In this issue:

South Africa's anti-dividend stripping rules broadened

South Africa's 2017 Taxation Laws Amendment Act, which was enacted on 18 December 2017, significantly amended the country's anti-dividend stripping rules with retroactive effect as from 19 July 2017. Where shares of a resident or nonresident entity are sold by corporate resident shareholders, the rules require the taxable proceeds realized from the disposal of the shares to be increased by the amount of certain nontaxable dividends received on those shares prior to the sale. (The rules potentially could apply to sales by nonresidents in specific circumstances, *e.g.* sales involving shares in a property-rich South African company or shares effectively connected to a South African

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

permanent establishment.) The rules are particularly important for local groups of companies intending to rationalize their group structures by liquidating or deregistering companies within the group.

Background

Anti-dividend stripping rules have long been a feature of South African tax law. These rules aim to curb perceived abuse where dividends that are exempt from South African tax are paid to a shareholder before the shareholder disposes of the underlying shares and, as a result, the shares are sold for a reduced amount, thereby reducing the capital gains tax liability for the selling shareholder.

However, the previous anti-dividend stripping rules targeted only specific schemes and have been infrequently applied.

Amendments to the anti-dividend stripping rules

As from 19 July 2017, South African resident corporate shareholders are required to treat dividends as additional taxable sales proceeds received on a subsequent disposal of the related shares, where a certain minimum shareholding (which varies depending on whether the shares are listed or unlisted) was held by the shareholder at any time in the 18-month period before the disposal. The revised rules apply to exempt dividends received by the shareholder on shares, other than preference shares that bear dividends at a fixed rate, if such dividends are:

- Received within the 18-month period before the shares are sold; or
- Received "in respect of, by reason of, or in consequence of" the disposal, regardless of the length of time between the shareholder's receipt of the dividend and its disposal of the shares.

The total amount of dividends treated as sales proceeds is limited to the amount of dividends (if any) that exceeds 15% of the market value of the disposed shares. "Market value" for this purpose is defined as the market value of the shares on the date that is 18 months before the date of disposal or, if higher, the market value of the shares on the disposal date.

If the shares are preference shares that bear dividends at a fixed rate, the rules apply to any dividends received that exceed a rate of 15%; such excess dividends will be treated as sales proceeds on the disposal of the preference shares.

Under prior law, corporate tax rules in the Income Tax Act provided protections from the application of the anti-dividend stripping rules in certain cases (*e.g.* for certain transactions within a group of companies). The 2017 act effectively removed these protections by providing that the anti-dividend stripping rules override the corporate rules.

The revised anti-dividend stripping rules also apply to shares that are held by a corporate shareholder as trading stock, gains from the sale of which are taxable as ordinary income.

Comments

The 2017 amendments that treat pre-sale dividends as proceeds from a subsequent disposal of the underlying shares significantly broadened the scope of South Africa's anti-dividend stripping provisions. In addition to applying to dividends received within 18 months of a sale, the provisions potentially can apply to dividends received at any time, where the dividends are deemed to be received in respect of, by reason of or in consequence of the disposal of the shares. The rules are potentially far reaching and arguably go beyond the intended scope of the anti-avoidance provision, which is to target dividends disguised as proceeds in a sale of shares to a third party. For example, where a group of companies is restructured to eliminate unnecessary entities, dividends received from relevant companies within 18 months of being liquidated generally will be caught by the new rules. Dividends received prior to 18 months before liquidation also could be subject to the rules, if the dividends are deemed to have been received as part of the restructuring plan. The rules, therefore, could subject liquidation dividends to capital gains tax, despite there being no intention by the taxpayer to disguise liquidation proceeds as dividends.

It is unclear whether the revised anti-dividend stripping rules are intended to have such broad application, and it is hoped that the South African National Treasury will clarify the scope of the rules. Taxpayers should endeavor to understand the rules and their potentially far-reaching impact.

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.

