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Chinese authorities announce deferral of dividend withholding tax for foreign investors

On 28 December 2017, four Chinese ministries (Ministry of Finance, State Administration of Taxation (SAT), National Development and Reform Commission and Ministry of Commerce) jointly issued a notice (Circular 88) that defers the imposition of withholding tax on profits distributed by Chinese enterprises to foreign investors. On 8 January 2018, the SAT issued guidance (Bulletin 3) that contains the implementation rules for Circular 88.

Circular 88 and Bulletin 3 put into practice the policy announced by the State Council on 16 August 2017 to roll out new policies to promote foreign investment in China (for prior coverage, see *World Tax Advisor*, 18 August 2017). One of the announced policies is that no withholding tax will be imposed on a distribution of profits by a PRC resident enterprise in China to a foreign investor where the profits are used to invest in domestic projects encouraged by China. The government's policy aims to create a better tax environment for businesses and encourage foreign investors to maintain and expand their investments in China. Implementation of this new policy has been eagerly anticipated.
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170818_4.html

Circular 88 and Bulletin 3, which apply retroactively as from 1 January 2017, set out the conditions and procedures for obtaining deferral of dividend withholding tax, as well as measures outlining how the tax authorities will administer the incentive.

Overview of the incentive

Profit distributions received by foreign investors from PRC resident enterprises in China that are directly reinvested in encouraged investment projects in China will be eligible for a deferral of the 10% withholding tax on the distributed profits, provided four conditions are fulfilled. Such conditions relate to the form of the reinvestment, the source of the profits, route of the reinvestment, and the scope of the reinvestment.

Form of the reinvestment: The distributed profits must be used in a "direct equity investment," such as:

- Increasing the paid-in capital or capital reserves of an existing PRC resident enterprise in China by a new capital injection or by transferring retained earnings to capital;
- Setting up a new PRC resident enterprise in China;
- Acquiring an equity interest in an existing PRC resident enterprise in China from an unrelated party; and
- Other forms of investment as specified by the Ministry of Finance or the SAT.

However, investments in newly issued shares of listed companies, investments in shares converted from capital surplus or retained earnings of listed companies and the acquisition of shares in listed companies will not qualify unless the investment is considered a strategic investment under the relevant Chinese rules relating to such investments.

Source of profits: The distributed profits (cash or non-cash assets) derived by the foreign investor must be dividends or other equity investment income arising from the actual distribution of the retained earnings realized by the PRC resident enterprise in China, including undistributed earnings from previous years.

Route of reinvestment: The funds or noncash assets used for the reinvestment must be transferred directly from the profit-distributing enterprise to the invested enterprise or equity transferor. Foreign investors should take note of this requirement because failure to comply may result in the foreign investor's being ineligible for tax deferral (*e.g.* where the payments are routed through a bank account or escrow account that does not belong to the profit-distributing enterprise, the invested enterprise or the equity transferor).

Scope of reinvestment: The reinvestment must be a direct investment in encouraged investment projects, *i.e.* during the term of the reinvestment, the invested enterprise must be engaged in business activities that fall within the scope of at least one of the encouraged foreign investment industries listed in the 2017 catalogue of foreign investment industries or activities in the 2017 catalogue of priority industries for foreign investment in Central and Western China. (Business activities for these purposes include the manufacturing of goods, the provision of services, research and development activities, investment in construction projects, the purchase and installation of machinery and equipment, etc.) Future changes to the catalogues will not affect the enjoyment of benefits that already were granted.

Effective date

As noted above, the tax deferral rules apply retroactively as from 1 January 2017 and can be applied to dividends and other equity investment income derived by foreign investors on or after that date. Foreign investors that qualify for the deferral, but that already have paid withholding tax on distributed profits may apply for the deferral and request a refund of the tax paid within three years from the date the tax was paid.

Procedures for application of tax deferral

To benefit from the tax deferral, the foreign investor, the Chinese profit-distributing enterprise and the tax authorities in charge of the profit-distributing enterprise must follow certain procedures:

Foreign investor: The foreign investor must complete its part of the form, "Information Reporting Form for Non-resident Enterprises Deferring Withholding Tax" (WHT deferral form) and submit the form to the profit-distributing enterprise.

In terms of the evidence showing that the reinvestment falls within the scope of the above catalogues during the term of the reinvestment, the foreign investor must submit the evidence to the tax authorities in charge of the profit-distributing entity either before it exits the reinvestment or when it actually pays the deferred tax. Such evidence can be in the form of transaction documentation, financial accounting data, etc.

A foreign investor applying for a retroactive application of the withholding tax deferral must submit to the tax authorities in charge of the profit-distributing enterprise the WHT deferral form, the relevant contract, the payment certificate, information related to the encouraged investment project activities, and any other information required by the provincial tax authorities.

Profit-distributing enterprise: The profit-distributing enterprise must review the WHT deferral form provided by the foreign investor and verify the following information:

- That the information provided by the foreign investor in the WHT deferral form is accurate and complete;
- That the actual payment process relating to the profits is in line with the information provided by the foreign investor; and
- That the information about the profit-distributing enterprise as described by the foreign investor is accurate.

The profit-distributing enterprise must complete the relevant sections in the WHT deferral form that apply to it (*e.g.* whether the dividends were distributed in cash or in kind).

The profit-distributing enterprise must submit the WHT deferral form, as well as a completed enterprise income tax withholding form (EIT withholding form) to the tax authorities within seven days from the date the profits were distributed.

Tax authorities in charge of profit-distributing enterprise: Within 10 business days of receiving the WHT deferral form from the profit-distributing enterprise, the tax authorities must send a "Liaison Letter on Tax Matters Relating to Nonresident Enterprises" to the tax authorities in charge of the invested enterprise or other relevant tax authorities to notify them of the relevant information.

When deferred tax must be paid

If a foreign investor exits from a reinvestment that has benefited from the deferral of withholding tax, either by an equity transfer, share repurchase, liquidation or otherwise, it will be required to pay the deferred withholding tax within seven days from the date it receives the relevant payment.

If the foreign investor disposes of an investment that has partially enjoyed the withholding tax deferral benefit, the foreign investor will be deemed to dispose of the investment that has enjoyed the tax deferral benefit first.

If the invested enterprise undergoes a special reorganization that qualifies for tax deferral, the foreign investor can continue to enjoy the deferral benefit.

A foreign investor paying the deferred withholding tax may apply for tax treaty benefits. The applicable tax treaty in such cases will be the treaty in effect at the time the relevant dividends were paid unless provided otherwise in a subsequently concluded treaty.

The following rules apply where, based on an inspection, the tax authorities determine that the relevant conditions have not been fulfilled:

- If the noncompliance is caused by the profit-distributing enterprise (*e.g.* failure to verify the information provided by the foreign investor in the WHT deferral form), the tax authorities will hold that enterprise liable for failure to withhold tax and then demand recovery of the withholding tax from the foreign investor.
- If the noncompliance is caused by the foreign investor (*e.g.* providing incorrect information), the foreign investor will be deemed not to have filed and paid tax due, and an overdue period for tax payment will be counted as from the date of the profit distribution.

