**In this issue:**



## Australia:
## Upcoming immigration changes

### Changes to the temporary activity visa framework

**Overview:** The Australian Department of Immigration and Border Protection (DIBP) have announced that, subject to approval by the governor-general, a new temporary activity visa framework will come into effect on 19 November 2016. The announcement follows the DIBP's late 2014 review of skilled migration and temporary activity; the resulting changes were designed to simplify the process of applying for a temporary visa.

**Main provisions:** The DIBP have advised a proposed temporary activity visa framework, consisting of four visa subclasses:

- Temporary work (short-stay specialist) (subclass 400) visa
- Temporary work (international relations) (subclass 403) visa
- Training (subclass 407) visa
- Temporary activity (subclass 408) visa

**The introduction of these visas will follow the:**

- Repeal of five visas: temporary work (long-stay activity) (subclass 401), training and research (subclass 402), special program (subclass 416), temporary work (Entertainment) (subclass 420), and superyacht crew (subclass 488)
- Restructure of two existing visas: temporary work (short-stay activity) (subclass 400) and temporary work (international relations) (subclass 403)
- Creation of two new visas: temporary activity (subclass 408) and training (subclass 407)

**Additional changes to the program include:**

- All subclass 400 visas applications to be lodged online for applicants of all nationalities
- A proposed call for one flat visa application fee of AUD275 across the framework
- The new subclass 408 visa will not require a sponsorship or nomination for visas with a duration of three months or less
- The revised subclass 402 visa for occupational trainees will be amended so that, for cases in which a third-party trainer is not the sponsor, this will not be permitted without authority by the Minister

**Deloitte's view:** Deloitte welcomes the proposed changes to bring the temporary activity visa program online, and to streamline and improve the existing application process.

The proposed temporary activity visa framework should provide for a faster and more efficient application process and ultimately reduce barriers for certain short-stay activities.

Deloitte will closely monitor the proposed changes to the temporary activity visa framework. We will update clients when the legislation is released, to further discuss the impact of these changes.

**Changes to the working holiday maker visa program**

**Overview:** During the 2016 election, the government committed to review the tax arrangements for working holiday makers. The government recognized that working holiday makers are a vital part of Australia's tourism industry, but wants to balance this with the need for fair taxes on their earnings.

**Main provisions:** Starting 1 January 2017, the government will remove the tax-free threshold that could potentially apply to working holiday makers, but will apply a tax rate of 19 percent on earnings up to $37,000, rather than the 32.5 percent announced in the 2015 – 2016 budget, with ordinary marginal tax rates applying after that.

The government will also reduce the application charge for working holiday maker visas to AUD390.

The tax rate on working holiday makers' superannuation payments when they leave Australia will increase to 95 percent, which the government has stated is consistent with the objective of superannuation being to support Australians in their retirement, and not increase the funds of working holiday makers.

The changes will also include more flexible arrangements to benefit working holiday makers and industry, whereby an employer with premises in different regions may employ a working holiday maker for 12 months, working up to six months in each region.

Additionally, all employers of working holiday makers will be required to undertake a once-off registration with the Australian Taxation Office to help collate valuable data on the scheme. Those employers who do not register will be required to withhold tax at a higher rate of 32.5 percent.

**Deloitte's view:** The original proposal was to treat all working holiday visitors as nonresidents for Australian tax purposes, imposing a tax rate on low incomes commensurate with the average tax rate payable by residents earning around $180,000 pa. The government's reform package will ensure working holiday makers pay more tax on their earnings than ordinary Australian residents, but will also help to increase Australia's attractiveness as a destination for backpackers. There has been great discussion around these changes for some time, so we hope that the legislation will be introduced swiftly to ensure certainty to employers and working holiday makers moving forward.


— Mark Wright (Sydney)
Partner
Deloitte Australia
mawright@deloitte.com.au

Beth Fitzpatrick (Brisbane)
Director
Deloitte Australia
bfitzpatrick@deloitte.com.au

Fiona Webb (Melbourne)
Partner
Deloitte Australia
fwebb@deloitte.com.au

Sasha Grimm (Perth)
Director
Deloitte Australia
sgrimm@deloitte.com.au


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## Korea:
## FATCA agreement with the United States and comprehensive double tax agreement with Hong Kong go into effect

### Overview

The Korean National Assembly enacted the Foreign Account Tax Compliance Act (FATCA) agreement with the United States and the income tax treaty with Hong Kong in September.