— Melanie Milleskie (Cape Town)
Associate Director
Deloitte South Africa
mmilleskie@deloitte.co.za

Lance Collop (Cape Town)
Associate Director
Deloitte South Africa
lcollop@deloitte.co.za

BEPS-related proposals in India's budget 2018 would broaden PE rules

As a member of the G20 and an active participant in the OECD's BEPS project, India has been a leader in implementing the BEPS recommendations. On 1 February 2018, the Indian Finance Minister announced a few budget proposals that derive from the BEPS project (see the article in this issue). This article highlights two of the proposals:
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180209_4.html

1. The first would amend India's domestic tax law in respect of agency permanent establishments (PEs), to incorporate the recommendations under BEPS action 7 (preventing the artificial avoidance of PE status); and
2. The second proposal would introduce the concept of a digital PE into India's domestic tax law, taking inspiration from BEPS action 1 (addressing the tax challenges of the digital economy).

Agency PE

The agency PE rules in Indian tax law and in India's tax treaties are broadly similar. Under Indian tax law, a foreign enterprise will be regarded as having a "business connection" (a concept akin to a PE) in India if any person acting on behalf of the foreign enterprise is habitually authorized to conclude contracts for the foreign enterprise.

Under the proposed amendments, a foreign enterprise would be regarded as having a business connection in India if a person acting on behalf of the foreign enterprise (i) has and habitually exercises the authority to conclude contracts; (ii) habitually concludes contracts; or (iii) habitually plays the principal role leading to the conclusion of contracts by the foreign enterprise in India, and the contracts are:

- In the name of the foreign enterprise;
- For the transfer of the ownership of, or the granting of the right to use, property owned by the foreign enterprise or that the foreign enterprise has the right to use; or
- For the provision of services by the foreign enterprise.

The proposed amendments are in line with BEPS action 7, and modelled on article 12 of the OECD multilateral instrument (MLI) (artificial avoidance of PE status through commissionaire arrangements and similar strategies). The MLI has been signed by India and many other jurisdictions, and is designed to implement the treaty-related measures arising from the BEPS project. Once the MLI enters into effect, it will be applied alongside the existing treaties between participating jurisdictions to the extent that both contracting states agree to its application. The budget proposals would ensure that the agency PE rules under Indian tax law and tax treaties (once the MLI becomes effective) are on the same footing.

It should be noted that many significant treaty partners of India (such as Canada, Cyprus, Luxembourg, Singapore and the UK) have reserved the right for article 12 of the MLI not to apply to their tax treaties. The India-US tax treaty also would remain unaffected, since the US is not yet a signatory to the MLI. In addition, some treaty partners (such as China, Germany and Mauritius) have not listed their tax treaty with India as a covered tax agreement for purposes of the MLI. Accordingly, the agency PE clause under India's tax treaties with these countries would not be affected by the MLI, and the agency PE changes discussed above would not affect taxpayers that are tax residents of these countries. India's treaty partners that have opted to apply article 12 of the MLI and have listed their treaty with India as a covered tax agreement include France, Japan and Netherlands, and the agency PE rules would be effectively modified for tax residents of these countries once the MLI is effective.

Digital PE

Taking a cue from BEPS action 1 on the digital economy, the Finance Minister has proposed that a "significant economic presence" would constitute a business connection of a foreign enterprise in India. A significant economic presence would be defined to mean:

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

- One or more transactions in respect of any goods, services or property carried out by a foreign enterprise in India (including downloads of data or software in India), if the aggregate payments arising from such transactions during the year exceed a prescribed threshold; or
- A systematic and continuous soliciting of an entity's business activities, or engaging in interaction with a number of users (as may be prescribed), in India through digital means.

The aggregate payment threshold for transactions and the threshold for the number of users in India have not yet been indicated, but will be determined after consultation with stakeholders.

The budget also proposes that the transactions or activities described above would constitute a significant economic presence in India regardless of whether the foreign enterprise has a residence or place of business in India or renders services in India.

Generally, the business connection rules provide that only the portion of a foreign enterprise's income that is reasonably attributable to the operations carried out in India will be liable to tax in India. However, in the context of significant economic presence, the proposed rules would provide that only the portion of income that is attributable to the transactions or activities described above would be liable to tax in India – interestingly, operations carried out in India are not mentioned in respect of a digital PE.

The concept of a digital PE or significant economic presence is not in any of India's existing tax treaties or the MLI. Thus, the digital PE would affect only taxpayers that are a tax resident of a jurisdiction that does not have a tax treaty with India (*e.g.* Hong Kong). However, the memorandum explaining the provisions of the finance bill that was released as part of the budget package clarifies that the proposed amendments to the domestic law will enable India to negotiate the inclusion of a new nexus rule in the form of a significant economic presence in tax treaties.