Comments

Circular 88 and Bulletin 3 provide a relatively lenient policy for foreign investors to enjoy tax deferral benefit on their dividends, sending a strong signal that the Chinese government is committed to attracting and retaining foreign investment in the country. Foreign investors wishing to benefit from the tax deferral opportunity should consider reviewing their investment plans and continue to monitor future developments in this area.

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Finland:
Changes proposed to interest deduction limitation rules

On 19 January 2018, the Finnish government published a draft proposal that would revise the domestic rules governing the deductibility of interest expense. The proposed amendments are based on the EU anti-tax avoidance directive and would substantially broaden the scope of the interest deduction limitation rules and further limit the deductibility of interest expense. If approved, the rules would be applicable for financial years ending on or after 1 January 2019.

Background

The current limitations on the deductibility of interest expense apply only to (net) interest on related party loans. A full deduction is allowed for interest expense up to the amount of the interest income of the borrower. Accordingly, the rules do not affect the deduction of interest on unrelated party loans. If the net interest expense of the borrower does not exceed EUR 500,000, the total amount is deductible. If the net interest expense exceeds EUR 500,000, the deductibility of net interest expense is limited to a maximum of 25% of adjusted taxable income (adjusted for interest expense, depreciation for tax purposes, as well as group contributions). The interest deduction limitations are not applicable if the equity ratio (*i.e.* the ratio between the total equity and total assets) of the company is equal to or greater than the equity ratio of the whole group, based on the audited financial statements of the group.

Key features of the proposals

Interest expense would continue to be deductible up to an amount equal to 25% of a company's adjusted taxable income. However, the following changes are proposed:

- The limits on the deductibility of interest would be extended to apply to loans from third parties;
- All corporations generally would subject to the rules, including real estate companies and financial institutions, which currently fall outside the scope of the restrictions on the deductibility of interest expense;
- The balance sheet ratio-based safe harbor would be eliminated;
- Unrelated net interest expense would be fully deductible up to EUR 3 million; and
- The definitions of independent company, related party and interest expense would be revised.

Implications of the amendments

Expansions of the limits on the deduction of interest expense can have a significant effect on financing costs for businesses, so affected companies should carefully assess the impact of the proposed changes on their current financing structures. The introduction of a separate net interest threshold for unrelated party interest would add an additional layer to the calculation of deductible interest expense since related party and unrelated party interest expense would have to be analyzed separately.

The government has circulated the draft proposal for comments, and a final proposal is expected to be published some time during 2018.

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Japan:
Tax reform proposals for 2018 approved by ruling coalition

Japan's ruling coalition (the Liberal Democratic Party and the New Komeito Party) approved tax reform proposals for 2018 on 14 December 2017. Among other changes, the proposals would expand tax credits and incentives for companies that increase wages and capital investment, revise the definition of a permanent establishment (PE) to align Japanese tax law with the definition under the OECD BEPS project, make changes to the CFC regime and revise the taxation of individuals.

Some of the key proposals that could affect companies doing business in Japan are described below. It should be noted that the tax reform proposals have not yet been included in proposed legislation and, therefore, could change prior to becoming law. Although there is no specific timeline, the legislation is expected to be enacted by the end of March 2018.

Corporate tax proposals

Tax credits for increased wage payments: The proposals would revise the rules that allow tax credits for certain year-over-year increases in wages paid by corporations. Effective for fiscal years beginning between 1 April 2018 and 31 March 2021, the following credits against the corporate income tax would be allowed, up to 20% of the corporate tax amount:

- A credit equal to 15% of the increase in current year wage payments over those made in the preceding year would be allowed for companies whose average wage payments in the current year exceed the average wage payments in the prior year by at least 3%, and whose domestic capital investment in the current year equals or exceeds 90% of the company's total depreciation costs.
- A credit of 20% of such increase in wage payments would be available to companies whose current year training costs exceed the average training costs incurred in the prior two fiscal years by at least 20%, where the company also meets the requirements for the 15% credit.
- Small and medium-sized enterprises (SMEs), as defined for purposes of this credit, would be able to qualify for the 15% credit where the SME's current year average wage payments exceed the average wage payments in the prior year by at least 1.5%. The credit would increase to 25% where the year-over-year average wage payment increase is at least 2.5% and either of the following conditions are satisfied:
  - The SME's current year training costs increased from the previous year by 10% or more; or
  - The SME has an "approved business enhancement plan and the enhancement was certified."

Tax incentives for promoting information collaboration: If a company obtains certification for its innovative data utilization plan and develops software according to that plan, certain assets acquired and used for information collaboration would be eligible for either (i) special depreciation equal to 30% of the acquisition cost, or (ii) an income tax credit equal to 5% of the acquisition cost (3% if certain requirements are not met), up to 15% of the corporate tax liability.

R&D and other tax incentives: For any fiscal year that begins between 1 April 2018 and 31 March 2021, "large" companies whose average wage payments in the current year do not exceed their average wage payments in the prior year or whose domestic capital investment in the current year does not exceed 10% of the company's total depreciation costs would not be able to benefit from certain tax credits (which include the R&D credit and the information collaboration credit) for that fiscal year. However, this limitation would not apply to a fiscal year (excluding the fiscal year in which the company was established or merged) for which the company's profit is equal to or less than the profit for the previous fiscal year.

Corporate reorganizations: The proposals relating to corporate reorganizations include:

- Revisions that would defer capital gains tax on certain share transactions, such as takeover bids using treasury shares;
- Revisions to the "controlling continuity test" with respect to a corporate reorganization between companies with a 100% control relationship where the transaction is expected be followed by a qualified distribution of shares;
- Revisions to the "employment continuity" and "business continuity" tests where the transaction is expected be followed by the transfer of a business or employees carried out among companies with a 100% control relationship; and
- Revisions to the scope of the rules governing corporate reorganizations without consideration.

International tax proposals

Definition of PE: Changes would be made to the domestic definition of a PE to prevent the artificial avoidance of PE status in line with the 2017 OECD model tax treaty and the multilateral instrument, which Japan signed on 7 June 2017, and the recommendations under BEPS action 7. The proposed changes would apply to fiscal years beginning on or after 1 January 2019 and include the following:

- The scope of the definition of dependent agent would be expanded to include a person who habitually concludes or plays a principal role in concluding contracts in Japan on behalf of the nonresident entity.
- The scope of the definition of independent agent would exclude situations where the agent is acting exclusively or almost exclusively on behalf of one or more related parties.
- The activities that are excepted from the definition of a PE would be revised.

The proposals also would clarify that where there are differences between the definition of a PE under a tax treaty and that under Japanese law, the tax treaty definition would prevail.

