paid in a tax treaty country may not be deducted from taxable income.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

A 3-percent tax applies in principle to all entities having immovable properties in France, irrespective of their form and whether they have the legal capacity to act as a legal entity. The 3-percent tax applies to corporations, funds, trusts and other institutions. In practice, this 3-percent tax is not due if the chain of ownership of the real property is duly disclosed to the French tax authorities.

The transfer of ownership of a real estate asset is usually subject to registration duty of 5 percent to 6 percent, which may be reduced under certain conditions to 0.815 percent, including the real estate security contribution of 0.1 percent (eg, asset dealer transactions), or to EUR125 (eg, acquisition of a plot of land with commitment to build on the land).

Specific rules apply to :

- Office sales in the Paris region and

- The sale of building plots or new buildings subject to VAT.

TRANSFER PRICING

The French legislation does not make any specific references to what are acceptable transfer pricing methodologies. In practice, however, the methodologies stated in the OECD guidelines are employed in most cases.

WITHHOLDING TAX

Withholding tax may be reduced or eliminated by applicable tax treaties or EU directives. An increased withholding tax rate of 75 percent is levied on dividends, interest or royalties paid to a beneficiary or on an account located in a non-cooperative state or territory.

Dividends, interest, etc.

As a general rule, dividends paid to non-residents are subject to a 12.8-percent withholding tax for individuals or 25-percent withholding tax for companies. The Finance Act for 2018 provides that the withholding tax applicable to companies on dividend payments will be aligned to the French corporate tax rate as of January 1, 2020 (see [Tax Rates](#)).

Generally, no withholding tax is levied on French-source interest, provided it is arm's length.

Royalties and service fees

As a general rule, a withholding tax may be levied, at the same rate as the standard corporate income tax rate, on royalties and service fees paid to non-residents. See [Tax Rates](#) above.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No stamp duties. The Finance Act for 2019 repealed registration duties levied on share capital increases of French companies and most reorganizations. However, registration duties at a proportional rate may be levied, in particular in the cases of acquisition of shares in a capital company, transfers of real estate assets, real estate companies or going concerns.

EMPLOYMENT TAXES

Employees and employers must pay contributions for health insurance, unemployment insurance and the national pension scheme. These contributions are deducted at source from salary payments. Since 2019, income tax has had to be withheld at source by employing companies.

DAC 6 : Mandatory disclosure rules

On October 21, 2019, the French government published Ordinance No. 2019-1068 which transposes into French law the European Directive 2018/822 amending Council Directive 2011/16/EU regarding mandatory automatic

exchange of information in the field of taxation in relation to reportable cross-border arrangements (commonly referred to as DAC 6).

DAC 6 requires intermediaries (or taxpayers, if there is no intermediary) to report to the competent tax authorities all cross-border arrangements that contain 1 or more hallmarks (indicating a potential risk of tax evasion), as referred to in new Article 1649 AH of the General Tax Code. Reported information will automatically be exchanged with all EU tax authorities through a central European register.

“Pillar II” Directive

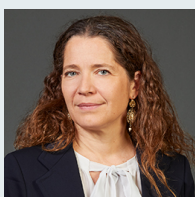
Following the publication by the Organization for Economic Co-operation and Development (OECD) of the GloBE rules, on December 14, 2022, the European Union adopted a directive providing for the introduction of a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups within the EU.

This directive, which aims to ensure taxation at a minimum rate of 15 percent for profits made by multinational groups, must be implemented by the EU member countries by December 31, 2023 to be effective as of January 1, 2024.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Fanny Combourieu

Partner

DLA Piper

fanny.combourieu@dlapiper.com

T: +33 1 40 15 25 23

[View bio](#)

GERMANY



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RESIDENCE AND BASIS FOR TAXATION

A corporation that has either its registered seat or its effective place of management in Germany will be treated as a resident corporation.

Domestic

A resident corporation is subject to German tax on its worldwide income. A resident corporation generally is not subject to German tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (ie, the CFC rules).

Foreign

A non-resident corporation is taxed only on its German source income, as defined in German tax law and applicable double taxation treaties.

TAXABLE INCOME

Domestic

Taxable income of corporations is based on the annual financial statements prepared under German accounting principles pursuant to the German Commercial Code, subject to adjustments for tax purposes.

Foreign

A non-resident corporation is subject to corporate income tax only on income derived from German sources. Income from German sources includes, among other items, business income from operations in the country through a branch, office or other permanent establishment, including a permanent representative, and income derived from the leasing and disposal of real estate located in Germany.

TAX RATES

The corporate income tax rate is 15 percent plus a 5.50-percent solidarity surcharge levied on the corporate income tax (ie, 15.825 percent including the solidary surcharge).

The trade tax rate, which is levied by municipalities, varies, but in practice averages 14 percent to 17 percent of taxable income.

Trade tax is based on taxable income as calculated for corporate income tax purposes. However, several income adjustments apply.

TAX COMPLIANCE

Corporate income tax returns and trade tax returns generally must be filed within 7 months after the end of the fiscal year. Tax returns prepared by a consultant have to be filed 14 months after the end of the fiscal year. Certain Covid-19-related reliefs may apply and are expected to be extended for tax declarations for 2021 and 2022.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Taxpayers can request a binding ruling from the tax authorities before executing a transaction. If the relevant tax authority issues a ruling, it is bound by it if the taxpayer has executed the transaction as described in its request.

Tax incentives

Various incentive programs exist for the promotion of modern energy generation and efficiency (eg, solar and wind energy), as well as programs for the promotion of domestic buildings, environmental protection, R&D, health care, infrastructure and agriculture. Promotion can either be granted as a tax benefit, allowance, guarantee, loan or participation.

CONSOLIDATION

Profits and losses of a controlled company are attributed to the controlling company if certain requirements are fulfilled and a profit and loss pooling agreement is entered into for a minimum period of 5 years. However, tax consolidation is only possible for subsidiaries with effective place of management in Germany.

PARTICIPATION EXEMPTION

Dividends received by a corporate shareholder are generally tax-free for corporate income tax purposes for shareholdings of at least 10 percent and for trade tax purposes for shareholdings of at least 15 percent. Capital gains received by a corporate shareholder are generally tax-free for corporate income tax purposes and for trade tax purposes regardless of the amount of participation. An amount equal to 5 percent of the dividends or capital gain is treated as a non-deductible business expense and added to taxable income. In turn, the actual business expenses are fully deductible.

CAPITAL GAIN

Capital gains of corporations, except those derived from sales of shares (ie, participation exemption) are treated as ordinary income.

In general, a capital loss of a corporation is deductible. However, a capital loss is not deductible if a gain resulting from the underlying transaction would have been exempt from tax. Consequently, a capital loss from sales of shares or write-downs on shares are not deductible.

DISTRIBUTIONS

Qualifying dividends may be eligible for preferential treatment for the recipient.

LOSS UTILIZATION

Carryforward: Losses may be carried forward indefinitely.

Carryback: Losses up to an amount of EUR 1 million can be offset against the profits of the preceding year. Losses for trade tax purposes cannot be carried back.

The maximum amount limits for loss carrybacks have been increased from EUR 1 million to EUR 5 million for losses from the year 2020 onwards, and the maximum loss carryback amounts to EUR 10 million for the year 2021 onwards. It is envisaged that, from the tax assessment period 2024, the old limit of EUR 1 million will apply again.

Minimum taxation: 40 percent of the income exceeding EUR 1 million cannot be sheltered by tax loss carryforwards, but instead is subject to taxation at regular rates.

TAX-FREE REORGANIZATIONS

Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders.

ANTI-DEFERRAL RULES

Low-taxed passive income (ie, tax rate of less than 25 percent) earned by a foreign corporation in which at least 1 German shareholder holds qualifying ownership interests (ie, an intermediary company) is imputed pro-rata to the German shareholders and is fully subject to German taxation unless the foreign corporation is based in the EU or EEA and carries out an economic activity therein, in which case a limitation may apply. As of 1 January 2022, the German foreign tax regime has been amended and, inter alia, a new control-concept was introduced.

FOREIGN TAX CREDITS

Under German domestic tax law, income from foreign sources is usually taxable, with a credit for the paid foreign income taxes, up to the amount of German tax payable on the foreign-source income, subject to per-country limitations. Excess foreign tax credits cannot be carried back or carried forward. In general, German tax treaties provide for an exemption from German taxation of income from foreign sources except for dividends from direct shareholdings of less than 10 percent and interest. In some cases, the exemption under German tax treaties are subject to substance or activity requirements.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

After long political discussions, the new regulations for real property tax have been agreed on. Real property tax is levied by the municipality of real estate where it is located. The new rate applied is the property value multiplied by the real estate tax coefficient (0.34 per thousand for vacant properties) multiplied by the municipality coefficient. However, it is optional for each state to adopt its own real property tax calculation model. This reform should apply as of January 1, 2025; the old law will apply until then.

Real property tax needs to be paid by the owner of the property. It can also be allocated to the tenants as part of the operating costs.

TRANSFER PRICING

Transactions between affiliated parties will give rise to income adjustments to the extent that such transactions are not conducted at arm's-length. Additionally, transactions with a foreign affiliated party are subject to extensive documentation requirements.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Dividends paid to non-resident companies: Generally, a rate of 26.375 percent applies (ie, 25 percent withholding tax, or WHT, plus 5.50 percent solidarity surcharge on WHT, although exemptions may be available under the EU Parent-Subsidiary Directive, if applicable). There is a reduction of WHT under most German tax treaties for qualified dividends. In addition, on the basis of domestic law, foreign corporations may claim a refund of 40 percent of the WHT, subject to certain substance requirements.

Interest paid to non-resident companies: Generally, there is no WHT, although certain exceptions apply.

Patent royalties and certain copyright royalties paid to non-resident companies: Generally, 15.825 percent WHT applies. Exemptions may be available under the EU Interest-Royalties Directive, if applicable. There is a reduction of WHT under most German tax treaties.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

At the end of July 2019, a government draft on new regulations for real estate transfer tax on share deals was adopted and has entered into force with effect from July 1, 2021.

This Real Estate Transfer Tax Act Amendment follows the Federal Ministry of Finances draft of May 8, 2019 and has essentially kept in line with it. According to the new law, RETT should be levied on (i) the transfer of German real estate, or (ii) the direct or indirect transfer of 90 percent or more of the interest in a partnership owning German real estate to new partners within 10 years, or (iii) the direct or indirect transfer of 90 percent or more of the shares in a corporation owning German real estate to new shareholders within 10 years, or (iv) the direct or indirect aggregation at the level of 1 shareholder or interest holder of 90 percent or more of the shares in a corporation or interest in a partnership owning German real estate. Furthermore, a transaction which has the effect that a taxpayer (directly or indirectly, or partly directly and partly indirectly) holds an economic participation of at least 90 percent in a company or partnership owning real property also triggers RETT. The tax rate ranges between 3.50 percent and 6.50 percent among the German federal states. Before the RETT reform, RETT was triggered upon the transfer of at least 95 percent of shares or interests in a partnership within 5 years.

There are no other transfer taxes, capital duties or stamp duties.

EMPLOYMENT TAXES

Employers must withhold wage taxes (ie, withholding tax on income from employment) and 50 percent of the wage-related social security contributions for pension, health, nursing care and unemployment insurance.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS

Dr. Konrad Rohde
Partner
DLA Piper UK LLP



konrad.rohde@dlapiper.com

T: +49 69 271 33 340

[View bio](#)



Dr. Marie-Theres Rämer

Partner

DLA Piper UK LLP

marie-theres.raemer@dlapiper.com

T: +49 69 271 33 470

[View bio](#)

HONG KONG, SAR



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RESIDENCE AND BASIS FOR TAXATION

Residence is generally not relevant for Hong Kong tax purposes. Rather, the basis for taxation is whether or not a person carries on a trade, profession or business in Hong Kong. Nevertheless, the concept of residence can be relevant for the purposes of Hong Kong tax treaties as well as certain exemptions (such as the offshore fund profits tax exemption). In such case, Hong Kong would follow the common law tests of residential ties for individuals and management or control for other entities.

Domestic

Hong Kong has a territorial system of taxation without a general definition of income. Generally, only:

- Profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong (including certain specified foreign-sourced income – see “Income” section below)
- Employment remuneration for services rendered in Hong Kong
- Income from real properties situated in Hong Kong can be subject to tax

Any other item of income is exempt from tax.

Foreign

There is no special regime for nonresidents. A Hong Kong branch of a foreign corporation is treated the same way as a locally incorporated company and is subject to similar corporate and tax obligations as a resident company.

TAXABLE INCOME

Domestic

For profits tax purposes, a person is taxed on its assessable profits calculated as its income minus applicable deductions. Usually the starting point of the calculation will be the financial statements of the taxpayer adjusted in

accordance with the tax legislation. Adjustments can be made for items of income – for example, excluding offshore profits – or items of deductions – for example, adjusting amortization claims.

Income

Generally, assessable profits include only profits arising in or derived from Hong Kong (ie, profits sourced in Hong Kong) from a trade, profession or business carried on in Hong Kong. Source is a practical, hard matter of fact.

Specific rules may apply to certain types of receipts. For instance, a person in receipt of an amount for the use or right to use certain intellectual properties or movable property is deemed to carry on business in Hong Kong and in receipt of income arising in or derived from Hong Kong. There are also specific rules for income from an intra-group financing business.

On January 1, 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 introduced a refined Foreign Source Income Exemption (FSIE) regime, under which certain foreign-sourced income, including interest, dividend, disposal gain and intellectual property income of a multinational enterprise (MNE) entity may be chargeable to profits tax when it is received in Hong Kong, subject to certain exception requirements such as an economic substance requirement, participation requirement or nexus requirement.

Deductions

Expenses are generally deductible to the extent that they are incurred for the production of assessable profits and are not capital in nature, unless specifically prohibited. There are also specific rules for deductions of an intra-group financing business.

Foreign

There is no special regime for nonresidents. A Hong Kong branch of a foreign corporation is treated the same way as a locally incorporated company and is subject to similar corporate and tax obligations as a resident company.

TAX RATES

Under the 2-tiered profits tax rate regime (effective from April 1, 2018), the profits tax rate for the first HKD2 million of profits of corporations will be lowered to 8.25 percent; profits above that amount will continue to be subject to the normal tax rate of 16.5 percent. The said rates apply on all assessable income with only a few exceptions. The most significant one is the offshore fund profits tax exemption, which exempts most profit of offshore funds carrying on business in Hong Kong. Partial rate exemption (ie, 8.25 percent) applies to items of income such as income from qualifying debt instruments issued in Hong Kong or the onshore business income of professional reinsurance companies. In addition, qualifying corporate treasury centers may enjoy a 50 percent concession (ie, 8.25 percent) on the prevailing rate of normal Hong Kong profits tax (ie, 16.5 percent) on the qualifying profits.

TAX COMPLIANCE

The year of assessment runs from April 1 to March 31. For profits tax purposes, the basis period is the accounting year of the taxpayer ended in the year of assessment.

Hong Kong taxpayers are prompted to file tax returns. The Inland Revenue Department (IRD) usually issues profits tax returns to taxpayers from the first working day of April each year. In general, a corporate taxpayer is required to complete and file its profits tax return with the IRD within 1 month from the date of issuance, but a taxpayer with a tax representative usually has an automatic extension, with reference to the accounting date. If a taxpayer has assessable profits for a tax year, it is required to inform the IRD accordingly if it has not received a tax return.

A newly incorporated business in Hong Kong usually receives its first profits tax return around 18 months from the date of commencement of business or the date of incorporation.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Advance rulings are available to taxpayers as a paid service and are subject to certain formalities.

A taxpayer can voluntarily request for a ruling in specified areas, such as the application of the locality of profits rules or the general anti-avoidance provision, royalty payments, stock borrowing or lending and interest income exemption.

The normal processing time is 6 weeks, but a complex application can take significantly more time. A ruling is final, but it does not affect the taxpayer's right of objection against a subsequent tax assessment issued in accordance with an unfavorable ruling.

Tax incentives

See Tax rates. The Revenue (Tax Concessions) Ordinance 2022 was azette on April 14, 2022 to give effect to a one-off reduction of the final tax in respect of profits tax, salaries tax and tax under personal assessment for the year of assessment 2021-22 proposed by the Financial Secretary in the 2022-23 Budget by 100 percent, subject to a ceiling of HKD10,000 per case. The Inland Revenue (Amendment) (Tax Deductions for Domestic Rents) Ordinance 2022, azette on June 30, 2022, also gave effect to the tax deduction for eligible domestic rental expenses from the year of assessment 2022-23 proposed by the Financial Secretary. Taxpayers liable to salaries tax or tax charged under personal assessment who do not own any domestic property can claim deduction for the rent paid by themselves or their spouse as the tenant, subject to an annual ceiling of HKD100,000.

The Inland revenue (Amendment) (Tax Concessions for Certain Shipping-related Activities) Ordinance 2022 was gazetted on July 22, 2022 and introduces half-rate profits tax concessions (ie, 8.25 percent) to qualifying shipping commercial principals, including ship agents, ship managers and ship brokers. Tax concessions will apply to sums received by or accrued to shipping commercial principals on or after April 1, 2022.

The Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 was gazetted on December 9, 2022 and was introduced into the Legislative Council on December 14, 2022. As an incentive for developing family office businesses in Hong Kong, the Bill aims to provide tax concessions for (a) eligible family-owned investment holding vehicles managed by eligible single-family offices in Hong Kong and (b) family-owned special purpose entities. The Bill is currently subject to scrutiny by the Legislative Council.

Tax incentives are also available to certain specified areas subject to qualifying conditions, such as interest on and any profit made in respect of Renminbi sovereign bonds, capital expenditure on specified environmental protection facilities, capital expenditure on plant and machinery specifically related to manufacturing, expenditure on computer hardware and software, and expenditure incurred on certain research and development activities.

CONSOLIDATION

Although group companies in Hong Kong are, subject to certain exceptions, required to prepare consolidated financials for accounting purposes, Hong Kong does not allow groups of companies to file consolidated profits tax returns. There is no group loss relief (eg, loss consolidation, loss transfer) for taxpayers in group companies.

PARTICIPATION EXEMPTION

Dividends received by a Hong Kong company are generally not subject to tax, except where foreign-sourced dividends of a MNE entity are deemed to be sourced from Hong Kong and are chargeable to profits tax when received in Hong Kong under the refined FSIE regime.

CAPITAL GAIN

Hong Kong does not generally tax capital gains, except where foreign-sourced disposal gains of a MNE entity are deemed to be sourced from Hong Kong and are chargeable to profits tax when received in Hong Kong under the refined FSIE regime. In addition, the net gains on transactions deemed speculative may be taxable as a taxpayer's trading income.

DISTRIBUTIONS

Dividends distributed by a Hong Kong company to its shareholders are tax exempt. No withholding tax is levied on the distributing Hong Kong company.

LOSS UTILIZATION

Losses attributable to the operation of the trade, profession or business carried on in Hong Kong can be carried forward indefinitely to offset against future assessable profits until fully utilized. Where a taxpayer carries on

multiple trades, profession or businesses in Hong Kong, the losses in one can be utilized against the profits of the other.

However, losses cannot be carried back to offset against assessable profits in prior basis periods.

TAX-FREE REORGANIZATIONS

Ad valorem stamp duty is payable for the transfers or sales of shares or immovable property in a reorganization (see Stamp duty). Stamp duty relief for intra-group reorganization is available subject to certain conditions.

ANTI-DEFERRAL RULES

There is no controlled foreign corporation (CFC) regime in Hong Kong.

FOREIGN TAX CREDITS

If foreign taxes are payable/paid on income derived from a jurisdiction where Hong Kong has a double taxation arrangement with and the same income is subject to tax in Hong Kong, a full credit for tax paid may be available in Hong Kong.

In addition, if foreign taxes are payable/paid on specified foreign-sourced income deemed taxable under the refined FSIE regime, foreign tax credits are available regardless of whether the jurisdiction has a double taxation arrangement with Hong Kong or not.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Income derived from renting out real properties by owners in Hong Kong is subject to property tax, which is charged at a standard rate of 15 percent of the property's net assessable value for the relevant year of assessment. Depending on individuals' actual income positions, it may be more beneficial for individuals subject to both profits tax and property tax to elect personal assessment, which allows certain deductions and computation of tax liabilities at progressive rates applicable. A corporation may also seek exemption if the relevant rental income has already been included for profit tax assessment. Save for specific exemptions, ad valorem stamp duty is levied on sale or transfer of real properties in Hong Kong at applicable rates depending on the type of immovable property being transferred.

In addition, residential property transactions in Hong Kong can attract ad valorem stamp duty, Buyer's Stamp Duty and Special Stamp Duty.

TRANSFER PRICING

The Hong Kong government amended the Inland Revenue Ordinance in July 2018 in order to meet the international standards of transfer pricing developed under the OECD. The main objectives of the amendments are to codify the transfer pricing principles (such as the arm's length principle), implement certain measures under the Base Erosion and Profit Shifting (BEPS) package and align the existing provisions with international tax

requirements. The amendments also cover requirements and exemptions for transfer pricing documentation, including master file, local file and country-by-country report.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Hong Kong does not impose withholding tax on dividends, interests or rents. The only withholding tax is on any payment made to a nonresident for the use of, or the right to use, certain intellectual property in Hong Kong, or outside Hong Kong where the payments are deductible for the taxpayer. The general tax rate is 16.5 percent on the assessable profits. When the payment is derived from an associate and the relevant intellectual property has once been owned by any Hong Kong taxpayer, the assessable profits are deemed to be 100 percent of the payment; in other circumstances, the assessable profits are generally deemed to be 30 percent of the payment. A double taxation arrangement may provide for a lower rate.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Hong Kong does not have capital duty.

For shares transfer or sales of shares, ad valorem stamp duty is payable in respect of contract notes at the rate of 0.26 percent of the consideration or the fair market value of the shares, whichever is higher, and a fixed duty of HKD5 each is payable in respect of the instrument of transfer.

For sale or transfer of immovable property in Hong Kong, ad valorem stamp duty at applicable rates is payable depending on the type of immovable property being transferred. In addition, residential property transactions in Hong Kong may also attract Buyer's Stamp Duty and Special Stamp Duty.

For rental of immovable property in Hong Kong, stamp duty is payable at up to 1 percent of the average yearly rent.

In case of an intra-group transfer, a stamp duty exemption may apply.

EMPLOYMENT TAXES

Employment taxes

Regardless of whether the employees are residents in Hong Kong, employers are not required to withhold tax for employees. The only exception is in the case of a termination and if the employee intends to leave Hong Kong for over 1 month following the cessation of employment; in this case, the employer is required to give the IRD a notification in writing of such impending departure at least 1 month prior to the departure and must temporarily withhold all payment due to the employee for a period of 1 month from the date of filing the notification or until the IRD issues a "letter of release," whichever is earlier.

Pension contributions

Employers are required to:

- Withhold and pay 5 percent of their employees' relevant income (capped) as the employees' contributions and
- Pay an additional 5 percent as their own employer's contributions (capped) to the Mandatory Provident Fund (MPF) scheme or a MPF-exempted Occupational Retirement (MPF Exempted) scheme.

Currently, the maximum mandatory contributions of each of the employers' shares and employees' shares for such MPF scheme or MPF Exempted scheme is HKD1,500 (approximately USD200) for employees with a monthly relevant income exceeding HKD30,000 (approximately USD3,870). If the employee's monthly relevant income falls under HKD7,100 (approximately USD915), their monthly contributions to MPF scheme or MPF Exempted scheme are not required, but the employer's contribution obligation remains the same.

OTHER TAX CONSIDERATIONS

Imports into Hong Kong are generally duty-free with few exceptions. No customs or excise duty is levied on exports from Hong Kong.

KEY CONTACTS



Anderson Lam

Partner

DLA Piper Hong Kong

anderson.lam@dlapiper.com

T: +852 2103 0722

[View bio](#)

HUNGARY



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RESIDENCE AND BASIS FOR TAXATION

A corporate entity is treated as a domestic entity for corporate income tax purposes if it is incorporated under Hungarian law or the place of effective management is in Hungary.

Domestic

A resident company is subject to Hungarian corporate income tax on all its worldwide income and capital gain unless specifically exempted by the corporate income tax legislation.

Foreign

A nonresident company with a permanent establishment in Hungary is subject to corporate income tax on (i) the income derived through the permanent establishment, defined in Hungarian tax law and the applicable double taxation treaties, and (ii) on the income realized through alienation of participations in a Hungarian entity qualifying as a real estate holding company.

The applicable double tax treaties may reduce or eliminate these taxes. Hungary has an extensive network of treaties.

TAXABLE INCOME

Domestic

A resident company is subject to corporate income tax on all its income from sources anywhere in the world, including patent royalties, dividends, interest and capital gains. Taxable base is equal to the pre-tax profit as shown in the financial statements by effecting certain adjustments. Taxable profits comprise operational business profits, profits from financial transactions and other profits.

In general, all expenses related to the operation of a business are deductible with certain exemptions (eg, fines and penalties).

Certain tax incentives are granted in the form of taxable base reductions in addition to the already-recognized cost deduction for accounting purposes.

A minimum alternative tax applies if a company cannot present a cost structure attached to the tax return.

Foreign

Nonresident taxpayers are taxed on the income attributed to their Hungarian permanent establishments or on the income realized through alienation of participation in a Hungarian entity that qualifies as a real estate holding company.

TAX RATES

The corporate income tax is levied at a flat rate of 9 percent.

Local business tax is payable at a maximum of 2 percent on adjusted total trading turnover; it is deductible for corporate income tax purposes.

TAX COMPLIANCE

Corporate income tax returns must be filed within 5 months from the last day of the tax year. Corporate income tax must be self-assessed by taxpayers and declared annually.

Under the self-assessment system, taxpayers are expected to voluntarily comply with the rules of the tax legislation. In order to encourage voluntary compliance, a self-correction procedure is available to taxpayers.

ALTERNATIVE MINIMUM TAX

Companies are required to pay corporate income tax (based on a so-called minimum taxable base) even if they do not make a profit, unless they present their cost structure on an additional form attached to their tax returns.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Advance rulings may be requested by both resident and non-resident companies on any type of tax, provided that the request concerns the tax consequences of a future contract or transaction. In addition, binding rulings may be requested in relation to past transactions regarding corporate income tax, personal income tax, small business tax and local business tax consequences.

The application for a ruling is subject to a fee. The fee of the ruling request is between HUF5 million and HUF8 million (approximately between USD14,500 and USD23,500), depending on whether the taxpayer applies for an urgent ruling.

Tax incentives

There are tax incentives for specific activities. The tax credit for the promotion of development, being the general incentive regime, may not exceed 80 percent of the tax due. Any other tax credits (eg, the small business investment credit, the film production credit and the credit for sport subsidies) may not exceed 70 percent of the tax due that remains after the deduction of the tax credit for the promotion of development.

Hungary has an attractive IP regime that provides several benefits for IP-related activities. Pursuant to Hungarian legislation, companies may deduct 50 percent of the profit derived from royalty payments received. There are further advantages, including the CIT and local business tax exemption for income arising from the royalty payments received and the sale of a qualifying IP; preliminary requirements are registration of the IP with the tax authority and a 1-year holding period.

CONSOLIDATION

Since 2019, taxpayers may opt for group taxation for corporate income tax purposes subject to certain conditions. Members of the tax group may offset losses against the profits of other members of the tax group concerned. The general corporate income tax rate is applicable to corporate income tax groups.

PARTICIPATION EXEMPTION

Capital gains realized through the disposal of stock in qualifying subsidiaries are exempted from corporate income tax. Participation exemption additionally applies to dividends received.

CAPITAL GAIN

Capital gains are generally included in the company's total ordinary income and are subject to tax at the general rates.

However, capital gains on the disposal of a "reported participation" are exempt, provided that the taxpayer has held the participation for at least 1 year before the disposal. In this context, "disposal," aside from sale and purchase, refers to contribution in kind as well. A reported participation is a participation in the capital of a company (domestic or foreign, except CFCs), the acquisition of which was appropriately reported to the tax authority, within 75 days from the acquisition date.

Capital gains on the disposal of "reported intangible assets" (ie, acquired or self-developed assets that entitle the taxpayer to royalty income) are exempt, provided that the seller has held the asset for at least 1 year and the acquisition is reported to the tax authority within 60 days from the acquisition date.

DISTRIBUTIONS

There are no withholding taxes on patent royalties, dividends and interest paid to resident or nonresident companies.

LOSS UTILIZATION

Tax losses may be carried forward for 5 years from the year in which they incurred. Losses carried forward from previous tax years may only be used to offset 50 percent of the current year's profit. Losses must be deducted in the order they were sustained. Losses generated by the last day of the 2014 tax year which have not yet been used can be utilized in line with the provisions effective on December 31, 2014 and are available to be utilized by December 31, 2030.

TAX-FREE REORGANIZATIONS

The provisions that implemented the EU Merger Directive apply to domestic situations and provide for a tax deferral (ie, a temporary tax exemption) on capital gains realized on qualifying transactions. Qualifying transactions are identified in the Hungarian legislation by the terms "preferential transformation," "preferential transfer of assets" and "preferential exchange of shares." The tax deferral is not automatically available, but only at the election of the taxpayer.

ANTI-DEFERRAL RULES

CFC

A CFC is defined as a non-resident company that meets 1 of the following conditions:

A foreign entity is regarded as a CFC if a Hungarian taxpayer, either on its own or together with related entities /persons:

- Holds a direct or indirect participation of more than 50 percent of the voting rights of that entity
- Owns, directly or indirectly, more than 50 percent of the registered capital of that entity or
- Is entitled to receive more than 50 percent of the profits of the foreign entity and
- If the participation or entitlement specified above persists during the majority of the underlying tax year.

The above definition is also applicable in relation to a Hungarian resident taxpayer and its foreign permanent establishment.

The CFC rules apply if the actual corporate tax paid by the foreign entity or permanent establishment (PE) on its profits is less than the difference between the equivalent corporate tax that would have been due in Hungary if the foreign entity or PE had been subject to Hungarian corporate income tax and the corporate income tax actually paid by the foreign entity, if all other tests are also met.

A foreign entity or PE does not qualify as CFC if the income of the foreign entity or PE is derived solely from a transaction - or series of transactions - regarded as genuine.

If the entity attains CFC status, the profit generated by that entity from a transaction, or series of transactions, that is regarded as non-genuine and reduced by the dividends declared will be included in the taxable base of the Hungarian taxpayer to the extent of amounts generated through assets and risks, which are linked to significant people functions carried out by the controlling Hungarian tax resident entity.

Dividends received from a CFC are included in the taxable base of a resident corporate taxpayer.

General anti-avoidance rules

There are several anti-avoidance rules that allow tax authorities to ignore the legal form of an arrangement between entities and examine the actual substance or genuine purpose of a contract or transaction.

The following general anti-avoidance rules are set out in the Hungarian Act on Rules of Taxation:

- A genuine economic activity clause, which is a requirement to carry out transactions of a real economic substance, and
- The prohibition of abuse of law, which is a requirement of proper exercise of the law.

Under the substance-over-form rule, the tax consequences of transactions or the chain of transactions may be assessed according to their real substance. The general abuse-of-law doctrine examines the goal of a transaction or a chain of transactions. Should the primary goal be the avoidance of taxation or gaining tax advantages, the deductions may be denied.

General anti-avoidance rules under the Hungarian Corporate Tax Act include the following:

- Prohibition of the multiple reduction of the taxable base under the same legal title
- Transactions should make business sense; otherwise, deduction may be denied, and
- Taxpayers should act with due diligence.

Based on the general anti-avoidance rules as set out in the corporate income tax legislation costs, expenditures and losses related to a contract or a transaction are deductible for corporate income tax purposes to the extent that the underlying transaction, or series of transactions, is in line with the purpose of the applicable tax rule and is substantiated by real economic, commercial reasons. If the main purpose or one of the main purposes of the transaction, or series of transactions, is largely to achieve tax advantages contrary to the objective of the applicable tax rules, the costs and losses related to the transaction are not deductible.

FOREIGN TAX CREDITS

Double tax treaties

Hungary has signed more than 70 double taxation treaties with other countries to avoid double taxation of income or gains. According to these, foreign taxes paid on foreign-source income may be credited against Hungarian tax, or the foreign source income may be exempted.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

The acquisition of real estate in Hungary as part of a purchase, exchange or similar transaction is normally subject to real estate transfer tax, payable at 4 percent of the market value. A reduced rate of 2 percent applies to the value above HUF1 billion (approximately USD2,900,000). Besides real estate transfer tax, there may be other different tax liabilities, including building tax and land tax, which are imposed at the level of municipalities.

TRANSFER PRICING

The arm's-length principle is applied under Hungarian law to transactions between related entities. Hungarian rules are in accordance with the OECD guidelines.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

There is no withholding tax on dividends, interests and royalties paid to resident and nonresident companies.

Dividends, including advance dividends, paid to individuals are taxed at the rate of 15 percent. Double taxation treaties operate to modify these rules, including reducing the rate of withholding taxes.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty in Hungary. There is no standard rate for stamp duties – they are imposed in administrative and court procedures.

Generally, transfer tax is payable by the purchaser at a rate of 4 percent of the value of the property up to HUF1 billion, and 2 percent on the value exceeding HUF1 billion (approximately USD2,900,000) (capped at HUF200 million per property, approximately USD580,000).

EMPLOYMENT TAXES

Social security tax is paid by paying agents (eg, employers) based on a legal relationship with an individual (eg, employment). The rate of social security tax is 13 percent.

Generally, social security contribution is payable by the employees at the rate of 18.5 percent. However, employers (ie, paying agents) are obliged to withhold and pay the social security contributions for their employees.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Levente Torma

Counsel

DLA Piper Hungary

levente.torma@dlapiper.com

T: +36 1 510 1100

[View bio](#)

INDIA



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RESIDENCE AND BASIS FOR TAXATION

A corporation formed in an Indian jurisdiction is treated as a domestic corporation. A company is deemed to be a tax resident company of India within a given tax year if it is incorporated in India or its place of effective management in that year is in India. Several guiding principles were laid down for determination of place of effective management in Circular No.6 of 2017 dated January 24, 2017.

A corporation resident in India is subject to Indian tax on its worldwide income. A corporation resident in India generally is not subject to Indian tax on the income of its foreign subsidiaries unless it is deemed to have a permanent establishment in such country.

Foreign

Foreign corporations are subject to Indian income tax in respect of income received or accrued or arising in India which may be derived from:

- Income arising from an Indian trade or business
- A permanent establishment or
- Corporations whose place of effective management is in India.

Tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Domestic

Residents are taxed on their global income less any deductions. Income derived from a foreign source by a resident company is subject to the applicable domestic tax rates.

Foreign

Foreign companies that have branches or similar establishments in India are taxed as foreign corporations. A permanent establishment of a foreign company in India may be taxed on the income attributable to such permanent establishment in India.

Further, the concept of “significant economic presence” (SEP) was introduced w.e.f. January 4, 2022, stating that transactions in respect of goods, services or property including provision of download of data or software in India or soliciting of its business activities in India through digital means carried out by a non-resident shall constitute SEP in India, whether or not the agreement for such transactions or activities are entered into in India or the non-resident has a residence or place of business in India or renders services in India. However, only so much income as is attributable to the transactions or activities referred above shall be deemed to accrue or arise in India from a “business connection” of the non-resident in India.

A foreign company will be liable to pay tax on international transactions that may indirectly affect ownership and control of Indian company subject to tax treaty.

TAX RATES

Income tax rates applicable to an individual taxpayer range from a rate of 0 percent to 30 percent. No income tax is payable if the income of the individual taxpayer is below INR250,000. A tax of 5 percent is payable if the income of the individual taxpayer is between INR250,000 and INR500,000, a tax of 20 percent is payable if the income of the individual taxpayer is between INR500,000 and INR1 million and a tax of 30 percent is payable if the income of the individual taxpayer exceeds INR 1 million. The income tax rate for domestic companies is 25 percent if turnover or gross receipt of the company in the financial year 2021–22 does not exceed INR4 billion. A surcharge of 7 percent is payable if the income of the domestic company exceeds INR10 million but does not exceed INR100 million. A surcharge of 12 percent is payable if the income of the domestic company exceeds INR100 million. Over and above the income tax and surcharge, health and education cess is payable at the rate of 4 percent of the income tax and surcharge by all taxpayers.