Country by country (CbC) reporting

The budget contains certain proposals in respect of CbC reporting, which essentially are clarifications intended to align the Indian requirements with the BEPS action 13 recommendations, including a proposal to extend the deadline for submitting the CbC report.

Conclusion

India has continued its recent trend of implementing BEPS measures in its annual budgets, and is one of the key jurisdictions that has taken an active part in adopting the BEPS actions. The amendments in the context of PEs are the latest step in India's BEPS journey.

— Pritin Kumar (Mumbai)
Partner
Deloitte Haskins & Sells LLP
pkumar@deloitte.com

Vishal Palwe (Mumbai)
Senior Manager
Deloitte Haskins & Sells LLP
vpalwe@deloitte.com

Germany:
Coalition agreement contains broad tax policy goals

The "grand" coalition between Germany's Christian-Democrats and Social-Democrats successfully finalized its negotiations and released its draft coalition agreement on 7 February 2018. The agreement describes the government's policy goals, including its goals relating to tax policy, and how it intends to achieve these goals.

Following the federal elections that took place on 24 September 2017 and the unsuccessful first round of coalition talks between the Christian-Democrats, the Green Party and the Liberals, the new government will be established by the Christian-Democrats and the Social-Democrats, the same parties that have governed Germany for the last four years. Although the coalition agreement includes few details on concrete tax measures, it does offer some insight into what can be expected. The agreement does not specifically mention any major tax reform projects or changes in tax rates – the focus will be on combatting tax evasion, harmful tax practices and unfair tax competition. As noted above, the

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.

coalition agreement still is a draft version and has not yet been finally signed by the parties. The content, however, is not expected to change.

The most important tax measures mentioned in the coalition agreement are as follows:

Simplification of the tax system and enforcement procedures

One of the goals of the new government is to use electronic data processing to enhance the electronic communications between the tax authorities and taxpayers. The government intends to introduce a pre-populated tax return for taxpayers starting from 2021. The coalition agreement mentions several other measures, including the abolition of the 25% flat tax for interest income for individuals and its support for the introduction of a substantial financial transaction tax at the EU level. The agreement also alludes to strengthening the role of the federal tax office, in particular, as the central point of contact for nonresident taxpayers. The enforcement and refund procedure for import VAT would be enhanced, as this has been identified as a competitive disadvantage for German companies and German seaports and airports.

The coalition agreement specifically states that the new government supports a common tax base in the EU and minimum corporate income tax rates. The government plans to push these goals forward together with the French government, in a joint effort to respond to global changes and challenges, in particular, tax reform in the US.

Combatting tax evasion, harmful tax planning and unfair tax competition

The coalition agreement emphasizes the new government's goals of combatting tax evasion, harmful tax planning, unfair tax competition and money laundering at the national, EU and international levels. The government also intends to restrict "tax dumping" (*i.e.* excessive measures (in the form of reduced rates, tax holidays, etc.) adopted by governments to attract business).

The new government supports a fair tax burden for multinational companies (with respect to the digital economy, in particular) and aims to achieve this goal within an international framework similar to the OECD BEPS initiative. The agreement cites the implementation of the EU anti-tax avoidance directive (ATAD) into German tax law, the modernization of the domestic controlled foreign company (CFC) rules, the introduction of anti-hybrid rules and changes to the interest deduction limitation rules.

To combat VAT fraud in the digital marketplace, rules would be introduced that would impose secondary liability on the operators of trading platforms that do not prevent VAT fraud by their customers/users. An information reporting obligation for the operators of such platforms about their customers/users would be introduced.

The agreement also highlights the new government's plans to expand the German customs authorities.

Other proposals

Other noteworthy proposals mentioned in the coalition agreement are:

- Tax incentives for small and medium-sized businesses that are engaged in R&D activities;
- Tax incentives for start-up companies, particularly in the area of VAT;
- Gradual abolition of the solidarity surcharge;
- Amendment of the real estate transfer tax (RETT) law to prevent harmful tax practices through share deals, and possibly using the additional tax revenue generated by the changes to lower the general RETT rates;
- Overhaul of the general real estate property tax; and
- Measures to ease the burden of tax administration, *e.g.* measures that would harmonize differences in the accounting rules for book and tax purposes and measures that would implement real-time tax audits.