### FATCA agreement with the US

In June 2015, Korea and the United States signed the agreement between the two governments to improve international tax compliance. The United States had been signing similar agreements with many countries in an effort to enforce the FATCA, which requires US taxed residents to disclose their overseas financial assets to the Internal Revenue Service. With the signing and enactment of the FATCA agreement on September 8, 2016, each country's financial institutions are required to disclose the information about financial assets held by the other countries' tax residents.

According to the agreement, the following information should be obtained and exchanged:

1. Korea can receive information of US depository accounts held by Korean tax residents earning more than $10 of interest in any given calendar year.
2. The United States can receive information about Korean financial accounts held by US tax residents, with a balance or value exceeding $50,000, or insurance or annuity contracts with a balance or value exceeding $250,000 as of June 30, 2014.

Originally, the information for calendar years 2014 and 2015 was to be exchanged in September 2016. However, due to the delayed enactment, the exact timing of the information exchange is yet to be decided, according to an official from the Ministry of Strategy and Finance.

### Tax treaty with Hong Kong

The tax treaty with Hong Kong was signed on July 8, 2014, and will now go into effect as of September 27, 2016. Please see below for some of the key features relating to global mobility:

- For a building site, construction, assembly, or an installation project or related supervisory activities, a permanent establishment is created only if it lasts more than 12 months.
- Employees shall only be taxed in their country of residence if they meet the following terms:
    - They are present in the other country less than 183 days in any 12-month period
    - They are paid by an employer that is not a resident of other country

    - The employment costs are not charged to a permanent establishment of the employer in the other country
- Article 27 of the treaty specifies that the agreement shall enter into force:
    - On April 1, 2017, for Hong Kong and
    - On April 1, 2017, for Korea in regard to taxes withheld at the source and January 1, 2017, for all other taxes.

**Deloitte's view**

- Companies deploying employees between Korea and the United States should provide training to educate employees on the importance of reporting the foreign financial income and assets to their home country; employers should closely monitor their employees for compliance.
- Companies deploying employees between Korea and Hong Kong can now enjoy some tax relief provided by the tax treaty and can consider them when planning for new deployments.

— Min Soo Seo (Seoul)
Principal
Deloitte Korea
mseo@deloitte.com

Joe Choi (Seoul)
Senior Manager
Deloitte Korea
joechoi@deloitte.com

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## Norway:
## Fiscal budget 2017

**Overview**

The Norwegian government has recently released the proposal for the 2017 fiscal-year budget. Key changes are:

- Further reduction of taxation of "ordinary income;"
- Bracket taxation is increased;
- Special taxation rules for share savings accounts introduced; and
- Reduced tax on net wealth.

**Taxation of ordinary income**

Norway's fiscal budget proposal for FY2017, announced on 6 October 2016, suggests to lower taxes on ordinary income (net income) from 25 percent to 24 percent. A further reduction of the taxes is expected for the income year 2018 (23 percent).

The lower tax rate on ordinary income will result in a substantial tax loss for the Norwegian state. In order to reduce the tax loss, the government is proposing to increase the bracket tax on personal salary income (gross income).

As a result of the proposed alteration, the Norwegian marginal tax rate will be reduced from 46.9 percent in 2015 to 46.7 percent in 2016, including employee Social Security contributions (8.2 percent).

**Introduction of special taxation rules for share savings accounts**

In order to increase the saving amounts individuals invest in companies listed on EEA Stock Exchange and in EEA share investment funds, the government suggests to establish a special taxation rule for share savings accounts.

Under the suggested rules, cash funds or shares as specified above can be inserted into the account. Gains and losses derived from share savings accounts will be tax free/not deductible as long as no funds are withdrawn from the account. Withdrawals from share savings accounts will be taxable/deductible to the extent that they exceed/are below the amounts that were inserted into the account initially.

Dividend income derived from a share savings account will be taxable upon receipt.

**Reduced basis for wealth tax**

The government proposes to establish a 10 percent value discount on shares and share investment funds, i.e., from the income year 2017 (expected to increase to 20 percent in 2018).

The purpose of this proposition is to simulate to Norwegian ownership and increase investment in commercial activities.

The government further proposes to continue the wealth tax valuation of secondary homes at 80 percent of the market value.

Tax resident individuals have previously been entitled to a 100 percent deduction for debt regardless of the corresponding investment, as long as the investment has been made in Norway. The government is now proposing that individuals should be given a deduction for debt according to the tax value of the corresponding investment. This implies that the deduction for debt incurred for share investments will decrease by 10 percent and that the deduction for debt incurred for secondary homes will decrease by 20 percent.