Option is also provided to individuals to pay tax at reduced rate of 5 percent if the total income of the individual taxpayer is between INR250,000 and INR500,000; tax of 10 percent if the total income of the individual taxpayer is between INR500,000 and INR 7,50,000; tax of 15 percent if the total income of the individual taxpayer is between INR7,50,000 and INR 10,00,000; tax of 20 percent if the total income of the individual taxpayer is between INR 10,00,000 and 12,50,000; tax of 25 percent if the total income of the individual taxpayer is between INR 12,50,000 and INR 15,00,000; and tax of 30 percent if total income exceeds 15 million. A surcharge of 10 to 37 percent is payable on different income slabs where total income exceeds INR50. Aside from the income tax and surcharge, a health and education cess is payable at the rate of 4 percent of the income tax and surcharge by the taxpayer.

Domestic companies also have an option to pay income tax at lower base rates of 22 or 25 percent for the financial year 2022–23 (assessment year 2023–24) on satisfying certain specific conditions such as not claiming certain deductions. A surcharge of 10 percent and cess of 4 percent will be applicable on companies claiming this option.

Further, an Indian company registered on or after October 1, 2019 for manufacturing activity or generation of power can opt for concessional rate of tax at the rate of 17.16 percent (income tax at the rate of 15 percent plus a surcharge at the rate of 10 percent plus cess at the rate of 4 percent) subject to satisfaction of certain

conditions, and specifically, subject to the company commencing manufacturing or power generation by March 31, 2024, to be eligible for this concessional tax rate.

TAX COMPLIANCE

Due date for filing income tax return for financial year 2022–23 (assessment year 2023–24) for individuals is July 31, 2023 and, for businesses, income tax returns are due on October 31, 2023. If the taxpayer must furnish transfer pricing report, the due date for filing an income tax return is November 30, 2023. In certain instances, a taxpayer may be required to make advance payments of tax on a quarterly basis on June 15, September 15, December 15 and March 15.

An option is proposed to be provided to the taxpayer to furnish an updated return of income within two years of the end of the relevant assessment year on payment of additional tax. The said option would be available regardless of whether a return of income was filed previously or not, subject to satisfaction of certain conditions.

ALTERNATIVE MINIMUM TAX

Every domestic corporation is subject to Minimum Alternate Tax (MAT) of 15 percent for assessment year 2023–24 (financial year 2022–23). A corporation pays the greater of its regular tax liability and its MAT tax liability. Foreign corporations may also be subject to MAT. However, companies opting to pay a concessional tax rate of 25 or 15 percent, as the case may be, are not required to pay MAT. Every non-corporate taxpayer also is required to pay similarly Alternate Minimum Tax (AMT) of 18.5 percent.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Tax holidays are available to certain corporations either engaged in specific sectors such as exports or infrastructure, or to corporations that are newly formed or that are of a smaller size.

Tax rulings

An advanced ruling can be obtained by an applicant (either a non-resident or a resident transacting with a non-resident) in respect of any question of law or fact in relation to the income tax liability of the non-resident, arising out of a transaction undertaken or proposed to be undertaken.

With effect from September 1, 2021, the Authority for Advance Ruling (AAR) ceased to operate, and the Boards for Advance Rulings was constituted to give advance rulings on or after September 1, 2021.

Tax incentives

There are tax incentives for certain industries either based on their location in special economic zones or in backward areas or by the nature of the industry itself.

CONSOLIDATION

Consolidated tax returns are not permitted to be filed in India.

PARTICIPATION EXEMPTION

There is no participation exemption for dividends received from, or capital gain recognized on the stock of, foreign subsidiaries. However, the investor can claim a deduction only for the interest expense which is restricted to 20 percent of the gross dividend income.

Concessional tax rate of 15 percent on dividend income received from specified foreign company was proposed to be discontinued from April 2022.

CAPITAL GAIN

Capital gain is taxed in India according to its classification as long term capital gain (LTGC) or short term capital gain (STCG). If the assets are held for more than 36 months, they result in LTGC. This period is reduced to more than 12 months in the case of listed shares, specified securities/bonds and units of mutual funds, and to more than 24 months for shares of a company that are not listed on a recognized stock exchange and immovable property (land, buildings or both).

LTGC arising from the transfer of listed equity shares, units of an equity-oriented mutual fund on which Security Transaction Tax (STT) is paid, and where the LTGC amount exceeds INR 100,000 are subject to tax at 10 percent (plus applicable surcharge and cess). STCG on listed shares and units of an equity-oriented mutual fund where STT is paid are taxed at a rate of 15 percent (plus the applicable surcharge and cess). Other LTGC derived by residents and non-residents (ie, gains not arising from listed securities) are taxed at 20 percent (plus the applicable surcharge and cess).

Short-term capital gain is taxed at the normal tax rates, whereas adjustments for inflation are permissible in relation to long term capital gain. LTGC arising to non-residents on transfer of unlisted securities are taxed at 10 percent (plus the applicable surcharge and cess). Such gains are computed without foreign currency conversion or cost indexation.

An Indian company buying back shares from its shareholders is subject to a distribution tax at 20 percent (plus applicable surcharge and cess) on the income distributed by way of buyback. Any income arising to the shareholders on account of such buyback will not be subject to any further tax.

DISTRIBUTIONS

Distributions of dividends, on or after April 01, 2020, by a corporation are subject to income tax in the hands of the shareholders and corporations are required to withhold taxes thereon from resident recipients at 10 percent and for non-resident recipients at 20 percent (subject to applicability of Tax Treaty).

LOSS UTILIZATION

Business or Profession losses may be carried forward 8 years. However, unabsorbed depreciation may be carried forward indefinitely. Business losses may be carried forward only where tax return is filed by the due date. Short-term capital loss may be set off against both short term and long term capital gain. However, long-term loss may be set off only against long term gain. In the case of a closely held company, such as a private limited company, carrying forward and setting off of losses will not be permitted unless shares of such company carrying not less than 51 percent of the voting power were beneficially held by same persons both in the year in which losses were incurred and the year in which the losses are sought to be set off.

TAX-FREE REORGANIZATIONS

Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders, except to the extent of any non-qualifying property received.

In a cross-border transaction, when a foreign holding company transfers its shareholding in an Indian company to another foreign company as a result of a scheme of amalgamation, such transfer of capital asset (ie, shares in the Indian company), is also exempt from capital gains tax in India, subject to certain conditions.

ANTI-DEFERRAL RULES

India presently has in place certain General Anti-Avoidance Rules (GAAR) or Specific Anti-Avoidance Rules (SAAR) pertaining to anti-deferral of taxes. GAAR will not apply in an arrangement where the tax benefit in the relevant assessment year does not exceed a sum of INR30,000,000 (Rupees 30 million).

FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. The foreign tax credit is governed by the clauses of the relevant Tax Treaty (relief from double taxation). Further, the Central Board of Direct Taxes has also promulgated Foreign Tax Credit Rules.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Foreign investment in real estate in India is highly regulated. A foreign company may acquire immovable property for business purposes, but amounts received for sale of such immovable property may only be repatriated to the extent paid for such immovable property.

TRANSFER PRICING

Transfer Pricing must be conducted on an arm's-length basis and computed using any of the following methods:

- Comparable uncontrolled price method
- Resale price method

- Cost plus method Profit split method
- Transactional net margin method or
- Any other method that takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

It is possible to enter into unilateral/bilateral advance pricing agreements with the tax authorities.

WITHHOLDING TAX

Withholding tax at differing rates applies to royalties, interest, fees for technical services and other income paid by a domestic corporation to a foreign person, subject to reduction by an applicable income tax treaty.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

ROC charges are payable when the authorized share capital of a company is increased, at progressive rates depending on the value of capital. Stamp duties and transfer taxes may be imposed at the state or local level.

EMPLOYMENT TAXES

Employers must withhold income tax at the applicable rates. Employers must also withhold and pay social security tax in respect of compensation paid to employees. These taxes are deductible by an employer for Indian income tax purposes. Professional taxes may be payable in some states of India.

OTHER TAX CONSIDERATIONS

Service fees

Withholding tax on fees for technical or consultancy services applies to payments made to non-residents. Corresponding provisions of the relevant tax treaty may be examined to ascertain any relief or exemption.

Goods and Services Tax

Goods and Services Tax (GST) is an indirect tax that came into effect on July 1, 2017. GST is levied at every stage of production-distribution chain with applicable set off credits in respect of tax paid at previous stages. Goods and services are divided into 5 tax slabs for collection of tax - 0 percent, 5 percent, 12 percent, 18 percent and 28 percent with lower rates for essential items and the highest for luxury and de-merits goods. Petroleum products and alcoholic drinks are taxed separately by the individual state governments.

Any services offered by Indian resident to a person resident outside India are usually treated as "export of service" and are thus exempt from levy of GST which is otherwise payable at 18 percent rate. This is subject to certain exceptions.

Following are the different types of levies in GST:

- Central GST (CGST)
- State GST (SGST)/Union Territory GST (UTGST)
- Integrated GST(IGST)

SGST is levied along with CGST on the supply made by a registered person within a State and UTGST is levied along with CGST on the supply made by a registered person within a Union Territory. However, in no case, both SGST and UTGST are levied on an invoice of supply of goods or services or both. It is either be SGST or UTGST along with CGST which can be levied on the invoice. IGST can be levied on Import or Inter-State supply of goods or services or both. IGST is equivalent to sum total of CGST and SGST/UTGST.

Equalisation Levy

The Indian Government has introduced an equalization levy (EL) on consideration received by non-resident e-commerce operators for e-commerce supply or services at a rate of 2 percent with effect from April 1, 2020. “E-commerce supply or service” has been defined include online sale of goods or online provision of services or facilitation of online sale of goods or provision of service. The levy is triggered on consideration received by a non-resident e-commerce operator on an e-commerce transaction conducted by a person resident in India. Further, EL is also applicable on consideration received by the e-commerce operator from a non-resident for (i) sale of advertisement targeting an Indian resident or customer who has access to such advertisement through an internet protocol (IP) address located in India and (ii) where a non-resident avails the supply of goods or services using an IP address located in India. Further EL is not applicable where the consideration is related to a permanent establishment in India. Additionally, EL is applicable only to digitized products and services, it does not apply to goods and services which are available physically offline i.e. to e-commerce transactions that merely facilitate communication, placement, conclusion and delivery of orders.

Where equalization levy is deducted by the payer, income of the non-resident recipient is exempt from taxation under the Indian income tax.

Taxation of virtual digital assets (VDA)

The Indian government proposed to levy tax on income arising from transfer of “virtual digital assets” at the rate of 30 percent (plus surcharge and cess) from April 2022. Virtual digital assets include crypto-assets, Non-Fungible Tokens (NFT) and other digital assets. No deduction for any expenses and losses were proposed to be allowed except the cost of acquisition. Carry-forward of losses to succeeding years is also not allowed. Gifts of VDA were proposed to be taxable in the hands of the recipient. Further, is the government also proposed to provide for tax withholding on consideration paid to another resident on transfer of VDA, subject to a monetary threshold.

Litigation and Dispute Management

An option is proposed to be provided to the income tax department to not file appeal before the appellate authorities where appeal (in its own case or other taxpayer) is already filed earlier on identical question of law, which is pending before the higher appellate authority. In such cases, the tax authorities are required to file an application with the relevant appellate authority for deferral of appeal filing until the identical question of law becomes final.

KEY CONTACTS



Roderik Bouwman

Partner

DLA Piper Netherlands

roderik.bouwman@dlapiper.com

T: +31 (0)20 5419 894

[View bio](#)

IRELAND



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RESIDENCE AND BASIS FOR TAXATION

A company incorporated in Ireland on or after January 1, 2015 is regarded as tax resident in Ireland, unless a tax treaty provides otherwise.

Domestic

An Irish resident company is subject to Irish tax on its worldwide income and gains.

Foreign

A non-Irish resident company is not subject to Irish tax on income unless it carries on a trade in Ireland through a branch or agency or it receives income from Irish sources (eg, income from the rent of Irish properties). A non-Irish resident company is not subject to Irish tax on capital gains unless it makes a disposal of:

- Irish land
- Irish minerals or mining rights
- Unquoted shares deriving their value from (1) or (2) above or
- Irish situate assets which, at or before the time when the gains accrued, were used in or for the purposes of a trade carried on by the company in Ireland through a branch or agency.

TAXABLE INCOME

Domestic

Taxable income of an Irish tax resident company is calculated by deducting allowable deductions (expenses, allowances and reliefs) from the profits and other income.

TAX RATES

Corporate tax is applied at 2 rates: 12.5 percent for trading income and 25 percent for non-trading (passive) income.

TAX COMPLIANCE

Corporate tax returns are generally due by the 21st day of the 9th month following the end of the relevant company's accounting period. This may be extended to the 23rd day of such month for companies that file their corporate tax returns online, which most companies are now obliged to do. At this time, companies must pay the balance of any associated tax due via Revenue's Online Service.

Companies are also obliged to pay preliminary tax.

In the case of "large companies" (ie, companies which, in their preceding accounting period, had a tax liability exceeding EUR200,000), there is an obligation to pay preliminary tax in 2 installments. The first installment will be payable by the 21st/23rd day of the 6th month of the accounting period in the amount of 50 percent of the corporate tax liability for the preceding accounting period or 45 percent of the corporate tax liability for the current period. The second installment is payable by the 21st/23rd day of 11th month of the accounting period and the amount payable must bring the total preliminary tax paid to 90 percent of the company's corporate tax liability for the current accounting period. The balance of tax due is payable when the corporate tax return is due to be filed (ie, the 21st/23rd day of the 9th month after the end of the accounting period).

In the case of "small companies" (ie, companies which in their preceding account period had a tax liability of less than EUR200,000), there is an obligation to pay preliminary tax in 1 installment only. This installment is payable by the 21st/23rd day of the 11th month of the accounting period in the amount of 100 percent of the corporate tax liability for the preceding accounting period or 90 percent of the corporate tax liability for the current period.

New or startup companies with a corporation tax liability of EUR200,000 or less in their first accounting period are not required to pay preliminary tax for that period. Rather, the final tax liability for that period for such companies is due and payable when the corporation tax return is filed.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction. There is a relief from corporation tax of up to EUR40,000 per year which is available to startup companies for the first 3 years from the commencement of trade. The relief is subject to certain conditions and its amount depends on the amount of employer social insurance paid by the company per year in respect of its employees. This is currently available up to December 31, 2021.

Tax rulings

Rulings are not generally available from the tax authority but they may give a non-binding opinion.

Tax incentives

There are tax incentives available for specific activities, including, for example, a knowledge development box regime for certain IP exploitation trades, R&D tax credits and tax depreciation on the purchase of certain intellectual property.

CONSOLIDATION

Certain loss reliefs can be grouped (see below). However, there is no concept of fiscal unity.

Companies with close organizational, financial and economic links may form a VAT group. All companies in the group are jointly and separately liable for the VAT of the group.

PARTICIPATION EXEMPTION

An exemption from corporate tax on chargeable gains applies to Irish resident companies on disposals of shareholdings in subsidiary companies, subject to the following conditions:

- The subsidiary must be resident in the EU or in a country which has signed a double-taxation treaty with Ireland
- The disposing company must hold 5 percent of the ordinary share capital of the subsidiary for a minimum of 12 continuous months. The disposing company must also be entitled to 5 percent of the subsidiary's distributable profits and 5 percent of the subsidiary's assets on a winding-up for this 12 month period and
- The subsidiary must be a trading company or the disposing company, the subsidiary and all of the disposing company's 5-percent subsidiaries must form a trading.

Ireland does not have a participation exemption for dividends. The tax treatment of dividends is discussed below.

CAPITAL GAIN

Capital gains of a company are taxed at 33 percent. Capital losses may be set off against chargeable gains arising in the same tax year. Unused capital losses can be carried forward and set off against chargeable gains in future years. Excess capital losses can generally only be carried forward.

DISTRIBUTIONS

Dividends received by an Irish resident company from another Irish resident company are usually exempt from Irish tax, including dividend withholding tax. The 12.5-percent corporation tax rate applies (on election) in respect of foreign dividends paid out of EU/treaty country trading profits where either the dividend paying company:

- Is resident in the EU/treaty country/signatory country of the OECD Convention on Mutual Administrative Assistance in Tax Matters or

- Is a publicly quoted company or a 75-percent subsidiary of a publicly quoted company.

Corporation tax at the rate of 25 percent applies to foreign dividends sourced from other companies or from non-trading profits.

Ireland provides for unilateral credit relief for foreign withholding tax and underlying taxes on dividends paid to an Irish resident company. A minimum shareholding of 5 percent applies. The foreign tax is available as a credit against Irish tax and, where the foreign tax exceeds the Irish tax on the dividend, the excess can be pooled and offset against Irish tax on other foreign dividends received in the same accounting period. Any balance unused can be carried forward and used in subsequent accounting periods. This credit system often operates to eliminate any additional Irish taxes on the receipt of foreign dividends.

LOSS UTILIZATION

Relief for trading losses is available by way of set-off against all other relevant trading income of the company in the same period and of the immediately preceding accounting period of equal length. Relevant trading losses can also be used to shelter foreign dividends which the company elects to tax at 12.5 percent. Any remaining trading losses can be set-off against all other income and profits of the company in the accounting period and in the immediately preceding accounting period of equal length on a value basis. Unused trading losses may be carried forward indefinitely for offset against future income of the same trade.

A member of a group of companies may surrender current year trading losses to another group member. A number of conditions must be met for group relief to be available (eg, corresponding accounting period, 75-percent subsidiaries and tax resident in a member state of the EU).

TAX-FREE REORGANIZATIONS

Relief from stamp duty and capital gains tax is available on certain intragroup reorganization transactions.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Ireland operates a credit system in respect of tax (including withholding tax and underlying tax) paid on dividends, interest and royalties. Onshore dividend pooling of foreign dividends is also available.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Stamp duty applies to documents which effect certain transactions, including transfers and lease transactions involving real property. The rate of stamp duty varies depending on the transaction (ie, whether the creation of a lease or the transfer of a property interest) and whether the land is residential or non-residential. Stamp duty

arises on the transfer of non-residential land at a rate of 7.5 percent. Stamp duty arises on the transfer of residential land at a rate of 1 percent up to the first EUR1 million and 2 percent thereafter.

Irish capital gains tax is chargeable on the disposal of Irish land or buildings irrespective of whether the disposer is an Irish tax resident company or a non-Irish tax resident company.

If the consideration for the sale of Irish land or buildings exceeds EUR500,000¹, the purchaser is required to withhold tax of 15 percent of the consideration and remit it to Revenue within 30 working days of closing. This requirement may be avoided where a form CG50A is produced. A form CG50A can be obtained where:

- The vendor is resident in Ireland
- No CGT is payable pursuant to the transfer or
- CGT has already been paid

An annual self-assessed Local Property Tax is charged on the market value of all residential properties.

VAT can arise on the supply of real property.

¹ EUR1 million in the case of residential property.

TRANSFER PRICING

Transfer pricing rules are applied on an arm's-length basis to transactions involving Irish trading companies. Irish transfer pricing rules follow OECD principles, particularly the 2017 OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations). In addition to trading transactions, the transfer pricing rules also apply to certain non-trading transactions as well as capital transactions (where the transaction value /capital expenditure exceeds EUR25 million). Previously, arrangements concluded before July 1, 2010 could have fallen outside the scope of the transfer pricing rules under grandfathering provisions. However, such grandfathering provisions no longer apply. From January 1, 2020, certain legislative amendments were enacted to bring small and medium enterprises (SMEs), as defined, within the scope of the Irish transfer pricing rules but subject to modified requirements (eg reduced documentation requirements) not subject to the transfer pricing rules. Due to the challenges faced by SMEs as a result of the United Kingdom's withdrawal from the European Union and the COVID-19 pandemic, the rules' extension to SMEs have not yet been commenced.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Withholding tax applies in Ireland at a rate of 20 percent, or 25 percent in the case of distributions. However, a number of domestic exemptions exist to remove the withholding obligation.

In the case of dividends, exemptions include where dividends are paid to:

- A company or person resident in an EU/treaty country and not under the control of Irish residents
- A company that is not resident in an EU/treaty country but is controlled by a person(s) who is/are resident in an EU/treaty country and which person(s) is/are not under the control of a person(s) not resident outside an EU/treaty country, or
- A listed company or a 75-percent subsidiary of a listed company.

Withholding taxes apply to the payment of patent royalties. An exemption from withholding tax exists for certain patent royalties paid to persons resident in the EU or a double tax treaty country. It is also possible to pay patent royalties to non-Irish, non-treaty persons free from withholding tax in certain circumstances.

A number of exemptions apply in relation to the payment of interest, such as:

- Interest paid by a company (in the ordinary course of a trade or business) to a company resident in an EU /treaty country (other than Ireland) where that jurisdiction imposes a tax which generally applies to interest receivable from foreign territories (except where such interest is paid to that company in connection with a trade or business which is carried on in Ireland by that company through a branch or agency)
- Cross-border interest payments between associated companies in the EU (25-percent ownership is required or at least 25 percent of each company is owned by a third company)
- Interest paid to another Irish resident company where both Irish resident companies are members of the same group (51-percent relationship required)
- Interest paid by a company to an approved pension scheme and
- Interest paid on a quoted Eurobond.

Withholding tax must be deducted from rental payments made to non-residents unless the landlord uses an Irish resident agent to whom the rents are paid.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty applies in Ireland. Stamp duty generally applies to certain documents which effect certain transactions which are executed in Ireland (eg, documents effecting share transfers or transfers of ownership of other assets). The rate of stamp duty varies depending on the nature of the transaction and the assets. The transfer of Irish shares is subject to 1 percent stamp duty and the transfer of non-residential property is subject to stamp duty at 7.5 percent.

Intellectual property transfers should be exempt from stamp duty where the type of intellectual property being transferred falls within the scope of a "specified intangible asset" which is broadly defined.

EMPLOYMENT TAXES

Under the Pay As You Earn (PAYE) system, employers must deduct any income tax, PRSI (pay-related social insurance) and USC (universal social charge) each time a payment of wages, salary and other benefits in kind is made to an employee. Employers also make a contribution to PRSI.

Income tax is levied at 20 percent and a higher threshold of 40 percent applies to income over a certain threshold (which depends on the marital status of the employee). The Universal Social Charge applies to employees taxed under the PAYE system at a rate of 0.5 percent, 2 percent, 4.5 percent or 8 percent of gross income depending on the level of income earned. Self-employed persons earning over EUR 100,000 may be subject to the Universal Social Charge at a rate of up to 11 percent.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Maura Dineen
Partner
DLA Piper Ireland
maura.dineen@dlapiper.com
T: + 353 | 436 5459
[View bio](#)



Sean Murray
Head of Financial Services Tax,
Ireland
DLA Piper Ireland
sean.murray@dlapiper.com
T: +353 | 436 5450
[View bio](#)

ISRAEL



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RESIDENCE AND BASIS FOR TAXATION

A corporation is considered an Israeli resident for tax purposes if it is incorporated in Israel, or if its business is managed and controlled in Israel.

Domestic

An Israeli resident corporation is subject to Israeli tax on its worldwide income, including capital gains. A foreign tax credit may be granted for tax paid in other jurisdictions.

Foreign

A non-resident corporation is subject to tax in Israel on its Israeli-source income, including capital gains from dispositions of Israeli assets. Israeli-source income also includes income attributed to business activity carried out in Israel. If a non-resident corporation is entitled to the benefits of a treaty for the avoidance of double taxation, the threshold regarding the level of business activity in Israel is raised and requires the existence of a permanent establishment in Israel.

TAXABLE INCOME

Domestic

The taxable income of an Israeli resident corporation is the income from the sources stipulated under law, including capital gains, as reduced by applicable:

- Deductions
- Offsets and credits and
- Exemptions.

Foreign

The taxable income of a non-resident corporation that has business activity in Israel (or a permanent establishment in Israel in the case of a corporation entitled to treaty benefits) is generally similar to that of an Israeli resident corporation.

TAX RATES

Both ordinary income and real capital gains of a corporation are subject to a flat tax rate of 23 percent.

These rates might be significantly reduced if the corporation is entitled to one of the incentive regimes discussed under [Tax incentives](#).

TAX COMPLIANCE

The tax year begins on January 1 and ends on December 31 of each calendar year. In special circumstances and subject to a pre-approval, a substituted period of 12 consecutive months may be adopted as the tax year.

Corporations' annual tax returns are due by the end of the 5th month after the end of the fiscal year. An extension to file is routinely obtained.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

[Tax holidays](#)

Not applicable for this jurisdiction.

[Tax rulings](#)

No broad-based rulings are available. Under certain circumstances, taxpayers can request a private letter ruling that would apply only to a specific issue. Ruling summaries are published on a no-names basis.

[Tax incentives](#)

Subject to certain conditions, Israeli corporations may qualify for and benefit from certain tax incentives regimes, some of which are discussed under [Participation exemption](#).

Under the Law for Encouragement of Capital Investments provisions, a corporation that qualifies as a Preferred Enterprise would be entitled to a reduced tax rate on its Preferred Income of 16 percent, or 7.5 percent if the enterprise is located in a peripheral zone. Dividend distributed to Israeli resident shareholders from Preferred

Income is subject to tax at a rate of 20 percent. In the case of non-resident shareholders, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, the 20 percent may be further reduced according to the applicable treaty.

A Special Preferred Enterprise is generally a Preferred Enterprise that:

- Has been pre-approved by the Israel Tax Authority and
- Has Preferred Income of at least NIS1 billion and revenues, on a consolidated basis, of at least NIS10 billion.

A Special Preferred Enterprise may be entitled, during a benefits period of 10 years, to a further reduced tax rate of 8 percent, or 5 percent if located in a peripheral zone.

New legislation, which became effective January 1, 2017, provides a new incentive regime for a Preferred Technological Enterprise. An enterprise that meets the requirements would be entitled to a reduced corporate tax on income related to its intellectual property of 12 percent, or 7.5 percent if located in a preferential zone. Dividend distributed to Israeli resident shareholders from the preferred income would be subject to 20 percent tax and, in the case of non-resident shareholders, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, or 4 percent if distributed to a foreign corporation that holds solely or together with other foreign corporations at least 90 percent of the shares of the Israeli corporation. The Israeli tax on dividends may be further reduced according to an applicable treaty.

The new legislation also provides that a Special Technological Preferred Enterprise is a Technological Preferred Enterprise that is part of an affiliated group with revenues, on a consolidated basis, of at least NIS10 billion and that such corporation would be entitled to a reduced tax rate on the IP-related income of 6 percent.

CONSOLIDATION

Filing consolidated tax returns is generally not permitted with a narrow exception in the case of "industrial companies."

PARTICIPATION EXEMPTION

Israeli corporations, which are entitled to the participation exemption regime, are entitled to a tax exemption on:

- Dividends received from a "qualified foreign subsidiary," if distributed during a period of not less than 12 consecutive months, during which the Israeli corporation was a significant shareholder of the subsidiary
- Capital gains derived from the sale of shares of such subsidiary
- Financial income derived from investment on Tel Aviv Stock Exchange (TASE) and
- Interest and linkage difference derived from a financial institution.

Dividends paid from a holding company to non-residents will be entitled to a reduced withholding tax rate of 5 percent. In practice, this regime is rarely in use.

CAPITAL GAIN

Capital gains derived by corporations are generally taxed at the same rate as ordinary income. The inflationary component of the capital gain accrued from 1994 and onwards is exempt from tax. With few exceptions, capital gains are not eligible for the reduced tax rates under the tax incentive regimes mentioned above.

Israeli resident corporations are subject to tax on capital gains regardless of the asset location. Non-resident corporations are subject to tax in Israel on capital gains from disposition of:

- Assets located in Israel
- Assets located outside of Israel if the assets are essentially a direct or indirect right to assets or inventory located in Israel, real estate in Israel or an Israeli real estate company (with respect to the part attributable to Israeli assets)
- Shares in an Israeli company or
- Shares of a foreign company that is essentially a holder of Israeli assets (with respect to the part attributable to Israeli assets).

Capital gains of a foreign resident from the disposition of securities purchased on the TASE, except for interests in REITs (including a company that ceased from being a REIT) and short-term governmental bonds, are exempt from tax.

Capital gains of a foreign resident from the disposition of private company shares, which were bought during or after 2009, are generally exempt from tax, unless the Israeli company value is mainly derived, directly or indirectly, from Israeli real estate, the right to use Israeli real estate or the right to exploit natural resources in Israel. Notwithstanding the above, foreign resident corporations will not be entitled to the foregoing exemption if more than 25% of its “means of control” are held, directly and indirectly, by Israeli residents, or Israeli residents are entitled to 25% or more of the revenues or profits of the corporation directly or indirectly.

These exemptions will not apply if the capital gains are attributed to a permanent establishment in Israel. Capital gains may also be exempt under an applicable tax treaty.

DISTRIBUTIONS

Dividends paid by an Israeli corporation to another Israeli corporation are not subject to tax if paid out of income that was subject to corporate tax at the regular rate.

Dividends paid by an Israeli corporation to an individual or to a foreign corporation are subject to tax at the rate of 25 percent, or 30 percent if the shareholder is (or was during the 12 months prior to the distribution) a

"significant shareholder." A shareholder is generally considered a significant shareholder if they hold 10 percent or more of the economic or voting rights in the company. These rates may be reduced under an applicable treaty.

LOSS UTILIZATION

There are different utilization rules for current and carried-forward net operating losses and capital losses. Both capital losses and net operating losses which were not utilized in the current tax year may be carried forward indefinitely. Carry back of losses is not available.

TAX-FREE REORGANIZATIONS

Tax-free mergers and spinoffs are achievable provided that certain conditions are satisfied. Some of the tax-free reorganizations are subject to a pre-ruling from the Israel Tax Authority.

ANTI-DEFERRAL RULES

Controlled Foreign Company

Under the Israeli controlled foreign company (CFC) rules, the undistributed passive income of certain Non-resident corporations which was taxed at a rate less than 15 percent, will be subject to Israeli tax as if such passive income were distributed.

Professional Foreign Company

Israel applies the anti-deferral regime of "professional foreign company" and to certain local, closely held "service companies."

Few Persons Company

Israel also applies anti-deferral rules with respect to a "Few Persons Company," which generally refers to a company that is controlled by a maximum of five people. Under certain conditions, the following may apply:

- The taxable income which a Few Persons Company derives, may be attributed directly to the Significant Shareholder, rather than to the company (increasing the applicable tax rate from 23% to the applicable personal marginal income tax rate up to 50%), if it was generated through the activities of its Significant Shareholder as an officer or employee or otherwise through the provision of management services to a third party.
- In addition, the undistributed profits (up to 50% in a certain tax year) of a Few Persons Company may be deemed as a dividend distribution if:
 - Such profits were not distributed within 5 years subsequent to end of the year it was incurred;
 - The company has accumulated profits in the amount greater of NIS 5 million;

- The company can distribute the at least part of the undistributed profits without harming its business activity;
- The result of the non-distribution is tax avoidance or tax reduction;
- The deemed distribution will not reduce its accumulated profits from NIS 3 million.

FOREIGN TAX CREDITS

Israel grants a tax credit for taxes paid to a foreign jurisdiction on foreign source income. The credit is subject to certain restrictions including the application of the "baskets method."

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Disposition of real estate assets (or shares in real estate companies) is subject to land betterment tax, which is similar to capital gain tax.

Purchase of real estate assets (or shares in real estate companies) is generally subject to a purchase tax at a rate of 6 percent. A purchase of a residential apartment is subject to a purchase tax in a progressive rate of up to 10 percent.

TRANSFER PRICING

Israel applies arm's-length principles to transactions between related entities. The Israeli rules correspond to the OECD guidelines.

WITHHOLDING TAX

Dividends, royalties, interest, rents etc.

Israel imposes extensive tax withholding requirements according to which almost any payment is subject to tax withholding unless a valid certificate is obtained from the tax authorities. For example, dividends are subject to tax withholding at the rate of 25 percent to 30 percent and interest paid to a foreign corporation is subject to tax withholding at the corporate tax rate (currently 23 percent). These rates may be reduced under an applicable treaty.

Service fees

Withholding tax may apply to certain payments for services rendered by a non-resident, particularly where the services are rendered in Israel.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no Israeli capital duty or stamp duty.

VAT at a flat rate of 17 percent is imposed on most goods sold and services rendered. Export of goods and intangible assets are generally subject to 0-rate VAT. Provision of services to non-residents may also enjoy the 0-rate VAT under certain conditions.

Purchase tax is imposed on the purchase of real property or interest in real estate company, as described under [Special rules applicable to real property](#).

EMPLOYMENT TAXES

Employers must withhold income tax from employees' salary, according to their individual tax rate, up to 50 percent (including Excess Tax of a 3 percent on high-income earnings).

Employers must also withhold national insurance and health care tax at the aggregate rate of up to 19.6 percent. The burden of such taxes is divided between the employer and the employee and is subject to a cap.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Roderik Bouwman
Partner
DLA Piper Netherlands
roderik.bouwman@dlapiper.com
T: +31 (0)20 5419 894
[View bio](#)



Eldar Ben-Ruby
Partner
Meitar Law Offices
eldarb@meitar.com
T: 972 3 6103615
[View bio](#)

ITALY



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RESIDENCE AND BASIS FOR TAXATION

A corporation is considered to be resident in Italy if it has its legal seat, its place of management or its main business activity therein for the major part of the fiscal year. A foreign corporation can be deemed resident in Italy when it owns a controlling participation in an Italian company and:

- Is controlled, even indirectly, by resident entities or
- The board of directors (or similar body of management) is mainly formed by Italian resident directors.

Domestic

Resident corporations are taxable in Italy on their worldwide income. Italian permanent establishments of foreign entities are subject to taxation in the same manner as domestic corporations.

Foreign

Foreign corporations may be subject to Italian taxation on corporate income that is considered Italian source. Tax treaties can reduce or eliminate these taxes. Specific anti-deferral provisions apply to foreign-controlled companies.

TAXABLE INCOME

Domestic

Taxable income of domestic corporations for corporate income tax purposes (IRES) is equal to their business income less applicable deductions.

Foreign

Foreign corporations are taxed on the amount of income generated in Italy, generally without any deduction.

TAX RATES

The IRES standard rate equals 24 percent. Specific surcharges are applied to specific sectors.

TAX COMPLIANCE

The IRES tax return is ordinarily due within 11 months after the fiscal period end (ie, November 30 for companies that adopt the calendar year).

ALTERNATIVE MINIMUM TAX

Non-operating companies are subject to a minimum level tax, depending on the assets they own.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

On certain issues, taxpayers can file a ruling request to ask for the interpretation of a specific ruling issue by the tax authority. Companies with international activities are entitled to apply for a specific mutual agreement procedure (MAP) concerning international aspects (transfer pricing, permanent establishments and dividends /interests/royalties flows, also with respect to double tax treaties). Another special procedure is provided for companies that plan to invest not less than EUR30 million in Italy, in order to ascertain the tax consequences of an investment plan and/or the tax consequences of related extraordinary operations (eg, mergers, acquisitions). Furthermore, major companies (eg, with revenues exceeding EUR10 billion) may enter into a cooperative compliance regime with the Italian tax authorities.

Tax incentives

A number of tax incentives has been introduced and enhanced over years, with a special attention to the so-called Industry 4.0 Plan. Among others, it is worth mentioning the tax credit for R&D expenses, the notional deduction for capital injection (so-called ACE) and the tax credit on investments in certain business assets. Other special provisions are set out for small enterprises and investments in Southern Italy.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 50 percent stock ownership) may elect to compute corporate income tax on a consolidated basis.

PARTICIPATION EXEMPTION

Dividends received from domestic and foreign corporations are 95-percent excluded from the taxable basis, unless they are distributed by affiliates with a privileged tax treatment. The participation exemption on capital gain from the sale of participations applies when certain requirements are met, allowing an exemption of 95 percent of the capital gain.