Comments

Although the coalition agreement does not include many specifics, certain takeaways and observations can be made. The wording of the agreement with regard to the implementation of the ATAD could indicate that Germany is not intending to go far beyond what is required as a minimum standard under the directive. The modernization of the CFC rules does not come as a surprise, and has been on the wish list of taxpayers for some time. However, it will be

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.

interesting to see whether the 25% tax rate (the rate under which low taxation exists for purposes of the CFC rules) will be reduced. The introduction of anti-hybrid rules for financing structures has been anticipated since a draft law that proposed anti-hybrid rules in 2014 was not implemented (for prior coverage, see Germany tax alert, 19 December 2014).
URL: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-germany-191214.pdf

The new government's plans for amending the interest deduction limitation rules remain to be seen, and it is unclear whether such changes would be in form of technical amendments, a reduction of the current 30% EBITDA threshold or a response to a case pending before the Constitutional Court (for prior coverage, see *World Tax Advisor*, 26 February 2016). The agreement also does not detail the measures that would be introduced for taxation of the digital economy for multinational companies, and whether these would be aligned with the EU initiative on taxing the digital economy.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160226_ib.html#Germany

The reference in the coalition agreement to possible changes to the RETT rules indicates that the past initiative of the Laender (the German states) has not lost its momentum and remains high on the agenda (*e.g.* the states have been examining ways to lower the threshold that triggers the RETT in share deal transactions and measures to tighten the RETT rules). Whether this would result in a reduction of the current 95% threshold for the transfer of shares in real estate-owning companies and what such a reduced threshold would be should be monitored.

The coalition agreement is a policy document, rather than a draft law, and while taxpayers should not rely on the statements in the agreement, they should take the announcements in the agreement into consideration and closely monitor future developments.

— Andreas Maywald (New York)
Client Service Executive
Deloitte Tax LLP
anmaywald@deloitte.com

India:
Highlights of FY 2018-19 budget for nonresidents

The Indian budget for the 2018-19 financial year (FY) was presented to parliament on 1 February 2018. Highlights of the tax proposals that are relevant to nonresidents include a reduction in the corporate tax rate for certain companies, the introduction of capital gains tax on long-term gains and changes to the definition of a "business connection" to bring it in line with the OECD agency concept (for a discussion of BEPS-related measures in the budget, see the article in this issue). Unless otherwise noted, the changes generally would apply as from 1 April 2018.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180209_bc.html#India

Tax rates

The standard corporate tax rate would be reduced from 30% to 25% (plus the applicable surcharge and cess) for domestic companies whose total turnover or gross receipts during FY 2016-17 did not exceed INR 2.5 billion (approximately USD 40 million). The standard corporate tax rate for foreign companies would remain at 40% (plus the applicable surcharge and cess).

The 3% education cess would be abolished and replaced by a 4% health and education cess. (The cess applies to most types of direct taxes in India, including the corporate income tax, personal income tax and withholding taxes on foreign payments.) This would result in a marginal increase in the effective tax rates (*e.g.* the maximum tax rate on royalties or technical service fees earned by foreign companies would increase from 10.815% to 10.92%).

Capital gains

The tax exemption for long-term capital gains from a sale of listed shares (and equity-oriented mutual funds and units of business trusts) that currently applies under certain conditions would be eliminated, and a tax of 10% (plus the applicable surcharge and cess) would be levied on such gains. However, transition rules would allow long-term capital gains accrued up to 31 January 2018 to remain exempt. Gains up to INR 100,000 also would remain exempt (*e.g.* if

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

the gain is INR 250,000, only INR 150,000 would be taxable). These measures would apply to any sale of such assets on or after 1 April 2018.

In conjunction with this change, an equity-oriented mutual fund would be liable to pay a dividend distribution tax of 10% (plus the applicable surcharge and cess) on profits distributed to its unit holders.

To promote trading in the international financial center ("GIFT City"), a full tax exemption would be provided for capital gains derived by foreign investors from the sale of derivatives, rupee-denominated bonds and global depositary receipts. The aim is to encourage the relocation of trading in offshore markets such as Singapore, and follows a recent announcement that the Singapore stock exchange will permit trading in futures of 50 Indian stocks.