CFC rules: The 2017 tax reform enacted by the National Diet on 27 March 2017 made fundamental changes to Japan's CFC rules in light of the OECD's final report on action 3 of the BEPS project (for prior coverage, see *World Tax Advisor*, 28 April 2017). The 2018 tax reform proposals would make additional changes to the CFC regime for fiscal years beginning on or after 1 April 2018, including the following:
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170428_2.html

- Certain newly acquired CFCs would be able to transfer shares of other CFCs to a member of the same controlled group without causing Japanese shareholders to recognize capital gain if specified conditions are satisfied;
- A "foreign financial subsidiary" whose main business is the holding of shares would satisfy the "main business" requirement in the economic activity test provided other conditions are satisfied; and
- The type of Japanese taxes incurred by a CFC that are creditable against the tax liability of Japanese shareholders would be expanded.

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Poland:
Major corporate tax reform enacted

New legislation that applies in Poland generally as from 1 January 2018 makes sweeping changes to the Corporate Income Tax Act. The rules, which were enacted on 27 November 2017, introduce a new limitation on deductions of debt financing costs, restrict the deductibility of certain payments made to related parties and tax havens, create a separate capital gain "basket" of income and revise the controlled foreign company (CFC) rules, among other changes.

Debt financing costs

The legislation replaces Poland's thin capitalization rules that applied to the deduction of interest expense with a new limitation on deductions of debt financing costs (interest and other costs related to debt financing) paid to related and unrelated parties. Under the new rules, deductions of debt financing costs that exceed interest or "interest-type" income are limited to 30% of "tax EBITDA" (as defined in the legislation) and/or PLN 3 million in a fiscal year (the exact method of calculation currently is unclear). Disallowed deductions may be carried forward for five years (except in the case of certain restructuring transactions), subject to the same annual limitation calculation.

Interest deductions on amounts loaned before 1 January 2018 will continue to be calculated under pre-2017 rules until the end of 2018 (*i.e.* the new limitation will apply to debt financing costs for these loans starting from 1 January 2019).

The new rules do not apply to debt financing costs of financial enterprises, such as domestic banks, credit institutions, saving and credit unions, investment firms and selected investment funds.

Additionally, deductions are disallowed for debt financing used to acquire shares in a company where the debt and associated interest expense is "pushed down" to the acquired company.

Payments to related parties and tax havens

The new law restricts deductions for payments made to related parties and entities located in countries that are considered to engage in harmful tax practices (*i.e.* tax haven countries) for certain intangible services and for the use of, or the right to use, certain intangible assets (for prior coverage of the harmful tax practices list, see *World Tax Advisor*, 21 July 2017). The annual deduction for such costs is limited to PLN 3 million, plus 5% of tax EBITDA (as specifically defined for purposes of the limitation), and applies to costs incurred for the following:
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170721_6.html

- Advisory services, market research, marketing and advertising, management and control, data processing, insurance, guarantees and sureties and similar services;
- The use of, or the right to use, copyrights, licenses and know-how; and
- The transfer of the risk of insolvency of a borrower with respect to receivables from loans other than those provided by banks and saving and credit unions.

Deductions that are disallowed under this rule may be carried forward for five years (subject to the same annual limitation).

Costs incurred for the following are not subject to the new restrictions and, therefore, remain deductible:

1. Services, fees and other charges directly related to the production of goods or the provision of services by the taxpayer (the scope of costs covered by this provision is unclear and should be analyzed on a case-by-case basis);
2. Services rendered in the taxpayer's name but for the benefit of a third party;
3. Insurance, guarantee and surety services provided by certain financial enterprises; and
4. Costs that are covered under an advance pricing agreement.

Controlled foreign companies

The criteria for determining whether a nonresident company is a CFC for purposes of Poland's CFC regime is amended as follows (for prior coverage, see *World Tax Advisor*, 11 September 2015):
URL: http://newsletters.usdbriefs.com/2015/Tax/WTA/150911_10.pdf

- The shareholding criteria for a foreign company to be considered a CFC is expanded to include shares held jointly with related entities, and the level of a Polish taxpayer's shareholding is increased from 25% to 50% of the share capital, voting rights or rights to participate in the profits of the foreign company;

- The level of the foreign company's revenue that can be derived from passive income is reduced from 50% to 33%; and
- The concept of an "effectively paid tax" is introduced (the current rules make reference only to the statutory tax rate).

The exemption from the application of the regime for CFCs whose annual revenue is below EUR 250,000 is abolished, and the exemption for CFCs that are taxed on their worldwide income in an EU or European Economic Area country now will be available only if the CFC carries out "significant" genuine business activities (determined based on the ratio of revenue from the genuine business activities to total revenue).

New baskets of income

The tax reform creates a new basket of income for corporate taxpayers (previously, all income fell into a single basket). Income now will be classified as:

- Capital gains, including income from participations in the profits of legal persons, certain royalties, property rights, in-kind contributions and the disposal of shares (a list of income considered to be capital gains is included in the law); or
- "Other" income, which includes all income not classified as capital gains (including core business revenues).

Under the new rules, net income from each source is calculated separately, and the use of tax losses derived from one source to reduce income derived from the other source is not permitted. Costs not directly related to one source of income are allocated proportionally to each source based on revenues.

The new rules do not apply to insurers, banks, saving and credit unions, and financial institutions. For these taxpayers, capital gains (with some limited exceptions) continue to be classified as income other than capital gains.

Other measures

- **Elimination of "step-up" for intangible assets:** The new rules limit the amount of tax deductible costs in the case of a past disposal of an intangible asset, where the asset is subsequently licensed or re-purchased by the seller for its use. In this situation, amortization of the intangible and/or license fee payments will be tax deductible only up to the amount of taxable revenue earned from the original disposal of the asset. Under transition rules, this limit is further decreased by costs deducted before 1 January 2018.
- **Tax on high-value fixed assets:** A new tax is introduced on "high-value fixed assets" situated in Poland (*i.e.* certain commercial real estate, including shopping malls; department stores; independent stores and boutiques; and other commercial buildings and office buildings, but not office buildings that are used exclusively or mainly for the taxpayer's own purposes). The tax is imposed at a rate of 0.035% per month on the initial tax value of the asset that exceeds PLN 10 million. The tax is deductible in calculating corporate income tax.
- **Tax capital groups (TCGs):** The rules governing the set up and operation of TCGs are substantially revised (TCGs, which may be formed by Polish groups, are treated as a single taxpayer for corporate tax purposes provided certain requirements are met). If the statutory requirements for recognizing a TCG as a single taxpayer are not complied with, the TCG will be dissolved with retroactive effect, and the members of the TCG will be required to settle corporate income tax separately for the last three years in which they were part of the TCG. This provision does not apply to periods before 1 January 2018, for TCGs established prior to that date. The legislation also introduces arm's length requirements for transactions between TCG members, and donations between TCG members no longer are tax deductible.
- **Participation exemption:** The participation exemption is limited to "distributions of profits" (*i.e.* dividends, profits transferred to share capital, undistributed profits on transformations into partnerships, etc.). The exemption no longer applies to income/gains from other transactions, *e.g.* redemptions of shares, liquidations or transactions relating to a participant/shareholder's "exit from a company."
- **Transition rules:** Taxpayers with a noncalendar year tax year that began before 1 January 2018 and ends after 31 December 2017 generally will not be subject to the new rules until the end of their current tax year (subject to specific transition rules for certain provisions).