CAPITAL GAIN

Capital gain is generally included in taxable income. If the asset has been held for at least 3 years, the capital gain can be included over up to 5 years. 95 percent of the capital gain on sales of participation can be exempted if certain requirements are satisfied, as described above.

DISTRIBUTIONS

As noted above, dividends from qualifying domestic and foreign shareholdings may be eligible for an exclusion from taxable income.

LOSS UTILIZATION

Tax loss can be carried forward without any time limitation but can be used to offset only up to 80 percent of taxable income. Tax losses incurred in the first 3 years of activities can be used to entirely offset subsequent years' taxable income. Tax losses cannot be carried back.

TAX-FREE REORGANIZATIONS

Group reorganizations are ordinarily tax neutral for the corporations involved. Special rules apply to cross-border reorganizations.

ANTI-DEFERRAL RULES

CFC

Income derived from certain controlled foreign companies (CFC) resident in a country with a privileged tax system is subject to taxation at the level of the Italian resident person under a tax transparency regime, if:

- The actual foreign income taxes paid abroad are lower than 50 percent of the Italian corporate income taxes that would have been applied to the company if this were resident in Italy, and
- More than 1/3 of the controlled company's revenues are from passive income (eg. dividends, interest, royalties and intercompany revenues as defined by the law).

The controlling person may avoid the application of the CFC rules by demonstrating, also by filing an advance ruling request, that the controlled company carries on a substantive economic activity supported by staff,

equipment, assets and premises. Before issuing a notice of tax deficiency based on the CFC rules, the tax authorities must send a notice to the taxpayer whereby it is given the opportunity to provide evidence of the application of it within 90 days.

The taxpayer must disclose in its corporate income tax return the ownership of shares in non-resident companies that are potentially subject to the CFC rules.

General Anti-Avoidance Rule

Italian tax authorities may disregard any act put in place without a valid economic reason and for the sole purpose of gathering tax advantages otherwise not due.

FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Starting from 2023, foreign entities selling a participation into a company with more than 50 percent of its assets invested in Italian real estate properties are subject to Italian capital gain tax. Double Tax Treaty, where available and applicable, will continue to supersede the domestic law.

TRANSFER PRICING

Arm's-length principles generally apply to international transactions between related entities. Italian tax rules make reference to the OECD guidelines.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Dividends paid to foreign entities are subject to ordinary withholding tax at the rate of 26 percent. Dividends paid to EU countries and EEA "white-listed" countries subject to corporate tax in their country of residence are subject to 1.20-percent withholding tax. A tax treaty can reduce the abovementioned rate.

Exemption from withholding tax is provided under the EU Parent-Subsidiary Directive on dividends paid to qualifying shareholders. Among the other requirements, the participation must be at least equal to 10 percent and must be held for at least 12 months.

Interest paid to non-resident entities is subject to 26-percent withholding tax. A tax treaty can reduce the abovementioned rate. The Interest and Royalties directive provides for an exemption on interest and royalties paid to qualifying EU shareholders or affiliate entities.

Royalties are subject to 30-percent withholding tax, generally applied on 75 percent of the amount of the royalties. Tax treaties and the EU Interest and Royalties directive can reduce or eliminate the withholding tax.

Service fees

In principle, no withholding tax is applied on service fees.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty. Stamp duties and transfer taxes may be imposed on specific corporate transactions.

EMPLOYMENT TAXES

Employers must withhold an advance payment of individual income tax on salaries paid to employees. Employers also must pay social security contributions in respect of compensation paid to employees. These taxes are deductible by an employer for IRES and for IRAP but only if related to an open-ended working relationship.

OTHER TAX CONSIDERATIONS

IRAP

In addition to corporate income tax (IRES), local income tax is levied at the level of Italian corporations (ie, IRAP). IRAP is levied on the net value of the production generated in each Italian region, computed as the difference between revenues and production costs. Employment expenses (if not related to open-ended relationships), write-down of assets and other specific costs are not deductible. The IRAP tax rate is equal to 3.90 percent, but any region can decide to increase the tax rate up to 4.82 percent. Further increases in the rate are provided for specific business activities. IRAP is deductible from corporate income tax up to an amount of 10 percent of IRAP paid.

Specific IRAP provisions apply to banks and financial institutions.

KEY CONTACTS



Christian Montinari

Partner

DLA Piper Studio Legale

Tributario Associato

christian.montinari@dlapiper.com

T: +39 02 80 618 1

[View bio](#)

Antonio Tomassini

Partner



DLA Piper Studio Legale
Tributario Associato
antonio.tomassini@dlapiper.com
T: +39 02 80 618 |
[View bio](#)

JAPAN



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RESIDENCE AND BASIS FOR TAXATION

A corporation having its head office or main office in Japan will be treated as a domestic corporation.

Domestic

A domestic corporation is subject to Japanese corporate tax on its worldwide income.

Foreign

A foreign corporation is subject to Japanese corporate tax only on income derived from sources in Japan. However, tax treaties can reduce or eliminate these taxes. If a foreign corporation has a permanent establishment in Japan, such foreign corporation is subject to Japanese corporate tax on income attributable to its permanent establishment in Japan.

TAXABLE INCOME

Domestic

Taxable income of a domestic corporation is equal to all gross income less applicable deductions.

Foreign

The scope of taxable income for a foreign corporation depends on the existence of its permanent establishment in Japan. If a foreign corporation does not have a permanent establishment in Japan, the tax liability of the foreign corporation is usually settled solely through a withholding tax. Under Japanese tax laws, if a foreign corporation has a permanent establishment in Japan, corporate tax is imposed on its income derived from sources in Japan, such as the taxable income of a domestic corporation. However, tax treaties may exempt a foreign corporation from taxation on industrial or commercial profits earned in Japan to the extent that the income is not attributable to its permanent establishment in Japan.

TAX RATES

For corporate tax, the basic national corporate tax rate is 23.2 percent for taxable years commencing from April 1, 2018 or later. Corporations are also subject to local taxes, which increase the standard effective tax rate to 30.62 percent (if the office is located in Tokyo). Since April 2016, the amended Corporation Tax Act has come into force, and corporate tax on a foreign corporation with a permanent establishment in Japan is imposed on its income attributable to the permanent establishment in Japan. For small and medium-sized enterprises, the lowered 19 percent national corporate tax rate is applicable for the income equal to or less than 8 million yen per annum. Until the taxable years commencing before April 1, 2023, such rate is further lowered to 15 percent for a corporation which average taxable income for the last 3 fiscal years is not exceeding JPY 1.5 billion.

TAX COMPLIANCE

Corporate tax is paid through a self-assessment system, by which taxpayers determine and pay their own tax obligations. If a taxpayer makes an incorrect or intentionally false tax return, the tax authority may order resubmission of a corrected tax return and payment of a penalty.

Tax return documentation must be submitted within 2 months from the day after the ending date of each fiscal year. However, the due date of a tax return filing can be extended for up to 3 months. For certain corporations, an interim tax return filing is also required.

ALTERNATIVE MINIMUM TAX

Under Japanese tax law, there are no taxes that are equivalent to the Alternative Minimum Tax.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

The National Tax Agency provides a procedure for obtaining an advance ruling on the tax treatment of a completed or future transaction if the law at issue has not previously been clarified, but this process must occur before the tax return filing deadline for the tax period in which such transaction is carried out.

Tax incentives

There are various tax incentives for specific activities, including R&D credits and special depreciation rules.

CONSOLIDATION

The consolidated taxation system is applicable to a group of Japanese corporations in which a Japanese corporation directly or indirectly owns 100 percent ownership of other Japanese corporations, and it is optional for applicable corporations. Under the current consolidation system, the consolidated companies are treated as if they are a single taxpayer for Corporation Tax purposes. However, this system will be transformed

into the group relief system from the taxable year commencing on or after April 1, 2022, under which each group company is treated as a separate taxpayer, but profits and losses are adjusted and offset among the group companies.

PARTICIPATION EXEMPTION

Under Japanese tax law, there is no participation exemption for dividends received from, or capital gain recognized on the stock of, foreign subsidiaries. However, there is an exemption for dividends received from foreign subsidiaries (the so-called 95 percent foreign dividend exemption rule). Under this rule, if a Japanese shareholder has held 25 percent or more of the interest of a foreign company (the percentage could be lowered if a relevant tax treaty is applicable) for at least 6 months prior to the dividend determination date, 95 percent of dividends received from such foreign company, excluding the portion deductible in the foreign company's residing country, may be exempt from taxable income.

CAPITAL GAIN

Generally, capital gain recognized by a corporation is taxed at the same rate as ordinary income. Capital loss may reduce capital gain but not ordinary income. However, with respect to share transfers in certain types of reorganizations, no capital gain is recognized.

DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders, which are not deductible, unless a corporation fulfills requirements set forth under the Asset Liquidation Law or similar special laws.

LOSS UTILIZATION

Net operating losses may be carried forward 10 years. Only small and medium-sized enterprises with capital of JPY100 million or less and whose parent's capital is less than JPY500 million can carry back its losses to the preceding year. Also, except for small and medium-sized enterprises, the utilization of the net operating loss carried forward is subject to the following caps: 80 percent of the taxable income for the fiscal years beginning on or after April 1, 2012; 65 percent for the fiscal year beginning on or after April 1, 2015; 60 percent for the fiscal year beginning on or after April 1, 2016; 55 percent for the fiscal year beginning on or after April 1, 2017; and 50 percent for the fiscal years beginning on or after April 1, 2018.

TAX-FREE REORGANIZATIONS

If a corporation transfers its assets to another corporation pursuant to a corporate division, a merger, an investment in kind, a dividend in kind or a share transfer (reorganization), and the reorganization is a “qualified reorganization” for corporate tax purposes, the recognition of the gains and losses on the transfer of the assets will be deferred.

ANTI-DEFERRAL RULES

The CFC Rules are subdivided according to the income tax rates levied on a foreign subsidiary as follows:

- When the tax burden on a foreign subsidiary is 30 percent or higher, the CFC Rules are not applicable. When the tax burden on a foreign subsidiary is between 20 percent and 30 percent, the CFC Rules are applicable to the domestic corporation if the foreign subsidiary falls into any of certain designated categories, such as a shell company, a cash-box company or a company located in blacklisted country or territory.
- When the tax burden on a foreign subsidiary is under 20 percent, the CFC Rules are applicable to the domestic corporation if the foreign subsidiary does not satisfy certain requirements or if it earns passive income, such as income derived from interest, dividends, securities lending, leases of tangible property or excessive profits compared to capital.

FOREIGN TAX CREDITS

The foreign taxes levied on a Japanese domestic corporation in the ordinary course of its business may be credited against Japanese corporate tax.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Capital gain on sales of real estate in Japan accruing to a foreign corporation is subject to Japanese corporate tax at regular corporate tax rates. In addition, if a foreign corporation sells shares of a Japanese corporation of which 50 percent or more of its assets are real estate assets, the capital gain on the sale of shares will be included in taxable income subject to regular corporate tax, unless otherwise stated under the applicable tax treaty.

TRANSFER PRICING

When a corporation sells to, purchases from, provides services for or carries on other transactions with a foreign related person with which it has a special relationship, and its taxable income is less than the amount calculated under arm's-length principles, these transactions will be deemed to have been conducted at arm's-length prices, and the differential amount either will be included in, or will not be deductible from, the taxable income of the corporation.

WITHHOLDING TAX

Dividends, royalties, interest, rents, service fees, etc.

Items of income (including dividends, royalties, interest, rent and service fees) paid to a foreign corporation are generally subject to Japanese withholding income tax at a rate of 20.42 percent (15.315 percent for bond interest). However, double tax treaties may grant a special concession to a resident individual or a resident corporation in a foreign jurisdiction. Some double tax treaties provide that a person with dual residence may be

determined to be a person with single residence by mutual agreement between competent authorities. In order to enjoy benefits under double tax treaties, an application form must be filed with the relevant tax office before the first payment between parties is made.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Upon incorporation of a company or an increase in registered capital, a certain amount of the registration tax is required that is based on the capital amount. Stamp duty may be imposed depending on the types of the documents or agreements. With respect to transfer taxes, an acquirer (a new owner) of real estate must pay the real estate acquisition tax, and the fixed asset tax must be paid by the publicly registered owner of fixed assets by January 1 of each year. Also, the registration tax is required for a real estate registration in order to perfect the transfer.

EMPLOYMENT TAXES

An employer must withhold certain amounts on salary payments to employees. Under the withholding tax system, an employee does not pay the income tax directly to the tax authority. Instead, the employer is required to withhold a certain amount of money and pay that amount to the tax authority on behalf of the employee. Most Japanese employees do not file a tax return because their income tax has already been paid by withholding from their salary income. It is possible to get a tax refund by filing a tax return if the amount of income withheld exceeds the income tax that should have been imposed. The tax return made by employees is relatively rare because employers frequently adjust withholding tax in the later months of the year to account for their employees' deductible expenses.

OTHER TAX CONSIDERATIONS

The Consumption Tax rate has increased from 8 percent to 10 percent since October 1, 2019.

KEY CONTACTS



Keitaro Uzawa
Associate
DLA Piper
keitaro.uzawa@dlapiper.com
T: +81 3 4550 2833
[View bio](#)

LUXEMBOURG



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RESIDENCE AND BASIS FOR TAXATION

A company is considered a resident if its legal seat or central administration is in Luxembourg.

Domestic

A resident company is taxed on its worldwide income, unless a double tax treaty provides for an exemption.

Foreign

A non-resident company is only taxed on Luxembourg-source income.

TAXABLE INCOME

Domestic

Taxable income is calculated based on the profit as stated in the commercial balance sheet, plus certain adjustments provided under the tax law (eg, non-deductibility of taxes, exemption for dividends).

Foreign

A corporate non-resident entity is subject to corporate income tax only on income generated in Luxembourg.

Income from Luxembourg sources include commercial income realized by, for example, a permanent establishment/representative in Luxembourg, income from the lease of property and securities income.

TAX RATES

For the fiscal year 2022, the corporate income tax (CIT) is 17 percent, leading to an overall tax rate for companies of 24.94 percent in Luxembourg City (taking into account the solidarity surtax of 7 percent and including 6.75 percent municipal business tax (MBT) rate applicable and which may vary depending on the seat of the company).

TAX COMPLIANCE

The tax year for a company is either the calendar year or the company's accounting year ending in a particular calendar year.

Corporate income tax, net worth tax and municipal business tax returns must be submitted before May 31 of the following tax year.

Failure to submit a tax return or a late filing may be subject to a penalty of 10 percent of the tax due and a fine up to EUR25,000.

Under the Country-by-Country (CbC) law, a Luxembourg tax resident entity that is the ultimate parent entity of a multinational group with consolidated group revenue of EUR750 million or more in the previous fiscal year and prepares consolidated financial statements must file a CbC report with the Luxembourg tax authorities within 12 months after every fiscal year-end of the group. A Luxembourg tax resident entity can be appointed as a surrogate parent entity to file a CbC report in Luxembourg on behalf of the group.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction. However, please see the developments on minimum wealth tax discussed below.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Luxembourg operates a system known as advance tax agreement (ATA) enabling taxpayers to request an advance tax decision from the Luxembourg tax authorities. An administrative fee will apply.

Advance tax agreements granted before January 1, 2015 were, according to the former practice of the Luxembourg tax administration, not limited in time. Such advance tax agreements became automatically null and void as from the end of the 2019 tax year.

Taxpayers relying on advance tax agreements granted before January 1, 2015 will benefit from the provisions of such agreements for the last time when filing their tax return for 2019. Henceforth, new advance tax agreement requests will have to be introduced in accordance with the new procedure which has been applicable since January 1, 2015. This new procedure already contains a 5-year validity period for advance tax agreements.

Tax incentives

Various incentive programs exist in Luxembourg in the areas of risk capital, audiovisual activities, environmental protection, R&D (experimental development, experimental development and cooperation, industrial research, industrial research and cooperation or fundamental research), intellectual property, professional training and recruitment of unemployed persons. Most of the incentives are granted as tax credit.

Intellectual property may benefit from the new Intellectual Property (IP) regime introduced in March 2018. The Luxembourg tax law provides for a partial exemption of 80 percent on the net income derived from eligible IP assets, as well as a 100 percent exemption from net wealth tax. Under this law, patents and copyrights on computer software, among others, are eligible assets for the preferential tax treatment. Eligible income that will qualify for preferential tax treatment includes net income from direct use, royalties from the granting of licenses or income from the sale of eligible IP assets. The IP activity of the company should be properly documented to demonstrate the link between the eligible IP assets and the related expenses. The taxpayer must also be ready to share this information with the Luxembourg tax authorities, if requested.

Furthermore, several incentive programs exist for certain entities: investment funds (which are subject to several exemptions), private wealth management company (*Société de gestion de Patrimoine Familial* or SPF) (which is exempt from Luxembourg taxation on income and NWT in Luxembourg), securitization companies (which are exempt of NWT), venture capital companies (*Société d'Investissement en Capital à Risque* or SICAR) (incorporated under a corporate form, the SICAR is subject to income tax at the normal rate with the benefit of an exemption on income and gains (eg, dividends, capital gains, liquidation proceeds, interest) under certain conditions) and shipping companies (which are not subject to municipal business tax and can benefit from investment tax credits and accelerated depreciation).

CONSOLIDATION

A group of companies, under certain conditions, may apply the tax consolidation regime in Luxembourg. In practice, the tax consolidation regime enables the group to pool or offset the respective taxable profit of each company in the group and to be taxed on the aggregate amount (ie, a group of companies is treated as a single taxpayer). Losses incurred by one company of a group may accordingly be offset by the profits realized by another group company.

The main requirements are the following:

- A minimum shareholding (95 percent) must be held without interruption from the beginning of the financial year to which the tax consolidation regime is applied
- Group companies must begin and end their financial years on the same date and
- The companies concerned must be grouped for at least 5 financial years.

Tax consolidation is requested jointly to the tax authorities.

PARTICIPATION EXEMPTION

Dividends and gains derived by a Luxembourg entity from a qualifying participation (broadly any entity subject to a corporate income tax rate of at least 8.5 percent applied on a tax base determined by the application of rules similar to those existing in Luxembourg) may be tax exempt if certain conditions in terms of shareholdings are met.

The application of the participation exemption regime on capital gains is subject to a recapture rule under which capital gains will remain taxable up to the aggregate amount of expenses connected with the qualifying participation such as financing cost and write-downs, which have reduced the parent's taxable base in prior years or in the year of disposal.

CAPITAL GAIN

Capital gains generally are taxed as ordinary income at the standard corporate tax rates. Nonetheless, capital gains derived from the sale of shares may be exempt from corporate tax if the conditions for the participation exemption are met and subject to the recapture rule.

DISTRIBUTIONS

Not applicable.

LOSS UTILIZATION

Carryforward: Losses generated from January 1, 2017 can be carried forward for a maximum period of 17 years.

Point of interest: Losses generated before this date are not subject to these limitations and may be carried forward indefinitely.

Carryback: Not applicable for this jurisdiction.

TAX-FREE REORGANIZATIONS

Luxembourg tax law allows for tax neutrality company reorganization provided that certain conditions are met and in the following cases:

- Transformation of the corporate form of an entity into another corporate form
- Merger or demerger of Luxembourg or EU resident companies or
- Exchange of shares when the acquiring company gets the majority of voting rights in the acquired company or increases the majority of voting rights already held.

ANTI-DEFERRAL RULES

Luxembourg has introduced controlled foreign company (CFC) rules in the context of the transposition of the EU Anti-Tax Avoidance Directive 2016/1164 of July 12, 2016 (ATAD). The CFC rules are applicable from January 1, 2019. The CFC rules attribute net income to a Luxembourg taxpayer when its subsidiary or permanent establishment is located in a low-tax or no-tax jurisdiction, even if this income is not distributed. Such income will be subject to CIT at a rate of 17 percent.

A CFC can be either:

- A collective entity in which the Luxembourg taxpayer holds a direct or indirect participation of more than 50 percent or
- A permanent establishment.

CFC rules will be triggered if the tax paid by the CFC is lower than the difference between the CIT that would have been paid on the same profits in Luxembourg and the actual CIT paid in the CFC state.

The CFC rules do not apply to a CFC whose profits do not exceed:

- EUR750,000 or
- 10 percent of its operating costs within the tax period.

If the CFC rules are triggered, the CFC's undistributed income will be taxed in Luxembourg provided that such income arises from non-genuine arrangements that are put in place essentially for the purpose of obtaining a tax advantage.

FOREIGN TAX CREDITS

A Luxembourg tax resident company is taxed on its worldwide income. Foreign-source income is taxable in Luxembourg, unless a double tax treaty (DTT) provides for an exemption. Dividends from foreign subsidiaries are also taxed, unless a DTT provides for an exemption.

Profits of a foreign branch that are not exempt under a DTT may benefit from a foreign tax credit. Taxes paid in excess of the tax credit are deductible as expenses.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Municipalities impose a land tax of 0.7 percent to 1 percent on the unitary value of real property.

Certain tax opaque Luxembourg investment vehicles owning real estate assets located in Luxembourg may be subject to a 20 percent real estate levy tax (*prélèvement immobilier*) which applies on derived income such as gross rental income or capital gains realized upon asset or share deal).

TRANSFER PRICING

According to the Luxembourg transfer pricing legislation, transactions between related parties (both located in Luxembourg as well as where 1 party is taxed in a foreign jurisdiction) must be governed by the arm's-length principle. This obliges the taxpayer to report in its tax return either an upward or downward adjustment of profits whenever transfer prices do not reflect the arm's-length principle. The Luxembourg tax authorities may request from the taxpayer all facts relevant for verifying a tax liability. Therefore, the taxpayer should provide all necessary supporting documentation to facilitate the task of tax authorities.

The circular L.I.R. n° 56/I – 56bis/I, published by the Luxembourg tax authorities on December 27, 2016, focuses on the transfer pricing requirements for intermediary, intragroup financing activities in Luxembourg. A strong emphasis is put on the analysis of the risks assumed by the companies performing intragroup financing transactions. Companies should perform an analysis to determine the necessary capital at risk using the accepted methodologies in this area. These companies must have the financial capacity to assume such risks. Furthermore, the circular provides that, in order to be able to control the risks, the company performing intragroup financing transactions should comply with specific substance requirements.

Moreover, a company may request an advance pricing agreement (APA) from the Luxembourg tax authorities. An administrative fee will apply depending on the complexity of the matter.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Dividends paid to a non-resident company generally are subject to withholding tax at 15 percent, unless the rate is reduced under a tax treaty.

No tax is withheld on dividends paid to a qualifying company under the EU parent-subsidiary directive (2003/123/CE), except if the transaction qualifies as an abuse of law under the general anti-abuse rule. The benefits of the directive have been extended to parent companies resident in non-EU tax treaty countries (under certain conditions).

Luxembourg does not levy withholding tax on **royalties**.

Luxembourg does not levy withholding tax on **interest**, except for interest payments to Luxembourg resident individuals, in certain cases. Nonetheless, profit-sharing bonds and debt instruments with remuneration linked to the issuer's profits are taxed as dividends (15 percent), and interest payments can be requalified into dividends (and are then subject to a 15-percent withholding tax) where a Luxembourg company is over-indebted in light of thin capitalization rules or where a Luxembourg company does not comply with transfer pricing regulations.

Interest payments made by Luxembourg resident paying agents to Luxembourg resident individuals are subject to a 20-percent WHT. There is an exemption from WHT if the amount due does not exceed EUR250. Where interest payments are made or credited by foreign paying agents located in a member state of the EU or in a state of the European Economic Area, the Luxembourg resident taxpayer may opt for a 20-percent WHT.

Service fees

Luxembourg does not levy withholding tax on **service fees**.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty is levied in Luxembourg (except in particular cases). A registration fee of EUR75 is imposed on incorporation or amendments to bylaws.

There is no stamp duty in Luxembourg.

A transfer tax is applied to a transfer of immovable property. A 6 percent basic rate and a 1 percent transcription tax are applicable. For real estate located in Luxembourg City, an additional charge amounting to 50 percent of the transfer tax is imposed (exemptions are available).

EMPLOYMENT TAXES

Social security contributions apply to wages and salaries and are due from both the employer (rates approximately 12 to 15 percent) and the employee (around 12 percent). Contributions for both employers and employees are computed on a capped basis and must be withheld by the employer. Self-employed individuals must register for social security purposes and pay approximately the same rates as the combined rates for an employer and an employee.

OTHER TAX CONSIDERATIONS

Net Wealth Tax (NWT)

Both Luxembourg resident companies and Luxembourg branches of non-resident companies are subject to NWT. As of January 1, 2016, a new scale of rates has been introduced as follows:

- 0.5 percent up to EUR500 million and
- 0.05 percent over EUR500 million.

Interest deduction limitation

In practice, the tax administration uses a debt-to-equity ratio of 85:15 for the financing of participations. Luxembourg has introduced an interest limitation rule in the context of the transposition of ATAD. As from January 1, 2019, exceeding borrowing costs (ie, tax-deductible borrowing costs which exceed underlying interest income and economically equivalent income) are only deductible up to the higher of 30 percent of earnings before interest, taxes, depreciation and amortization (EBITDA) of the taxpayer and EUR3 million.

Exceeding borrowing costs which are not deductible in a tax period may be carried forward without time limitation. Unused interest capacity in a given tax period may be carried forward for 5 years.

The interest limitation rule is not applicable to exceeding borrowing costs:

- On loans concluded before June 17, 2016, so long as the loans are not subsequently modified;

- On loans to finance EU long-term public infrastructure projects; or
- On loans incurred by standalone entities and "financial undertakings."

Intra-EU hybrid mismatches

As from January 1, 2019, hybrid mismatch provisions apply in an intra-EU context as a result of ATAD.

The rule aims at preventing hybrid mismatches which result in a double deduction (ie, a deduction of the same expenses both in Luxembourg and in the other EU member state) or a deduction without inclusion (ie, a deduction of expenses in Luxembourg and no corresponding inclusion of the income in the taxable basis of the other EU member state).

The anti-tax avoidance directive provisions provide that when a structure includes a hybrid mismatch with double deduction, the deduction shall only be granted in the EU member state where the payment has its source. When a structure includes a hybrid mismatch with deduction without inclusion, the EU member state of residence of the payer shall deny the deduction of such payment.

Hybrid mismatches with third countries (ATAD 2) and covering a wider range of intra-EU mismatches have been implemented and came into force on January 1, 2020, with the additional "reverse hybrid" measures applying from the 2022 tax year.

Payments to EU black-listed entities

Interest or royalties paid or due to related enterprises as of 1 March 2021 are not tax deductible in Luxembourg if the recipients are corporate entities established in countries that are 'black-listed' as being 'non-cooperative' for tax purposes (based on the so-called EU blacklist adopted by the EU Council in 2017, as revised).

DAC 6

On March 25, 2020, the Law implementing the Council Directive (EU) 2018/822 (on administrative cooperation in the field of taxation, of May 25, 2018) introduces an obligation on a wide range of intermediaries to disclose cross-border tax arrangements to the tax authorities.

A reportable cross-border arrangement means any cross-border arrangement that contains at least one of the hallmarks foreseen by DAC 6, which refer to characteristics, features and examples of cross-border arrangements that present an indication of potential risk of tax avoidance. In principle, a cross-border arrangement becomes reportable if it meets one or more hallmarks, while certain hallmarks can only be triggered if a main benefit test (MBT) is also satisfied (ie, when the main benefit or one of the main benefits that a person can reasonably expect to obtain from the arrangement, taking into account all relevant facts and circumstances).

The first reportable transactions are those whose first implementation step occurred between June 25, 2018 and June 30, 2020 and should be reported by February 28, 2021. In addition, starting from January 1, 2021, any other reportable arrangements implemented as from July 1, 2020 that would fall under DAC 6 should be reported within 30 days of their implementation (ie, any reportable arrangements implemented between July 1, 2020 and December 31, 2020 should be reportable by January 31, 2021). These are the new deadlines that have been extended by the government within the context of the COVID-19 pandemic.

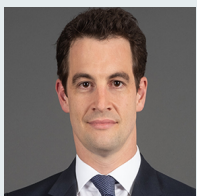
Proposed EU Directive to fight against the misuse of shell entities for tax purposes

On December 22, 2021, the EU Commission published a proposed Directive to tackle legal entities with no or minimal substance and no economic activities that are used for improper tax purposes.

The Directive introduces reporting requirements for EU tax-resident companies with certain mobile and passive income streams and inadequate operational substance. In certain cases of inadequate substance, the benefits of tax treaties and EU Directives may be denied, resulting in an increased withholding tax burden as well as potential penalties for failure to report or incorrect reporting.

The EU Commission recommended that Member States should incorporate the Directive into their national law by June 30, 2023, for the rules to enter into force on January 1, 2024.

KEY CONTACTS



Jacques Wantz
Partner
DLA Piper Luxembourg
jacques.wantz@dlapiper.com
T: +352 26 29 04 2635
[View bio](#)

MEXICO



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RESIDENCE AND BASIS FOR TAXATION

Legal entities that are residents of Mexico are subject to Mexican taxation. For this purpose, legal entities that have their effective seat of management in Mexico are considered residents of Mexico. Resident taxpayers are subject to Mexican income tax with respect to income from whatever source derived.

Domestic

An entity resident in Mexico for tax purposes is subject to Mexican taxation on its worldwide income, regardless of the source of income.

Foreign

Foreign entities are subject to Mexican taxation when:

- They have a permanent establishment (PE) in Mexico
- They do not have a PE in Mexico, but income is generated from a Mexican source.

Whether Mexican source income exists or not depends on the nature of the income received, and income tax treaties entered into by Mexico may be able to reduce or eliminate Mexican taxes.

TAXABLE INCOME

Domestic

In general terms, taxable income is determined on an accrual basis, and taxpayers are allowed to deduct most business expenses. There are certain exceptions on expenses that can be deductible, among them:

- Penalties and unauthorized donations
- Increases to reserves for bad debts, obsolescence, contingencies and indemnities, and exempt salaries (percentage may be decreased to 47 percent if the exempt salaries are not reduced from previous year), among others

- Certain payments to tax havens or hybrid entities.
- Outsourcing personnel payments for the outsourcing of services related to *activities that form part of the main corporate purpose or economic activities* of the service recipient

Foreign

A foreign company with a PE in Mexico is taxable in Mexico on all income attributable to the PE. Basically, income is considered attributable to a PE if it derives from the activities of the PE. Foreign-source income is subject to Mexican taxation if it is derived by a Mexican PE, because domestic rules do not limit the “attributable” concept to income from Mexican sources. A foreign tax credit is also allowed for PEs with foreign-source income.

TAX RATES

The corporate income tax rate is 30 percent and, for individuals, it is progressive up to a 35 percent rate.

There is also a value-added tax (VAT) of 16 percent on transfers of goods, rendering of independent services, leasing of goods and importation of goods or services into Mexico.

Further, there is an excise that intends to reduce consumption of harmful products (eg. tobacco, alcohol, pesticides) and limit the use of resources (eg. gasoline, energy).

TAX COMPLIANCE

Mexican entities shall file annual income tax returns on a calendar-year basis. Taxes must be calculated and paid in pesos. The return for a given tax year must be filed no later than March 31 of the following year, and the balance of any income tax liability (less estimated tax payments made during the tax year) must also be paid at that time. There is no ability to request an extension on the filing date for annual tax returns.

In addition to filing annual income tax returns, legal entities also are required to file estimated monthly tax returns and make the applicable estimated tax payments for income and VAT purposes. Legal entities must make estimated income tax payments on a monthly basis on the 17th day of each subsequent month.

A Mexican publicly traded company is obligated to complete a tax report of the financial statements if its taxable revenue is MXN876 million (USD43.8 million) or more. If thresholds are not met, filing a tax report is optional.

Tax report shall be filed on May 15 of the following year.

ALTERNATIVE MINIMUM TAX

Not applicable.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

In the past, there have been tax amnesty programs, generally when a new administration takes office. The last available program was in 2013.

Tax rulings

It is possible to obtain a private letter ruling from the Mexican tax authorities (Hacienda) on specific technical tax issues. Generally, private rulings are effective only during the tax year for which they are granted and only apply to the specific taxpayers that requested them.

Tax incentives

As of 2017, there is a tax incentive on R&D activities, which consists of a credit of 30 percent for qualifying R&D expenses, aimed at encouraging investment in this area. A tax incentive is applicable to taxpayers that use diesel. There are also incentives for real estate investment trusts (ie, FIBRAS), movies, theater productions and high-performance sports.

CONSOLIDATION

A Mexican holding company may obtain an authorization to effectively compute income tax on a consolidated basis (called the integration regime as of 2014), but each company of the group is responsible for filing and paying the tax individually. This option is subject to several rules and limitations, including a recapture of benefits.

PARTICIPATION EXEMPTION

There is no participation exemption for dividends received from, or capital gain recognized on, the stock of foreign subsidiaries.

Mexican companies that own shares of another Mexican entity may receive dividend distributions that should not be subject to further taxes, to the extent the dividends come from the net tax profit account (CUFIN).

CAPITAL GAIN

Under domestic rules, capital gains obtained by Mexican companies are treated as ordinary income and taxed at the regular 30-percent tax rate. Non-residents are subject to a 25-percent tax rate on the gross proceeds, or a 35 percent rate on net gain realized to the extent that certain requirements are met. Capital gains derived from sales of publicly traded shares by individuals or non-Mexican residents are taxed at a rate of 10 percent. To determine the deductible basis for sales of real estate, fixed assets and shares, the law allows for indexation of the original cost for inflation.

DISTRIBUTIONS

Dividends that come from the CUFIN account should not be subject to additional tax at the level of the Mexican entity distributing the dividend. Otherwise, they should be subject to a grossed up tax rate of 42.8 percent.

The Mexican Income Tax Law (MITL) does not provide ordering rules with respect to how CUFIN balances are considered with respect to dividend distributions. However, it is assumed that older balances should be distributed first.

Under the MITL in force until 2013, dividends received by an individual or a foreign shareholder from a Mexican entity were not subject to withholding tax. The 2014 tax reform introduced a new withholding tax of 10 percent on dividends when distributed to a foreign shareholder or an individual. The new rules also broaden the definition of what should be considered a dividend, covering other transactions between the distributing company and its shareholders and/or related parties.

As part of the 2014 tax reform, CUFIN balances must be segregated between pre-2014 and post-2014 Mexican balances in order to determine the potential impact from the 10-percent withholding tax introduced that year.

With respect to post-2014 CUFIN which could be distributed in the future, the domestic 10-percent dividend withholding tax may be reduced to under available income tax treaties entered into by Mexico to the extent that the requirements provided in the treaty and the MITL are met.

For Mexican tax purposes, capital reductions are generally treated as a distribution in exchange for shares. The general purpose of these rules is to treat distributions made in a capital redemption as either a tax-free return of capital or a deemed dividend or distribution of earnings.

LOSS UTILIZATION

Net operating losses can be carried forward 10 years, but no carryback is allowed.

TAX-FREE REORGANIZATIONS

As mentioned before, the transfer of shares in a Mexican company generally constitutes a taxable event. However, in the case of a domestic corporate reorganization, it may be possible to obtain a ruling from Hacienda authorizing the transfer of the shares at tax basis, and thus avoiding a gain on the transfer. This type of ruling is allowed only where the seller is a Mexican resident and the transaction can be carried out with prior approval if the transfer is made in exchange for shares of another Mexican entity. A 2-year holding period requirement and various reporting requirements must be met.

In the case of a group restructuring where the transferor is a foreign resident, it is possible to transfer the shares of a Mexican subsidiary and defer the income tax due until those shares leave the group. However, a ruling (ie, GRA) must be issued by Hacienda before the transfer is made, and a notice has to be filed each year informing that the shares remain within the group.

Certain income tax treaties entered into by Mexico provide an exemption for capital gains tax derived from corporate reorganizations. However, there are requirements that should be met in order to qualify for a tax-free reorganization, and procedural filings must be made with Hacienda before the transaction is carried out.

ANTI-DEFERRAL RULES

Mexican residents (and Mexican PEs of foreign residents) are required to pay income tax on income generated from investments in a jurisdiction with a preferential tax regime. For this purpose, an investment in a preferential tax regime is deemed to exist if the foreign entity is subject to an effective tax rate of less than 75 percent of the Mexican corporate tax rate or if the entity or vehicle is deemed to be fiscally transparent.