Permanent establishments (PEs)

The definition of a "business connection" under India's domestic law would be expanded and aligned with the scope of an agency PE under the OECD/G20 BEPS project and the multilateral instrument (MLI). A business connection would include a "significant economic presence," which would be defined as:

- One or more transactions in respect of goods, services or property carried out by a nonresident in India (including downloads of data or software in India), if the aggregate payments exceed a prescribed threshold; or
- A systematic and continuous soliciting of an entity's business activities, or interacting with a number of users (as may be prescribed), in India through digital means.

India's existing tax treaties would not be affected by the concept of a significant economic presence, although the government likely will try to have this concept included in future tax treaties.

Minimum alternate tax (MAT)

It would be clarified that the MAT provisions are deemed never to have been applicable to a foreign company earning income that is covered under special provisions of India's tax code (for shipping businesses, the exploration of mineral oils, etc., the operation of aircraft and the business of civil construction, etc. in certain turnkey power projects). (This follows a similar clarification in 2016 that provided that the MAT provisions were deemed never to have been applicable to foreign companies without a PE in India.)

Tax registration

All entities, including foreign entities, and their principal officer (such as a managing director, director, partner, trustee, founder, chief executive officer or other person competent to act on behalf of such entity) would be required to obtain a Permanent Account Number (PAN) from the tax authorities if the entity enters into one or more financial transactions in India in an aggregate amount exceeding INR 250,000 in an FY. This would significantly broaden the scope of the PAN requirement; currently, nonresidents with Indian-source income but without a PE in India are not required to obtain a PAN if they furnish certain prescribed information (for prior coverage, see *World Tax Advisor*, 19 August 2016). Additional clarification is expected on this proposal.
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160819_5.html

Other proposed changes

- The reporting regime for country-by-country (CbC) reports would be amended to improve the effectiveness and reduce the compliance burden (*e.g.* the deadline for submitting CbC reports is proposed to be extended).
- The conversion of stock-in-trade into capital assets would be subject to tax as business income upon the conversion. The fair market value of the inventory on the date of conversion would be deemed to be the value of the consideration received.
- Criminal prosecution proceedings could be initiated against companies (including foreign companies) for failure to file tax returns, even if there is no tax payable (the intent appears to be to bring "shell" and "conduit" companies within the ambit of this provision).
- Various amendments would bring domestic tax law in line with the Income Computation and Disclosure Standards (ICDS) issued in 2017, which prescribe the computation mechanisms for certain items taxable as business income or income from other sources. These appear primarily intended to respond to a High Court

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

order that had struck down some of the standards. The budget proposes amendments to the tax law to implement the provisions of the ICDS struck down by the court.
- The key changes in the indirect tax law would relate to an increase in customs duty on certain products, notably, telephones and telephone accessories and LCD and LED televisions.

— Rajesh Gandhi (Mumbai)
Partner
Deloitte Haskins & Sells LLP
rajegandhi@deloitte.com

Kazakhstan:
CbC reporting, master / local file documentation requirements introduced

On 23 December 2017, Kazakhstan's State Revenue Committee released final regulations that introduce the three-tiered documentation requirement (*i.e.* the master file, local file and CbC report) in accordance with action 13 of the BEPS project (for prior coverage, see *World Tax Advisor*, 8 September 2017).
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170908_bc.html#Kazakhstan

Under the new CbC reporting rules, which apply retroactively as from 1 January 2016, a multinational enterprise (MNE) group that has aggregate annual income (for the fiscal year before the reporting year) of not less than EUR 750 million must file a CbC report.

The following MNE group entities that are included in MNE group consolidated financial statements, or that would be if equity interests in that MNE group business unit were traded on a public securities exchange, are affected by the rules:

- The ultimate parent company of the group that is a resident of Kazakhstan;
- Resident entities that are members of the MNE group and are not a parent entity or constituent entity (subject to certain conditions);
- Kazakhstan residents that are constituent entities; and
- Nonresidents of Kazakhstan that are constituent entities and that operate in Kazakhstan through a permanent establishment.

The master and local file requirements will apply as from 1 January 2019. A master file will have to be prepared if the consolidated revenue of the MNE group (for the fiscal year before the reporting year) is not less than EUR 750 million. Preparation of a local file will be required if the group revenue (for the fiscal year before the reporting year) is not less than EUR 27 million.