Comments

The new rules substantially change many aspects of the Polish corporate tax system. Given the scope of the amendments and the relatively short period of time between the adoption of the amendment bill and its entry into force, some taxpayers may not be fully prepared for the changes. Some of the changes (*e.g.* the new restrictions on deductions of financing costs and payments to related parties and entities in tax havens) are likely to result in increased tax liabilities and effective tax rates for taxpayers. Taxpayers should assess the impact of the new provisions on their corporate income tax position and their business strategies, and ensure that they are in compliance.

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United States:
IRS announces passport restrictions on "seriously delinquent" taxpayers

The US Internal Revenue Service (IRS) announced on 16 January 2018 that it will begin working with the State Department to implement a taxpayer compliance measure enacted in 2015 that will prevent certain individuals from obtaining, renewing or keeping a passport if they owe significant amounts of unpaid federal taxes.

The passport restrictions were enacted in the Fixing America's Surface Transportation (FAST) Act, a USD 305 billion infrastructure spending package that became law in late 2015. Among its revenue provisions, the FAST Act requires the IRS to notify the State Department of taxpayers that the IRS has identified as having "seriously delinquent tax debts," defined as more than USD 51,000 in back taxes, penalties and interest for which the IRS has filed a Notice of Federal Tax Lien and the period to challenge it has expired and the IRS has issued a levy. The State Department is required to deny applications for new passports or passport renewals by these individuals and, in some cases, may revoke existing passports. The restrictions are intended to help close the "tax gap," *i.e.* the difference between the amount of taxes owed to the federal government and the amount actually collected, and are expected to increase federal receipts.

The IRS explained that affected taxpayers can avoid having the IRS notify the State Department of their delinquent status by paying their debt in full or by making timely payments under an approved installment agreement, an accepted offer in compromise, or a settlement agreement with the Justice Department. The process also will not apply if a taxpayer has requested or has pending a collection due process appeal with a levy, or if collection of the tax debt is suspended because a taxpayer has made an innocent spouse election or requested innocent spouse relief.

Taxpayers who will not be subject to passport restrictions include those who are in bankruptcy, have been identified by the IRS as a victim of tax-related identity theft, have accounts that the IRS has determined are not collectible due to hardship, are located in a federally declared disaster area, have a request pending with the IRS for an installment agreement, have a pending offer in compromise with the IRS, or have an IRS-accepted adjustment that will satisfy the debt in full. Certain protections also will apply to members of the armed forces with a seriously delinquent tax debt who are serving in a combat zone.

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2018 rate changes

The following chart summarizes some of the corporate, withholding tax and VAT tax rate changes that are effective as of 1 January 2018 (unless otherwise noted):

Country	Type of tax		
	Corporate income tax	**WHT on dividends, interest and royalties paid to nonresident company**	**VAT**
Belgium (effective as from certain fiscal years that start on or after 1 January 2018)	Standard rate reduced from 33% to 29% (with 20% rate applicable to first EUR 100,000 of income for small and medium-sized companies (SMEs)), and tax surcharge reduced from 3% to 2%	Rate reduced from 1.6995% to 0% on certain dividends paid to qualifying shareholders established in EEA member state or country with which Belgium has concluded tax treaty containing information exchange clause	
Chile	First category income tax rate under partially integrated regime increased from 25.5% to 27% (rate under fully integrated regime remains 25%)		
France	Standard 33.33% rate reduced to 28% on first EUR 500,000 of income for all enterprises (previously, 28% rate applied only to first EUR 75,000 of income of SMEs)		
Iceland	Rate increased from 36% to 37.6% for partnerships registered as taxable entities	Rate increased from 18% to 20% on dividends, from 10% to 12% on interest and from 20% to 22% on royalties	
Israel	Rate reduced from 24% to 23%	Rates on interest and royalties reduced from 24% to 23%	
Japan	Standard 23.4% rate will reduce to 23.2% as from fiscal years starting on or after 1 April 2018		
Korea	Rate increased from 22% to 25% on income exceeding KRW 300 billion		
Latvia	Rate increased from 15% on net taxable income to 20% on profits that are distributed or deemed distributed, and 25% on certain expenses	Rates on amounts paid to residents of black-list jurisdictions increased from 15% to 20%	
Liechtenstein			Standard rate reduced from 8% to 7.7%
Luxembourg	Rate reduced from 19% to 18%		
Montenegro			Standard rate increased from 19% to 21%
Norway	Rate reduced from 24% to 23% as from fiscal years ending in 2018		
Saudi Arabia			VAT regime introduced as from 1 January 2018 with 5% standard rate

Country	Type of tax		
	Corporate income tax	WHT on dividends, interest and royalties paid to nonresident company	VAT
Switzerland			Standard rate reduced from 8% to 7.7%
Taiwan		Rate on dividends increased from 20% to 21%	
Turkey	Rate increased from 20% to 22%		
United Arab Emirates			VAT regime introduced as from 1 January 2018 with 5% standard rate
United States	Rate reduced to flat 21% (from tax brackets with maximum rate of 35%) and alternative minimum tax repealed		
US Virgin Islands	Rate (before 10% surtax) reduced to flat 21% (from tax brackets with maximum rate of 35%) and alternative minimum tax repealed		

In brief

Argentina: A major overhaul of the tax system that was published in the official gazette on 29 December 2017 includes changes that affect the taxation of residents and nonresidents (for prior coverage, see *World Tax Advisor*, 15 December 2017). The new rules, which generally apply as from 1 January 2018, lower the corporate tax rate on undistributed profits from 35% to 25% by 2020, introduce BEPS-type measures, expand the scope of the transfer pricing rules and bring the supply of digital content by nonresidents within the scope of Argentine VAT. The reform is aimed at attracting foreign investment, making Argentina globally competitive and facilitating quality employment, while increasing fairness in the tax system and reducing tax evasion.
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171215_2.html

China: Beginning on 1 February 2018, a new advance ruling regime will be available for tariff classification, the origin of goods and customs valuation issues. These issues have been the primary focus of the Chinese customs authorities and are the most challenging for taxpayers. An advance ruling may offer taxpayers certainty and help to mitigate the risks of challenges in a post-clearance audit and investigation.

On 2 November 2017, the government released detailed guidance on how technology advanced service enterprises can qualify for a reduced enterprise income tax rate of 15% (rather than the standard 25% rate). The guidance, which applies retroactively as from 1 January 2017, also clarifies that employee education expenses that do not exceed 8% of total wages and salaries may be deducted from taxable income, with the amount exceeding 8% available for carryforward and deduction in subsequent tax years.

European Union: The European Commission issued a press release and proposal on 18 January 2018 to amend the principal VAT directive to allow EU member states more flexibility in setting VAT rates (from 2022). While the minimum standard rate of 15% will continue to apply, member states will have flexibility to use two reduced rates, one super reduced rate and one zero rate, and will be able to apply them to any goods and services (subject to certain exceptions).