As a general rule, a Mexican taxpayer is not subject to income tax on earnings of a foreign subsidiary until the income is distributed. However, when the subsidiary or other investment vehicle is located in a preferential tax jurisdiction, such income must be reported as earned on a current basis, subject to certain exceptions.

Taxpayers are subject to tax on earnings from foreign investments that are generated, directly or indirectly, by foreign entities or legal organizations from foreign sources subject to preferential tax regimes in proportion to their participation in the capital of the entities or legal organizations.

For this purpose, income subject to a preferential tax regime is considered to be income not subject to tax outside Mexico or subject to income tax of less than 75 percent of the applicable income tax that would have been calculated and paid in Mexico. The income subject to this anti-deferral regime includes income in the form of cash, goods and services or credit, as well as any presumed income determined by the tax authorities, even in those instances where the income has not been distributed to the Mexican taxpayer.

In addition, these anti-deferral rules are applicable to income generated directly or indirectly through fiscally transparent entities. For this purpose, foreign entities or organizations are deemed to be fiscally transparent when they are not considered income taxpayers in their country of incorporation or they are treated as residents for tax purposes but the income they generate is taxed not in their hands, but at the level of their members.

There are exceptions to these anti-deferral rules when income from business activities is generated and no more than 20 percent of the income is passive income. The following are deemed to constitute passive income for these purposes: interest income, dividends, royalties and gains from the sale of shares, securities or immovable property; income from the leasing of assets; and gratuitous income when such income is not generated through the carrying on of business activities.

FOREIGN TAX CREDITS

A tax credit is allowed for foreign income tax paid or deemed paid by Mexican corporations, but the credit is generally limited to the amount of Mexican tax incurred on the foreign-source portion of the company's worldwide taxable income.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

There is a state-level property transfer tax (*ie, Impuesto sobre Adquisición de Inmuebles*) that could range from 2 percent to 4.5 percent depending where the property is located, and is generally based on the market value of the property. This tax should be paid by the purchaser and cannot be creditable or offset against other taxes.

TRANSFER PRICING

Mexico has transfer pricing rules. Acceptable transfer pricing methods include the comparable uncontrolled price method, the resale price method, the cost-plus method, the profit-split method, the residual profit-split method and the transactional net-margin method. In certain cases, specific appraisals are used. Transactions between related parties are subject to greater scrutiny, and there are several informative tax returns on related parties transaction that must be filed. It may be possible to reach transfer pricing agreements in advance with Hacienda. These agreements may apply for a period of up to 5 years, such agreements are not available for Maquila regime companies since 2022.

Beginning in 2016, certain Mexican taxpayers must file additional transfer pricing documentation, including a Master File and Country-by-Country reports, as recommended by Action 13 of the Base Erosion and Profit Shifting report.

The 2022 reform included changes in definitions to increase the scope of transfer pricing adjustments; to compare the financial information of similar companies (single year/same year); to include detailed information for capital adjustments; to expand function, risk and asset analysis of the foreign entity; and to clarify the use of the interquartile range.

Interest deductibility rules

Interest deductions may be disallowed under 2 scenarios: in case of the thin cap rule and in case of a net interest in excess of 30 percent of the EBITDA tax.

If the debt-to-equity ratio exceeds 3 to 1 on loans with foreign related parties, the interest triggered by the exceeding proportion of the loan are non-deductible under the thin cap rule. There are some exceptions to these rules, based on the type of activities that would be funded in Mexico.

Net interest against a Mexican taxpayer that exceeds 30 percent of a taxable EBITDA will not be deductible. The first MXP20 million (USD1 million) of annual interest per group is fully deductible. A carry-forward of the non-deductible interest is provided for up to 10 years.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

	Rates (percent) under Domestic Provisions
Paid on Negotiable Instruments	10 (a)(b)
Paid to Banks	10 (a)(c)
Paid to Reinsurance Companies	15 (a)
Paid to Machinery Suppliers	21 (b)
Paid to Others	35 (a)
Royalties	

From Patents and Trademarks	35 (a)
From Know-how and Technical Assistance	25 (a)
From Railroad Cars	5 (a)
Dividends after 2013	10 (d)
Branch Remittance Tax after 2013	10 (d)

(a) This is a final tax applicable to non-residents. Payments to tax havens are generally subject to a 40-percent withholding tax. (b) This rate can be reduced to 4.9 percent if certain requirements are met. (c) A reduced rate of 4.9 percent is granted each year to banks resident in treaty countries. (d) This tax applies to dividends paid out of profits generated after 2013.

Income Tax Treaties

These withholding rates may be reduced to under available Income Tax Treaties entered into by Mexico, and to the extent that the requirements provided in the relevant Income Tax Treaty and the MITL are met.

Service fees

Income received by a foreign resident from rendering services in Mexico may be subject to a 25-percent withholding tax rate under domestic rules. However, income tax treaties may reduce or eliminate this rate under specific circumstances. It is important to consider potential VAT implications.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty and stamp duty in Mexico. As noted above, there are real estate transfer taxes.

EMPLOYMENT TAXES

Employees must be registered with the Mexican Institute of Social Security (ie, *Instituto Mexicano de Seguro Social*, IMSS), as well as the National Housing Fund (ie, *Fondo Nacional para la Vivienda de los Trabajadores*, INFONAVIT).

This is relevant because Mexican employers are required to make contributions to the IMSS and INFONAVIT based on the salaries of their employees. These contributions are subject to daily salary caps that are determined based on a multiple of the minimum daily salary in the area in which the work is performed.

In this regard, an employee must pay approximately 2.755 percent of their salary to the IMSS (payment to the IMSS includes all social security dues), while an employer must pay a total of 36.69 percent of the employee's salary. Contributions to INFONAVIT are approximately 5 percent, and contributions to a Mandatory Pension Plan are progressive up to 4.241 percent of employee compensation for 2023, and increase at such rate until 2030, amounting to a maximum rate of 11.875 percent.

These contributions are subject to daily salary caps that are determined based on a multiple of the minimum daily salary in the area in which the work is performed.

The contribution percentages are generally applied to an employee's total integrated salary. However, in some cases, the percentage is broken down and applied to only a portion of the salary. There are maximum contributions that are capped for high salaries.

In addition, most states impose a payroll tax of approximately 2 percent of a company's total payroll. There are no caps for the state payroll tax.

Profit sharing

Mexican companies are required, under the Federal Constitution and labor laws, to make mandatory profit-sharing payments to employees equal to 10 percent of the adjusted taxable income of the company. In general terms, the same overall rules are applied in determining the adjusted taxable income for profit sharing as for income tax purposes. Most significantly, profit-sharing rules do not provide for inflationary adjustments or net operating loss carryforwards. Furthermore, exchange gains and losses are recognized as realized rather than an accrual basis. Mexican companies are not required to make profit-sharing payments for the 1st year of existence.

The profit sharing is allowed as a reduction for income tax purposes. The reduction of taxable income, once certain calculations are made, does not fall under deductible expenses. However, since profit sharing is not a tax *per se*, it is not creditable for foreign tax credit purposes, representing a cost to most foreign investors.

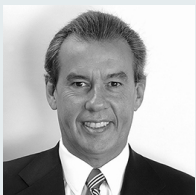
- On April 23, 2021, amendments to the Federal Labor Law (*Ley federal del Trabajo*), the Social Security Law (*Ley del Seguro Social*), the Employee Housing Fund Law (*Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores*), the Mexican Tax Code (*Código Fiscal de la Federación*), the MITL and the VAT Law in order to regulate outsourcing was published in the Federal Official Gazette, which came into effect of April 24, 2021.
- It prohibits the subcontracting of personnel (ie, outsourcing), which is defined as an arrangement in which an individual or entity provides or makes its own employees available for the benefit of another.
- Subcontracting of personnel for rendering specialized services or to execute specialized works that are not part of the main corporate purpose (ie, core business) or main economic activity of the beneficiary of the services or works (ie, the customer) is permitted, provided that the provider entity is duly registered as provider of specialized services or works with the STPS.

Although the Federal Labor Law establishes penalties in case of breach of the abovementioned provisions, in accordance with the amendments to the Mexican Tax Code, the invoices derived from the outsourcing of services in order to carry out activities forming part of the main corporate purpose or economic activities of the beneficiary will not be deductible for income tax purposes and not creditable for VAT purposes by the customers of such services.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Eduardo Gallástegui Armella

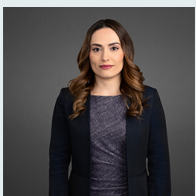
Partner

DLA Piper Mexico

eduardo.gallastegui@dlapiper.com

T: +52 55.5261.1807

[View bio](#)



Calafia Franco Jaramillo

Foreign Legal Consultation

DLA Piper Mexico

calafia.franco@dlapiper.com

T: +1 212 335 4823

[View bio](#)

MOZAMBIQUE



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RESIDENCE AND BASIS FOR TAXATION

The Mozambican tax system features both national and municipal taxes.

National taxes are classified into direct and indirect taxes and are dependent on the level of income and wealth and expenditure respectively. There are also other taxes which will be discussed.

Corporate Income Tax

Corporate income tax (IRPC) is a direct tax on income obtained during the taxation period, even if such income is obtained by illicit means.

Income obtained in Mozambican territory means income derived from activities carried out in the national territory by residents and non-residents with or without a permanent establishment located therein.

Domestic

Legal persons and other entities whose headquarters or effective management is located in Mozambican territory are classified as residents for IRPC purposes.

Foreign

Non-resident entities (ie, those without headquarters or effective management in Mozambique) with or without permanent establishment are liable to pay corporate tax in Mozambique on their local income. Non-resident entities with permanent establishment are taxed on profits attributed to their permanent establishment in Mozambique.

TAXABLE INCOME

Domestic

Persons classified as residents for IRPC purposes (ie, legal persons and other entities whose headquarters or effective management is located in Mozambican territory) are taxed on a worldwide income basis.

Foreign

By contrast, non-residents are subject to IRPC only on their income obtained in Mozambique. When the non-resident entity does not have a permanent establishment, it will be generally taxed through withholding tax or through appointment of a legal representative to comply with the respective filling and payment obligations (in case the income earned is not subject to withholding at source – eg, capital gains income).

TAX RATES

The general rate of IRPC is 32 percent.

TAX COMPLIANCE

IRPC is due for each financial year, coinciding with the calendar year. However, companies and other entities subject to IRPC may adopt an annual tax period other than that established in the law, when reasons determined by the type of activity justify it, and when they are subsidiaries held in more than a 50-percent of their equity capital by entities which adopt a different taxation period, which must be kept for at least the next 5 years, provided that it is duly authorized by the Minister who oversees the finance area.

ALTERNATIVE MINIMUM TAX

Simplified tax for small taxpayers (ISPC)

The ISPC is a direct tax applicable to natural or legal persons engaged in small-scale agricultural, industrial or commercial activities, including the provision of services, in the national territory. For the purposes of this tax, a small-scale business is one the annual turnover of which is less than or equal to MZN2.5 million (approximately USD33,783.00 at the exchange rate of 1USD = MZN 74.00).

Taxpayers who opt for ISPC on their activities of supply of goods and services are no longer subject to VAT, and any income derived from those activities will not be subject to either personal income tax (IRPS) or corporate income tax s(IRPC).

ISPC is due for each tax year, which coincides with the calendar year. Applicable rates are as follows: Annual rate of ISPC MZN75,000 (approx. USD1.013 at the exchange rate of 1USD = MZN74.00). Alternatively, 3-percent rate on the turnover may be applied.

For taxpayers who commence business and opt for the first time for the ISPC a reduction of 50 percent of the applicable tax rate in the 1st year of activity is available.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable in Mozambique.

Tax rulings

In Mozambique, whenever a taxpayer is in a doubt in relation to the interpretation of the tax law and/or on the most secure way to apply it, they are entitled to approach the tax authorities and request a tax binding opinion. If the tax authority issues a ruling, it is bound by it, provided that the taxpayer has furnished the tax authority with complete and accurate information regarding the transaction to which the opinion relates for. General non-binding tax opinions are also available, though in practice taxpayers tend to use the binding opinions.

Tax incentives

Tax and customs incentives as well as other benefits – such as the right to import capital, export profits and re-export invested capital – are given to domestic and foreign private investments, whether by individuals or by legal entities, made in Mozambique under the Investments Law and Code of Fiscal Benefits. For certain areas like the extractive industry, there is a specific sector industry tax law with specific incentives.

CONSOLIDATION

Companies may not elect to file corporate income tax returns on a consolidated basis and must file independently.

PARTICIPATION EXEMPTION

Profits received from companies with head offices or effective management in Mozambique subject to and not exempt from IRPC or subject to the Special Tax on Gambling may be deducted in full from the results of the companies that are the beneficiary of the profits, provided that the following conditions are all met:

- They are commercial companies or civil companies incorporated under the commercial form, cooperatives and public companies;
- Have their head office or effective management in Mozambique; and
- Hold a percentage of the share capital of the company distributing the profits of at least 20 percent and during the 2 previous years prior to the date on which the profits are placed at the disposal or, if held for a shorter period, if the shareholding is maintained during the time necessary to complete that period.

This deduction mechanism is also applied, irrespective of the percentage of shareholding and period during which the shares are held, to the following companies:

- Insurance and mutual insurance companies, with respect to income from shareholding in which technical reserves had been applied;
- Risk capital companies;
- Holding companies; and
- Companies associated in participation, incorporated as commercial or civil companies under the commercial form, cooperatives or public companies, with head office or effective management in

Mozambique, irrespective of the value of their contribution, with respect to the income that has effectively been taxed, distributed by an associated resident in the same period.

CAPITAL GAIN

In Mozambique, the capital gains are a type of income that is subject to corporate income tax, and not a separate and independent tax. Capital gains are taxed at the rate of 32 percent.

In the country, realized capital gains are gains related to fixed assets obtained through the onerous transfer, under whatever title, and those deriving from accident claims or those resulting from the permanent allocation of said elements to purposes not related to the activity performed.

Capital gains resulting from the transfer for valuable consideration of shareholdings in entities whose head office or effective management is located in Mozambican territory, are considered income obtained in Mozambican territory, thus payment of tax in Mozambique is mandatory. Furthermore, any gains resulting from the transfer, direct or indirect, on an onerous or gratuitous basis, between non-residents of shares or participating interests or rights involving assets located in Mozambique, regardless of where such transactions take place, are also considered obtained in Mozambique.

DISTRIBUTIONS

Distributions paid by a corporation to its shareholders are treated as dividends. The legal entity paying such dividends shall withhold tax (IRPC) at a rate of 20 percent on the dividends distributed (unless the beneficiary of such dividends is domiciled in a country with which Mozambique has a tax treaty which provides for a more attractive tax treatment). The obligation to pay tax is of the shareholders (as the beneficiaries of the income), but the entity paying such dividends is obliged act as a tax substitute and withhold tax owed and then pay it over to the Mozambican tax authorities on behalf of the beneficiary. More attractive rates can be applied, provided that the application of an available Double Taxation Treaty is requested.

LOSS UTILIZATION

Tax losses assessed in a certain financial year are, in general, deductible from the taxable profits, if any, of 1 or more of the 5 subsequent financial years.

TAX-FREE REORGANIZATIONS

In Mozambique, under the corporate income tax code in force, it is possible to transfer assets or a business at book value without triggering taxation based on tax neutrality principle. Mergers and demergers may also be carried out without triggering any adverse tax consequences.

ANTI-DEFERRAL RULES

Payments to entities resident in countries with privileged tax regime

For the purposes of determining the taxable profit, any amounts paid or due to individuals or corporate entities resident in countries with a clearly more favorable regime is not tax deductible. However, this rule does not apply when the taxable person proves that such amounts relate to transactions that were effectively realized and are not abnormal or exaggerated. This proof must be provided within 30 days after notification to the taxable person.

The IRPC Code establishes that an individual or corporate entity is subject to a clearly more favorable tax regime when, in the respective territory of residence, it is not subject to income tax or, if subject, the effective tax rate applicable is equal to or lower than 60 percent of the IRPC rate (19.2 percent).

FOREIGN TAX CREDITS

Subject to certain limitations, foreign tax credits and deductions are available to resident companies on foreign taxes paid, either in terms of domestic legislation or applicable tax treaties.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Income from the sale of real property located in Mozambique is taxed in the country as capital gains.

TRANSFER PRICING

Arm's-length principles are generally applied under Mozambican law to transactions between related entities. The transfer pricing rules (TPR) were largely inspired in OECD guidelines, though there are a few deviations from the OECD model.

The TPR applies to taxpayers subject to IRPC and IRPS with residence or domicile in Mozambique who carry out transactions with related parties regardless of whether such related parties are resident or non-resident in Mozambique. It also applies to different types of transactions accomplished between permanent establishments (eg, branch offices, work sites, mines, quarries, any fixed place of business) of non-resident entities in Mozambique and other related entities regardless of whether they are residents or non-residents in Mozambique.

Per the IRPC Code, the tax authorities may proceed with the necessary corrections for assessing the profits for tax purposes whenever (i) by virtue of special relations between the taxpayer and other entity, different conditions from those which would normally be agreed between independent entities have been established, and (ii) as a result of those conditions, the profits for accounting purposes are different from those that would have resulted had such special relations not existed.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Under the terms of the generally applicable legislation, namely the IRPC Code, income of non-resident entities without permanent establishment in the national territory is taxed through definitive withholding tax at a single flat rate of 20 percent, with few exceptions such as income from rendering of telecommunications and international transport services, as well as assembly and installation of equipment made by such entities, which are subject to a single flat rate of 10 percent.

The domestic withholding tax rate may be reduced if a tax treaty applies. The application of tax treaty is not automatic. The beneficiary of the income shall request its application.

Service fees

Withholding tax may apply to certain payments in respect of services rendered by a non-resident, particularly where the services are rendered in Mozambique, subject to reduction under a double taxation treaty, where applicable.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty and real estate transfer tax are applicable in Mozambique.

Stamp duty is due on all documents, contracts, books, papers and acts established by law that occurred in Mozambique. Stamp duty is also due in case of documents or acts entered into outside the national territory when they are presented in Mozambique for any legal purpose. Apart from specific rates that apply to transactions and documents specifically provided in the Stamp Duty Rates Table, there is a residual rate (200,00 MT) applicable in case of contracts, addenda, agreements or conventions, which are not specifically provided for therein.

Real estate transfer tax is due in respect of the transfer, on an onerous basis, of the right of ownership or other incidental rights on real property; real property is understood to be “urban buildings” located within the national territory.

EMPLOYMENT TAXES

Employer must withhold the personal income tax (IRPS) of its employees and deliver it to the tax authority by the 20th day of the following month. The annual tax rates are established on a steeply graduated basis depending on the amount of the income with the maximum rate being 32 percent.

Employer also must pay the mandatory social security contribution of 7 percent of the employee’s salary, 4 percent borne by the employer and 3 percent deducted from the employee’s salary, to the National Institute of Social Security (INSS).

OTHER TAX CONSIDERATIONS

Value-added tax

VAT is a general consumption tax levied on goods and services. It is applicable at each stage of the economic chain, which means that the tax base for taxation is the value added at each stage of that cycle.

VAT is due in respect of the following operations: (i) transfer of goods and services undertaken within the national territory, on a paid basis, and (ii) import of goods. Mozambique VAT rate is 17 percent.

Import duties and taxes

On import of goods into Mozambique, custom duties, excise duty (if applicable) and VAT are levied, unless the goods are exempt from these taxes or subject to a special customs regime. Exports are 0 rated.

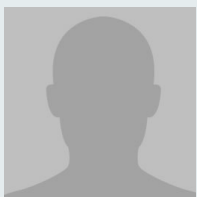
Double taxation treaties

Mozambique has signed tax treaties with the UAE, Mauritius, Italy, Portugal, Botswana, India, South Africa, Vietnam and Macau.

Tax incentives

In Mozambique, investors may apply for investment projects. The incentives available are of four types, namely (i) tax incentives, (ii) customs incentives, (iii) incentives related to the repatriation of capital invested and profits and (iv) the protection/guarantees provided by the Mozambican State for private property and investments.

KEY CONTACTS



Eduardo da Costa Calú
Managing Partner
DLA Piper Mozambique
ecalu@salcaldeira.com
T: +258 21 241400

NETHERLANDS



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RESIDENCE AND BASIS FOR TAXATION

A company that is effectively managed in the Netherlands is treated as a resident company. Companies incorporated under Dutch law are deemed to be residents of the Netherlands.

Domestic

A resident company is subject to income tax on all its income and capital gain from sources anywhere in the world. Exemptions or exclusions may apply for certain income from shareholdings and permanent establishments.

Foreign

A nonresident company is generally taxed only on its Dutch-source income. A network of double taxation treaties operates to modify these rules including reducing the rate of withholding taxes.

TAXABLE INCOME

Domestic

Taxable income of a domestic corporation is equal to all net income less applicable deductions.

Foreign

A nonresident corporation is subject to corporate income tax only on income derived from Dutch sources. Income from Dutch sources include, among other items, business income from operations in the country through a branch, office or other permanent establishment, including a permanent representative, and income derived from the leasing and disposal of real estate located in the Netherlands.

TAX RATES

The standard corporate income tax rate is 25,8 percent. A lower rate of 15 percent applies for taxable income up to EUR395,000.

The Netherlands only levies withholding tax up to 15 percent on outgoing dividends, often reduced under the application of tax treaties or a domestic withholding exemption. As of January 1, 2021, the Netherlands levies a conditional withholding tax of 25 percent (25.8 percent as of 2022) on payments of interest and royalties to low tax jurisdictions and in abusive situations.

TAX COMPLIANCE

Corporate income tax returns must be filed within 5 months after the end of the fiscal year, but extensions may be applicable.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

No broad-based general rulings are available as they are considered incompatible with international and EU standards. However, on an individual basis, taxpayers may request an advance tax ruling or advance pricing agreement from the Dutch tax authorities. The Dutch tax authorities' advance ruling practice has been an integral part of the tax system for many years and contributes to the attractive business climate in the Netherlands.

Tax incentives

There are tax incentives for specific activities, including an IP box regime (Innovation Box) with a reduced effective corporate income tax rate on qualifying IP income of 9 percent, and a payroll tax credit for innovation, competitiveness and employment.

A special tonnage tax regime applies to shipping companies.

A 0 percent tax liability or full exemption is provided for qualifying investment funds.

CONSOLIDATION

The Dutch tax consolidation regime allows a Dutch parent company and its 95-percent-owned domestic subsidiaries to apply for the consolidation regime. In addition, a tax consolidation is allowed between 2 Dutch sister companies that have the same EU parent company which owns an interest of at least 95 percent in both Dutch companies. Profits and losses of the subsidiaries are attributed to the Dutch controlling parent company. A Dutch parent company that indirectly owns at least 95 percent of Dutch affiliates through 1 or more foreign companies based in the EU, Iceland, Norway or Liechtenstein (intermediary companies) may also form a tax

group. Similarly, it is possible to set up a tax group between sister companies with their parent company established in the EU, Iceland, Norway or Liechtenstein.

PARTICIPATION EXEMPTION

Dividends from qualifying subsidiaries and capital gains from the sale of shares in a domestic or foreign subsidiary received by a Dutch corporate shareholder are exempted from tax, unless such payments are directly or indirectly deductible for corporate income tax purposes in the country of the subsidiary, irrespective of whether the deduction is actually claimed.

The participation exemption applies when at least 5 percent of the shares in the subsidiary are being held by the Dutch parent company and the subsidiary is not considered a low-taxed passive portfolio investment company.

CAPITAL GAIN

Capital gains are taxed as ordinary income, unless exempt by the participation exemption. Capital losses are deductible, unless attributable to the disposal of a shareholding qualifying for the participation exemption. Certain liquidation losses are deductible. As of January 1, 2021, the liquidation loss scheme is limited to shareholdings that are tax resident in the EU and the EEA (geographical limitation) and shareholdings over which the taxpayers have significant authority (ie, generally shareholdings of 50 percent or more) (material limitation). However, liquidation losses up to EUR5 million may still be taken into account without the geographical and material limitation. In addition, the liquidation must have been completed within 3 years after the moment of ceasing the shareholding or the decision to cease it (temporal limitation). The temporal limitation applies to all liquidation losses.

DISTRIBUTIONS

Dividend distributions paid by a Dutch company or holding cooperative to its shareholders or members are, in principle, subject to Dutch dividend withholding tax. Dividend withholding tax may be reduced under the domestic dividend withholding exemption or under the application of a tax treaty. A return of paid-up capital is, in principle, not subject to Dutch dividend withholding tax.

LOSS UTILIZATION

As of January 1, 2022, the loss utilization rules are limited to 50 percent of the taxable profits. However, tax losses up to EUR 1 million may be utilized in full. In conjunction with the limitation on the utilization of tax losses, the carry-forward period is made indefinite. The carry back period is 1 year. In addition, there are special rules which deny the utilization of tax losses in case of significant changes of ownership of a company.

TAX-FREE REORGANIZATIONS

Tax-exempt mergers, demergers and tax-exempt contributions of assets are available, provided the specific requirements in each case are met. In addition, the consolidation regime may be used to transfer assets or liabilities between group companies without giving rise to tax consequences. Special rules apply to cross-border reorganizations.

ANTI-DEFERRAL RULES

CFC

As of January 1, 2019, CFC rules apply to Dutch corporate taxpayers holding a direct or indirect subsidiary or a permanent establishment that is established in a jurisdiction that is included on:

- A yearly published Dutch blacklist (ie, jurisdictions with a statutory corporate tax rate less than 9 percent) or
- The European list of non-cooperative jurisdictions.

The CFC rules only apply to direct or indirect subsidiaries if the Dutch shareholder, alone or together with an associated enterprise or person, holds an equity interest of more than 50 percent in the subsidiary. Certain exceptions may apply, including where the subsidiary or permanent establishment has “real economic activities.”

Under the CFC rules, certain categories of undistributed (passive) income of such CFCs are included in the corporate tax base of the Dutch corporate taxpayer.

In addition to these CFC rules, a shareholding of 25 percent or more in a low-taxed portfolio investment with greater or equal to 90-percent “bad assets” should be revalued annually at the fair market value.

General ANTI-avoidance rule

Wholly artificial constructions which are not in line with the purpose and scope of the law, resulting in a lower taxation, may be restricted under the general anti-avoidance rule.

FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Corporate taxpayers owning real estate located in the Netherlands that is used for the purpose of their own business can annually depreciate the cost price of the real estate to its residual value, but not more than when the tax book value has reached 100 percent of its estimated market value (*WOZ value*). The estimated market value is assessed annually by the municipality where the real estate is located. The 100-percent threshold also applies to Dutch real estate that is rented out to 3rd parties.

TRANSFER PRICING

Arm's-length principles are applied under Dutch law to transactions between related entities. Dutch transfer pricing rules are in accordance with OECD guidelines. As of January 1, 2022, new anti-avoidance rules apply that aim to eliminate transfer pricing mismatches arising from a difference in the application of the arm's-length principle.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

A 15-percent withholding tax applies to dividends paid by a domestic corporation to a person or entity. A domestic dividend withholding tax exemption applies on dividends paid to EU/EEA parent companies and parent companies in a 3rd country that has concluded a tax treaty with the Netherlands that contains a dividends clause, unless anti-abuse provisions apply.

Double taxation treaties operate to modify these rules, including reducing the rate of withholding taxes.

Withholding tax is generally reduced to 0 percent if the corporate shareholder has an interest of 5 percent or more in the subsidiary (domestic and EU/EEA), in line with the Parent-Subsidiary Directive.

As of January 1, 2021, the Netherlands will levy a conditional withholding tax of 25 percent (25.8 percent as of 2022) on outbound payments of interest and royalties to low-tax jurisdictions and in abusive situations.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Real estate transfer tax is levied on the transfer of shares of Dutch real estate companies. Transfer of the shares is subjected to 8-percent transfer tax if the assets consist of mainly (ie, 50 percent or more) real estate.

Direct transfer of Dutch real estate is also subject to 8-percent transfer tax, or 2-percent in the case of owner-occupied dwellings. Certain exemptions may apply.

Private individuals may, under certain conditions, benefit from a transfer tax exemption on houses that are used for personal dwelling.

The Netherlands does not levy any other stamp duty, capital duty or registration tax of any kind.

EMPLOYMENT TAXES

Employers must withhold wage taxes and contributions for pension, health and unemployment insurance.

Under certain conditions, employers may provide incoming employees 30 percent of their wage tax-free. Incoming employees must be recruited or seconded from another country to work in the Netherlands and have specific expertise with no or little availability in the Dutch employment market. As of January 1, 2019, the 30 percent tax-free wage is only applicable for 5 years.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Roderik Bouwman
Partner
DLA Piper Netherlands
roderik.bouwman@dlapiper.com
T: +31 (0)20 5419 894
[View bio](#)



Daan Arends
Partner
DLA Piper Netherlands
daan.arends@dlapiper.com
T: +31 (0)20 5419 315
[View bio](#)

NORWAY



Last modified 14 August 2023

RESIDENCE AND BASIS FOR TAXATION

Domestic

Companies are considered tax resident in Norway if they are:

- Established and registered in Norway or
- Have its place of effective management in Norway.

Foreign

Foreign companies that are not tax resident in Norway may have limited tax liability in Norway if they:

- Conduct or participate in business activities in Norway
- Operate or manage business activities from Norway
- Make employees available to others in Norway or
- Own real estate or other property in Norway.

TAXABLE INCOME

Domestic

Companies that are tax resident in Norway are taxed on their worldwide income (unlimited tax liability). The taxable income is generally calculated as the total income reduced by the costs generated by the business.

Foreign

Foreign companies with limited tax liability in Norway are generally taxable on their relevant net Norwegian source income in the same manner as domestic companies.

Interest deduction limitation rules

Norway has legislation to limit the deduction of interest on loans on both internal and external debt. In principle, tax deductions for interest are limited to 25 percent of the company's deemed Tax EBITDA. The application threshold is generally NOK25 million in net interest expenses on the Norwegian part of consolidated group. To certain related parties, the threshold may be only NOK5 million on a company level. Certain exemptions apply, based on the asset-to-equity ratio of the company compared to the group. For Norwegian entities that are not part of a consolidated group, the applicable threshold is NOK5 million for net interest on internal debt.

TAX RATES

The corporate tax rate is 22 percent (2023).

TAX COMPLIANCE

Norwegian tax resident companies and foreign companies that have assets or receive income in Norway are generally required to submit a yearly tax return (with attachments). The tax return must be submitted electronically by May 31 the year after the income year.

Advance payments of corporate taxes are due twice a year (February 15 and April 15 the year following the tax year). Any shortfall is payable during the fall, normally in November.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable in this jurisdiction.

Tax rulings

Companies may apply for a binding advance ruling concerning tax consequences on a future transaction. A binding advance ruling will last for 5 years, provided that the transaction is carried out within 3 years from December 31 of the year the binding ruling was issued.

Tax incentives

Limited research and development credits are available.

A Tonnage Tax Regime is available, which implies favorable taxation of qualifying shipping companies.

CONSOLIDATION

Norway does not have a tax consolidation system and hence separate entity taxation applies for income tax purposes.

However, companies belonging to the same group (which applies to share ownership of more than 90 percent of the shares) may exchange group contributions. A group contribution is deductible for the paying company and is taxable for the recipient company.

PARTICIPATION EXEMPTION

Dividends

Dividends received by a company tax resident in Norway from another Norwegian company resident in Norway (or similar company resident in the European Economic Area, or EEA) are 97-percent exempt of tax. The remaining 3 percent are taxed with the ordinary corporate income tax rate of 22 percent. For dividends received from a company resident in a low-tax jurisdiction with the EEA, the 97-percent exemption applies only if real business activities are conducted in that jurisdiction.

Dividends from group companies within the EEA are 100-percent exempt if more than 90 percent ownership.

Dividends received from a foreign company outside the EEA are 97-percent exempt if both of the criteria below are met:

- The Norwegian company has held at least 10 percent of the shares and votes for at least 2 years and
- The foreign country is not a low-tax country.

Capital gains

Capital gains derived by a Norwegian company on the realization of shares in another Norwegian (or EEA-resident) company are exempt from taxation. For capital gains derived by a Norwegian company on the realization of shares in an EEA-company resident in a low-tax jurisdiction, the exemption applies only if real business activities are conducted in that jurisdiction.

Capital gains derived by a Norwegian company on the realization of shares in a company resident outside of EEA are exempt from taxation if both of the criteria below are met:

- The Norwegian company has held at least 10 percent of the shares and votes for at least 2 years and
- The foreign company is not resident in a low-tax jurisdiction.

CAPITAL GAIN

Please see [Participation exemption](#). If the participation exemption regime does not apply, the capital gain will be taxed at the ordinary corporate tax rate of 22 percent.

DISTRIBUTIONS

Please see [Participation exemption](#). If the participation exemption regime does not apply, the dividends will be taxed at the ordinary corporate tax rate of 22 percent.

LOSS UTILIZATION

Unused losses may be carried forward without limit. Disallowed interest deductions (see [Taxable income](#)) can be carried forward for 10 years.

TAX-FREE REORGANIZATIONS

Merger and demergers may be carried out without triggering any adverse tax consequences.

ANTI-DEFERRAL RULES

The CFC rules states, if Norwegian resident taxpayers hold or control at least 50 percent of the shares or equity in certain "low taxed" foreign entities, the Norwegian resident taxpayers will be subject to taxation on a current basis for its proportionate share of the foreign entity's profits. A foreign legal entity is considered "low taxed" if the entity is subject to less than 2/3 of the Norwegian tax on the same income (ie, generally 14.67 percent in 2023).

The CFC rules does not apply if Norway has entered into a tax treaty with the relevant country and the income is not of a mainly passive nature. The same applies to entities resident in EEA-countries, provided that real business activities are carried out in the relevant jurisdiction.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Norwegian taxation may be credited under the Norwegian tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Municipal authorities levy real estate tax on the ownership of real estate. Real estate tax applies to the assessed real market value of the real estate at rates ranging between 0.1 percent and 0.7 percent. Some municipalities do not levy real estate tax.

TRANSFER PRICING

The Norwegian transfer pricing rules are based on the arm's-length principle and the OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Dividends

Under the general rule, a dividend payment to a foreign shareholder will be subject to 25-percent withholding tax.

Dividend payments to corporate shareholders resident in the EEA are exempt from withholding tax, provided that the shareholder conducts a real business activity in the relevant jurisdiction. Otherwise, the rate may be reduced under an applicable tax treaty.

Dividend payments to shareholders resident outside the EEA are subject to 25-percent withholding tax, unless the rate is reduced under an applicable tax treaty.

Documentation requirements apply in order to benefit from exemption from or reduced dividend withholding tax.

Service fees

Royalties, interests, rents, etc.

Interest, royalties and lease payments for certain types of tangible assets (eg, ships, rigs, planes) paid to related parties resident in low-tax jurisdictions outside the European Economic Area (EEA) are subject to a withholding tax of 15 percent.

Royalties, interests and lease payments to corporate shareholders resident in the EEA are exempt from withholding tax, provided that the shareholder conducts a real business activity in the relevant jurisdiction.

Norway does not levy withholding tax on service fees.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

The sale or other transfer of real estate is generally subject to 2.5-percent stamp duty, based on the market value of the real estate. Transfer tax is generally not levied.

EMPLOYMENT TAXES

Employers are obliged to pay employer's contributions of the total salary. The rate is differentiated regionally and ranges between 0 percent and 14.1 percent. For 2023, the employer's contribution amounts to 19.1 percent for employee salaries exceeding NOK750,000 per year.

Employers are further obliged to make tax deductions from the salary payments made to the employees.

OTHER TAX CONSIDERATIONS

Foreign employees

Foreign employees who work temporarily in Norway may opt to pay 25-percent salary tax on the gross remuneration received, up to a certain maximum (NOK642,950 in 2023). The 25-percent salary tax is final, and no deductions are allowed. Certain exemptions apply.