In addition, as from 1 January 2018, a qualified local member of the MNE group must notify the Kazakh tax authorities of its participation in a MNE no later than 1 September of the year following the reporting year. The first notification must be submitted by 1 September 2018.

Penalties will apply for failure to submit the transfer pricing documentation or for submitting inaccurate information.

— Anthony Mahon (Almaty)
Partner
Deloitte Kazakhstan
anmahon@deloitte.kz

Yeldos Syzdykov (Almaty)
Director
Deloitte Kazakhstan
ysyzdykov@deloitte.kz

Thailand:
Transfer pricing reporting rules approved

The Thai Cabinet approved rules on 3 January 2018 that would introduce new documentation requirements under the transfer pricing rules. The salient features of the new rules are as follows:

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

- Taxpayers engaged in transactions with related parties will be required to prepare a report describing the relationship between the parties, as well as the value of the intercompany transactions in each accounting period. The report will have to be prepared in a format prescribed by the Director-General of the Revenue Department and submitted to the assessment officer. Companies that derive income less than a threshold amount to be specified in regulations will be exempt from the reporting obligation.
- Tax assessment officers will be permitted to make adjustments to income and expenses in transactions between related entities that are not on arm's length terms.
- The tax assessment officer will be permitted to request additional documentation from a taxpayer to enable the authorities to analyze relevant related party transactions. The additional documentation may be requested within five years from the date the transfer pricing report was submitted.

It is unclear when the proposed rules will be finalized.

— Auyporn Tanlamai (Bangkok)
Senior Advisor
Deloitte Thailand
atanlamai@deloitte.com

Turkey:
Corporate tax rate increased for three years

Amendments to Turkey's tax laws that increase the corporate tax rate for three years and require nonresidents that provide digital services to individuals in Turkey to declare and remit VAT were published in the official gazette on 5 December 2017. The changes, which generally apply as from 1 January 2018, mainly are aimed at increasing tax revenues in response to the growing public deficit in Turkey.

The main provisions of the new rules are discussed below.

Corporate tax rates

The corporate income tax rate for all companies is temporarily increased from 20% to 22% for the 2018, 2019 and 2020 fiscal years, for tax periods that begin on or after 1 January 2018. The rate will revert to 20% in 2021 (unless there is another change). The withholding tax rates remain unchanged.

VAT on digital services

Nonresident companies and individuals that provide digital services (*e.g.* digital music, digital games, e-books, remote e-learning, etc.) via electronic platforms to individuals resident in Turkey are required to register for, declare and pay Turkish VAT on the services at the standard rate of 18%, provided the individual recipient of the services is not VAT-registered in Turkey.

Nonresident digital service providers are required to register for VAT using a specific registration process, and declare and pay VAT on a monthly basis using a separate VAT return designed exclusively for the declaration of VAT on digital services supplied to individuals in Turkey.

Guidance on the VAT registration and filing obligations of nonresident digital service providers, published on 31 January 2018, requires nonresident digital service providers to:

- Register for VAT by completing an electronic form found on the tax authorities' website before commencing the filing of a VAT return;
- Declare the VAT liability on the special VAT return for digital service providers (in Turkish Lira) by the 24th day of the month following the month in which the liability arises; and
- Pay the amount of VAT due by the end of 26th day of such following month (*i.e.* two days after the declaration deadline).

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.

The guidance provides transition rules under which VAT liabilities for January, February and March 2018 may be declared by 24 April 2018. Nonresidents that fail to comply with the new VAT requirements for digital service providers will be subject to the relevant tax penalties in the Tax Procedures Code.

Other changes

- The 75% exemption from corporate income tax for capital gains derived from the sale of immovable property that has been held for at least two years is reduced to 50%. The exemption for capital gains derived from the sale of participations in Turkish companies remains unchanged at 75%.
- The additional tax incentives (*i.e.* the increased "investment contribution rate" and the corporate income tax reduction) that were available in 2017 for certain investments made by companies based on an investment incentive certificate (IIC) are extended through 31 December 2018. Under the incentive, corporate tax is calculated based on reduced rates until the total amount of the reduced corporate tax equals the amount of the contribution to the investment. The increased investment contribution rates vary depending on the type of the IIC and the region in which the investment is made.