On 20 December 2017, Court of Justice of the European Union (CJEU) Advocate General (AG) Mengozzi issued his opinion in a case involving Danish tax legislation that provides for an exemption from Danish withholding tax on dividends distributed by a Danish resident company to Undertakings for the Collective Investment of Transferable Securities (UCITS) established in Denmark, but not to nonresident UCITS of the same kind established in other EU member states. The AG determined that the rules are in violation of the free movement of capital principle in the Treaty on the Functioning of the European Union.

The Court of Justice of the European Union (CJEU) issued a decision on 20 December 2017, concluding that the customs transaction value may not be based on a transfer price that was subject to a retroactive adjustment. Customs values are established by the price actually paid or payable for the goods when they are sold for export. Alternative valuation methods are available if that price cannot be established, and subsequent adjustments can be made in certain situations. However, in this case, the CJEU found that there was no general requirement to adjust transaction values by reference to transfer pricing adjustments, *i.e.* if the initial transfer price can be subject to a retroactive adjustment, it cannot be used for customs valuation purposes.

Ireland: Finance Act 2017 was signed by the president on 25 December 2017. In addition to implementing measures announced in budget 2018, the act extends the anti-avoidance rules relating to the deductibility of interest expense to corporate groups; commences the legislative procedure required to give effect to the OECD multilateral instrument in Irish law; and clarifies the tax rules for adopting a new accounting standard within an existing accounting framework (for prior coverage, see *World Tax Advisor*, 10 November 2017).
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171110_2.html

Mexico: Decrees published in Mexico's federal official gazette on 19 December 2017 officially launched two special economic zones (SEZs): Progreso and Salina Cruz. The SEZs, which apply as from 20 December 2017, provide for preferential income tax, VAT and customs duty treatment for companies operating in the zones. Decrees published on 29 September 2017 launched the first three SEZs: Lázaro Cárdenas-La Unión, Puerto Chiapas and Coatzacoalcos (for prior coverage, see *World Tax Advisor*, 15 December 2017).
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171215_1.html

Taiwan: The Legislative Yuan passed amendments to the Income Tax Act on 18 January 2018, making only minor changes to the tax reform package announced in September 2017 (for prior coverage, see Taiwan tax alert, 6 September 2017). The proposed measures, which when signed by the president will apply retroactively as from taxable years beginning 1 January 2018, would increase the corporate income tax rate from 17% to 20%, reduce the rate of the corporate surtax from 10% to 5% and abolish the imputation system. For foreign investors, 50% of the surtax paid in the past still could be credited (subject to certain restrictions) against withholding tax on dividends declared before 31 December 2018. In addition, the Ministry of Finance issued a ruling on 29 December 2017 that increased the withholding tax rate on dividends from 20% to 21% effective from 1 January 2018 (a measure that also was part of the tax reform package).
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-taiwan-6-september-2017.pdf

United States: The US Treasury Department and the Internal Revenue Service (IRS) on 19 January 2018 issued a notice (Notice 2018-13) that provides additional guidance on the transition tax imposed on the untaxed earnings of foreign subsidiaries under the tax reform legislation enacted on 22 December 2017 (for prior coverage, see *World Tax Advisor*, 12 January 2018). The notice describes regulations that Treasury and the IRS intend to issue on the transition tax, makes a modification to the prior notice issued on 29 December 2017 regarding the repatriation of earnings subject to the transition tax, and provides taxpayers targeted relief from certain unintended regulatory and reporting consequences arising from a change to stock attribution rules in the legislation. Treasury and the IRS have requested comments on the rules described in the notice and on what additional guidance should be issued.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180112_ib.html

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BEPS corner

In each issue that provides updates on developments in the OECD BEPS initiative, *World Tax Advisor* includes a "BEPS corner" covering these developments.

European Union: The Economic and Financial Affairs Council has removed eight jurisdictions from the EU's list of noncooperative jurisdictions for tax purposes, following commitments made by the jurisdictions to address deficiencies identified by the EU. The following countries have been moved to a separate category of jurisdictions subject to close monitoring: Barbados, Grenada, Korea (ROK), Macao SAR, Mongolia, Panama, Tunisia and the United Arab Emirates. Nine jurisdictions remain on the list.

Finland: Proposed amendments based on the EU anti-tax avoidance directive would revise the domestic rules governing the deductibility of interest expense. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180126_2.html

Hong Kong: On 29 December 2017, the government gazetted draft legislation that would introduce a statutory transfer pricing regime and transfer pricing documentation requirements based on action 13 of the BEPS project for a first reading by the Legislative Council (for prior coverage, see *World Tax Advisor*, 18 August 2017). The draft includes measures that will enable Hong Kong to meet the four minimum standards under the OECD's BEPS project, and significantly empower the Inland Revenue Department to combat tax avoidance through transfer pricing. If approved, the amendment bill generally will become effective as from 1 April 2018 (*i.e.* year of assessment 2018/19), except for CbC reporting, which will apply as from 1 January 2018.
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170818_5.html

Japan: Tax reform proposals approved by Japan's ruling coalition on 14 December 2017 would revise the definition of a permanent establishment to align domestic tax law with the definition under the OECD BEPS project. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180126_3.html

Malaysia: Amendments to the CbC reporting rules that are intended to align certain definitions with the recommendations under BEPS action 13 and to clarify the implementation of the rules in Malaysia were published in the country's official gazette on 27 December 2017. In addition, CbC reporting regulations for Labuan entities carrying on Labuan business activities, which generally are in line with the Malaysia CbC reporting rules, were published in the official gazette on 26 December 2017. The regulations confirm that CbC reporting requirements apply to Labuan entities with effect from 1 January 2017, meaning that the first CbC reporting notifications for Labuan constituent entities with a December year end were due by 31 December 2017 and the first CbC reports will be due by 31 December 2018.

OECD: The OECD has announced that additional countries have signed the MLI, and four countries now have deposited instruments of ratification, acceptance or approval of the MLI. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180126_tr.html#OECD

A pilot for the International Compliance Assurance Program (ICAP) that will include MNE groups from eight OECD Forum on Tax Administration members (Australia, Canada, Italy, Japan, Netherlands, Spain, the UK and the US) was launched on 23 January 2018. ICAP is a voluntary program that will use CbC reports and other information to facilitate open and cooperative multilateral engagements between MNE groups and tax administrations, with a view to providing early tax certainty and assurance and fewer cases entering into mutual agreement proceedings (for prior coverage, see *World Tax Advisor*, 27 October 2017). A multilateral assessment of specific international tax risks posed by each MNE group in the pilot will commence during the first half of 2018 and is expected to be completed within 12 months.
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171027_bc.html

The OECD announced on 18 January 2018 that Mongolia joined the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Panama signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) on 15 January 2018. By signing the CRS MCAA, Panama reconfirms its commitment to implement the automatic exchange of financial account information pursuant to the OECD common reporting standard, with exchanges to commence in September 2018.