KEY CONTACTS



Jonas Aartun

Partner

DLA Piper

jonas.aartun@dlapiper.com

T: +47 95 07 44 47

PERU



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RESIDENCE AND BASIS FOR TAXATION

As a general rule, companies duly incorporated in Peru are considered Peruvian residents for tax purposes.

Domestic

According to the Peru Income Tax Law (PITL), individuals and entities domiciled in Peru are subject to income tax on their global-sourced income (income derived from Peru or abroad).

However, although branches, agencies and PEs in Peru of non-resident entities are considered residents for tax purposes, they are subject to income tax only on their Peruvian-sourced income.

Foreign

Non-residents (individuals or entities) are taxed only on their Peruvian-sourced income.

TAXABLE INCOME

Corporate Income Tax

Domestic

Regarding the CIT basis, profits are taxed on a yearly and an accrual basis at the time the business is entitled to receive a certain income.

However, according to Peruvian Income Tax Law, such amount of profits could vary by means of:

- The existing of exempted income that should not be considered in the tax base and
- The existing of expenses that are subject to quantitative limitations or legal requirements as well as existing of expenses that are expressly forbidden for income tax purposes.

Foreign

Non-resident entities may be subject to tax but only for their Peruvian-sourced income.

TAX RATES

In Peru, CIT rate is 29.5 percent, which is applied on net income. The same rate and tax basis apply to businesses that are carried out directly by individuals.

It should be pointed out that there are special tax regimes (mainly for small businesses and business that carry on activities in the Amazon) where the business tax rate or business tax burden could be reduced if certain conditions are met.

Personal tax

Individuals that are domiciled in Peru shall pay personal tax on their income obtained during a year (eg, dividends, interests, fees, among others). The tax rate depends on the type of income as follows:

- 5 percent on royalties, interests and dividends obtained in Peru.
- Income obtained by independent professionals are subject to a progressive tax rate as explained in the upcoming points.

Value-added tax

Value-added tax (VAT) has a flat rate of 18 percent if incurred in the following transactions: supply of goods within Peru; supply of services within Peru and utilizations of services in Peru; construction contracts; first sale of real state property made by the constructors; and importation of goods.

TAX COMPLIANCE

CIT returns must be filed before the end of deadline established by the Tax Administration. Additionally, the company must submit monthly tax returns based on income obtained within a month in order to comply with the advance income tax payment as well as the VAT.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

The National Superintendency of Customs and Tax Administration (SUNAT) is responsible for administering all aforementioned taxes (eg, income tax and VAT, among others). Companies' residency in Peru must be registered before the Peruvian Tax Administration (Taxpayer's Registry) in order to carry out their activities.

The Tax Court is a specialized administrative tribunal, which depends on the Ministry of Economy and Finance, but is otherwise autonomous regarding its specific functions. Its mission is to rule over tax controversies that may arise between tax administration and taxpayers, by interpreting and applying the corresponding tax legislation, issuing mandatory observance jurisprudence, and establishing homogenous criteria that continue to support the progress of the tax system.

Finally, taxpayers are entitled to file an appeal before the Judiciary (Court) against resolutions issued by the Tax Court, but payment of the tax debt must be performed or guarantees must be provided.

Tax incentives

- R&D expenses

Expenses related to research and development (R&D) such as scientific research, technology development and technology innovation projects can receive an additional deduction for corporate income tax purposes. It must be noted that these expenses may or may not be related to the core business.

- Tax rate applicable to agricultural businesses

Individuals and corporations developing agriculture activities business (agro-industrial activities related to wheat, tobacco, oilseeds, oils and beer are not included) as well as individuals and corporations carrying out an agroindustry business outside Lima and Callao are subject to a corporate income tax rate of 15 percent until 2030; or 20 percent until 2024 and 25 percent from 2025 until 2027 depending on the entities income (under or over USD 2 million).

- Amazon regime

Taxpayers with domicile in the Amazon and carrying out certain activities (eg, agroindustry, tourism, aquiculture, fishing and forestall, among others) in such territory could be subject to a corporate income tax rate of 0 percent, 5 percent or 10 percent depending on the specific activity and territory involved. In any case, all corporations domiciled in the Amazon are not subject to VAT in terms of the supply of goods and services carried out within the Amazon.

- Tax stability agreements

According to this regime, foreign investors and the local companies incorporated by them are able to sign Tax Stability Agreements with the government that freeze the current tax regimen that applied at the time the agreement is signed.

Only the income tax regime may be frozen. This includes income tax from the investor's income (ie, their income tax on the distribution of dividends) and income tax from companies incorporated in Peru (ie, the income of the business income itself). Conversely, the Tax Stability Agreement excludes consumption taxes such as VAT and excise duties, among others.

- Advanced recovery of VAT

Peru has implemented a special VAT regime that allows some taxpayers to recover, in advance, the input VAT that was charged in all its acquisitions.

Under this regime, companies that exceed certain threshold of investments and that are involved in investments projects of more than 2 years at the preparatory stage (among other requirements) could receive an advance payment of the VAT that was charged at the time of the acquisition of goods and services related to such projects.

- Higher depreciation rate in financial leasing contracts

With regards to the acquisitions of fixed assets in the context of a financial leasing contract, the tax law provides the chance to apply a higher depreciation rate in relation to the regular regime if certain conditions are met.

- Preferential depreciation rates for buildings, construction and hybrid and electric vehicles

From 1 January 2023, Peru has implemented special depreciation regimes for taxpayers under the general income tax regime, and MYPE regime (regime for individual small and medium companies). Taxpayers are entitled to apply a maximum depreciation rate of 33.33% if (i) the construction has started as of 1 January 2023 and (ii) at least 80% of the construction is completed by 31 December 2024.

On the other hand, taxpayers are entitled to apply a maximum annual rate of 50%, for hybrid and electric vehicles acquired in 2023 and 2024.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Foreign income is not exempt in Peru.

CAPITAL GAIN

As a general rule, the capital gains of a Peruvian company will be included as corporate income that is subject to income tax at a rate of 29.5 percent.

Notwithstanding, there are some transactions that are exempt, such as the ones made through the Lima Stock Exchange (LSE), if some requirements are met, meaning 10 percent or more of shares cannot be transferred within a period of 12 months by the transferor and its related parties, and the shares have market liquidity /presence.

However, for FY 2023, this exemption is only applicable to income attributable to individuals and up to the amount equivalent to 100 Tax Units (USD 130,000 approximately) of the capital gain generated in each taxable year.

DISTRIBUTIONS

Dividends distributed to non-domiciled persons, whether they are individuals or legal entities, as well as domiciled individuals are subject to a withholding tax rate of 5 percent on the amount distributed. Dividends distributed between domiciled entities are not subject to withholding taxes.

LOSS UTILIZATION

Peruvian tax law provides that the losses generated by a Peruvian-based company may be compensated with the taxed income of the following fiscal year(s). In this sense, there are 2 systems that may be chosen by taxpayers in order to undergo such compensation:

- System A: the losses that have been generated in a certain fiscal year can be offset against the total net income until the amount is exhausted. However, such losses could not be offset in the following 4 years – they would instead expire.
- System B: the losses generated in a certain fiscal year can be compensated against 50 percent of the following periods until the amount is exhausted without any time restriction.

Once an option is selected, it can only be changed after all the losses are used or terminated. Peruvian tax law does not allow carryback losses. According to Peruvian income tax law, there is no difference between ordinary and capital losses.

TAX-FREE REORGANIZATIONS

The transfer of assets in the context of a reorganization is (in principle) not subject to tax.

For income tax purposes, taxpayers can choose among 3 systems: (i) voluntarily revalue the assets transferred under the reorganization with tax effects, but tax the gain determined by the difference between the new value and the cost of acquisition; (ii) voluntarily revalue the assets transferred under the reorganization without tax effects, and not tax the gain determined by the difference between the new value and the cost of acquisition; and (iii) transfer the assets without revaluing them, with any tax effect on its value, rather than gain, determined.

In addition, it must be noticed that, in the reorganization of companies, the acquirer is unable to receive the transferor's tax losses.

ANTI-DEFERRAL RULES

Over the last several years, Peru has focused on implementing BEPS recommendations. So far, Peru has implemented CFC rules, which came into force in 2013. CFC rules apply to Peruvian residents who control non-domiciled entities that, according to the law, qualify as CFCs in terms of their passive income.

FOREIGN TAX CREDITS

Resident taxpayers may deduct the foreign income taxes paid abroad under certain limits. Foreign tax credits may be offset only in the corresponding fiscal year – they cannot be offset in other fiscal years.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Transfer pricing rules apply for international and local transactions between related parties. The Tax Administration (SUNAT) may adjust the prices of transactions between related parties when they are not consistent to the transfer pricing rules and its results.

WITHHOLDING TAX

Non-resident entities are subject to withholding tax at the following rates:

- Interests from loans: 4.99 percent. However, this tax rate applies only if the borrower proves the effective entrance of the funds in the country and as long as the interest rate is not higher than LIBOR plus 7 points. In such case, the excess would be taxed with a 30-percent tax rate. On the other hand, all cases of loans between related parties the tax rate would be 30 percent. This includes back-to-back structures as well.
- Royalties: 30 percent
- Dividends: 5 percent
- Technical assistance services: 15 percent
- Other income: 30 percent

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Transfer Taxes

Real estate transfer taxes (*Alcabala*) apply to any transfer of property of urban or rural real estate, whether it is a free transaction or not, and in any mode of transferring.

Real estate transfer taxes are levied at 3 percent of the sale price (or the municipal reference value, whichever is higher) and payable by the buyer. The first 10 tax units (USD 13,000) of the transaction are tax-exempt.

EMPLOYMENT TAXES

Income produced by independent professionals is subject to a progressive tax rate:

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For the first 7 tax units:	0
Up to 5 tax units:	8 percent
Greater than 5 UIT and up to 20 tax units:	14 percent
Greater than 20 UIT and up to 35 tax units:	17 percent
Greater than 35 UIT and up to 45 tax units:	20 percent
Greater than 45 tax units:	30 percent

It must be noted that only the Individual Rate applied to high end of the income scale is higher than the Corporate Rate (29.5%).

1 Tax Unit (2023) = PEN 4,950 = USD 1,300

OTHER TAX CONSIDERATIONS

Financial Transaction Tax (*ITF – Impuesto a las Transacciones Financieras*) is applied to debits or credits within accounts in the financial system and has a rate of 0.005 percent of the transaction amount.

KEY CONTACTS

POLAND



Last modified 11 August 2023

RESIDENCE AND BASIS FOR TAXATION

Subject to the application of a relevant tax treaty, companies that have their legal seat or place of management in Poland are treated as domestic corporations (ie, tax resident in Poland).

Domestic

A domestic corporation is subject to Polish tax on its worldwide income. A domestic corporation generally is not subject to Polish tax on the income of its foreign subsidiaries unless controlled foreign corporation (CFC) rules apply.

Foreign

Foreign corporations are taxable on their Polish-source income only. Tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Taxable income of a domestic corporation is equal to a sum of gross income from 2 separate sources of income: capital gains and other sources. Income from a given source is equal to the excess of the sum of revenues from that source over costs incurred to generate revenues during the fiscal year. A tax year is generally same as the financial year and can be a calendar year or any other 12 consecutive months.

TAX RATES

The corporate income tax (CIT) rate is 19 percent or 9 percent for taxpayers with sales revenue, excluding output VAT and not exceeding EUR2 million (with certain restrictions).

TAX COMPLIANCE

CIT is paid in monthly installments by the 20th day of each month for the preceding month (quarterly payments are possible for small taxpayers). An annual CIT return should be submitted within 3 months of the tax year end.

ALTERNATIVE MINIMUM TAX

In Poland, legislation establishing a minimum corporate tax went into effect in 2022. This tax, however, will apply to tax years beginning after December 31, 2023.

Minimum corporate tax will be levied on any entity subject to CIT (including tax capital groups) that:

- suffered a loss for a given tax year or
- whose share of income in revenues (other than capital gains) calculated for tax purposes is less than 2 percent.

The provision will not apply, *inter alia*, to startups or taxpayers who recorded over a 30-percent decrease in revenues.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Tax rulings are of a general or individual nature. Individual rulings are issued upon request within 3 months from filing of a request (the deadline for issuing individual tax ruling is extended to 6 months during the COVID-19 pandemic). Individual tax rulings may be requested by anyone who wants to confirm interpretation of tax provisions – not only by taxpayers, but also by potential shareholders, foreign investors or foreign entities considering starting business activity in Poland.

Tax incentives

There are tax incentives for specific activities or types of income, including relief for R&D activities, income from intellectual property (IP Box), relief for innovative employees, relief for robotization, relief for prototypes, relief for expansion, relief for corporate social responsibility, relief for initial public offerings (IPOs), relief for consolidation, notional interest deduction for retained profits and additional equity contributions, as well as investment incentives related to business activity carried out in special economic zone.

CONSOLIDATION

It is possible to consolidate for tax purposes within a tax capital group. Several requirements must be fulfilled (eg, an average capital of PLN250,000 for each group company, a minimum share of 75 in subsidiaries by the parent).

PARTICIPATION EXEMPTION

There is a participation exemption from withholding tax for dividends based on the EU Parent-Subsidiary Directive. The exemption applies to dividends paid by the Polish company to the EU company provided that the latter company holds at least 10 percent shares of the Polish company for a continuous period of at least 2 years. The exemption is not available if the dividend distribution is aimed at tax avoidance. From 2019, the requirements to apply the withholding tax exemptions have been extended and more formalized.

CAPITAL GAIN

Capital gain constitutes a separate source of income starting from 2018 and is taxed at the same rate as ordinary income (19 percent). Exemption is available only in specific circumstances (eg, share-for-share swaps, in-kind contribution of an enterprise or part thereof, or profit distributions that are exempt based on the EU Parent Subsidiary Directive). There is no general participation exemption applicable to capital gains. A participation exemption applies to qualifying dividends (see above).

DISTRIBUTIONS

A participation exemption applies to qualifying dividends.

LOSS UTILIZATION

Losses may be carried forward for 5 years. The deduction may not exceed 50 percent of loss incurred in a given year but, in addition to the 50-percent limit, a PLN5 million loss may be settled in 1 of 5 years. Losses cannot be carried back. Losses incurred from a given source (capital gain or other sources) may be settled only with income from that source.

Starting from January 1, 2021, losses of a taxpayer who acquired an enterprise/organized part of enterprise or took over another entity (via a merger) cannot be deducted:

- *if the scope of the core business activity carried out by the taxpayer differs from the scope of the core business activity which had been conducted by the taxpayer before the acquisition (merger), or*
- *when at least 25 percent of shares of the taxpayers are held by entity or entities which did not have these rights at the end of the tax year in which the taxpayer incurred loss.*

TAX-FREE REORGANIZATIONS

Based on the EU Mergers and Acquisitions Directive, mergers, divisions and share-for-share swaps may be tax-neutral provided that certain conditions are met and they are conducted for economic reasons. Otherwise, they result in taxation. However, from January 1, 2022, under the amended provisions of the CIT Act, the tax neutrality of mergers and divisions for partners is limited to activities in which:

- the shares in the acquired or divided company were not acquired as a result of an exchange of shares, mergers or divisions and
- the tax value of the shares at the acquiring party resulting from the merger or division will not exceed the tax value of the shares in the acquired or divided company.

Similar conditions also apply to share-for-share exchange transactions.

ANTI-DEFERRAL RULES

Under the CFC rules, a domestic corporation may be subject to tax at the rate of 19 percent on the income of a foreign-controlled entity if certain criteria apply. This includes where the ownership of the foreign entity is at least 50 percent, the so-called passive income of the foreign entity is 33 percent or more, and the effective rate of taxation of income of the foreign entity is below a certain level.

FOREIGN TAX CREDITS

Foreign tax credits are available under domestic law and under relevant tax treaties.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

In 2018, an income tax that is payable on certain commercial properties (fixed assets) was introduced. The tax applies to office buildings, shopping centers, department stores and other retail and service buildings with an initial value of more than PLN10 million. The tax is payable on a monthly basis; the rate is 0.035 percent of property value if it exceeds the sum of PLN10 million, determined at the first day of each month. The tax so calculated will reduce the "standard" corporate income tax, and any surplus over the standard corporate income tax may be refunded to the taxpayer upon its application and after tax authorities verify the correctness of the taxpayer's tax calculation.

Real estate companies and its partners reporting obligations

This regulation imposes an additional obligation for real estate companies and taxpayers holding, directly or indirectly, at least 5 percent of the voting rights in a real estate company or at least 5 percent of the total number of participation units or rights of a similar nature thereto.

Real estate companies must disclose information on entities owning, directly or indirectly, shares, participation units or rights of a similar nature in the real estate company, along with the number of such participation rights held by each of them, while partners of real estate companies are obligated to disclose information on the number of shares, participation units or similar rights held, directly or indirectly, in the real estate company.

TRANSFER PRICING

Arm's-length principles are generally applied to transactions between related entities. The Polish rules generally follow the OECD guidelines.

WITHHOLDING TAX

From 2019, the requirements to apply the withholding tax exemptions and reduced withholding tax rates based on EU law or the applicable double tax treaties have been extended and more formalized. In order to benefit from a reduced rate or full tax exemption in accordance with the new regulations, regardless of the value of payments made, payers are required to exercise “due diligence.”

On 1 January 2022 the new withholding tax collection mechanism (*pay and refund*) entered into force. If the total amount of payments to the same recipient in a given tax year exceeds PLN2 million, the payer will be obliged to calculate, collect and pay the withholding tax using the standard rates set out in the CIT Act (19 to 20 percent), with a right to apply for a tax refund to the tax authority if the payment qualifies for an exemption or a reduced WHT treaty rate. However, the *pay and refund* mechanism is narrowed to intra-company passive payments of interests, royalties, dividends.

A motion can be filed with the relevant tax authority to apply the WHT exemption and avoid paying WHT on these payments within 36 months from date of receiving the tax authorities’ opinion.

An alternative procedure that could lead to relief from an obligation to collect WHT is a submission of statement by the management board of the tax remitter (i.e. Polish entity paying interest) confirming that all conditions have been met to use an exemption/diminished WHT rate. However, filing of the aforementioned statement carries the risk of criminal liability of the member of the management board in case it will appear that such conditions in fact were not met.

Dividends

The general withholding tax (WHT) for dividends is 19 percent. The WHT rate may be reduced by specific provisions of the applicable income tax treaty or an exemption based on the EU Parent Subsidiary Directive may be available. WHT is payable monthly by the 7th day of each month for preceding month. The exemption is not available if the dividend distribution is aimed at tax avoidance.

Royalties and interest

A 20-percent withholding tax applies to royalties, interest and other passive income paid by a domestic corporation to a foreign person, subject to reduction or elimination by an applicable income tax treaty or regulations based on the EU Interest Royalties Directive. WHT is payable monthly by the 7th day of each month for the preceding month. The exemption is not available if the royalty or interest distribution is aimed tax avoidance.

Intangible services

A 20-percent withholding tax applies to fees for intangible services paid to foreign recipients, like management fees or fees for advisory, legal, marketing, accounting, recruitment services or guarantees, the tax may be reduced based on the relevant tax treaty. The payments for intangible services are excluded from the *pay and refund* mechanism and therefore such payments will not be included in the limit of payments of PLN2 million, above which this mechanism applies.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Stamp duties and transfer taxes are imposed for certain types of sales and transactions. In particular, 1 percent transfer tax is payable on direct sales of shares in Polish companies.

EMPLOYMENT TAXES

Employers must withhold personal income tax from the employees' gross remuneration. Employers also must pay social security contributions in respect of compensation paid to employees. These taxes are deductible by an employer for corporate income tax purposes.

OTHER TAX CONSIDERATIONS

Certain legislative measures have been introduced in the recent year to ensure more effective tax collection and to combat tax fraud, eg:

- introduction of the provision of a minimum corporate tax;
- introduction of a mandatory pay and refund mechanism regarding withholding tax;
- introduction of the provision of a tax on shifted profits;
- introduction of the provisions on deemed income to an employer in connection with illegal engagement of an employee or the failure to disclose a correct amount of income from engagement as well as an exclusion from tax deductible costs of the remuneration paid by virtue of illegal engagement

KEY CONTACTS



Bartosz Matusik

Partner

DLA Piper Giziski Kycia sp.k.

bartosz.matusik@dlapiper.com

T: +48 22 540 74 66

[View bio](#)

PORTUGAL



Last modified 11 August 2023

RESIDENCE AND BASIS FOR TAXATION

An entity is treated as a domestic entity for corporate income tax purposes if its registered seat or the effective place of management is located in Portugal.

Domestic

A domestic entity is subject to Portuguese corporate tax on its worldwide income.

Foreign

A foreign entity is subject to Portuguese corporate tax on:

- Income from business carried on through a Portuguese permanent establishment, and
- Portuguese-source income

TAXABLE INCOME

Domestic

Taxable income of a domestic entity is equal to gross income less applicable deductions.

Foreign

Taxable income of a foreign entity is equal to the gross income of the business carried on through the Portuguese permanent establishment less any deductions applicable to that Portuguese business, or, when there is no permanent establishment, the amount of income sourced from Portugal.

TAX RATES

The general corporate income tax rate is 21 percent. A reduced tax rate of 17 percent applies to the first EUR50,000 of taxable profits of small, medium-sized enterprises and small mid-caps.

A state surcharge is levied on taxable profits at the following rates: 3 percent for profits over EUR1.5 million up to EUR7.5 million; 5 percent on profits over EUR7.5 million up to EUR35 million and 9 percent on profits exceeding EUR35 million.

A municipal surcharge may be levied on taxable profits at rates up to 1.5 percent, depending on the municipality.

TAX COMPLIANCE

The tax return must be filed within 5 months after the end of the tax year.

The supporting accounting and tax report must be filed by the 15th day of the 7th month after the end of the tax year.

CBC reports must be filed within 12 months after the end of the MNE's tax year.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

No broad-based rulings are available. Taxpayers can request a private letter ruling that applies only to a specific issue.

Tax incentives

There are tax incentives for specific activities, including R&D expenses and deductions (eg Research and development (R&D) (*Sistema de Incentivos Fiscais em Investigação e Desenvolvimento Empresarial* or SIFIDE II), tax regime for investment support (*Regime Fiscal de Apoio ao Investimento* or RFAI), Pension funds, Investment Funds, including Real Estate Investment Funds (REIFs), and *Sociedades de Investimento e Gestão Imobiliária* or SIFI (with a regime akin to Real Estate Investment Trusts), Incentives to urban rehabilitation, Madeira International Business Centre (MIBC), Non-habitual tax residents, Golden Visa, etc.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 75 percent ownership of the statutory capital of the other affiliates and ownership of more than 50 percent of the voting rights) may elect to file corporate income tax returns on a consolidated basis.

PARTICIPATION EXEMPTION

Dividends and capital gains arising from the disposal of participations in other companies are exempt from corporate tax provided the following requirements are cumulatively met:

- The Portuguese company, directly or indirectly, holds a minimum 10 percent of the capital or voting rights of its subsidiary
- Such participation is held or maintained for a minimum period of 1 year
- The Portuguese company is not taxed under the tax transparency rules
- The participated company is subject and not exempted from CIT or, if EU resident, from a tax mentioned under article 2 of Directive 2011/96/UE or, if resident outside the EU, from a tax similar to the CIT and the rate applicable under such CIT is not below 60 percent of the Portuguese CIT, but note this condition may be waived under certain circumstances (article 66(6) CIT Code)
- The participated company is not resident in a blacklisted jurisdiction.

The capital gains exemption does not apply if the participated company has real estate in Portugal which value represents more than 50 percent of its assets, unless such real estate is used in connection with an agricultural, industrial or commercial activity.

CAPITAL GAIN

Capital gain is taxed at the same rate as ordinary income. Capital gain arising from the disposal of shares may be exempt from tax under the participation exemption regime (see [Participation exemption](#)).

Fifty percent of the gains derived from the disposal of tangible fixed assets and intangible assets held for at least 1 year may be excluded from taxation if the total disposal proceeds are reinvested within the prescribed period.

DISTRIBUTIONS

Distributions paid by a corporation to its shareholders are treated as dividends.

LOSS UTILIZATION

Net operating losses can be carried forward without any time limitation but can be used to offset only 65 percent of the taxable income.

Due to the COVID-19 pandemic, net operating losses generated in 2020 and 2021 may be used to offset 75 percent of the taxable income (instead of 65 percent).

TAX-FREE REORGANIZATIONS

Group reorganizations are ordinarily tax neutral.

ANTI-DEFERRAL RULES

Profits or income derived by an entity resident in a blacklisted jurisdiction or in a jurisdiction where it is subject to an effective tax rate lower than 50 percent of the tax that would be paid according to the Portuguese CIT rules are imputed to the Portuguese taxpayer, provided it holds, directly, indirectly or constructively, at least 25 percent of the share capital, voting rights or rights to income or assets of that entity.

CFC rules also apply if the controlled entity is held by a Portuguese entity through a legal representative, fiduciary or intermediary.

CFC rules do not apply if the CFC is resident in another EU country or in an EEA member state (bound to administrative cooperation on tax matters), provided that there are valid economic reasons underlying the incorporation and running of such company and it carries out agricultural, commercial, industrial or services activities supported by staff, equipment, assets and premises.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Portuguese taxation can be credited under the Portuguese tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Arm's-length principles are applied to transactions between related entities. The Portuguese rules generally follow OECD principles.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

Dividends paid to a foreign entity are subject to withholding tax at a rate of 25 percent (35 percent if paid to a resident of a black-listed country or if paid or made available in accounts in the name of 1 or more holders acting on behalf of undisclosed 3rd parties). The withholding tax rate may be reduced under a tax treaty. Dividends are not subject to withholding tax in the case of qualified participations (generally, 10 percent or more equity interest held for at least 1 year), subject to additional requirements.

Interest paid to a foreign entity is subject to withholding tax at a tax rate of 25 percent (35 percent if paid to a resident of a black-listed country or if paid or made available in accounts in the name of 1 or more holders acting on behalf of undisclosed 3rd parties). The withholding tax rate may be reduced under a tax treaty. Interest is not subject to withholding tax if the requirements under the EU Interest & Royalty Directive are met.

Royalties paid to a foreign entity is subject to withholding tax at a tax rate of 25 percent (35 percent if paid to a resident of a black-listed country or if paid or made available in accounts in the name of 1 or more holders acting on behalf of undisclosed 3rd parties). The withholding tax rate may be reduced under a tax treaty. Royalties are not subject to withholding tax if the requirements under the EU Interest & Royalty Directive are met.

Other payments made to foreign entities may be subject to withholding tax. The general tax rate is 25 percent.

Service fees

Withholding tax may be applied to service fees if the services are performed or used in Portugal (subject to treaty limitations).

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty and transfer tax are applicable in Portugal.

EMPLOYMENT TAXES

Employers must withhold income tax and social security contributions.

OTHER TAX CONSIDERATIONS

Not applicable.

KEY CONTACTS



António Moura Portugal

Partner

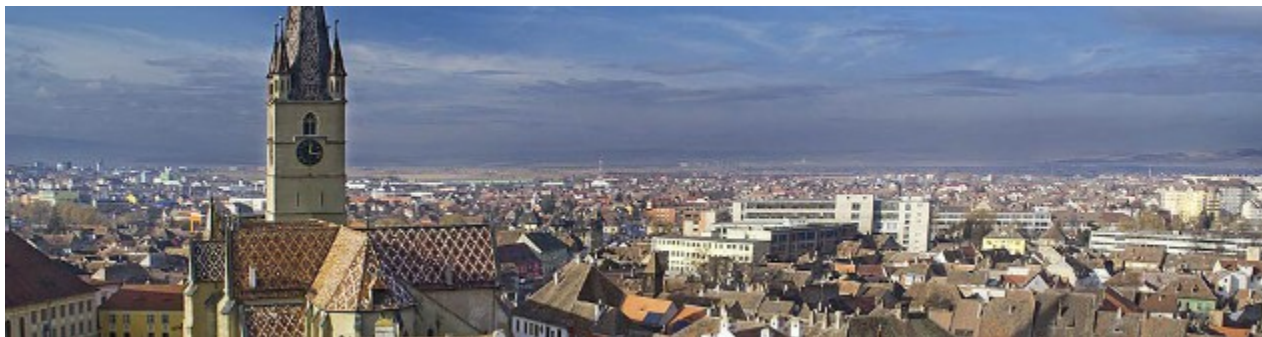
DLA Piper ABBC

antonio.portugal@dlapiper.com

T: +351 21 358 36 20

[View bio](#)

ROMANIA



Last modified 30 June 2021

RESIDENCE AND BASIS FOR TAXATION

Any Romanian legal entity, a legal entity setup under the European law with its legal seat in Romania or a foreign legal entity whose place of effective management is in Romania will be treated as residents in Romania for tax purposes.

Resident

An entity that is a resident for tax purposes in Romania is subject to Romanian corporate income tax on its worldwide income.

Foreign

Foreign legal entities are generally subject to Romanian tax if:

- They have a permanent establishment in Romania
- They have a place of effective management in Romania
- They derive income from the transfer of a real estate property located in Romania or from the disposition of any rights related to such real estate property or from the exploitation of natural resources located in Romania or
- They derive income from the transfer of the participation titles in a Romanian legal entity.

Tax treaties can reduce or eliminate these taxes. Romania has an extensive network of treaties.

TAXABLE INCOME

Resident

The taxable income of a resident legal entity is represented by the difference between all gross income, less any non-taxable income and all expenses, less any non-deductible expenses, to which supplementary taxable or deductible items may be added or subtracted, as the case may be.

Foreign

Taxable profits attributed to a Romanian branch or any other Romanian permanent establishment are subject to corporate income tax under similar rules applicable to a Romanian tax resident entity.

The taxable profit derived from the transfer of a real estate property located in Romania or from the disposition of any rights related to such real estate property are also subject to the standard corporate income tax rate.

Foreign entities may also be taxed in Romania for the taxable profits derived from the transfer of participation titles in a Romanian legal entity if the minimum holding conditions are not met.

Tax treaties can reduce or eliminate these taxes, provided that the documentation needed to apply such treaties is available locally.

TAX RATES

Romanian legal entities can be subject of 1 of the following tax systems:

Corporate income tax regime

Romanian tax resident entities and local permanent establishments of foreign entities are subject to 16 percent tax on their profits, computed/allocated as described above.

Micro-enterprise tax regime

Newly incorporated legal entities and companies that register a cumulative level of their taxable revenues (as listed by the tax legislation) lower than the RON equivalent of EUR1 million are obliged to apply the micro-enterprise taxation regime unless specific criteria regarding the share capital and the number of employees are met. The micro-enterprise tax applies to revenues derived by the entity and is 1 percent for entities that have at least 1 employee, and 3 percent for entities that have no employees.

After the above-mentioned threshold is exceeded, the legal entity automatically shifts to the corporate income tax regime.

Specific tax system for certain industries

Entities that operate in the hospitality industry are obliged to apply a specific taxation regime that is based on the business capacity and not on the level of the profits derived from their activity.

Casinos are obligated to apply the corporate income tax regime and pay a tax no lower than 5 percent of revenues related to gambling activities.

TAX COMPLIANCE

For entities whose fiscal year is the calendar year, the annual domestic corporate income tax returns are due on March 25 of the following year, with few exceptions applicable to some industries. Quarterly corporate income tax returns should also be submitted by the 25th of the first month following each quarter, except for the last quarter. Romanian companies that qualify as micro-companies for tax purposes have only quarterly tax reporting obligations.

ALTERNATIVE MINIMUM TAX

Micro-companies tax

Romanian legal entities that register a cumulative level of their taxable revenues (as listed by the tax legislation) lower than the RON equivalent of EUR1 million in the previous year are subject to a specific micro-companies taxation system. Micro-companies are liable to pay a tax on their turnover of 1 percent for companies having at least one employee on their payroll and 3 percent otherwise.

Entities that operate in the hospitality industry are obliged to apply a specific taxation regime that is based on business capacity and not on the level of the profits derived from their activity.

Casinos are obligated to apply the corporate income tax regime and pay a tax no lower than 5 percent of revenues related to gambling activities.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Taxpayers can request an individual tax ruling that applies only to a future fiscal situation. Taxpayers engaged in transactions with related parties may also request the tax authorities to issue an Advance Pricing Agreement (APA).

Tax incentives

There are tax incentives for R&D activities and for profits reinvested in technological equipment, computers and software.

CONSOLIDATION

Starting 2021, taxpayers may register for a corporate income tax consolidation group. The entities that are part of such a group must meet the following requirements:

- They are Romanian legal entities or have their head office in Romania;

- They are affiliated via an individual or entity owning, directly or indirectly, at least 75 percent of shares /voting rights in each entity;
- The individual or entity generating the affiliation is either a Romanian resident or resides in a state with which Romania has concluded a double taxation avoidance treaty or an information exchange treaty.

Consolidation is also available also for VAT purposes. However, different requirements apply.

PARTICIPATION EXEMPTION

Participation exemptions apply where a minimum holding criteria of 10 percent for at least 1 year is met for:

- Dividends received from an EU company or a company situated in a third country that has concluded a tax treaty with Romania
- Capital gains derived from the sale of the participation titles in a Romanian company or a company resident of a tax treaty jurisdiction and
- The liquidation of a Romanian company or a company resident of a tax treaty jurisdiction.

Dividends received from a Romanian legal entity are non-taxable with no minimum holding requirements.

CAPITAL GAIN

Capital gain realized by a resident entity is included in its taxable profits and taxed at the same rate as ordinary income.

Capital gain derived by a foreign entity from Romania is also taxed at the standard corporate income tax rate.

Capital gain tax may be eliminated under the participation exemption regime or under the provisions of tax treaties.

DISTRIBUTIONS

Distributions of current profits and retained earnings paid by a corporation to its shareholders represent dividends. A distribution in excess of current profits and retained earnings may qualify as a return of capital (if carried out as a share capital reduction), non-taxable up to the contributions of each shareholder to the share capital of the distributing company. A distribution of new participation titles or an increase of their nominal value, as a result of an incorporation of reserves, benefits or share premiums, are non-taxable for corporate income tax purposes.

LOSS UTILIZATION

Fiscal losses can be carried forward for seven consecutive years and offset against future profits. Losses can also be transferred within reorganization processes, such as mergers, spin-offs, etc.

TAX-FREE REORGANIZATIONS

Qualifying mergers and spinoffs, as well as the transfer of business lines made in exchange for shares, may be tax-free to a participating corporation and its shareholders, provided that such operations are not tax-driven. Similar tax neutrality rules apply to cross-border reorganizations involving EU companies.

ANTI-DEFERRAL RULES

CFC

Under the controlled foreign corporation (CFC) rules, a Romanian tax resident shall include in its taxable basis the non-distributed revenues of an entity or a permanent establishment that qualifies as a CFC, proportionally to the taxpayers' participation in said CFC.

Exit taxation rules

Under the exit taxation rules, corporate tax resident involved in transfers of assets to or from the head office or a permanent establishment for which Romania loses the taxation right is liable to pay standard corporate income tax on the difference between the market value and the fiscal value of those assets.

General Anti - Abuse Rules (GAARs)

Under the GAAR, non-genuine arrangements or series of arrangements, meaning those that do not have valid commercial reasons that reflect economic reality, carried out for the main purpose of obtaining a tax advantage, will be disallowed by the tax authorities when computing the fiscal result of a taxpayer.

FOREIGN TAX CREDITS

Subject to limitations and the availability of supporting documentation, foreign tax credits are available for foreign taxes paid.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Gains derived by a foreign entity from transfer of a real estate located in Romania or from the disposition of any rights related to such real estate are subject to the standard corporate income tax rate. Tax treaties can reduce or eliminate these taxes.

TRANSFER PRICING

Arm's-length principles generally are applied under Romanian law to transactions between related entities. The Romanian rules are similar in many respects to the OECD guidelines, with certain differences. Specific transfer pricing documentation should be prepared by Romanian corporate tax residents for transactions with related parties with annual values exceeding certain thresholds.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

A 5-percent withholding tax applies to dividends and a 16-percent withholding tax applies to royalties, interest, commission and other taxable income paid by a Romanian tax resident to a foreign person, subject to reduction or elimination by an applicable tax treaty.