— Guler Hulya Yilmaz (Istanbul)
Partner
Deloitte Turkey
hyilmaz@deloitte.com

In brief

Albania: Effective 1 April 2018, the VAT registration threshold for taxpayers (except certain agricultural producers) will drop from ALL 5 million of annual turnover to ALL 2 million of annual turnover. The minimum VAT registration threshold for taxpayers that are subject to the compensation scheme for agricultural producers will remain ALL 5 million. In addition, the general minimum VAT registration threshold is reintroduced as from 21 November 2017 for taxable persons that carry out economic activities in the accommodation industry (previously, such persons were required to register for VAT purposes regardless of the amount of annual turnover).

Belarus: As from 1 January 2018, VAT at 20% applies on digital services (broadly defined) provided by nonresidents to private individuals in Belarus. The obligation to register and account for VAT applies to both nonresident suppliers and nonresident entities acting as agents or intermediaries for nonresident suppliers and that are directly involved in collecting payments from customers in Belarus. Registration is via an online application form that must be submitted before the end of the quarter in which the liability to register for VAT arises (*e.g.* if digital services are provided in Belarus as from 1 January 2018, the registration form must be submitted by 31 March 2018) (for prior coverage, see *World Tax Advisor*, 9 September 2016).
URL: http://newsletters.usdbriefs.com/2016/Tax/WTA/160909_ib.html#Belarus

Demark: Revisions to the "expat scheme," a special tax scheme for foreign researchers and key employees, extend the benefits of the scheme from five to seven years and increase the flat tax rate applicable to such individuals from 26% to 27%. The revised provisions apply from 1 January 2018, *i.e.* for the income year 2018 and subsequent years. No changes are made to the conditions to qualify for the scheme.

European Union: On 6 February 2018, the EU and Norway signed a VAT agreement providing a legal framework for administrative cooperation in relation to combatting fraud and assisting each other in the recovery of VAT claims. The agreement, which follows the same structure used for VAT cooperation between the EU member states and involves the same instruments (*e.g.* electronic platforms and e-forms), is the first agreement signed in this area between the EU and another country. The EU and Norway must approve the agreement in accordance with their respective legal procedures. It will enter into force on the first day of the second month following the date that the parties notify each other of the completion of the relevant procedures.

Hong Kong: The Stamp Duty (Amendment) Ordinance 2018, which increases the *ad valorem* stamp duty (AVD) rate for residential property transactions in Hong Kong to a flat rate of 15% and extends the AVD refund period for cases involving a change in residential property to 12 months, was gazetted on 19 January 2018. The measures apply retroactively as from 5 November 2016 (for prior coverage, see *World Tax Advisor*, 9 June 2017).

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.

URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170609_ib.html#HongKong

Lithuania: As from 1 January 2018, profits derived from the use of intangible assets (*e.g.* copyrighted computer programs or patented inventions) generated through R&D activities are subject to a reduced corporate income tax rate of 5% (rather than the standard 15% rate). A specific method must be used for calculating such profits, and additional requirements apply.

United Kingdom: The government confirmed on 24 January 2018 that it intends to introduce legislation by summer 2019 to establish a public register of beneficial owners of overseas companies that own or buy UK property (commercial or residential real estate), as well as companies that participate in UK government procurement. The purpose of the register, which is expected to go live early in 2021, is to achieve greater transparency around foreign entities that engage in these activities (for prior coverage, see *World Tax Advisor*, 28 April 2017).
URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170428_ib.html#UK

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.

India: On 1 February 2018, the finance minister announced proposals that would amend domestic tax law in respect of agency permanent establishments (PEs), introduce the concept of a digital PE and clarify certain CbC reporting rules. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180209_2.html

Kazakhstan: The State Revenue Committee has released final regulations that introduce three-tiered documentation requirements (*i.e.* the master file, local file and CbC report) in accordance with BEPS action 13. See the article in this issue.
URL: http://newsletters.usdbriefs.com/2018/Tax/WTA/180209_5.html

---

Global tax alerts

No new alerts were issued this period. Be sure to refer to the archives to ensure that you are up to date on the most recent releases.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.

© 2018. For information,
contact Deloitte Touche Tohmatsu Limited.