The 2017 edition of the *OECD Model Tax Convention* was released on 18 December 2017, which incorporates the treaty-related changes developed under the OECD BEPS project. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180126_tr.html#OECD

United States: On 18 January 2018, the Internal Revenue Service (IRS) issued a CbC reporting news and information bulletin announcing that it has published updated CbC FAQs on its website, including an updated list of jurisdictions with which the IRS has signed a bilateral competent authority arrangement (CAA) under which CbC reporting data will be exchanged, as well as jurisdictions with which the IRS is negotiating a CAA, have satisfied the US bilateral data safeguards and infrastructure review, and have consented to be listed. The bulletin also includes certain information and reminders for US multinationals (MNEs) filing paper versions of CbC reporting forms and schedules and for US MNEs amending their CbC reports.

Tax treaty round up

At the end of each month, *World Tax Advisor* provides an update on recent tax treaty developments, with a focus on items that directly affect the withholding tax rates of the key jurisdictions covered by the Deloitte International Tax Source (DITS). Additional coverage may include stated negotiating priorities and other important tax treaty trends.
URL: http://www.dits.deloitte.com?id=us:em:na:wta:eng:tax

Unless otherwise noted, the developments discussed below are not yet in force.

Cyprus-Saudi Arabia: When in effect, the treaty signed on 3 January 2018 provides for a 0% withholding tax rate on dividends paid to a company that holds directly or indirectly at least 25% of the capital of the payer company; otherwise, the rate will be 5%. A 0% rate will apply to interest. A 5% rate will apply to royalties paid for the use of, or the right to use, industrial, commercial or scientific equipment; otherwise, the rate will be 8%.

Czech Republic-Korea: When in effect, the treaty signed on 12 January 2018 to replace the 1992 treaty provides for a 5% withholding tax rate on dividends. A 0% rate will apply to interest paid in connection with the sale of merchandise or equipment on credit; otherwise, the rate will be 5%. A 0% rate will apply to royalties paid for the use of, or the right to use, a copyright of literary, artistic or scientific work (including cinematograph films and films or tapes for television or radio broadcasting). A 10% rate will apply to royalties paid for the use of, or the right to use, a patent, trademark, design or model, plan, secret formula or process; for industrial, commercial or scientific equipment; or for information concerning industrial, commercial or scientific experience.

Iceland-Japan: When in effect, the treaty signed on 15 January 2018 provides for a 0% withholding tax rate on dividends paid to: i) a pension fund, provided the dividends are derived from specified activities; or ii) a company that has owned directly, for a six-month period ending on the date on which entitlement to the dividends is determined, at least 25% of the voting power of the Japanese payer company or at least 25% of the capital of the Icelandic payer company. A 5% rate will apply to dividends paid to a company that has owned directly, for a six-month period ending on the date on which entitlement to the dividends is determined, at least 10% (but less than 25%) of the voting power of the Japanese payer company or at least 10% (but less than 25%) of the capital of the Icelandic payer company; otherwise, the rate will be 15%. The 0% and 5% rates will not apply, however, if the dividends are deductible in computing the taxable income of the payer company in its state of residence. A 10% rate will apply to certain contingent interest; otherwise, the rate will be 0%. Royalties will be taxable only in the state of residence of the recipient.

Luxembourg-Kosovo: When in effect, the treaty signed on 8 December 2017 provides for a 0% withholding tax rate on dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate will be 10%. A 0% rate will apply to interest paid: in respect of the sale on credit of any equipment, merchandise, or services; to a bank; to a collective investment vehicle; or on intercompany loans; otherwise, the rate will be 5%. Royalties will be taxable only in the state of residence of the recipient.

OECD: The OECD has announced that Barbados, Ivory Coast, Jamaica, Malaysia, Panama and Tunisia signed the multilateral instrument (MLI) on 24 January 2018, and that Curaçao signed the MLI on 20 December 2017. The OECD also has announced that Algeria, Kazakhstan, Oman and Swaziland have expressed their intent to sign the MLI and other jurisdictions are actively working towards signing by June 2018. In addition, Poland and Jersey deposited instruments of ratification, acceptance or approval of the MLI on 23 January 2018 and 15 December 2017, respectively, following the Isle of Man on 19 October 2017 and Austria on 22 September 2017 (for prior coverage, see *World Tax Advisor*, 10 November 2017). A least one more jurisdiction must ratify the MLI before it enters into force (the MLI will enter into force three calendar months after the date of deposit of the fifth instrument of ratification, acceptance or approval).
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171110_bc.html

The OECD on 18 December 2017 released a revised version of its model income tax convention. The 2017 model convention reflects the treaty-related measures resulting from the work on the OECD BEPS project under action 2 (neutralizing the effects of hybrid mismatch arrangements), action 6 (preventing the granting of treaty benefits in inappropriate circumstances), action 7 (preventing the artificial avoidance of permanent establishment status), and action 14 (making dispute resolution more effective). See Global Transfer Pricing Alert 2018-001, 11 January 2018 and, for prior coverage, see *World Tax Advisor*, 15 December 2017.
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-18-001-11-january-2018.pdf
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/171215_tr.html#OECD

Spain-Qatar: The 2015 treaty will enter into force on 6 February 2018 and will apply as from this date for withholding tax purposes. When in effect, the treaty provides for a 0% withholding tax rate on dividends paid to a company that holds directly at least 10% of the capital of the payer company and on dividends paid by a company whose shares are substantially and regularly traded on a stock exchange of one of the contracting states to a recipient that holds directly at least 1% of the capital of the payer company; otherwise, the rate will be 5%. The rate on interest and royalties will be 0%.

Bilateral treaties and protocols for DITS countries that are in effect as from 1 January 2018

The following table reflects tax treaties and protocols that became effective on 1 January 2018 with respect to their provisions on withholding taxes. Rates shown are as provided in the treaty; the application of domestic law or EU directives may result in a lower rate. The table does not include standard exemptions or special rates, such as those typically provided for interest paid to government entities, government-related loans, etc.