An increased 50-percent tax rate applies for payments made under certain conditions and when income is paid in respect of transactions that qualify as artificial.

Dividends, interest and royalties could be exempt from withholding tax where paid to a resident of another EU member state provided the minimum holding criteria and specific conditions referring to the legal and fiscal status of the payer and the beneficiary of the income are equally met.

Service fees

Withholding tax of 16 percent may apply to fees for management and consultancy services and for other services if performed in Romania.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Transfer taxes and notary fees may be imposed upon sale of a real estate property.

EMPLOYMENT TAXES

Employers must withhold income tax, social security contributions (pension contributions) and health fund contributions from the gross salary received by each employee. Salary tax incentives are applicable for the IT and R&D sectors.

Employers also must pay a labor insurance contribution on top of the gross salary costs and an additional pension fund contribution for employees working in hard and special conditions, which are deductible for Romanian corporate income tax purposes at the level of the employer.

OTHER TAX CONSIDERATIONS

An annual property tax is levied by the local tax authorities for constructions, land and vehicles held in patrimony. Other local taxes are applicable in some cases.

Rules for deductibility of borrowing costs

In certain situations, excess borrowing costs, which are higher than the RON equivalent of EUR1 million, are deductible within a limit of 30 percent of the computation basis.

The excess borrowing costs which fail the 2 deductibility tests are not deductible in the tax period when they are incurred, but will be carried forward to the following tax periods without a time limit.

MAP timeline

The provisions of EU Directive 2017/1852 on tax dispute resolution mechanisms within the European Union are present in the Romanian legislation. This provides the steps, and maximum deadline for each step, for the resolution of any tax disputes involving a Romanian tax resident entity and an EU tax resident entity.

DAC6 requirements

The DAC6 provisions (i.e. reporting of cross-border arrangements) have been implemented in the Romanian legislation. The wording is in line with EU Directive 2018/822 of 25 May 2018 and introduces reporting obligations for local taxpayers and intermediaries (e.g., advisors) that were involved in implementation of cross-border transactions that meet certain hallmarks listed by the legislation. Tax consultants and lawyers are covered by the professional privilege and can only report if the taxpayer releases them from such privilege. In the absence of such a waiver granted by the taxpayer, the reporting responsibility lie with the taxpayer.

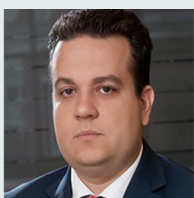
VAT

Value-added tax shall be charged by Romanian companies for goods supplied or services provided.

Foreign entities are also liable to register for VAT purposes in Romania and charge Romanian VAT on supplies of goods and provision of services whose place of supply is in Romania. The standard VAT rate is 19 percent, while reduced VAT rates of 9 percent or 5 percent are applicable for supply of certain goods.

Companies registered for VAT purposes are allowed to deduct the input VAT incurred upon acquisition of goods and services used in respect of taxable transaction. The difference between the output VAT charged on goods supplied or services provided and the input VAT incurred upon acquisitions of goods or services should be paid to the state budget, if positive, or could be requested for refund from the state budget, where negative.

KEY CONTACTS



Tudor Nedelea
Partner
DLA Piper Tax SRL
tudor.nedelea@dlapiper.com
T: +40 372 155 815
[View bio](#)

RUSSIA



Last modified 19 April 2021

RESIDENCE AND BASIS FOR TAXATION

An entity is treated as a tax resident for corporate profits tax purposes if it is registered as a Russian legal entity in accordance with Russian law. Likewise a foreign entity whose place of effective management is located in Russia is treated as a tax resident for corporate profits tax purposes (unless otherwise established by an applicable double tax treaty).

Domestic

A resident company (both Russian and foreign entities are recognized as Russian tax residents) is subject to the corporate profits tax in Russia on its worldwide income.

Foreign

A non-resident company is subject to corporate profits tax in Russia only on income derived through a Russian permanent establishment or on passive income derived from a Russian source.

TAXABLE INCOME

Domestic

Corporate profits tax is charged on income less the duly documented and economically justified business expenses.

Foreign

Taxable income equals income less applicable deductions attributed to a permanent establishment in Russia or certain types of income from a Russian source less applicable deductions (where applicable). Double tax treaties can reduce or eliminate these taxes.

TAX RATES

The general corporate profits tax rate is a flat rate of 20 percent.

TAX COMPLIANCE

A resident must file corporate profits tax returns either monthly or quarterly. The annual corporate profits tax return is due by March 28 of the following year. A non-resident with a permanent establishment in Russia should file corporate profits tax returns quarterly.

A resident pays a monthly advance payment on corporate profits tax. A non-resident with a permanent establishment in Russia pays quarterly advance payments. Final payments are due on March 28 of the following year. Corporate profits tax with respect to passive income of non-residents is generally levied through a tax withholding mechanism.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Tax holidays are available for particular projects (eg, Skolkovo).

Tax rulings

An individual ruling may be obtained by a taxpayer from the Russian Ministry of Finance with respect to a specific situation. Such tax rulings, where issued on the basis of full and complete facts and information disclosed, are technically binding for the tax authorities. However, in practice, the binding character of the tax rulings is often ignored by the authorities or courts. That said, if the taxpayer follows the recommendation expressed in such a ruling and the tax authorities disagree with this position and charge additional taxes, then the taxpayer will be exempt from tax fines and interest for the late payment of the tax.

Tax incentives

Tax incentives are available in relation to certain activities (eg, R&D, IT, manufacturing), for companies resident in the special economic zones, territories of advanced social and economic development, and investment projects in several Far Eastern and Siberian regions.

Regional authorities are no longer allowed to establish new reduced regional rates of the Russian profits tax. Accordingly, the application of regional low rates is now limited to the instances specified by the Russian Tax Code (eg, Special Investment Projects, Regional Investment Projects, special economic zones). The existing regional reduced tax rates introduced before January 1, 2018 will apply until January 1, 2023.

Previously, Russian regional authorities could grant tax incentives that reduced the regional portion of the corporate profits tax rate to no lower than 12.5 percent until 2020 for certain groups of taxpayers.

Russian tax law provides for special tax regimes for small and medium-sized businesses.

Special investment contracts (SPIC)

SPIC constitutes a new measure of governmental support aimed at stimulating investment in the establishment and modernization of industrial production in Russia at the federal and regional levels.

Under Federal Law of August 8, 2019, 290-FZ, the legislation that had previously regulated this area was significantly changed, introducing a so-called SPIC 2.0 regime. Under a SPIC, the investor must implement a project involving the launch or development of a technology included on the List of Advanced Technologies, determined by the Russian Government.

The previous investment threshold of RUB750 million has been repealed, while the new regulation sets no minimum level of investment-project financing. However, the investor must finance the project at the level specified in the relevant SPIC.

On the one side, the SPIC is concluded by the investor, and on the other, it is concluded jointly by the Russian Federation (the federal executive body authorized by the Russian government), the Russian constituent entity and municipality. The procedure for concluding a SPIC is established by the Russian government. In general, the SPIC is concluded with the investor(s) on the basis of open or closed competitive bidding for the right to conclude the contract.

The deadline for concluding a SPIC has been set at no later than December 31, 2030, while the effective term of a SPIC depends on the level of investments (no more than 5 years for investments of RUB50 billion or less, and no more than 20 years for investments of over RUB50 billion).

The profit tax benefit covered by the SPIC 2.0 regime has been left at the previous level, ie, the rate can be lowered all the way to 0 percent (rate levels are set by the relevant Russian constituent entity). However, provisions have also been made for the possible application of a preferential tax rate in those cases where proceeds from the sale of the goods manufactured within the scope of the SPIC account for less than 90 percent of total revenue (provided a number of conditions are complied with). At the same time, a number of additional restrictions have been introduced.

The new mechanism of SPIC 2.0 has not yet been fully implemented and requires certain sub-laws to be enacted before it becomes operational.

CONSOLIDATION

Under federal law, the availability of a consolidated taxpayer group has been terminated with effect from January 1, 2023. No new contracts on consolidated taxpayer groups can be registered as of 2019. The tax consolidation registrations obtained in 2018 have been rescinded. The pre-2018 consolidated taxpayer groups will continue to operate until their expiration date, but in any event until January 1, 2023.

PARTICIPATION EXEMPTION

Dividends received by Russian organizations are taxed with corporate profits tax at a rate of 0 percent, under the following criteria:

- The Russian legal entity receiving the dividend owns at least 50 percent of the capital of the paying entity (or owns depository receipts entitling it to receive at least 50 percent of the total amount of dividends paid) and has a right for at least 50 percent of the dividends declared and
- The participatory interest (shareholding) or depository receipts have been owned for at least 365 consecutive calendar days on the day the dividends are declared.

Dividends received from foreign entities located in the offshore zones (the list of territories treated as the "offshore zones" for this purpose is established by the Ministry of Finance of the Russia) are not eligible to this exemption.

CAPITAL GAIN

Income or capital gain received from the sale of shares or participation interest in other companies less applicable deductions is taxed at a regular 20-percent corporate profits tax rate.

Income from the sale of unquoted shares and participation in Russian companies held for at least 5 years is taxed at a 0-percent corporate profits tax rate. It is no longer required that the qualifying participations must have been acquired after January 1, 2011 for the capital gain exemption to apply for sellers.

Income from the sale of quoted shares in high-technology Russian companies and held for at least one year is no longer eligible for capital gain exemption that used to exist until January 1, 2019. This capital gain exemption in relation to high-technology companies has been suspended until January 1, 2023.

Income or capital gain from the sale of shares in Russian subsidiaries whose immovable property located in Russia represents, directly or indirectly, more than 50 percent of assets (as well as finance instruments backed by these shares or participation interests, except for shares traded on the stock exchange) is taxed at a regular corporate profits tax rate.

Reduced tax rates or full protection from withholding tax may be available under an applicable double tax treaty.

DISTRIBUTIONS

Dividends received by a Russian organization are taxed at a 13-percent corporate profits tax rate. If dividends are paid to a foreign organization, they are subject to a corporate profits tax withholding at a rate of 15 percent, unless the relevant treaty relief is applied.

Under recent Tax Code clarification, a distribution received by a shareholder from exiting a subsidiary or as a result of the subsidiary's liquidation is classified as a dividend for tax purposes. If the withdrawal or liquidation results in a loss on an investment in subsidiary, this loss shall be treated as a tax-deductible non-sales expense for corporate profits tax purposes.

These rules have also established that, if a distribution is the result of voluntary reduction of the subsidiary's charter capital, the shareholder shall not recognize taxable income on the return of capital.

LOSS UTILIZATION

Russian tax rules allow tax losses to be carried forward for an unlimited period, but for financial years from 2017 to 2021, the taxpayer may reduce the tax base by such losses to the amount of no more than 50 percent.

Losses from the sale of securities may be credited only against future income from the sale of the same type of securities. Losses from the disposal of fixed assets are recognized evenly over the remaining useful life of the assets.

TAX-FREE REORGANIZATIONS

Reorganizations are subject to general profits tax rules. Generally, it is possible to carry out a reorganization in a tax-neutral way. However, Russian anti-abuse tax rules must be observed to secure a tax-free reorganization for both the participants and the companies going into the reorganization.

ANTI-DEFERRAL RULES

CFC

A CFC shall be a foreign organization, in which so-called "controlling persons" are Russian entities and/or individuals recognized as tax residents of the Russian Federation.

A CFC for Russian tax purposes also includes an unincorporated foreign structure (such as a fund, partnership, trust and similar entities) whose controlling persons are organizations and/or individuals who are recognized as tax residents of the Russian Federation.

Such a Russian resident (both an organization or individual) must include in its taxable income the profits of the foreign company treated as a CFC (subject to certain exemptions) even if the foreign company has not actually distributed any profits.

Taxpayers who are recognized as tax residents of the Russian Federation must serve notifications of their participation interest in both:

- Foreign organizations and unincorporated structures and
- All CFCs in which they are recognized to be controlling persons.

Notification on the CFC shall be served not later than March 20 of the year following the tax period in which the relevant share of profit in the hands of the controlling person shall be declared.

Russian tax residents owning foreign subsidiaries through a foreign public company are generally not subject to the Russian CFC taxation of foreign profits, provided that 2 conditions are met: (i) more than 25 percent of its the foreign company are publicly traded on a foreign stock exchange in an OECD member state that is not "blacklisted" by the Russian Federal Tax Service and (ii) the Russian tax resident investor directly or indirectly owns 50 percent or less in such a publicly traded company.

Thin-capitalization rule

Interest charged under a controlled debt (generally, a loan granted to a Russian organization by a related party) will be fully or partially reclassified as dividends for tax purposes if the amount of controlled debt exceeds the net assets by more than 3 times (12.5 times for banks and leasing companies). A sister company debt is also captured by the controlled debt concept. If the taxpayer has negative net assets, the whole amount of interest will be treated as dividends for taxation purposes (ie, they will be non-deductible and subject to withholding tax).

Foreign debts are not subject to Russian thin capitalization rules if all the following conditions are met:

- Debt received is used exclusively to finance the Russian debtor's investment project in Russia. An investment project is defined as development of Russian manufacturing facilities for the production of goods and/or provision of services newly commissioned after January 1, 2019.
- The debt is long-term and anticipates repayment not earlier than after 5 years from the grant.
- The cumulative share of direct and indirect foreign participation in the Russian debtor's entity owned by the qualifying participant does not exceed 35 percent.
- The foreign creditor is a registered and is tax resident in a tax treaty country with Russia.

FOREIGN TAX CREDITS

A tax credit for the amount of foreign tax paid on foreign sources of income is generally available, but it is subject to a limit of the maximum amount of Russian tax due on the same income.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Income from the sale of real property located in Russia is considered income sourced in Russia.

TRANSFER PRICING

Related party and certain unrelated transactions must be conducted on an arm's-length basis. Russian rules are similar in many respects to the OECD guidelines, with certain differences.

The tax authorities may request transfer pricing documentation within the framework of a transfer pricing audit, but not earlier than June 1 of the calendar year following the year in which the controlled transaction was performed.

Additionally, there are reporting requirements for taxpayers who will be required to submit a notification on controlled transactions. Notifications are to be submitted by May 20 of the year following the reporting calendar year.

From January 1, 2019, only domestic transactions between Russian companies that apply different tax rates of corporate profits tax or special tax regimes shall be subject to the transfer pricing rules, and only if income earned (or cost incurred) from these related party transactions exceeds RUB1 billion per year.

For cross-border related party transactions, a threshold of RUB60 million was introduced for transfer pricing purposes. There was no threshold established for cross-border operations in the period from January 1, 2014 until January 1, 2019.

CBC

In December 2017, Russia adopted the law on the tree-tiered approach for transfer pricing documentation in accordance with OECD BEPS Action Plan 13.

This approach applies to multinational enterprises groups (MNE) with a consolidated income of or exceeding RUB50 billion.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Certain items of passive income (including dividends, royalties and interest) paid to a nonresident are generally subject to Russian withholding profits tax at a rate of 20 percent (15 percent for dividends).

Following the instruction by the Russian president voiced on March 25, 2020, the Russian Ministry of Finance have commissioned work to revise the withholding tax rate on dividends and interests paid to bank accounts in certain “transit” jurisdictions. It is planned that the unilateral rate will be 15 percent as opposed to the current reduced tax rates available under applicable double tax treaties.

The change announced by the president will require amendments to the existing double tax treaties. It was also noted that, if foreign countries do not cooperate, Russia will unilaterally withdraw from the consequent double tax treaty. Currently, Russia has notified Cyprus, Malta and Luxembourg on the proposed changes to the respective double tax treaties.

Service fees

Generally, service fees are subject to profits tax in Russia if such fees are attributed to a permanent establishment of a foreign recipient in Russia.

Reduced tax rates or full protection from withholding tax may be available under an applicable double tax treaty.

Fees earned from rendering of services that are physically provided from locations outside Russia are not deemed to be Russian-sourced. Accordingly, they are not subject to a 20-percent Russian profits tax at source, irrespective of availability of a relevant treaty.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty or transfer tax is levied in Russia.

A legal entity that performs certain legal actions is required to pay a stamp duty. The list of such actions includes the following:

- State registration of a legal entity
- Registration of branches and representative offices of a foreign legal entity
- Registration of the title transfer in relation to real estate property
- The obtaining of a license to conduct certain activities
- Initiation of a court action, and
- Notary services.

EMPLOYMENT TAXES

Employers must withhold personal income tax from income earned by their employees and make mandatory social insurance contributions which are tax deductible expenses at the level of the paying entity.

OTHER TAX CONSIDERATIONS

E-commerce taxation

From January 1, 2019, foreign companies supplying e-commerce services to Russian customers, including to private individuals, legal entities and individual entrepreneurs, are obliged to register with the Russian tax authorities. The legislative changes cover both B2C e-commerce supplies, as is the case under previously enacted rules, and B2B e-commerce operations. B2B supplies shall not be subjected to VAT taxation via a reverse-charge VAT mechanism, and foreign e-commerce suppliers must independently calculate and pay VAT on the value of rendered services from January 1, 2019 on a go-forward basis.

Tax implications and latest initiatives associated with COVID-19 pandemic

In response to the economic difficulties presented by the current public health situation, the Russian president, legislature and government are enacting initiatives designed to support businesses through easing tax payment and compliance burdens. While some provisions apply to businesses of all sizes and in all sectors, there are special measures targeted at helping small and medium-sized businesses and those operating in the industries most heavily affected by the current circumstances.

The measures can be grouped as follows: extension of deadlines for payment of taxes, extension of the deadlines for submitting tax returns and tax calculations, suspension of tax control and granting deferrals on individual basis. The most important tax measures include (applicable for specific types of taxpayers):

- A 6-month delay for the payment of income tax for 2019; a 6-month delay for the payment of taxes (excluding VAT and taxes paid as tax agents) for the first quarter of 2020; a 4-month delay for the second quarter and first half of 2020
- A 6-month delay for social insurance contributions for the March-May period 2020 for 6 months; a 4-month delay for the June-July period of 2020 and

- Deferrals (installments) for payment of specific taxes, advance payments for taxes and insurance contributions which may be requested on an individual basis.

KEY CONTACTS

SINGAPORE



Last modified 14 August 2023

RESIDENCE AND BASIS FOR TAXATION

A company is resident in Singapore for income tax purposes if control and management of its business is exercised in Singapore.

In general terms, control and management of a company's business is vested in its board of directors, and the place of control and management of the company is where the directors meet to make policy-level decisions for the company.

Due to the travel restrictions relating to COVID-19, the Singapore tax authorities are prepared to consider concessions for tax residency purposes where certain conditions are satisfied. These concessions will lapse after Year of Assessment (YA) 2022.

Singapore applies a semi-territorial tax system. Onshore sourced income is taxable and offshore sourced income is not taxable until it is remitted or deemed remitted to Singapore, unless it is tax exempt under any of the specific income tax exemption provisions in the law (e.g. foreign exempt dividends). In principle, only income which accrues in or is derived from Singapore is taxable.

Income is assessed on a preceding year basis. For example, income derived in the financial year ended in 2022 will be assessable to income tax in the YA 2023.

TAXABLE INCOME

Taxable income refers to:

- Gains or profits from any trade, business, profession or vocation
- Income from investment such as dividends, interest and rental
- Royalties, premiums and any other profits from property
- Other gains that are revenue in nature

Deductions such as business expenses, capital allowances (tax depreciation) and reliefs can be claimed to reduce taxable income, which leads to lower taxes.

TAX RATES

The current prevailing rate of corporate income tax is 17% (unless a concessionary rate applies). Partial exemptions are available in respect of the first SGD 200,000 of chargeable income, as follows:

YA 2020 Onwards		
Chargeable income	Exemption available	Exempt amount (SGD)
First SGD 10,000	75% exempt	7,500
Next SGD 190,000	50% exempt	95,000
Total exempt amount		102,500

Alternatively, a 75% tax exemption on the first SGD 100,000 of normal chargeable income and a 50% exemption on the next SGD 100,000 of normal chargeable income is available to new start-up companies, subject to certain conditions.

A corporate income tax rebate of 25% (capped at SGD 15,000) applies to year of assessment 2020. There is no similar corporate income tax rebate for the year of assessment 2021 or 2022.

TAX COMPLIANCE

There are 2 major deadlines:

- Filing of the estimated chargeable income (ECI)
 - A company carrying on business is required to file its ECI within 3 months after its financial year end. For example, the ECI in relation to the financial year ended on September 30, 2022 will be due for filing by December 31, 2022.
- Filing of the corporate income tax return (Form C)

- Form C is due for filing by November 30 of the year following that in which the financial year ended. For example, the corporate income tax return in relation to the financial year ended on September 30, 2022 will be due for filing by November 30, 2023.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Please refer to the comments under “Tax incentives.”

Tax rulings

Taxpayers can apply for an advance ruling from the Singapore tax authority, the Inland Revenue Authority of Singapore (IRAS) provided it concerns an interpretation of the law. Broadly, an advance ruling is a written interpretation of how a provision of the Income Tax Act applies to a specific taxpayer and a proposed arrangement. A non-refundable fee applies upon application for the ruling and a further hourly fee applies to the next 4 hours spent on the ruling. The ruling process should take approximately 8 weeks (expedited handling is possible). Rulings are final, binding and confidential.

There is no requirement under the law to obtain an advance ruling for foreign dividends or gains but doing so may be helpful if there is doubt about the interaction of the foreign tax position of an asset with the Singapore tax system.

Singapore automatically exchanges certain tax rulings issued on or after April 1, 2017 under the BEPS Inclusive Framework.

Tax incentives

Singapore offers groups that set up a real economic presence in Singapore a wide range of economic and tax incentives, provided they satisfy the relevant conditions for the incentive. Such incentives can include tax base exclusions of certain items of income or a reduced headline tax rate (i.e. concessionary rate). The areas in which tax incentives may be obtained range from R&D activities, financial sector activities, fund management, regional or global headquarters, trading and distribution, logistics and transportation, shipping and manufacturing or services relating to high tech or innovative products. Each incentive comes with a set of conditions and substance tests which must be met, and is awarded for a specified number of years (generally 5-10 years), subject to renewal, provided incremental substance conditions are satisfied.

Approval is granted at the discretion of the relevant authority.

CONSOLIDATION

Singapore companies within the same group are required to file their corporate income tax returns separately.

PARTICIPATION EXEMPTION

Dividends paid by a Singapore resident company will be exempt from Singapore tax.

Subject to the relevant conditions being met, a Singapore tax resident company can enjoy tax exemption on its foreign-sourced dividend income that is received in Singapore.

If the conditions cannot be met, a concessionary income tax ruling may - in specified scenarios - be applied for, in which the Singapore tax authorities may, at their discretion, decide that foreign dividends received by the Singapore company will nonetheless be exempt.

CAPITAL GAIN

There is no capital gains tax in Singapore. However, if the gain can be characterized as a revenue gain (as opposed to being a capital gain), the gain will be taxable at the ordinary income tax rate. Whether a gain is capital or revenue in nature, will largely depend on the intention of the taxpayer when it acquired the shares.

DISTRIBUTIONS

Dividends paid by a Singapore resident company will be exempt from tax. Furthermore, Singapore does not levy any withholding tax on dividend payments.

LOSS UTILIZATION

Unabsorbed losses, capital allowances and donations may be:

- Carried forward indefinitely (except for donations which can only be carried forward for up to 5 years), provided that the shareholding composition remains substantially (i.e. 50% or more) the same on the relevant dates (the 'shareholding test'). For utilization of unabsorbed capital allowances, there is an additional condition that the company must continue to carry on the same trade.
- Carried back for set-off against income earned in the immediate preceding year, also subject to the shareholding test being met. The amount that can be carried back is capped at SGD 100,000.
- Transferred to eligible related companies under the group relief system.

TAX-FREE REORGANIZATIONS

There are provisions to minimize the tax consequences arising from certain intra-group reorganization transactions.

ANTI-DEFERRAL RULES

Singapore does not have controlled foreign corporation provisions, although the general anti-avoidance rules may apply.

FOREIGN TAX CREDITS

Singapore resident companies may claim foreign tax credit for tax paid in a foreign jurisdiction against the Singapore tax payable on the same income, subject to certain conditions.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Taxpayers should apply the arm's length principle to ensure that the pricing of their transactions with their related parties reflects independent pricing. Taxpayers who meet certain thresholds should prepare and keep contemporaneous transfer pricing documentation to demonstrate that their related party transactions are conducted at arm's length. The documentation should be available ultimately on the filing due date of the Income Tax Return for the financial year in which the transactions took place.

Singapore has also adopted country-by-country reporting.

WITHHOLDING TAX

Singapore does not levy any withholding tax on dividends.

Interest, commissions, fees or other payments in connection with any loan or indebtedness are subject to a final withholding tax of 15% on the gross amount, unless reduced under a tax treaty.

Royalties paid to non-residents are generally subject to a final withholding tax of 10% on the gross amount of the royalty, unless reduced under a tax treaty. Any other royalty paid to non-resident companies that do not qualify for the final rate are taxed at the prevailing corporate tax rate of 17%.

Payments to non-residents (other than individuals) for technical services rendered in Singapore are subject to 17% withholding tax, unless the rate is reduced under a tax treaty.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty is payable on dutiable documents relating to any immovable property in Singapore and any stocks or shares.

EMPLOYMENT TAXES

An employer is required to file tax clearance for its foreign employees (i.e., non-Singapore citizens including Singapore Permanent Residents) who:

- cease employment
- start an overseas posting; or
- leave Singapore for more than 3 months.

In particular, the employer must file the relevant form at least 1 month before the last date of employment, or the departure date, to report the employee's taxable remuneration. The employer must also withhold all monies due to the employee once the employer knows the employee will cease Singapore-based employment. The employer will remit the monies withheld to the IRAS under the Directive to Pay which will be issued by the IRAS when the employee's tax matters are finalized. Any balance will then be released to the employee.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Barbara Voskamp

Partner

DLA Piper

barbara.voskamp@dlapiper.com

T: +65 65126034

[View bio](#)



Anne Klaassen

Associate/Tax Consultant

DLA Piper

anne.klaassen@dlapiper.com

T: +65 6512 6038

[View bio](#)

SOUTH AFRICA



Last modified 11 August 2023

RESIDENCE AND BASIS FOR TAXATION

A company incorporated in South Africa (SA) is treated as a tax resident, subject to an applicable treaty.

Resident corporates

An SA corporate resident is subject to SA tax on its worldwide income. An SA corporate resident is generally not subject to SA tax on the income of its foreign subsidiaries until the income is repatriated unless the Controlled Foreign Corporation (CFC) rules apply.

Foreign corporates

Foreign corporates generally are not subject to SA tax except on:

- Income derived from a trade carried on through a permanent establishment in SA
- Income derived from a source in SA and
- Capital gains from the disposal of i) SA assets attributable to a permanent establishment in SA or ii) immovable property situated in SA, as contemplated in SA's domestic legislation.

Tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Resident corporates

Taxable income of a resident corporate is equal to all gross income plus any deemed inclusions less applicable exemptions, deductions and allowances.

Foreign corporates

Foreign companies which operate through a branch or which have a permanent establishment within SA are subject to tax on all income from a source within SA. Tax treaties can reduce or eliminate these taxes.

TAX RATES

The tax rate for resident and foreign corporate entities is 27 percent.

TAX COMPLIANCE

Resident and foreign companies are generally required to submit income tax returns within 12 months from the date on which the relevant financial year ends.

All companies, including foreign companies with a South African branch, are required to make provisional tax payments in respect to their SA tax liability. Provisional tax payments are advance tax payments in respect of income tax payable for the tax year and reflect as a credit against the income tax finally assessed.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Taxpayers may approach the South Africa Revenue Service (SARS) for a binding advance tax ruling. However, SARS will not give a binding ruling on certain issues (eg, transfer pricing, general anti-avoidance or matters of a factual nature).

It is also possible to obtain non-binding opinions.

Tax incentives

There are tax incentives for specific activities, including R&D deductions, venture capital company contributions and special economic zones.

CONSOLIDATION

Companies may not elect to file corporate income tax returns on a consolidated basis and must file individually.

PARTICIPATION EXEMPTION

In certain instances, SA corporates may rely on participation exemptions for dividends received from or capital gains realized on the shares in foreign corporates.

CAPITAL GAIN

Capital gains tax (CGT) applies to a resident's worldwide assets, and, in the case of a non-resident, to their immovable property or assets of a permanent establishment in SA.

CGT is triggered on the disposal or deemed disposal of an asset and is calculated as being the difference between the proceeds and the base cost of the asset. Assessed capital losses are carried forward and may be set off against capital gains in the following year of assessment.

Provision is made for exclusions and rebates, as well as rollover relief, where the gain made from a disposal is disregarded until ultimate disposal of the assets. The effective capital gains tax rate for corporates is 21.6 percent.

DISTRIBUTIONS

Distributions paid by a corporate are generally treated as a dividend to shareholders unless the board of a corporate entity determines that the distribution results in a reduction of contributed tax capital. A return in capital in excess of a shareholder's tax base is normally treated as a capital gain.

LOSS UTILIZATION

Net operating losses and assessed losses of a corporate may generally be carried forward indefinitely. However, a corporate will lose its right to carry forward an assessed loss to a subsequent year of assessment if it fails to carry on a trade during a specific year of assessment.

From April 1, 2023, a corporate's assessed losses will be limited to 80 percent of the corporate's taxable income with the balance carried forward.

TAX-FREE REORGANIZATIONS

Qualifying corporate reorganization, formations and dividends may be implemented on a tax-free basis, provided all requirements are satisfied. Limited rules apply for foreign corporate reorganizations.

ANTI-DEFERRAL RULES

SA has complicated CFC legislation. The aim of this legislation is now not only to prevent the avoidance of taxation on investment income, but also to prevent the avoidance of taxation on all foreign income and capital gains earned by a CFC. Where residents of SA hold more than 50 percent of the participation rights in a foreign company which is nonresident, the resident must include a proportional ownership percentage of the net income earned by the foreign company in their income, subject to various exclusions.

FOREIGN TAX CREDITS

Subject to certain limitations, foreign tax credits and deductions are available to SA residents on foreign taxes paid, either in terms of domestic legislation or applicable tax treaties.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

In 2013, South Africa introduced a special regime for real estate investment trusts (REITs). This new regime, currently only applicable to listed REITs, offers certain tax advantages to qualifying entities and provides certainty on the tax treatment of property loan stock companies, which previously did not exist in South Africa.

TRANSFER PRICING

Arm's-length principles are generally applied under SA law for transactions between related parties.

SA is a signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

WITHHOLDING TAX

Dividend, royalties, interest and foreign entertainment withholding taxes apply.

A 20-percent withholding tax applies to dividends, whereas the other withholding taxes are imposed at a rate of 15 percent.

Withholding taxes may be reduced in terms of tax treaties.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital or stamp duties. Transfer taxes are payable on the transfer of securities and properties.

EMPLOYMENT TAXES

Employers are required to deduct pay-as-you-earn (PAYE) on all remuneration paid to employees, including directors, unless a tax deduction directive is issued by SARS. Fringe benefits are included in remuneration.

In addition, employers may be required to deduct and pay unemployment insurance fund contributions and skills development levies.

OTHER TAX CONSIDERATIONS

[Interest deduction limitations](#)

In addition to any transfer pricing adjustments that may be applicable, SA has interest deduction limitation provisions, which may apply to loan funding obtained from a controlling foreign company not subject to tax in SA. From April 1, 2023, the interest deduction will be limited to 30 percent of a corporate's adjusted taxable income, which is in line with the OECD's recommendation.

Interest deduction limitation rules also apply to certain reorganization transactions.

Value-added tax

VAT is levied in SA at a standard rate of 15 percent. VAT is largely directed at the domestic consumption of goods and services as well as at goods and services imported into South Africa. The tax is designed to be paid mainly by the ultimate consumer or purchaser in South Africa.

Most business transactions carried out in South Africa are subject to VAT. The tax is collected by businesses, which are registered as vendors with SARS. A vendor is required to register for VAT if they made taxable supplies or have a written contractual obligation to make taxable supplies of more than ZAR1 million during the relevant 12-month period. A vendor may register voluntarily in certain instances.

Foreign businesses that supply electronic services through the internet to persons resident or incorporated in South Africa may be required to levy VAT on these electronic services. These foreign businesses are required to register as vendors with SARS and account for output VAT if the total value of taxable supplies exceeds ZAR1 million in any consecutive 12-month period.

Foreign exchange controls

The Financial Surveillance Department (FSD) of the South African Reserve Bank imposes exchange controls on South African residents. Exchange control is not applicable to nonresidents, but they must comply with the notice requirements to the FSD in order to facilitate subsequent withdrawals of their capital from SA. Most commercial banks are authorized dealers of the FSD.

KEY CONTACTS



Andrew Lewis
Director
DLA Piper South Africa
andrew.lewis@dlapiper.com
T: +27 (0)11 302 0843
[View bio](#)

SOUTH KOREA



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RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a ROK jurisdiction will be treated as a domestic corporation.

Domestic

Domestic corporations are obligated to pay corporate tax for all income generated domestically and in foreign countries.

Foreign

Foreign corporations are obligated to pay corporate tax for income from domestic sources.

TAXABLE INCOME

Domestic

Corporate tax for income from the business year is levied for taxable net income of businesses in each business year.

Foreign

Foreign corporations are subject to corporate tax at regular tax rates on a net income basis. A branch tax may be added on the corporate tax in accordance with the applicable tax treaty.

TAX RATES

The basic rate on corporate income tax starts at 10% with a top rate of 25%. Corporate local income tax equivalent to approximately 10% of the corporate tax is also imposed.

TAX COMPLIANCE

Corporate income tax returns must be filed for the taxable business activities of the corporations within 3 months from fiscal year end. An interim corporate income tax return should be filed within 2 months from the date of the entity's mid-fiscal year.

Corporate local income tax return should be filed within a month from the due date of the corporate income tax return.

ALTERNATIVE MINIMUM TAX

Every domestic corporation is subject to minimum tax. A corporation pays the greater of its regular tax liabilities or its minimum tax liability. Foreign corporations are subject to minimum tax on taxable income that is effectively connected with domestic source income.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays and incentives

The corporate income tax exemption was effective on the application for foreign investments submitted on or before December 31, 2018, and it is abolished after January 2019.

Tax rulings

No broad-based rulings are available. Taxpayers can request a clear ruling with regard to a specific transaction of a taxpayer's business through the advance ruling system.

Cash grant

Effective from January 1, 2019, most tax incentives concerning corporate income tax and personal income tax for foreign investors nullified. To compensate this change, Korean government announced to dramatically increase cash grant in accordance with Foreign Investment Promotion Act. Cash grant should be provided by the central and local governments of Korea as matching fund basis.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on 100% stock ownership) may elect to file corporate income tax returns on a consolidated basis.

PARTICIPATION EXEMPTION

Not applicable for this jurisdiction.

CAPITAL GAIN

Capital gain or loss recognized by a corporation is included in corporate ordinary income or loss.

DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders within the limit of the amount obtained by subtracting the amount of capital from the amount of net asset value on the balance sheet.

LOSS UTILIZATION

Net operating losses can be carried forward 10 years.

TAX-FREE REORGANIZATIONS

Not applicable for this jurisdiction.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Foreign tax credits are available for foreign taxes paid. A "deemed" foreign tax credit may be available for reduced taxes by tax treaties, and an "indirect" foreign tax credit also may be available for taxes paid by foreign subsidiaries on profits repatriated to domestic corporations.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

A land transaction is not subject to VAT (value added tax). Property tax varies on the type of real property.

TRANSFER PRICING

Where the price of an international transaction in which either party to the transaction is a foreign related party is lower or higher than the arm's length price, the tax authority may determine or rectify the tax base and tax amount of a resident (including a domestic corporation and a domestic place of business) based on the arm's length price.

WITHHOLDING TAX

The payer of interest, dividends, business income, other income, etc. should withhold taxes in accordance with their respective withholding tax rates. Tax treaties can reduce or eliminate these taxes when the income is paid to a foreign person.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Inheritance tax, gift tax, stamp tax, securities transaction tax and capital duty may be imposed at national tax level.