**Deloitte's view**

The proposed fiscal budget for 2017 suggests a lowering of both the marginal income tax and the wealth tax applicable for individuals working and/or living in Norway. The budget is an expected continuation of the tax reform introduced in 2016.

It is expected that the taxes on ordinary income will be further decreased in 2018 and that the bracket taxation will increase further.

— Stig Sperre (Oslo)
Partner
Deloitte Norway
ssperre@deloitte.no

Erik Øxnevad-Larsen (Stavanger)
Partner
Deloitte Norway
erlarsen@deloitte.no

Cecilie Bue (Oslo)
Senior Manager
Deloitte Norway
cbue@deloitte.no

May-Britt Boga (Bergen)
Senior Manager
Deloitte Norway
mboga@deloitte.no

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## People's Republic of China: Implications of new method for calculating contribution to disability fund in Beijing

**Overview**

Effective 1 January 2016, Beijing adopted a new method for calculating a company's contribution to the disabled persons' employment security fund.

Beijing's adoption of the method followed the issuance of guidance by China's Ministry of Finance (MOF), the State Administration of Taxation and the Disabled Persons Federation on 8 September 2015 (Caishui [2015] No. 72) abolishing 1995 guidance issued by the MOF on the methods for the levying, use and supervision of the disabled persons' employment security fund. The 1995 guidance had required companies with disabled employees fewer than the rate required by the local government to make fund contributions to the relevant local government.

The 2015 guidance keeps this requirement and provides a new method to calculate the contribution that will have a significant impact on most employers.

## Key implications

**Increased liabilities:** Before the implementation of the New Rule, the disability fund payable amount in Beijing by a company was calculated based on the following formula:

> Payable amount = (number of total employees of the previous year x rate required by the local government (1.7% in Beijing) – number of hired disabled persons) x average annual salary in Beijing for the preceding year x 60%.

Following the issuance of the 2015 guidance, the disability fund contribution in Beijing must be calculated based on the following formula:

> Payable amount = (number of total employees of the previous year x rate required by the local government (1.7% in Beijing) – number of hired disabled persons) x average annual salary of employees in a given company for the preceding year.

According to statistics published by the Beijing government, the average annual salary in Beijing for 2015 is RMB 85,038. However, the average annual salary of employees in a particular company can be much higher than the city average.

For example, according to a recent market survey, the average salary of employees in the high-tech industry may be around RMB 350,000 per year. Based on the 2015 guidance, a company with 200 employees and no disabled employees must pay RMB 1,190,000 to the disability fund for 2016 i.e. (200 employees x 1.7% – 0) x RMB 350,000. However, under the 1995 rules, the company only would have paid RMB 173,477.52, i.e. (200 employees x 1.7% – 0) x (the city average income of RMB 85,038 x 60%). Company liabilities under the 2015 rules are almost seven times higher than liabilities under the previous rules.

**Enhanced supervision:** As from 2016, the disability fund no longer is collected by the China Disabled Persons Federation, but instead by the local tax bureau. It will be much easier for the local government to trace disability fund payments made by a company and match the salary information reported by the company for disability fund purposes with the data reported by the company for individual income tax purposes.

The disability fund payment can be made in two instalments between 1-15 May and 1-15 September, or alternatively the company can make a single payment between 1-15 May. A late payment will result in interest accruing at a rate of 0.05% per day, or approximately 18% per year, in addition to the potential imposition of penalties.

## Deloitte's view

The 2015 rules are expected to increase operating costs for most employers in Beijing. The increased liabilities may be over fivefold for many companies compared to the Old Rule.

Beijing is the first city to fully adopt the 2015 rules; other cities still are using the 1995 rules or have implemented the new calculation method but established an upper limit on the disability fund calculation base. Since the 2015 rules apply throughout the country, companies with operations in China should be aware of the potential change of local requirements for contributions to the disability fund.

— Joyce W. Xu (Shanghai)
Partner
Deloitte People's Republic of China
joycewxu@deloitte.com.cn

Tony Jasper (Hong Kong)
Partner
Deloitte People's Republic of China
tojasper@deloitte.com.hk

Huan Wang (Beijing)
Partner
Deloitte People's Republic of China
huawang@deloitte.com.cn

Irene Yu (Shanghai)
Partner
Deloitte People's Republic of China
iryu@deloitte.com.cn