Treaty	Dividends (%)	Interest (%)	Royalties (%)
Argentina-Mexico	10/15	12	10/15
The 10% rate applies to dividends paid to a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 15%. A 10% rate applies to royalties paid in respect of copyrights of literary, dramatic, musical, artistic or scientific works (including news); patents, designs and models, plans, secret formulas or processes; computer programs (subject to certain conditions); industrial, commercial or scientific equipment; or for information concerning industrial, commercial or scientific experience, as well as for the rendering of technical assistance services; otherwise, the rate is 15%.			
Austria-Iceland	5/15	0	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Belgium-Macedonia	0/5/15	0/10	10
The 0% rate applies to dividends paid to a company that holds directly or indirectly at least 25% of the capital of the payer company for an uninterrupted period of at least 12 months; the 5% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. A 0% rate applies to interest paid on loans granted or credit extended between enterprises; otherwise, the rate is 10%.			
Belgium-Mexico	0/10	0/5/10	10
The 0% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company for an uninterrupted period of at least 12 months, or to a qualifying pension fund; otherwise, the rate is 10%. A 0% rate applies to interest paid to a qualifying pension fund; a 5% rate applies to interest paid to a bank or financial institution (including insurance companies) or paid on bonds or securities that are regularly and substantially traded on a recognized securities market; otherwise, the rate is 10%. The withholding tax rate on royalties is not affected by the protocol and remains at 10%.			
Belgium-Switzerland	0/15	0/10	0
The 0% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company for an uninterrupted period of at least 12 months, or on dividends paid to a qualifying pension fund; otherwise, the rate is 15%. A 0% rate applies to interest paid on a loan or credit extended between enterprises, and to interest paid to a qualifying pension fund; otherwise, the rate is 10%. The withholding tax rate on royalties is not affected by the protocol and remains at 0%.			
Belgium-Uruguay	0/5/15	0/10	10
The 0% rate applies to dividends paid to a pension fund satisfying certain requirements; the 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. A 0% rate applies to interest paid to a pension fund satisfying certain requirements; otherwise, the rate is 10%.			
Brazil-Russia	10/15	15	15/D
The 10% rate applies to dividends paid to a company that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%. A 15% rate generally applies to royalties and payments for technical services and technical assistance; however, payments relating to transactions with respect to computer software are taxable in accordance with the domestic law of the relevant state.			

Treaty	Dividends (%)	Interest (%)	Royalties (%)
China-Romania	3	0/3	3
The 0% rate applies to interest paid in connection with a sale of equipment, merchandise or services on credit, or paid on a loan granted by a financial institution; otherwise, the rate is 3%.			
Croatia-Kosovo	5/10	5	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Cyprus-Ethiopia	5	5	5
The treaty applies as from 8 July 2018 in Ethiopia for withholding tax purposes.			
Cyprus-Iran	5/10	5	6
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Cyprus-Jersey	0	0	0
Denmark-Azerbaijan	5/15	8	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company and that has invested at least EUR 1 million (or its equivalent in any other currency) in the capital of the payer company; otherwise, the rate is 15%. A 5% rate applies to royalties paid in respect of a patent, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience; otherwise, the rate is 10%.			
Ecuador-Belarus	5/10	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Egypt-Saudi Arabia	5/10	10	0/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 10%. A 0% rate applies to royalties paid to the government; otherwise, the rate is 10%.			
Finland-Germany	5/15	0	0
The 5% rate applies to dividends paid to a company (other than a partnership or a German real estate investment trust company) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Finland-Turkmenistan	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%.			
Germany-Armenia	7/10/15	5	6
The 7% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company (except for distributions on certificates of a German investment fund); the 15% rate applies to distributions on certificates of a German investment fund that are directly or indirectly connected to income from immovable property, and to distributions by a German real estate investment company whose profits are wholly or partially tax exempt or that is entitled to deduct the distributions when determining its profits; otherwise, the rate is 10%.			
Germany-Finland	5/15	0	0
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Germany-Turkmenistan	5/15	0/10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%. A 0% rate applies to interest paid in connection with the sale of industrial, commercial or scientific equipment on credit, or in connection with the sale of goods by one enterprise to another enterprise on credit; otherwise, the rate is 10%.			
Hungary-Luxembourg	0/10	0	0
The 0% rate applies to dividends paid to a company (other than a partnership that is not liable to tax) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%.			
Hungary-Oman	0	0	8
The 0% rate applies to dividends (other than dividends paid to an individual, which are taxable at a 10% rate).			
Iceland-Austria	5/15	0	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Ireland-Kazakhstan	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%.			

Treaty	Dividends (%)	Interest (%)	Royalties (%)
Israel-Azerbaijan	15/D	10	5/10
The 15% rate applies to dividends, other than distributions made by real estate investment trusts which are not considered as dividends under the treaty and are taxable according to the domestic law of the contracting state. The 5% rate applies to royalties paid for any patent, design or model, plan, secret formula or process; or for the use of, or the right to use, industrial, commercial or scientific equipment; or for information (know-how) concerning industrial, commercial or scientific experience; otherwise, the rate is 10%.			
Italy-Barbados	5/15	5	5
The 5% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Italy-Romania	0/5	5	5
The 0% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company and has held the participation, or will have done so, for an uninterrupted period of two years in which the date the dividends are paid falls; otherwise, the rate is 5%.			
Japan-Latvia	0/10	0/10	0
The 10% rate applies to dividends paid to an individual or to dividends that are tax-deductible for the payer company; otherwise, the rate is 0%. A 10% rate applies to certain contingent interest and interest paid to an individual; otherwise, the rate is 0%.			
Japan-Slovenia	5/10	5	5
The 10% rate applies to dividends that are tax-deductible for the payer company or where the payer company is subject to a reduced rate of tax on income if it distributes its profits; otherwise, the rate is 5%.			
Kazakhstan-Ireland	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%.			
Kenya-India	10	10	10
The treaty applies as from 1 April 2018 in India.			
Kenya-Iran	5	10	10
The treaty applies as from 21 March 2018 in Iran.			
Kenya-Korea (ROK)	8/10	12	10
The 8% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Kenya-United Arab Emirates	5	10	10
Korea (ROK)-Ethiopia	5/8	7.5	5
The treaty applies as from 8 July 2018 in Ethiopia. The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 8%.			
Korea (ROK)-Kenya	8/10	12	10
The 8% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Latvia-Hong Kong	0/10	0/10	0/3
The agreement applies as from 1 April 2018 in Hong Kong. The 0% rate applies to dividends paid to a company (other than a partnership) or to a pension fund or scheme; otherwise, the rate is 10%. A 0% rate applies to interest paid by a company to a company (other than a partnership) or paid to a pension fund or scheme; otherwise, the rate is 10%. A 0% rate applies to royalties paid by a company to a company (other than a partnership) for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience; otherwise, the rate is 3%.			
Latvia-Japan	0/10	0/10	0
The 10% rate applies to dividends paid to an individual or to dividends that are tax-deductible for the payer company; otherwise, the rate is 0%. A 10% rate applies to certain contingent interest and interest paid to an individual; otherwise, the rate is 0%.			
Lithuania-Kuwait	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%.			
Luxembourg-Brunei	0/10	10	10
The 0% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%.			
Luxembourg-Hungary	0/10	0	0
The 0% rate applies to dividends paid to a company (other than a partnership that is not liable to tax) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%.			
Luxembourg-Ukraine	5/15	5/10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%. A 5% rate applies to interest paid on loans granted by a bank or any other financial institution; otherwise, the rate is 10%. A 5% rate applies to patent and trademark royalties and a 10% rate to copyrights.			