EMPLOYMENT TAXES

Employers must withhold wage income tax. Employers also must pay 4 compulsory social insurances which are pension, health, unemployment and industrial accident in respect of compensation paid to employees. These taxes are deductible by an employer for corporate income tax purposes.

OTHER TAX CONSIDERATIONS

Value added tax (VAT) is a tax levied on added value acquired in the process of the transaction of goods or the provision of services. VAT is imposed on value generated at each step of a transaction, and applies a VAT rate of 10%. Certain supplies are eligible for VAT zero-rating or VAT exemption. VAT zero-rating is the same as VAT exemption in that no VAT is charged. However, only VAT zero-rating allows input VAT deduction for VAT incurred in relation to the VAT zero-rating supplies. The VAT imposed on businesses is calculated by subtracting the input tax from the output tax.

Value added tax should be reported and paid every 6 months, and the taxable period of 6 months is divided into 3 months for a preliminary report.

KEY CONTACTS



Roderik Bouwman

Partner

DLA Piper Netherlands

roderik.bouwman@dlapiper.com

T: +31 (0)20 5419 894

[View bio](#)

SPAIN



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RESIDENCE AND BASIS FOR TAXATION

A corporation will be tax resident in Spain if:

- It has been registered under Spanish laws
- It is domiciled in Spain or
- Its center of effective management is located in Spain.

Domestic

A resident corporation is subject to Spanish tax on its worldwide income. A resident corporation generally is not subject to Spanish tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (ie, the CFC rules).

Foreign

Foreign corporations are not subject to Spanish tax except on:

- Income effectively connected with the conduct of Spanish trade or business
- Taxable income under the Spanish CFC rules or
- Look-through entities.

Tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Domestic

Taxable income of a domestic corporation is equal to all net income less applicable deductions.

Foreign

Foreign corporations operating in Spain through a permanent establishment (PE) are subject to Spanish tax at regular tax rates, as a general rule on a net income basis, with limitations on the deductibility of certain expenses (eg, interest and royalties paid to the head office). Branch profits tax may also apply to income repatriated to a foreign entity.

TAX RATES

The general corporate income tax rate is 25 percent. Reduced tax rates of 23 percent, 20 percent, 15 percent, 10 percent and 1 percent are applied to certain corporations. An increased tax rate of 30 percent applies to credit institutions and certain oil companies.

TAX COMPLIANCE

The return shall be submitted within 25 days following the next 6 months after the end of the fiscal year to which the return refers.

ALTERNATIVE MINIMUM TAX

Taxpayers with net turnover exceeding a EUR20 million threshold, or those taxed under a consolidated basis, will be taxed using, in general, a minimum tax quota of 15 percent of the taxable base.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Rulings are available and they are binding for the Spanish Tax Authorities.

Tax incentives

There are several tax reliefs for the engagement in certain activities such as R&D credits, employment generation credits and incentives to the film industry.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 75-percent stock ownership or 70-percent stock ownership for listed companies and the majority of the voting rights) may elect to file corporate income tax

returns on a consolidated basis. A Spanish group may apply tax consolidation when the dominant company is tax resident in a foreign country (horizontal consolidation) provided that it has legal personality, is taxed by a foreign tax identical or analogous to the Spanish corporate income tax, and is not resident in a tax haven.

PARTICIPATION EXEMPTION

Spanish resident corporations are entitled to the application of the participation exemption on dividends and capital gains received from foreign or domestic subsidiaries provided the following conditions are met:

- Direct or indirect participation of at least 5 percent. If the participation has been acquired before January 1, 2021, during a provisional period of 5 years, there is the possibility of applying this exemption to holdings with an acquisition value of over EUR20 million even though the 5-percent participation is not reached.
- The participation shall be held during the previous fiscal year.
- Subsidiaries must qualify as “active companies” under Spanish regulations, and
- In the case of foreign subsidiaries, they shall be subject to corporate income tax in its country of residence similar to the Spanish Corporate Income Tax. This requirement will be satisfied when the foreign entity is subject to a Corporate Income Tax rate of at least 10 percent or the country of residence has signed a Double Tax Treaty with Spain which includes an information exchange clause.

The above-mentioned dividends and capital gains are exempt, although, for the purposes of applying the exemption, the amount of the dividends and capital gains shall be reduced by 5 percent as management expenses, resulting in an effective taxation of 1.25 percent of the amount of the dividend or capital gain.

CAPITAL GAIN

Capital gain recognized by a corporation is taxed at the same rate as ordinary income (ie, 25 percent).

DISTRIBUTIONS

As a general rule, distributions paid by a corporation are treated as dividends to shareholders to the extent of the current and accumulated earnings and profits. A distribution in excess is treated as a return on capital up to the limit of the shareholder's tax basis and thereafter is treated as taxable income.

LOSS UTILIZATION

Net operating losses (NOLs) can be carried forward with no time limit. However, the following limitations apply:

- Companies with net turnover in the previous fiscal year of less than EUR20 million can only offset NOLs up to the limit of 70 percent of the net taxable income

- Companies with net turnover in the previous fiscal year between EUR20 million and EUR60 million can only offset NOLs up to the limit of 50 percent of the net taxable income, and
- Companies with net turnover in the previous fiscal year of more than EUR60 million can only offset NOLs up to the limit of 25 percent of the net taxable income

Nevertheless, NOLs up to EUR1 million can be offset with no limit.

TAX-FREE REORGANIZATIONS

A special Spanish tax regime is applied to corporate reorganizations such as mergers and spinoffs. This regime establishes a tax deferral scheme for these transactions.

ANTI-DEFERRAL RULES

Generally, CFC rules apply when a controlled entity resident outside of the EU is subject to a tax rate below 75 percent of the effective Spanish Corporate Income Tax rate and obtains certain passive income, which shall be allocated to the Spanish controlling entity.

FOREIGN TAX CREDITS

If the participation exemption does not apply, withholding taxes and underlying tax can be deducted, under certain rules.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Arm's-length principles generally are applied under Spanish law to transactions between related entities. The Spanish rules are in accordance with OECD guidelines.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

A 19-percent withholding tax applies to dividends and interest paid by a domestic corporation to a foreign person. Royalties are subject to a 24-percent withholding tax, except for payments made to EU residents which are subject to a 19-percent withholding tax. These rates could be subject to reduction by an applicable Double Tax Treaty.

Under the EU Parent-Subsidiary Directive and the EU Interest and Royalties Directive, dividends and royalties paid to an associated company may qualify for an exemption. In addition, as a general rule, interest payments to EU residents are exempt from withholding tax in Spain.

Service fees

As a general rule, withholding tax only applies to service fees if the services are performed in Spain, provided that a double tax treaty does not apply.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

One-percent capital duty applies to share capital distributions and to dissolution of Spanish entities, to be paid by the shareholders.

Transfer tax is applicable on certain transactions, including the transfer of real estate and the lease of real estate exempt from VAT. Transfer tax is not recoverable and paid by the buyer or lessee.

Stamp duty is applicable to notarial deeds over a valuable right or asset which can be registered in a public registry, among other transactions, with rates generally ranging from 0.5 percent to 3 percent depending on the region and the transaction.

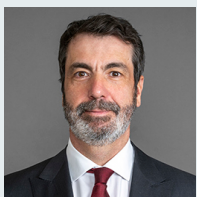
EMPLOYMENT TAXES

Employers must withhold income tax. Employers also must pay social security contributions. Social security contributions are deductible by the employer for Spanish income tax purposes.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Carlos Rodriguez

Partner

DLA Piper Spain S.L.U.

carlos.rodriguez@dlapiper.com

T: +34 91 788 7309

[View bio](#)

Miguel Baz

Partner

DLA Piper



miguel.baz@dlapiper.com

T: +34 91 788 7307

[View bio](#)



César Salagaray

Partner

DLA Piper

cesar.salagaray@dlapiper.com

T: +34 682 03 9540

[View bio](#)

SWEDEN



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RESIDENCE AND BASIS FOR TAXATION

Domestic

Companies that are registered in Sweden or, if no registration is made, are domiciled in Sweden are regarded as unlimited tax liable in Sweden.

Foreign

Companies that are not considered unlimited tax liable in Sweden are treated as limited tax liable in Sweden.

TAXABLE INCOME

Domestic

An unlimited tax liable company is taxed on its worldwide income. The taxable income is generally calculated as the total income reduced by the costs generated by the business.

Foreign

A limited tax liable company is taxed on income deriving from a permanent establishment in Sweden and real estate located in Sweden.

TAX RATES

The corporate income tax rate is 20.6 percent.

TAX COMPLIANCE

Both unlimited and limited tax liable persons must submit an income tax return. Generally, the income tax return shall be submitted with the Swedish Tax Agency within 6 months after the end of the company's financial year.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Companies may apply for a binding advance ruling concerning a specific tax question with the Swedish National Board of Advance Rulings. The Swedish Tax Agency offers written tax guidance for a specific question.

Tax incentives

Key foreign employees may, during a 5-year period, qualify for a 25-percent reduction of the taxable portion of their income when working in Sweden.

CONSOLIDATION

In Sweden, it is not possible for companies to file corporate income tax returns on a consolidated basis. However, companies belonging to the same group, which applies to share ownership of more than 90 percent of the shares, may exchange group contributions. A group contribution is deductible for the paying company and is taxable for the recipient company.

PARTICIPATION EXEMPTION

Dividends and capital gain on business-related shares are tax exempt in Sweden.

Dividends and capital gain on unlisted shares in a Swedish company are normally considered business-related unless the shares are classified as current assets or inventory. Generally, the shares should be classified as capital assets. If the shares are listed, the shares must represent 10 percent or more of the voting rights in the company and the shares must have been business-related for a period of at least 1 year.

If the shares are held in a foreign company, the same requirements apply. However, the foreign company must also be regarded as the foreign equivalent of a Swedish limited liability company.

CAPITAL GAIN

See “Participation exemption.” If the participation exemption regime does not apply, the gain will be taxed at the ordinary corporate tax rate of 20.6 percent.

DISTRIBUTIONS

Distributions paid by a corporation to a shareholder are normally treated as dividends for tax purposes. A transfer of funds from a shareholder to a company is normally treated as a conditional or unconditional shareholder's contribution.

LOSS UTILIZATION

Tax losses may be carried forward indefinitely. Changes in the ownership of a company with tax losses carried forward may result in the tax losses being permanently or temporarily restricted.

TAX-FREE REORGANIZATIONS

It is possible to transfer assets or a business at tax book value without triggering exit taxation.

Mergers and demergers may also be carried out without triggering any adverse tax consequences.

ANTI-DEFERRAL RULES

The controlled foreign corporation (CFC) rules state that a Swedish shareholder with a direct or indirect interest equal to at least 25 percent of the equity or voting rights in certain low-taxed foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits. Per 2023 law, a foreign company is considered low-taxed if its income is taxed at a rate below 11.33 percent, calculated under Swedish rules.

Shareholders in companies that are resident in approved countries are, however, not subject to CFC taxation. Approved countries are included in a white list, which is part of the Swedish Income Tax Act.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Swedish taxation may be credited under the Swedish tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Stamp duty may be triggered on the sale of real estate. If the buyer is a legal person, the tax rate is 4.25 percent of the basis. The basis for the tax is the higher of the purchase price and the tax assessment value of the real estate. The buyer and the seller are equally liable to pay the tax, but contractually, that liability is normally the buyer's.

TRANSFER PRICING

The Swedish transfer pricing rules are based on the arm's-length principle and OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

Under the general rule, a dividend payment to a foreign shareholder is subject to 30-percent withholding tax. However, domestic law contains exemptions from withholding tax under certain conditions:

Exemption 1

Withholding tax should not be levied on a dividend payment to a legal person within the EU if such person holds more than 10 percent of the shares in the paying company and fulfills the requirements in Article 2 of the Parent Subsidiary Directive.

Exemption 2

Withholding tax should not be levied on a dividend payment if the shares are unlisted or, if listed, the recipient holds at least 10 percent of the voting rights in the paying company. The share must have been held for at least 1 year at the time of the dividend payment if it is a business-related share that is listed. The recipient must also fulfill the definition of being a "foreign company" and be the foreign equivalent of a Swedish limited liability company. Further, for the exemption to apply, it is required for the dividend payment to have been tax exempt under the participation exemption regime should the shareholder have been a Swedish limited liability company.

A rule from January 1, 2016 in the Swedish Withholding Tax Act states that dividends from a Swedish subsidiary to a foreign company should not be tax exempt if certain conditions are met.

Sweden does not levy withholding tax on interest or royalty payments. However, royalty payments made to non-residents are deemed to derive from a Swedish business and are taxed as income from a permanent establishment in Sweden. Thus, the recipient is taxed in Sweden on the net royalty income at the ordinary corporate income tax rate of 20.6 percent. Sweden's right to tax royalties may be reduced under an applicable tax treaty.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty may be triggered on the sale of real estate. There is no stamp duty or similar on the sale of assets. Sweden does not have transfer tax.

EMPLOYMENT TAXES

Employers are obliged to pay employer's contributions at a rate of 31.42 percent of the total salary. In addition, employers are obliged to make tax deductions from the salary payments made to the employees.

OTHER TAX CONSIDERATIONS

Value Added Tax (VAT)

VAT should be charged on the supply of goods or services. Registration for VAT is normally mandatory if sales of taxable goods or services are made in Sweden by a taxable person. The standard VAT rate is 25 percent. Reduced rates apply on certain goods and services.

KEY CONTACTS



Erik Björkeson

Partner

DLA Piper Sweden

erik.bjorkeson@se.dlapiper.com

T: +46 73 518 81 04

[View bio](#)

SWITZERLAND



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RESIDENCE AND BASIS FOR TAXATION

Domestic

Corporate taxpayers are resident under Swiss domestic tax laws if either their statutory seat or effective management is in Switzerland.

Foreign

Nonresident companies may be subject to Swiss corporate taxation if they:

- Are partners of a business partnership in Switzerland
- Have a permanent establishment in Switzerland
- Own Swiss real estate
- Have claims secured by a mortgage on Swiss real estate or
- Act as brokers for Swiss real estate.

TAXABLE INCOME

Domestic

Resident companies are subject to corporate income tax on their worldwide income with the exception of income attributable to foreign permanent establishments or foreign immovable property. The taxable income is determined based on the statutory standalone Swiss generally accepted accounting principles (GAAP) financial statements. Such income is excluded from the Swiss tax base and is only considered for rate progression purposes in cantons that still apply progressive tax rates.

Foreign

Nonresident companies in general are subject to tax only on Swiss source income (ie, income and capital gain derived from Swiss business partnerships, permanent establishments (a fixed place of business through which the business activity of an enterprise is wholly or partly carried out) or immovable property).

TAX RATES

Federal corporate income tax is levied at a flat rate of 8.50 percent on profits after tax (ie, the effective tax rate, or ETR, is about 7.83 percent on profit before tax, since income and capital taxes are deductible in determining taxable income).

In addition, each canton has its own tax laws and levies cantonal and municipal corporate income taxes, generally imposed at flat rates.

As a general rule, the combined effective federal, cantonal and communal corporate income tax rate (ETR) currently varies between 12 to 22 percent on profits before tax, depending on the canton and municipality.

In the future, large, internationally active corporate groups with annual turnover of at least CHF750 million will be subject to the new OECD minimum taxation of at least 15 percent on their profits. If the minimum tax rate of 15 percent is not reached, the shortfall will be levied by means of a supplementary tax. The supplementary tax is a federal tax.

For associations, foundations and other legal entities, as well as collective investment vehicles, lower rates may apply.

Equity tax is levied on a cantonal and communal level. The tax rates currently vary from 0.001 to 0.60 percent. On a federal level, no equity tax is levied.

TAX COMPLIANCE

All corporate taxpayers must file a tax return at the end of their fiscal year.

ALTERNATIVE MINIMUM TAX

In half of the cantons, instead of corporate income tax, a minimum tax is paid, provided such minimum tax exceeds the corporate income tax otherwise due. There are no minimum taxes on a federal level.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

On a federal level, the confederation may provide incentives by way of tax reductions to enterprises which establish themselves in certain areas of the country that are economically underdeveloped. In addition, federal aid may be granted as security on commercial loans or as a contribution to the payment of interest on such loans.

Tax incentives

On a cantonal level, business incentives may be granted for cantonal and communal income tax purposes in connection with new business activities in the canton. Business incentives may be obtained for creating a new presence which has particular economic interest for the canton. The new business activity additionally must not be in direct competition with existing local businesses. Lastly, and perhaps most importantly, business incentives are generally granted in connection with the creation of new local jobs. The number of jobs that must be created to benefit from business incentives is generally quite low (eg, beginning at 10 to 20 jobs in most cantons). Business incentives are obtained by negotiation with the competent cantonal authorities. Incentives may include up to a full or partial 10-year tax holiday on a cantonal/communal level as well as low-interest loans on new buildings and easy access to work permits.

Furthermore, as part of the implementation of the corporate tax reform that entered into force on January 1, 2020, Switzerland abolished its tax privileged regulations – in particular, the holding company, the mixed company, domiciliary company, principal company and finance branch regimes that have been considered harmful by the OECD. These regimes have been replaced by new, internationally accepted measures. The key substitute measures for corporate taxpayers are:

- Reduction of general tax rates, whereby the majority of the cantons now have an ETR (ie, the effective combined federal-cantonal-municipal rate) between 12 and 14 percent for all companies
- Introduction of a cantonal patent box system based on the modified nexus approach of the OECD, with tax relief for qualified income of up to 90 percent
- Introduction of an R&D super deduction at cantonal level of up to a maximum of 150 percent of the effective qualifying expenses and
- Increase of the asset base when a company or its activities and functions migrate to Switzerland.

The expiry of the special tax regulations is subject to transitional regulations, which should make it possible for companies who benefited from such regulations to increase their tax values from before 2020 through a special release mechanism of "hidden reserves" for 5 years after the expiry of January 1, 2020. This depends on the specific facts and circumstances of the companies.

Tax rulings

Tax rulings are available for almost every aspect of taxation, and Switzerland is not subject to EU state aid rules. Under the OECD base erosion and profit shifting project, Switzerland also committed to spontaneous exchange on tax rulings for certain cross-border tax rulings (ie, rulings on preferential tax regimes, cross-border transfer pricing rulings, unilateral downward adjustment rulings and tax residency or PE rulings).

CONSOLIDATION

Switzerland does not have a tax consolidation system, and hence separate entity taxation applies for income tax purposes. The Swiss VAT Act provides for group taxation for VAT purposes.

PARTICIPATION EXEMPTION

Participation exemption is a proportional reduction from corporate income tax equal to the net participation income divided by taxable income. Net participation income is defined as the gross participation income from qualifying dividends or qualifying capital gains less related administration and financing costs and any depreciation of the participation that is linked to the dividend distribution or capital gain. In general, participation exemption results in a full exemption of participation income.

Qualifying dividends are dividends from investments representing at least 10 percent of the share capital or 10 percent of profits and reserves of another company or having a market value of at least CHF1 million. There is no requirement that the dividend-distributing subsidiary is liable to income tax in its jurisdiction.

Qualifying capital gains are generally entitled to participation exemption if the following conditions are cumulatively met: (i) the investment sold was owned by the company for a period of at least 1 year and (ii) it constitutes at least 10 percent of the share capital or 10 percent of profits and reserves of the underlying subsidiary.

Note that capital gains are only entitled to participation exemption provided the sales price exceeds the original investment costs. Therefore, previous depreciations on investments may be taxable.

CAPITAL GAIN

There are no special rules applicable other than participation exemption rules and special rules in certain cantons for real estate capital gains.

DISTRIBUTIONS

A federal 35-percent dividend withholding tax is levied at the source on the gross amount of dividend distributions made by Swiss companies. These withholding taxes can be reclaimed or be exempted at source depending on the applicable treaty.

LOSS UTILIZATION

Unused losses can be carried forward 7 years for corporate income tax purposes.

TAX-FREE REORGANIZATIONS

Provided certain prerequisites are met, reorganizations are possible on a tax-neutral basis, as long as the applicable tax accounting values of assets and liabilities remain the same and the assets remain taxable in Switzerland after reorganization.

ANTI-DEFERRAL RULES

Switzerland does not have anti-deferral rules such as controlled foreign corporation (CFC) rules. Note, however, that under recent Swiss court decisions, passive companies located in offshore jurisdictions have been treated as Swiss tax resident, resulting in taxation in Switzerland similar to CFC taxation.

FOREIGN TAX CREDITS

Switzerland primarily applies the tax exemption method in its tax treaties. On certain income streams (dividend, interest and license fees), source tax may be credited against the tax levied in Switzerland.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Capital gain on Swiss immovable property is subject to a special cantonal real estate gains tax or to ordinary corporate income tax, depending on the system that is applied in the canton where the immovable property is located.

Moreover, about half of cantons levy a special wealth tax on real estate. This tax is due every year in addition to the general wealth tax. The tax is levied at the place where the property is situated and is assessed on the market or taxable value of the real estate without allowing for the deduction of debts. The applicable tax rates are between 0.02 and 0.30 percent.

TRANSFER PRICING

Arm's-length principles generally apply. Switzerland uses the methods published in the OECD Transfer Pricing Guidelines and has no detailed transfer pricing legislation.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Swiss withholding tax is a federal tax levied on certain types of investment income from Swiss sources, including dividends and interest payments. Royalties, management fees and interest payments on certain loans are in general not subject to withholding tax. The withholding tax is levied at a flat 35 percent rate, subject to reduction under any of the various income tax treaties Switzerland has concluded. Switzerland signed and ratified the Multilateral Instrument (MLI).

Service fees

Service fees are not subject to withholding tax.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

The tax on issued securities (also called stamp issuance duty) is 1 percent of the amount received in consideration for the participation rights, but not less than the nominal share capital with exemption for the first CHF1 million. This exemption is applicable for the establishment of corporations and for increases in capital up to CHF1 million. The tax base is equal to the amount paid in exchange for the remittance of the shares (ie, the nominal value and capital surplus). Issuance stamp tax generally is not due on share issues related to mergers, demergers, relocations to Switzerland or similar transactions.

Transfer stamp tax is levied on the transfer of ownership of certain securities which involve Swiss securities dealers. Swiss securities dealers include banks, fund managers and similar entities, but also ordinary companies that own taxable securities (eg, shares or bonds) with a book value of more than CHF10 million. The tax rate is 0.15 percent for Swiss securities and 0.30 percent for foreign securities. Various exemptions apply, and these exemptions must be checked on a case-by-case basis.

In most cantons, the transfer of real estate is subject to a conveyance tax whereas, on the federal level, no taxes of such kind are levied. As a general rule, conveyance tax is assessed on the purchase price or the taxable value of the real estate and is typically paid by the purchaser of the real estate.

EMPLOYMENT TAXES

All B-permit holders and foreign employees with no residence in Switzerland are taxed at source, and the employers must withhold the income tax. All other individuals must fill in a tax return and are subject to tax on their worldwide income if they have their permanent or temporary residence in Switzerland.

OTHER TAX CONSIDERATIONS

Not applicable.

KEY CONTACTS



Roderik Bouwman

Partner

DLA Piper Netherlands

roderik.bouwman@dlapiper.com

T: +31 (0)20 5419 894

[View bio](#)

TAIWAN, CHINA



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RESIDENCE AND BASIS FOR TAXATION

A company – including a subsidiary of a foreign company – formed in Taiwan is treated as a Taiwan company.

Domestic

A Taiwan company is subject to Taiwan income tax on its worldwide income.

Foreign

A company with its head office outside Taiwan, including a foreign company with a branch office in Taiwan, is considered a foreign company for tax purposes, though the Taiwan branch itself is considered a domestic profit-seeking enterprise.

TAXABLE INCOME

Domestic

The taxable income of a domestic company is its worldwide net income, which is defined as gross annual income less costs and expenses, losses and taxes.

Foreign

A foreign company is subject to income tax only on its Taiwan-source income, which is either computed in the same manner as a Taiwan company or subject to withholding tax at a prescribed rate.

TAX RATES

Income tax is assessed at a rate of 20 percent, and the threshold for subjecting a Taiwan company to corporate income tax is TWD20,000 per annum.

TAX COMPLIANCE

A domestic company must file tax returns and pay any tax liabilities during the 5th month after the close of its fiscal year.

A domestic company must pay provisional income tax in an amount equal to 50 percent of the preceding year's tax liability during the 9th month after the close of its fiscal year. However, if the company meets certain conditions, the company may opt to pay the provisional tax at an amount calculated on the basis of its operating income for the first 6 months of the current fiscal year.

Although Taiwan does not have a codified general anti-tax avoidance rule, Taiwan does employ the concept of substance over form, whereby the economic substance of a transaction is considered.

ALTERNATIVE MINIMUM TAX

According to the Taiwan Income Basic Tax Act, a domestic company or a foreign company with a fixed place of business/permanent establishment or business agent in Taiwan (PE) is subject to a separate alternative minimum tax (AMT) if it earns certain income that is tax exempt or enjoys certain tax incentives and the company's basic income exceeds TWD500,000. The AMT rate is 12 percent. If the company's regular income tax is greater than the AMT, no special action is required. If the AMT tax liability is greater than the regular income tax, the company is required to calculate and pay AMT.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

A taxpayer may apply to the tax authorities for advance tax rulings to clarify its tax issue or confirm its tax position.

Tax incentives

Taiwan offers certain tax incentives in order to promote economic development in certain industries, especially in R&D investments. Certain tax incentives are provided to investors if they are located in prescribed areas such as science parks, bonded zones and free-trade zones.

CONSOLIDATION

A qualified financial holding company or a company which consummates a qualified merger, acquisition or spinoff transaction that holds at least 90 percent of the total issued shares of its Taiwan subsidiary for 12 consecutive months during a tax year may elect to file consolidated returns.

PARTICIPATION EXEMPTION

Not applicable for this jurisdiction.

CAPITAL GAIN

Taiwan does not impose a separate capital gain tax (ie, gains from the sale of securities and futures transactions are exempt from income tax). However, (a) a domestic company or a subsidiary of the foreign company – being considered a domestic company – is required to include any gains arising from securities and futures transactions in its AMT calculation in accordance with the Income Basic Tax Act and, (b) from January 1, 2021, a resident individual is required to include any gains arising from sale of the shares in a private company in their individual AMT calculation in accordance with the Income Basic Tax Act.

A 5-percent profit retention tax is imposed on undistributed profits.

DISTRIBUTIONS

For resident individuals, the gross dividend received may at the election of such individual either:

- be included in such individual's taxable income, whereby 8.5 percent of such dividend income will be treated as deductible amount (the maximum deductible amount is NT80,000 for each household); or
- be taxed separately on a flat rate of 28 percent, and excluded from such individual's other taxable income

For non-resident shareholders, dividends received are subject to 21 percent withholding tax, absent an available tax treaty for a reduced rate.

The dividends received by a domestic company from its investment in another domestic company are not included in the first-mentioned domestic company's taxable income.

If a Taiwan company invests in foreign companies, dividends declared by such foreign companies must be included in the domestic company's taxable income, but any foreign tax credits may be used.

LOSS UTILIZATION

Tax losses (for Taiwan companies and Taiwan branch offices of foreign companies) may be carried forward for 10 years if such company/branch office meets certain conditions. Losses may not be carried back.

TAX-FREE REORGANIZATIONS

Qualified M&A transactions may be afforded tax-free treatment according to the Business Mergers and Acquisitions Act.

ANTI-DEFERRAL RULES

On July 12, 2016, the Taiwan government amended the Income Tax Act and introduced the controlled foreign company (CFC) and the criteria for determining a foreign company's place of effective management (PEM) rules. However, the effective date of these new rules has not been announced by the Taiwan government.

FOREIGN TAX CREDITS

A foreign tax credit is available for income tax paid in other countries on income derived outside of Taiwan and may be used to offset the foreign tax paid against a Taiwan company's tax liability.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Effective from July 1, 2021, income tax rate on sale of real property is set as follows:

- 45 percent of gains on the sale within 2 years of purchase
- 35 percent of gains on the sale within 2 to 5 years of purchase
- 20 percent of gains on the sale within 5 to 10 years of purchase
- 15 percent of gains on the sale after 10 years of purchase

For foreign nationals and companies, the tax rate is 45 percent on any property held for less than 2 years and 35 percent for any property held for more than 2 years.

For sale of self-use property by an individual whose household has been registered in that property for 6 years or longer, the first NT4million gains will be exempt from the tax, and the excess amount of gains will be taxed at 10 percent.

The same tax rate is imposed on individuals and businesses and applies retroactively to real properties acquired by the sellers after 2016.

According to the Business Mergers and Acquisitions Act, stamp duty, deed tax, VAT and the land value increment tax are exempt under certain M&A transactions if they involve the sale and purchase of real property.

TRANSFER PRICING

Certain transactions between related parties (eg, where there is direct or indirect "substantive management control," material influence or control over a board of directors) must be conducted on "arm's-length" terms.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

In general, Taiwan-source dividends are subject to withholding tax at 21 percent, while other profit distributions, interest income, rental income and royalties earned by foreign companies are subject to withholding tax at 20 percent. However, Taiwan has entered into tax treaties with 33 countries, resulting in reduced tax rates.

Service fees

Service fees are normally subject to a 20-percent withholding tax if considered Taiwan-source income, though apportionment of fees (ie, where only part of the service fees is Taiwan-source income) is possible. A company with a head office outside Taiwan and which is engaged in technical services in Taiwan for which the costs and expenses are difficult to calculate may apply for approval to treat 15 percent of its total service fees as income derived in Taiwan, which, if taxed at the 20-percent rate, would effectively reduce the tax rate to 3 percent.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Capital duty: A registration fee is charged on a company's capital at a rate of TWD1 for every TWD4,000 capital.

Stamp duty: Stamp duty applies to various documents at different rates.

Securities transaction tax: 0.30 percent on gross proceeds from the sale of shares issued by Taiwan companies and 0.10 percent on gross proceeds from trading in corporate and financial bonds (though temporarily exempt) and other securities.

Luxury tax: The luxury tax is imposed on the sale of real property held for less than 2 years or import of passenger vehicles (exclusive of electric-powered vehicles), yachts, aircrafts, helicopters and light vehicles that cost more than TWD3 million.

EMPLOYMENT TAXES

An employer must withhold income tax from its payment of salaries to its employees. In addition, an employer is required to make partial payments of premiums for national health insurance for its employees, which include the regular premium plus a supplementary premium based on salaries and other payments to employees.

OTHER TAX CONSIDERATIONS

Effective as of May 1, 2017, a foreign enterprise, institution, group or organization with no PE in Taiwan, but that supplies electronic services to domestic individuals, with annual income derived from Taiwan that exceeds TWD480,000 shall be the taxpayer (the E-Services Provider) under the Taiwan Value-added and Non-value-added Business Tax Act, and shall apply by itself or appoint a Taiwan resident or an entity with a PE in Taiwan as its tax agent for taxation registration, filing bimonthly VAT returns and paying VAT.

On January 2, 2018, the Taiwan authority further introduced a ruling in regard to the income tax payable by the E-Services Provider, which applies retroactively from January 1, 2017. Under this ruling, the E-Services Provider is required to report its Taiwan-source income and file annual income tax returns and pay income tax, either by itself or through the Tax Agent, in regard to revenues derived from domestic individuals, while income tax for business-to-business transactions are withheld at source by the domestic business entities.

KEY CONTACTS



Daniel Chan

Partner

DLA Piper Hong Kong

daniel.chan@dlapiper.com

T: +852 2103 0821

[View bio](#)



Peng Tao

Partner

DLA Piper

peng.tao@dlapiper.com

T: +1 212 335 4875

[View bio](#)

TURKEY



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RESIDENCE AND BASIS FOR TAXATION

A company is treated as a Turkey resident if its legal seat or place of management is in Turkey.

Domestic

A resident company is subject to corporate tax on its worldwide income and gains.

Foreign

A nonresident company is subject to tax on its Turkish-sourced income.

TAXABLE INCOME

Domestic

Taxable income includes all profits arising from relevant income with the exception of applicable exemptions.

Foreign

Taxable income of a nonresident company includes

- Fees professionally obtained in Turkey
- Profits derived by enterprises conducting commercial, agricultural and/or industrial activities which have an establishment or a permanent representative in Turkey
- Income derived from lease of real properties, movable properties and rights in Turkey
- Securities income and
- Other turnover (income) obtained from Turkey.

TAX RATES

In principle, the standard corporate tax rate is 20 percent. However, the corporate tax rate for financial sector companies including banks, financial leasing companies, asset management companies, insurance companies and pension funds is 25 percent. (As per a provisional clause under the relevant legislation, it was applied as 23 percent for the 2022 fiscal year.) It is calculated based on the fiscal profits on an annual basis.

TAX COMPLIANCE

A tax year in Turkey may be a calendar year or a fiscal year. Corporate tax returns are due and must be filed in the 4th month (ie, between the 1st and the 25th day) following the end of a company's accounting period. The tax should be paid by the end of the month in which the tax return is due. Subject to approval by the Ministry of Treasury and Finance, companies may choose to use a special accounting period.

Corporations are subject to pay an advance corporate tax to be offset against their ultimate tax liability. Advance tax is paid at 20 percent based on a corporation's quarterly profits, and the ultimate liability of a corporation is determined by the annual corporate income tax return. Corporations are required to submit their advance corporate tax returns by the 2nd month (i.e., the 14th day of the month) after a relevant quarter which may be extended by the Ministry of Treasury and Finance. Tax becomes payable in the same month (i.e., the 17th day of the month).

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

It is possible for taxpayers to request an advance ruling on the tax treatment of specific transactions.

Tax incentives

There is a wide range of tax incentives for certain investments with incentive certificates. Reductions on corporate tax rates, governmental support for income tax for wages, exemptions on the value-added tax and customs duty as well as refund support on value-added tax are among those incentives. The said incentives may differ based on the relevant investments' sector, scope and size.

CONSOLIDATION

Tax consolidation is not allowed under Turkish tax regime. Each company of a group must file a separate corporate tax return for itself.

PARTICIPATION EXEMPTION

A participation exemption is provided to dividends derived by resident companies and institutions from other Turkish companies and institutions, venture capital investment funds, venture capital investment trusts and other investment funds (save for the earnings from funds with assets in foreign currency, gold or other precious metals and capital market instruments based on them). Dividends derived from other investment trusts are not provided with a participation exemption.

Dividends derived from non-residents may also benefit from participation exemption. Such dividends are exempt from tax provided that:

- At least 10 percent of the nonresident company's paid-in capital is owned by the resident company for a period of at least 1 year from the receiving date of the dividend without any interruptions
- The non-resident company is incorporated as a joint stock company or a limited liability company
- The non-resident company is subject to a corporate tax with at least a 15-percent rate (25 percent in cases where the principal activity of the taxpayer provides financing, including financial leasing, insurance or investment in marketable securities)
- The dividends are remitted to Turkey by the date the filing of the annual corporate tax return is due

CAPITAL GAIN

Capital gains derived by all companies are generally taxable as ordinary income. However, if gains arising from the sale of a depreciable fixed asset is re-invested in a new fixed asset, such capital gain is not subject to tax.

In case of a sale of shares of a resident company by a nonresident company, capital gains arising from such transaction are subject to corporate tax.

Capital gains derived from the disposal of shares are exempted from corporate tax at a rate of 75 percent if the term of ownership is at least 2 years and the capital gain is in a special fund under shareholder's equity for 5 years following the sale.

DISTRIBUTIONS

The rate of the withholding tax applicable for international holding companies' dividend distributions (based on the profits derived from their foreign participations) to non-resident companies are subject to a withholding tax rate of 10 percent. This rate may be subject to reduction under an applicable double taxation treaty.

The capital will be deemed to have been reduced from (i) first, from the capital elements whose transfer or withdrawal are subject to corporate tax and withholding tax due to dividend distribution, (ii) second, from accounts subject to withholding tax due to profit distribution, and (iii) third, from non-taxable cash and in-kind capital. This applies to businesses that have realized a capital reduction within 5 years of the date of transfer of various sources to capital.

LOSS UTILIZATION

Net operating losses can be carried forward for 5 years.

TAX-FREE REORGANIZATIONS

Not applicable for this jurisdiction.