Treaty	Dividends (%)	Interest (%)	Royalties (%)
Luxembourg-Uruguay	5/15	10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. A 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment, and the 10% rate to royalties paid for copyrights of literary, artistic or scientific works (including cinematograph films or films or tapes for television or radio broadcasting), patents, trademarks, designs or models, plans, secret formulas or processes or for information concerning industrial, commercial or scientific experience.			
Malta-Andorra	0	0	0
Malta-Ukraine	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%. However, when the shareholder is entitled to a credit for the underlying tax payable by the payer company, the Maltese tax may in any event not exceed the amount chargeable on the profits out of which the dividends are paid.			
Mexico-Argentina	10/15	12	10/15
The 10% rate applies to dividends paid to a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 15%. A 10% rate applies to royalties paid in respect of copyrights of literary, dramatic, musical, artistic or scientific works (including news); patents, designs and models, plans, secret formulas or processes; computer programs (subject to certain conditions); industrial, commercial or scientific equipment; or for information concerning industrial, commercial or scientific experience, as well as for the rendering of technical assistance services; otherwise, the rate is 15%.			
Mexico-Belgium	0/10	0/5/10	10
The 0% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company for an uninterrupted period of at least 12 months, or to a qualifying pension fund; otherwise, the rate is 10%. A 0% rate applies to interest paid to a qualifying pension fund; a 5% rate applies to interest paid to a bank or financial institution (including insurance companies) or paid on bonds or securities that are regularly and substantially traded on a recognized securities market; otherwise, the rate is 10%. The withholding tax rate on royalties is not affected by the protocol and remains at 10%.			
Norway-Zambia	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%.			
Portugal-Andorra	5/15	10	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company for the period of twelve months ending on the date on which entitlement to the dividends is determined; otherwise, the rate is 15%.			
Portugal-Ethiopia	5/10	10	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%.			
Portugal-Ivory Coast	10	10	5
Portugal-Sao Tome and Principe	10/15	10	10
The 10% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%. A 15% rate applies to technical fees.			
Romania-China	3	0/3	3
The 0% rate applies to interest paid in connection with a sale of equipment, merchandise or services on credit, or paid on a loan granted by a financial institution; otherwise, the rate is 3%.			
Romania-Italy	0/5	5	5
The 0% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company and has done so, or will have done so, for an uninterrupted period of two years in which the date the dividends are paid falls; otherwise, the rate is 5%.			
Russia-Brazil	10/15	15	15/D
The 10% rate applies to dividends paid to a company that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%. A 15% rate generally applies to royalties and payments for technical services and technical assistance; however, payments relating to transactions with respect to computer software are taxable in accordance with the domestic law of the relevant state.			
Saudi Arabia-Egypt	5/10	10	0/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 10%. A 0% rate applies to royalties paid to the government; otherwise, the rate is 10%.			
Saudi Arabia-Jordan	5	5	7
Saudi Arabia-Turkmenistan	10	10	10
Singapore-Cambodia	10	10	10
Singapore-Ethiopia	5	5	5
The treaty applies as from 8 July 2018 in Ethiopia.			

Treaty	Dividends (%)	Interest (%)	Royalties (%)
Singapore-Sri Lanka	7.5/10	0/10	10
The 7.5% rate applies to dividends paid to a company that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%. A 0% rate applies to interest paid to a banking or financial institution; otherwise, the rate is 10%.			
Singapore-Uruguay	5/10	0/10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%. A 0% rate applies to interest paid between financial institutions; otherwise, the rate is 10%. A 5% rate applies to royalties for the use of, or the right to use, a copyright of literary, artistic or scientific work, including cinematograph films or films or tapes used for radio or television broadcasting; otherwise, the rate is 10%.			
Slovakia-Armenia	5/10	10	5
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%.			
Slovakia-United Arab Emirates	0	10	10
Slovenia-Japan	5/10	5	5
The 10% rate applies to dividends that are tax-deductible for the payer company or where the payer company is subject to a reduced rate of tax on income if it distributes its profits; otherwise, the rate is 5%.			
South Africa-Cameroon	10/15	10	10
The 10% rate applies to dividends paid to a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 15%.			
Sweden-Armenia	0/5/15	5	5
The 0% rate applies to dividends paid to a company (other than a partnership) that holds at least 25% of the capital or voting power of the payer company, that has owned the holding for at least two years before any claim for the application of the 0% rate is made and in whose hands the dividends are exempt from tax; the 5% rate applies to dividends paid to a company (other than a partnership) that holds at least 10% of the capital or voting power of the payer company; otherwise, the rate is 15%.			
Switzerland-Belgium	0/15	0/10	0
The 0% rate applies to dividends paid to a company that holds directly at least 10% of the capital of the payer company for an uninterrupted period of at least 12 months, or to dividends paid to a qualifying pension fund; otherwise, the rate is 15%. A 0% rate applies to interest paid on a loan or credit extended between enterprises, and to interest paid to a qualifying pension fund; otherwise, the rate is 10%. The withholding tax rate on royalties is not affected by the protocol and remains at 0%.			
Thailand-Cambodia	10	10/15	10
The 10% rate applies to interest paid to a financial institution (including an insurance company); otherwise, the rate is 15%. A 10% rate also applies to fees for technical services.			
Ukraine-Luxembourg	5/15	5/10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%. A 5% rate applies to interest paid on loans granted by a bank or any other financial institution; otherwise, the rate is 10%. A 5% rate applies to patent and trademark royalties, and a 10% rate to copyrights.			
Ukraine-Malta	5/15	10	10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 20% of the capital of the payer company; otherwise, the rate is 15%.			
Uruguay-Belgium	0/5/15	0/10	10
The 0% rate applies to dividends paid to a pension fund satisfying certain requirements; the 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. A 0% rate applies to interest paid to a pension fund satisfying certain requirements; otherwise, the rate is 10%.			
Uruguay-Luxembourg	5/15	10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. A 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment, and the 10% rate to royalties paid for copyrights of literary, artistic or scientific works (including cinematograph films or films or tapes for television or radio broadcasting), patents, trademarks, designs or models, plans, secret formulas or processes or for information concerning industrial, commercial or scientific experience.			
Uruguay-Singapore	5/10	0/10	5/10
The 5% rate applies to dividends paid to a company (other than a partnership) that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%. A 0% rate applies to interest paid between financial institutions; otherwise, the rate is 10%. A 5% rate applies to royalties paid for the use of, or the right to use, a copyright of literary, artistic or scientific work, including cinematograph films or films or tapes used for radio or television broadcasting; otherwise, the rate is 10%.			
Vietnam-Panama	5/7/12.5	10	10
The 5% rate applies to dividends paid to a shareholder who has contributed, directly or indirectly, more than 50% of the capital of the payer company; the 7% rate applies if the shareholder has contributed, directly or indirectly, between 25% and 50% of the capital of the payer company; otherwise, the rate is 12.5%.			

Global tax alerts

Australia
Australian tax authorities issue final compliance approach for cross-border related-party debt funding
The tax authorities on 18 December 2017 released the final version of a practical compliance guide setting out their risk assessment framework for related-party financing arrangements.
Issue date: 12 January 2018
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-18-003-12-january-2018.pdf

OECD
OECD updates model tax convention
A revised version of the OECD model tax treaty was released on 18 December 2017, which incorporates the treaty-related changes developed under the OECD BEPS project.
Issue date: 11 January 2018
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-global-transfer-pricing-alert-18-001-11-january-2018.pdf