ANTI-DEFERRAL RULES

Under the Turkish Controlled Foreign Company (CFC) rules, taxes paid by a foreign affiliate (such as income tax and corporate tax) may be set off against the taxation of the nonresident company's earnings.

FOREIGN TAX CREDITS

Foreign tax credits are available for foreign taxes paid, up to the amount of the corporate tax in Turkey attributable to the foreign income. The credits which are not used may be carried forward for 3 years. The limit for a foreign tax credit is a corporate tax attributable to foreign income in Turkey.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

The real property tax is calculated based on the relevant real property's value at different rates (eg, 0.1 percent for lands and 0.2 percent for buildings). Square meter rates are determined based on location and are increased in large cities.

TRANSFER PRICING

Turkish tax regime generally adopts arm's-length principles for transactions realized between related entities.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

A 10-percent withholding tax applies to dividends paid to the non-resident companies.

The rate applicable to the interest on loans paid to an international institution or a foreign bank with the status of a financial entity is 0 percent. However, interests on loans from other non-resident entities are subject to an applicable rate of 10 percent.

A 20-percent withholding tax applies to royalties, paid to a non-resident.

The rates mentioned above may be subject to reduction under an applicable tax treaty.

Service fees

Payments for professional services (eg, technical assistance, consulting, design or supervision) are subject to a 20-percent withholding tax. This rate may be subject to reduction under an applicable tax treaty.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty. Stamp duty may be fixed or proportionate to the relevant document's price, based on the relevant document's type. Proportional stamp duty is payable at rates ranging from 0 percent to 0.948 percent based on the relevant document's type.

Transfers of real estate are subject to a real estate transfer tax calculated at a rate of 4 percent of the transfer value. Such amount is split equally between the buyer and the seller.

EMPLOYMENT TAXES

Employers are obliged to withhold income tax at progressive income tax rates on salaries. The applicable rate is applied between 15 percent to 40 percent.

The general rate for the employers' social security contribution is 20.5 percent, while the social security contribution rate applicable for the employees is 14 percent. Employers and employees are also subject to unemployment benefit plan contributions based on the gross salary. Applicable rates for such contribution are 2 percent for employers and 1 percent for employees.

OTHER TAX CONSIDERATIONS

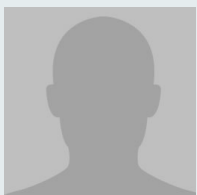
An environmental tax is applied on places of business at fixed rates that change every year based on the determined categories.

Bank and insurance charges are subject to transaction tax at a general applicable rate of 5 percent.

Taxpayers are no longer required to notify the tax office of information on starting a business, change of headquarters/branch address, opening a branch, closing a branch, changing the legal form, changing a title, going

into liquidation, returning from liquidation and closing a liquidation. The notification made by the Ministry of Commerce to the Ministry of Treasury and Finance regarding the said transactions will be accepted as the notification made by the taxpayers.

KEY CONTACTS



Maral Minasyan

Kolcuolu Demirkan Koçaklı

Attorneys at Law

mminasyan@kolcuoglu.av.tr

UKRAINE



Last modified 11 May 2021

RESIDENCE AND BASIS FOR TAXATION

All companies incorporated in Ukraine are considered residents for corporate income tax purposes (ie, the incorporation principle).

Foreign companies as well as their representative offices registered in Ukraine are treated as nonresidents for corporate income tax purposes.

Domestic

Residents are taxed on their worldwide income. Residents may also use some simplified tax regimes envisaging lower tax rates.

Foreign

Nonresidents are taxed on Ukraine-sourced income. Permanent establishments of nonresidents are taxed in part on profits attributable to their activities in Ukraine under local rules.

Double tax treaties may reduce or eliminate taxation provided relevant conditions envisaged therein are met.

TAXABLE INCOME

Domestic

Taxable income of a resident is defined as profit calculated under local GAAP or IFRS, whichever is applicable, subject to adjustments envisaged in the Tax Code.

Generally, all expenses supported by primary source documents may be deducted upon the computing of taxable income.

Foreign

Ukraine-sourced income of a nonresident generally consists of passive income paid by Ukrainian residents.

Where a nonresident has permanent establishment in Ukraine, profit attributable to such permanent establishment is calculated under one of the following methods:

- Under the same rules applicable to Ukrainian residents (ie, the direct method)
- As total revenues of permanent establishment multiplied by 30 percent (ie, the indirect or deemed profitability method)
- Under a separate balance sheet of nonresident approved by local Ukrainian tax authority (ie, the separate balance sheet method)

TAX RATES

Corporate income tax rate is 18 percent. Lower tax rates are applicable to income from insurance and gambling activities.

TAX COMPLIANCE

Quarterly tax returns must be submitted no later than the 40th calendar day following the end of reporting quarter. Yearly tax returns must be submitted no later than the 60th day following the end of reporting year.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

A 0-percent tax rate is applicable to small companies declaring gross annual income below UAH3 million and that pays wages to each employee which exceeds 2 minimal statutory wages, under the following conditions:

- A company is newly established
- Such company declares gross annual income below UAH3 million and has 5 to 20 employees on average for 3 consecutive years

Tax rulings

Tax rulings (ie, tax consultations) are generally of 2 types:

- Generalized
- Individual

Generalized tax consultations are issued by the Ministry of Finance and provide guidance on most problematic issues.

Taxpayers may also request an individual tax ruling applicable to their individual case.

Taxpayers who act in accordance with a generalized and/or individual tax ruling may not be imposed with sanctions. Tax consultations issued by tax authorities may be contested by a taxpayer in the court.

Tax incentives

There are tax incentives envisaged for certain businesses (eg, for companies established by organizations of people with disabilities and companies financed via international technical aid).

CONSOLIDATION

No consolidated tax returns are envisaged. Consolidated financial reporting is obligatory for certain groups.

PARTICIPATION EXEMPTION

Domestic dividends received from payers of Ukrainian corporate profit tax are exempt from taxation. Dividends received from nonresidents are included in the taxable income of Ukrainian companies.

CAPITAL GAIN

Capital gain is treated as a part of taxable income and is subject to standard 18-percent corporate income tax rate. The Tax Code provides for special adjustment of taxable profit in respect of capital gain.

DISTRIBUTIONS

Upon distribution of a dividend, a company may be required to pay advance corporate income tax on the dividend (ACIT) at a 18-percent tax rate. ACIT is paid only if certain conditions are met and may further be credited against corporate income tax due for future periods.

LOSS UTILIZATION

Declared losses may be carried forward without limitations.

TAX-FREE REORGANIZATIONS

A reorganization of a Ukrainian resident company is generally tax neutral. Tax attributes should also be generally transferable to successor entities within reorganizations.

ANTI-DEFERRAL RULES

CFC

Not applicable for this jurisdiction.

PFIC

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Upon availability of a valid and legalized certificate confirming payment of taxes abroad, such taxes may be credited against taxes due in Ukraine; however, the credit may not exceed the amount of domestic tax due.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Residents and nonresidents pay property tax on real property they own and on leased land. Reporting and payment of property tax is separate for land and real estate.

Property tax on land is set by local authorities depending on the type of land and its monetary evaluation. Tax on leased land is paid in the form of rent.

Property tax on real estate is established by local authorities as a fixed rate per 1 square meter of real estate.

TRANSFER PRICING

Ukrainian rules are based on OECD guidelines. Arm's-length principles are generally applied under Ukrainian tax law to qualifying controlled transactions.

The following transactions may be qualified as controlled:

- With related nonresidents
- With nonresident commission agents
- With nonresidents registered in low-tax jurisdictions (the list of such jurisdictions is approved by the government)
- With nonresidents of certain legal organizational forms (eg, pass-through entities such as a UK LLP or Danish KS) which do not pay corporate income tax or are not tax residents in the country of incorporation (the list of legal forms is approved by the government)

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

Dividends, royalties, interest and rents paid to a nonresident are subject to standard 15-percent withholding tax unless relief is granted by relevant double tax treaty. Other rates are envisaged for certain types of income such as insurance payments or freight.

Service fees

Generally, service fees payable to nonresidents are exempt from withholding tax. Exceptions are:

- Engineering fees, which are subject to a 15-percent withholding tax (avoided under most double tax treaties in force for Ukraine)
- Advertising fees, which are subject to a 20-percent withholding tax paid on top of income and at the expense of Ukrainian company (and which is not relieved under double tax treaties)

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

State duty and pension duty are applicable to certain transactions such as the sale of real estate, vehicles and some other transactions.

EMPLOYMENT TAXES

Employers act as tax agents in relation to their employees and pay the following taxes:

- 18 percent of personal income tax is withheld from paid income
- 1.5 percent of military duty is withheld from paid income
- 22 percent of unified social contribution is paid on top of income at the cost of employer (subject to minimum and maximum caps)

OTHER TAX CONSIDERATIONS

A simplified taxation system is available for Ukrainian companies upon certain conditions and allows for payment of a single tax at the rate of 5 percent applied on turnover or 3 percent (if the company is a VAT payer).

KEY CONTACTS

UNITED ARAB EMIRATES



Last modified 01 January 2022

RESIDENCE AND BASIS FOR TAXATION

Companies incorporated in the UAE are considered tax residents. For the application of any of the UAE's Double Tax Treaties, a company can obtain a Tax Residency Certificate, provided it meets the relevant conditions.

TAXABLE INCOME

There is currently no federal UAE corporate income taxation. The existing income tax decrees at Emirate level (the UAE consists of 7 Emirates, including Abu Dhabi and Dubai) are not applied in practice.

Currently, income taxes are only imposed at Emirate level on the following:

- Oil and gas producing companies and
- Branches of foreign banks.

Over the past years, there have been discussions to introduce corporate income tax at the UAE federal level, although this has not yet materialized in any proposed legislation.

TAX RATES

Oil and gas producing companies pay tax in the form of royalties as per specific government concession agreements, which are confidential.

Branches of foreign banks are subject to income tax at a rate of 20 percent.

TAX COMPLIANCE

Only oil and gas producing companies and branches of foreign banks are required to register with the tax authorities and file tax returns.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

The UAE has a large number of Emirate-instated Free Zones where the usual mainland foreign ownership restrictions do not apply. Entities registered in the Free Zones are not liable to pay tax at the Emirate level for a specific period. Free Zone entities may either be exempt from tax or subject to a 0-percent tax rate, depending on the regulations in the specific Free Zone.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Not applicable for this jurisdiction.

CAPITAL GAIN

At present, there is no capital gains taxation in the UAE. For taxpaying entities, such as oil and gas-producing companies, capital gains are taxed as part of business profits.

DISTRIBUTIONS

No specific tax rules apply in relation to distributions by UAE companies.

LOSS UTILIZATION

Branches of foreign banks may carry forward losses for a limited number of years, depending on the Emirate of establishment. For other companies, loss utilization is not applicable in the UAE.

TAX-FREE REORGANIZATIONS

Not applicable for this jurisdiction.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Not applicable for this jurisdiction.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Not applicable for this jurisdiction.

WITHHOLDING TAX

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

A Real Estate Transfer Fee (RETF) is applicable to transfer of real property at rates which differ per Emirate. In Dubai, the total RETF is 4 percent and is equally shared between seller and buyer. The rates in most other Emirates are lower than in Dubai.

EMPLOYMENT TAXES

Social security

Social security is only applicable to UAE and other GCC nationals (ie, UAE and GCC passport holders).

End of service benefits

According to the UAE labor law, all employees who complete a period of continuous service that is longer than 1 year are entitled to a gratuity computed and accrued by employers according to either Emirate- or Free Zone-specific regulations.

OTHER TAX CONSIDERATIONS

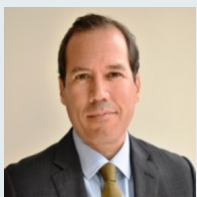
Value Added Tax

The UAE introduced value added tax (VAT) on January 1, 2018. The VAT regime is loosely based on the EU VAT system with a number of notable differences. The UAE VAT applies to most supplies of goods and services, including the import of goods and services. The standard VAT rate is 5 percent. For specific activities, a zero rate applies (such as on exports), whereas other activities may be exempt (such as financial services).

Customs Duty

The UAE is a member of the Gulf Cooperation Council's (GCC) Customs Union, which is governed by the GCC Customs Law. The GCC Customs Union is based on the principle of a single entry point upon which all customs duty on foreign imported goods is collected. Under the GCC Customs Law, customs duties (if any) are levied over the customs value of the foreign imports (eg, the Cost, Insurance and Freight, or CIF, value).

KEY CONTACTS



Ton van Doremalen

Partner and Head of Tax, Middle East

DLA Piper Dubai

ton.vandoremalen@dlapiper.com

T: +971 4438 6127

[View bio](#)

UNITED KINGDOM



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RESIDENCE AND BASIS FOR TAXATION

A company will be treated as a UK resident if it is incorporated in the UK or centrally managed and controlled (generally at the board level) in the UK.

Domestic

A UK resident company is subject to UK corporation tax on its worldwide income and gains (subject to relief for any tax paid on the same income or gains in other jurisdictions). The company may elect to leave out of account all trading profits and losses arising from branches outside the UK.

A UK resident company may be subject to the UK's diverted profits tax where it has entered into arrangements with a related person and that person or the transactions lack economic substance, and the arrangements result in a reduction in the UK resident company's taxable profits.

Foreign

A non-UK-resident company is not subject to UK tax except on:

- Income from a business carried on through a UK permanent establishment or from a trade of dealing in or developing UK land (irrespective of whether there is a UK permanent establishment)
- Income from intangible property that is referable to sales of goods, services or other property in the UK, where the income is receivable in a low or no tax jurisdiction (under the offshore receipts in respect of intangible property ("ORIP") rules)
- Other UK source income, but only to the extent of any withholding tax borne by that income, and
- Capital gains arising on disposals of interests in UK land and certain disposals of assets (wherever situated) that derive at least 75 percent of their value from UK land (see [Capital gain](#))

A non-UK resident company may be subject to the UK's diverted profits tax where either:

- It has a UK permanent establishment that has entered into arrangements with a related person and that person or the transactions lack economic substance, and the arrangements result in a reduction in the taxable profits of the permanent establishment, or
- The company has entered into arrangements with a person who is carrying on activity in the UK and the arrangements are designed to ensure that the company does not have a permanent establishment in the UK

A digital services tax was introduced from April 1, 2020. It applies to businesses that provide social media services, internet search engines and online marketplaces, and any online advertising businesses that derive significant benefit from the foregoing businesses. Businesses are within the digital services tax when the group's worldwide revenues from in-scope digital activities are GBP500 million or more, and at least GBP25 million of these revenues are attributable to UK users.

TAXABLE INCOME

Domestic

Taxable income of a resident company is equal to all gross income and gains less applicable deductions.

Foreign

Taxable income of a nonresident company is equal to the gross income of the business carried on through the UK permanent establishment less any deductions applicable to that UK business.

Separate rules apply to determine the amount of taxable income under the diverted profits tax and ORIP rules. The digital services tax is calculated by reference to revenue, rather than profit.

TAX RATES

The standard corporation tax rate has increased to 25 percent from April 1, 2023 (for profits of GBP50,000 or less the rate will be 19 percent, and for profits between GBP50,000 and GBP250,000 a tapered rate will apply).

Where the diverted profits tax applies, the applicable tax rate is 31 percent from April 1, 2023, and income subject to the ORIP rules is taxed at 20 percent.

The digital services tax rate is 2 percent of group revenue derived from UK users (in excess of a de minimis revenue of GBP25 million), although there is an alternative “safe harbor” calculation for groups with low operating margins.

TAX COMPLIANCE

Corporation tax returns are due within 12 months of the end of a company's accounting period, and the tax should be paid within 9 months of the end of that accounting period. UK companies can choose the date which marks the end of their accounting period, December 31 and March 31 are common, but any date can be chosen.

Larger companies are required to make quarterly payments in respect of corporation tax. Broadly speaking:

- Companies with annual profits of GBP1.5 million or more (calculated on a group basis) are required to pay corporation tax in the 7th and 10th months of the current accounting period and the 1st and 4th months after the end of the accounting period, and
- Companies with annual profits of GBP20 million or more (calculated on a group basis) must pay corporation tax in the 3rd, 6th, 9th and 12th months of the current accounting period.

Separate rules apply to the payment of the diverted profits tax and the digital services tax and to tax due under the ORIP rules.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

Tax incentives

There are tax incentives for specific activities and behaviors, including R&D credits and enhanced deductions for expenditure on certain types of environmentally friendly installations or for investment in economically deprived parts of the UK. Tax incentives are also available for investments in freeports. The patent box regime offers a reduced effective 10 percent rate of corporation tax for income from certain IP which is developed or managed in the UK. There are capital allowances at different rates on various items of machinery and plant and a 3 percent allowance on building costs involved in constructing new commercial buildings.

CONSOLIDATION

Eligible corporations may enter into a "group payment arrangement," whereby one company makes itself responsible for administering the corporation tax affairs of all members of the group. However, this is an administrative arrangement only, and all UK companies are required to file separate corporation tax returns, calculate their respective liabilities separately and remain liable for their own corporation tax.

PARTICIPATION EXEMPTION

Almost all dividends received from subsidiaries are exempt from corporation tax except where anti-avoidance legislation applies. Capital gains recognized on the sale of shares in foreign or UK subsidiaries are exempt from tax provided that:

- The subsidiary is a trading company (ie, one whose income is substantially derived from activities other than passive investment) or the holding company of either a trading group or a trading sub-group, and
- The selling company has held at least 10 percent of the shares in the subsidiary for at least 12 months in the last 6 years.

CAPITAL GAIN

Capital gains realized by a company are taxed at the same rate as trading income. Capital losses may reduce capital gains but not trading income. Certain types of profits and losses – those from debt and intellectual property – are always treated as income under special regimes which reflect the accounting treatment of those types of assets.

Capital gains realized by nonresident companies are not taxed in the UK, even if they arise on the disposal of UK assets, unless:

- The asset is used for the purpose of a trade carried on by the company through a UK permanent establishment, or
- The asset comprises an interest in UK land or comprises certain assets (wherever situated) that derive at least 75 percent of their value from UK land.

DISTRIBUTIONS

Distributions paid by a UK company are generally treated as dividends to shareholders. UK company law forbids distributions which exceed accumulated realized profits and restricts a company's ability to repay capital, which (in relation to public companies) requires a court order.

LOSS UTILIZATION

Trading losses can be carried forward indefinitely and can be carried back 1 year (or in certain limited circumstances up to 3 years). Trading losses can also be surrendered between group companies (provided, in the case of losses arising prior to April 2017, that they are utilized in the year in which they arose). However the use of carried forward trading losses is limited to the first GBP5 million of taxable profit (per group) plus 50 percent of profits in excess of GBP5 million.

TAX-FREE REORGANIZATIONS

Many forms of group reorganization can be achieved on a tax-free basis, due to a combination of reliefs, principally an automatic deferral of corporation tax on transfers of capital assets (including shares) between 2 UK

resident group companies, and relief where shares are transferred in consideration of an issue to the transferor of shares or loan notes in the transferee.

ANTI-DEFERRAL RULES

Under the UK controlled foreign company (CFC) rules, a UK resident company may be taxed on the income of its foreign subsidiary. The scope of these rules is intended to be limited to situations where UK-source income has been artificially diverted into an overseas, low tax jurisdiction, particularly tax havens.

FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. In the relatively rare situations where dividends received from overseas subsidiaries are not completely exempt from UK corporation tax, the amount of tax payable on the dividend will be subject to a credit for foreign tax paid or withheld by the subsidiaries (subject to a cap to combat certain avoidance structures).

SPECIAL RULES APPLICABLE TO REAL PROPERTY

An additional annual tax charge (the annual tax on enveloped dwellings or ATED) is made on companies which own or control residential property of more than GBP500,000 in value. Various exemptions apply to companies which develop, lease or trade property or use the property for other business purposes, which should have the effect of restricting the charge to companies which are used simply to own the private homes of high-net-worth individuals. The amount of the charge varies from GBP3,800 to GBP244,750 (rising to GBP4,150 to GBP269,450 from April 1, 2023) according to the value band into which the property falls.

TRANSFER PRICING

Arm's-length principles generally are applied under UK law to transactions between related entities. The UK rules generally follow OECD principles.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

There are no withholding taxes on dividends paid by a UK company to any shareholder.

A 20 percent withholding tax applies to royalties, yearly interest, certain qualifying annual payments and rents paid by a UK letting agent or tenant to a nonresident company, subject to reduction under an applicable income tax treaty and, in the case of rents, the nonresident landlord scheme.

It is sometimes possible to structure loan arrangements so that payments equivalent to interest fall outside the definition of yearly interest (such as the use of discounted bonds). Interest payable on a loan instrument listed on a recognized stock exchange is not subject to any withholding.

Service fees

Certain payments for construction services provided in the UK are subject to a form of withholding tax at either 30 percent or 20 percent unless the party providing the service is registered for gross payment.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty. Stamp duty is payable at 0.50 percent on transfers of shares, but there is an exemption for most transactions within groups, and for transfers of shares in companies which are listed on the London Stock Exchange's Alternative Investment Market (AIM).

Transfers of real estate within the UK are subject to a transfer tax. However, the specific tax and the applicable rate depends upon which part of the country the real estate is situated in.

England and Northern Ireland (SDLT) – if the property is situated in England or Northern Ireland, rates of up to 5 percent apply on the transfer of non-residential property. Higher graduated rates apply to the transfer of residential property of up to 12 percent, where the value of the property exceeds GBP1,500,000 and a punitive 15 percent rate can apply to certain acquisitions of residential property by corporate entities. Higher rates of SDLT also apply to purchases of additional residential properties and purchases of residential properties by companies (3 percent above the normal graduated rates of SDLT). A further 2 percent surcharge applies on the purchase of residential properties by non-resident buyers.

Scotland (LBTT) – if the property is situated in Scotland, rates of up to 5 percent apply for non-residential property and higher graduated rates apply to the transfer of residential property of up to 12 percent, where the value of the property exceeds GBP750,000. A further 6 percent above the normal LBTT rate applies to purchases of additional residential properties in Scotland where the transaction completed on or after December 16, 2022 (where completion was before that date, the rate is 4 percent).

Wales (LTT) – if the property is situated in Wales, rates of up to 6 percent apply for non-residential property and higher graduated rates apply to the transfer of residential property of up to 12 percent, where the value of the property exceeds GBP1,500,000. A further 4 percent above the normal LTT rate applies to purchases of additional residential properties in Wales.

EMPLOYMENT TAXES

Employers must withhold income tax (ie, pay as you earn or PAYE) and a social security tax (ie, primary national insurance contributions). Employers must also pay secondary national insurance contributions and may be required to pay an apprenticeship levy of 0.5 percent of the employer's annual pay bill. Secondary contributions are deductible by an employer for UK corporation tax purposes, but it is not generally permitted to recover them from the employee.

OTHER TAX CONSIDERATIONS

VAT applies generally at 20 percent to supplies of goods and services taking place in the UK, subject to a reduced rate of 5 percent for specified goods and services, and exemptions and zero-rating of certain goods and services.

KEY CONTACTS



Ben Brown

UK Head of Tax
DLA Piper UK LLP
ben.brown@dlapiper.com
T: +44 (0)20 7796 6204
[View bio](#)



Matt Davies

Partner
DLA Piper UK LLP
matt.davies@dlapiper.com
T: +44 (0)207 796 6423



Elizabeth Emerson

Senior Associate
DLA Piper UK LLP
elizabeth.emerson@dlapiper.com
T: +44 (0)207 796 6209

UNITED STATES



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RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a US jurisdiction will be treated as a domestic corporation.

Domestic

A domestic corporation is subject to a modified territorial tax regime on US-source income and certain earnings related to foreign entities. A domestic corporation may be subject to tax on income of its foreign subsidiaries if the global intangible low-taxed income (GILTI) rules or another anti-deferral provision applies (ie, the CFC or PFIC rules).

Foreign

Foreign corporations generally are not subject to US tax except on

- Income effectively connected with the conduct of a US trade or business and
- Certain FDAP (fixed or determinable annual or periodical gains, profits and income, which is generally passive) income from US sources.

Tax treaties can reduce or eliminate these taxes.

TAXABLE INCOME

Domestic

Taxable income of a domestic corporation is equal to all gross income less applicable deductions.

Foreign

Effectively connected income is subject to US tax at regular tax rates on a net income basis. In addition, a branch profits tax at a rate of 30 percent may apply to foreign corporations operating through a branch in the US. Gross FDAP income is taxed at a flat 30-percent rate and cannot be reduced by deductions. Tax treaties can reduce or eliminate these taxes.

TAX RATES

Flat federal corporate income tax rate of 21 percent. State and local taxes also may apply.

TAX COMPLIANCE

Domestic corporate income tax returns are due on the 15th day of the fourth month after the end of the tax year. A taxpayer may also file for a 6-month extension of the due date.

ALTERNATIVE MINIMUM TAX

The corporate alternative minimum tax is repealed for tax years beginning after 2017.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

An industry issue resolution may be requested to provide generally applicable guidance on frequently disputed or burdensome business tax issues affecting a significant number of taxpayers. Pre-filing agreements may be requested by a taxpayer for a transaction already executed, prior to filing the applicable year's tax return. Advance pricing agreements may be available to address transfer pricing on future transactions between related parties. A taxpayer may also request a private letter ruling for guidance on specific issues as to that specific taxpayer.

Tax incentives

Tax incentives exist for specific activities and include R&D credits and deductions for certain US production activities. US corporate taxpayers earning foreign-derived intangible income (FDII) may qualify for a reduced effective tax rate on such income. Property acquired and placed in service may qualify for 100-percent bonus depreciation deduction in the year of acquisition.

CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 80-percent stock ownership) may elect to file corporate income tax returns on a consolidated basis.

PARTICIPATION EXEMPTION

Dividends received from foreign corporations may qualify for a 100-percent participation exemption, subject to ownership and holding period requirements. Dividends received from domestic corporations may qualify for a dividends received deduction, subject to ownership requirements.

CAPITAL GAIN

Long-term capital gain of non-corporate taxpayers may be eligible for reduced tax rates. Capital gain recognized by a corporation is taxed at the same rate as ordinary income. Capital loss may reduce capital gain, but not ordinary income.

DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders to the extent of the current and accumulated earnings and profits (E&P) of the payer corporation. A distribution in excess of current and accumulated E&P is treated as a return of capital to the extent of a shareholder's tax basis and thereafter is treated as capital gain.

LOSS UTILIZATION

Generally, net operating losses arising in tax years beginning before 2018 may offset 100 percent of taxable income and may be carried back 2 years or forward 20 years. Net operating losses arising in tax years beginning 2018 or later may offset up to 80 percent of taxable income in the year applied, with excess losses carried forward indefinitely. Special rules apply to certain net operating losses under the CARES Act.

TAX-FREE REORGANIZATIONS

Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders, except to the extent of any non-qualifying property received (ie, "boot"). Special rules apply to cross-border reorganizations.

ANTI-DEFERRAL RULES

CFC

Under the controlled foreign corporation (CFC) rules, a domestic corporation may be subject to tax on a current basis on Subpart F income of a foreign subsidiary. A domestic corporation may also be subject to tax on a current basis on the GILTI income of a foreign subsidiary.

PFIC

Under the passive foreign investment company (PFIC) rules, a foreign corporation may be treated as a PFIC if the percentage of its gross income or assets that are treated as passive exceeds certain thresholds. A shareholder of

a PFIC may be subject to current US tax and other unfavorable tax consequences on gain from the sale of PFIC stock and on certain distributions from a PFIC.

FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits may be available for foreign taxes paid. An "indirect" foreign tax credit may be available to domestic corporations for taxes paid by on Subpart F income or GILTI income or distributions of previously taxed income.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Under the Foreign Investment in Real Property Act (FIRPTA), any gain recognized by a foreign person on a disposition of stock of a domestic corporation that is treated as a US Real Property Holding Corporation may be taxable as effectively connected income, taxable on a net income basis at regular US income tax rates.

TRANSFER PRICING

Arm's-length principles generally are applied under US law to transactions between related entities. The US rules are similar in many respects to the OECD guidelines, with certain material differences.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

A 30-percent withholding tax applies to dividends, royalties, interest, rents and other FDAP income paid by a domestic corporation to a foreign person, subject to reduction or elimination by an applicable income tax treaty.

Service fees

Withholding tax may apply to service fees paid to a foreign person if the services are performed in the US.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Stamp duties and transfer taxes may be imposed at the state or local level.

EMPLOYMENT TAXES

Employers must withhold federal income tax. Employers also must pay social security tax, unemployment tax and Medicare tax in respect of compensation paid to employees. These taxes are deductible by an employer for US income tax purposes. Other withholding obligations and taxes may apply at the state or local level.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

KEY CONTACTS



Anil Kalia

Partner

DLA Piper LLP (US)

anil.kalia@dlapiper.com

T: +1 650 833 2026

[View bio](#)



Sang Kim

Co-Chair, Global Tax Practice

DLA Piper LLP (US)

sang.kim@dlapiper.com

T: +1 650 833 2072

[View bio](#)

ZIMBABWE



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RESIDENCE AND BASIS FOR TAXATION

In Zimbabwe, taxation is source-based and both domestic and foreign taxpayers only need to account for income earned from a Zimbabwean source. Income tax is administered in terms of the Income Tax Act (*Chapter 23:06*).

TAXABLE INCOME

Taxable income is calculated, for both local and foreign entities, on all gross income earned from a Zimbabwean source, except for exempt income, less allowable deductions.

TAX RATES

Tax rates differ based on the entity being taxed and are subject to change at the beginning of each tax year.

TAX COMPLIANCE

In Zimbabwe, the tax year follows the calendar year and tax returns are normally due by the April 30 of the subsequent year after the relevant year of assessment. For example, the return for the 2018 year of assessment was due on April 30, 2019. There are provisions in the Income Tax Act (*Chapter 23:06*) which allow for an individual taxpayer's financial year to be amended.

ALTERNATIVE MINIMUM TAX

Presumptive tax is payable as an alternative to normal corporate tax but this option is only available to informal traders and certain categories of self-employed professionals. It is expressed as a fixed sum for each category of informal trader or self-employed professional.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Tax holidays are normally made available as part of a broad range of tax incentives. These tax incentives are normally provided to investors, particularly those with a qualifying degree of export orientation, or those who engage in Public Private Partnerships with the Government of Zimbabwe.

Tax rulings

It is possible to obtain advance rulings from the Zimbabwe Revenue Authority (ZIMRA) on the tax treatment of a contemplated transaction or receipt of income.

Tax incentives

Tax incentives exist for certain categories of corporate entities through initiatives such as having a project certified as having National Project Status and through certifying of certain areas as Special Economic Zones.

CONSOLIDATION

There are no provisions in Zimbabwean law for the filing of corporate tax returns on a consolidated basis.

PARTICIPATION EXEMPTION

Dividends remitted to nonresident shareholders from a local company are subject to withholding tax on dividends, except for any amount redistributed by the operator of an approved BOT or BOOT project, and dividends earned by a resident shareholder from a local company are subject to dividends tax.

CAPITAL GAIN

Capital gains tax is administered separately from income tax in terms of a separate piece of legislation, namely the Capital Gains Tax (*Chapter 23:01*) (the CGT Act). Capital Gains Tax is payable on the disposal of a specified asset as defined in the CGT Act.

DISTRIBUTIONS

Interest paid on loans in excess of the stipulated debt to equity (gearing) ratio of 3-to-1 is regarded as a dividend distribution and the portion of the interest relating to such excess shall be subject to nonresident and resident shareholders' tax, as the case may be.

LOSS UTILIZATION

Any assessed loss may be carried forward for a maximum of 6 years from the year of assessment in which the assessed loss was first incurred. The only exemption to this general rule is assessed losses incurred from mining operations, which may be carried forward for an indefinite period.

TAX-FREE REORGANIZATIONS

Companies pay no capital gains tax when transferring capital assets between companies under the same control.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Tax credits for foreign tax paid may be available in terms of a double taxation agreement (DTAs).

Zimbabwe has entered into comprehensive DTAs with the following countries: Botswana, Bulgaria, Canada, France, Germany, Malaysia, Mauritius, Namibia, Netherlands, Norway, Poland, South Africa, Sweden, the UK and China.

Zimbabwe has pending DTAs with Indonesia, Namibia, Singapore, the Seychelles, Switzerland, Tanzania, Thailand, Tunisia, Yugoslavia, Zambia, the Democratic Republic of Congo, Iran, and Serbia and Montenegro.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Receipts and accruals of a licensed investor from the sale of a property forming the whole or part of the investment to which their investment license relates are exempt from payment of Capital Gains Tax. A licensed investor is a foreign investor who has obtained a license from the Zimbabwe Investment and Development Agency to invest in Zimbabwe.

TRANSFER PRICING

The arm's-length principle is applied under Zimbabwean law to transactions between related entities. The Zimbabwean rules are similar in many respects to the OECD guidelines, with certain material differences, although the OECD guidelines are used to interpret Zimbabwean law in regard to transfer pricing.

WITHHOLDING TAX

A withholding tax on dividends is payable at a rate of 15 percent in respect of unlisted securities and 10 percent in respect of listed securities; however, the existence of a DTA may reduce the rate to 5 percent where the shareholder receiving the dividend holds 25 percent shareholding in the relevant company paying the dividend, and 10 percent in all other cases.

Zimbabwe has entered into comprehensive DTAs with the following countries: Botswana, Bulgaria, Canada, France, Germany, Malaysia, Mauritius, Namibia, Netherlands, Norway, Poland, South Africa, Sweden, the UK and China.

Zimbabwe has pending DTAs with Indonesia, Namibia, Singapore, the Seychelles, Switzerland, Tanzania, Thailand, Tunisia, Yugoslavia, Zambia, the Democratic Republic of Congo, Iran, and Serbia and Montenegro.

Nonresident withholding tax on payments made by branch office to foreign head office in respect of head office charges is levied at a rate of 15 percent.

Withholding tax on interest is levied on residents at the rate of 5 percent (for a fixed-term deposit with a tenure of at least 90 days) or 15 percent. Nonresident investors, however, are currently exempt from withholding tax on interest.

Nonresident withholding tax on royalties is levied at the rate of 15 percent.

Nonresident withholding tax on management fees is levied at the rate of 15 percent. Nonresident withholding tax on remittances is levied at the rate of 15 percent.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Capital Gains Tax is tax payable upon the sale or disposal of a capital/specified asset.

Land and building transactions are subject to stamp duty payable by the purchaser at the standard rate ranging between 1 percent and 4 percent.

An intermediated money transfer tax of 2 percent is payable on every electronic transaction in excess of ZWL2,500 or USD5.

EMPLOYMENT TAXES

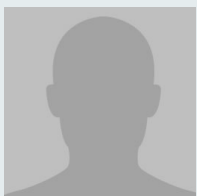
Employers are obliged to withhold employment tax from their employees' income according to a tax table of graduated tax rates. The tax is known as Pay As You Earn (PAYE). The tax rate ranges from 0 percent to 40 percent depending on employment income earned by the individual.

In addition to PAYE, employers are also obliged to withhold an AIDS levy at the rate of 3 percent of the taxable income from their employees' employment income.

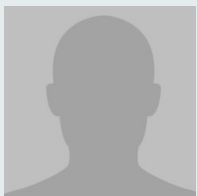
OTHER TAX CONSIDERATIONS

Value-added tax (VAT) is a tax levied on the supply of goods and services by persons/entities in Zimbabwe once the supplier has reached a certain revenue threshold. A supplier of taxable supplies is obliged to charge VAT at the prescribed rate (which currently is 15 percent of the cost of the supply) and pay over this tax to ZIMRA as output tax. Presently, where the value taxable supplies made by a taxpayer have reached ZWL4,800,000 or USD40,000 or more in the previous 12 months, or where the taxpayer believes that the value of their taxable supplies will be ZWL4,800,000 or USD40,000 or more in the next 12 months, then the taxpayer must register to be a VAT operator with ZIMRA.

KEY CONTACTS



Jabulani Nhongo
Manokore Attorneys
jnhongo@manokore.com



Tatenda Tendayi
Manokore Attorneys
ttendayi@manokore.com

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