



## Global InSight

6 December 2013

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### Croatia:

## Changes in income tax reporting and income tax payments deadline from January 1, 2014

### Overview

From January 1, 2014, new income tax reporting form will enter into force called Unique Form for Reporting paid Income, Assessed Tax, Surtax, and Social Security Contributions Liability (JOPPD).

The form will be used for reporting the following types of income:

- Employment income,
- Income from capital,
- Insurance income,
- Other income,
- Nontaxable income, and
- Payments not deemed to be an income, such as child allowance and similar

Special attention should be taken with respect to the following:

- Deadline for filing the new reporting form is the same day on which the payment is made or the following day at the latest.
- Deadline for filing the form, when it comes to reporting of the income received from abroad and tax assessed on the same income, is within eight days from receiving the income.
- All payments made from the income payer to physical persons has to be reported on the new form, including nontaxable payments (such as daily allowances, business trip incurred expenses, social welfare, etc.), which was not the case until now.
- Form will be linked with the tax number of physical person, which will allow tax authority to follow income received by the physical person during the calendar year.

### Deloitte comments

It is expected that implementation of the new form will enhance collection of taxes and contributions and enable better oversight of accuracy of calculations of contributions, personal income tax, and surtax.

Tax authority will have ad hoc insight into nontaxable payments and into payments not deemed to be income. Ultimate intention of the new reporting unique form is to collect information on income received by the taxpayer (physical person) during the calendar year in order for the individual to be able to self-assess annual tax liability without need for annual tax return filing. This is expected to be achieved no earlier than in few years' time.

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## European Union: Deloitte 2013-2014 Comparative Immigration Study

On 19 November 2013, Deloitte announced the results of its 2013-2014 Comparative Immigration Study, conducted by Deloitte Belgium in cooperation with over 20 other Deloitte member firms throughout Europe. The survey summarizes the main and most notable trends and differences in the employment of third-country nationals in 26 countries all over Europe.

The objective of this survey is to compare the immigration schemes for highly skilled foreigners in the different nations of the European Union (EU). Whereas the European Council has set the objective of becoming the most competitive and dynamic knowledge-based economy in the world, it seems the EU is struggling to come up with a harmonized immigration strategy.

The results show that Belgium is one of the most attractive countries for highly skilled foreigners thanks to the speed, low cost, and accessible conditions for obtaining a work permit. Along with the Scandinavian countries, Belgium is in the leading group of nations pursuing an efficient and accessible policy.

### Background

In 2007, the European Commission adopted two proposals. The first establishes the EU Blue Card Directive, for the purpose of admitting highly educated immigrants to the EU. The second, the Single Permit Directive, is a directive to simplify immigration procedures by funneling applicants into a single application procedure.

A third directive on intra-corporate transferees is yet to be adopted, but together with the Single Permit and the Blue Card, it will make Europe more economically competitive to tackle the current trend of workers emigrating to traditional immigration countries like the United States, Australia, and Canada. So far, the Blue Card has been implemented only in the legislation of EU member states, and it will still take many years before the EU has a truly unified immigration strategy.

In this context, and in view of the shortage of highly skilled people on the European labor market, individual EU member states seem to have begun a battle for brainpower. They are trying to attract as many third-country professionals as possible by adapting their immigration rules that apply to highly skilled workers and high-net worth individuals. It is, therefore, still relevant to look at the immigration schemes of different countries to see how they adapt in economically turbulent times, while slowly conforming to European standards.

Find out more about the 2013-2014 Comparative Immigration Study and download the full report.

**URL:** [http://www.deloitte.com/view/en\\_BE/be/services/tax/tax-news-and-publications/a0843b1db8f62410VgnVCM3000003456f70aRCRD.htm?id=us:m:na:gis:eng:tax:120613](http://www.deloitte.com/view/en_BE/be/services/tax/tax-news-and-publications/a0843b1db8f62410VgnVCM3000003456f70aRCRD.htm?id=us:m:na:gis:eng:tax:120613)

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## **Global Rewards Updates: India: Recent tribunal decisions relating to stock options**

### **Background**

This update provides a summary of two cases regarding the tax treatment of stock options.

The first case considered whether income arising on the exercise of stock options should be taxed under employment income for a non-employee consultant.

The second case considered the deductibility of a recharge for the costs of a stock option plan.

### **Independent consultants to be regarded as employees**

A recent case considered the position of an independent consultant receiving stock options in a US company. The tribunal in this specific case has ruled that the consultant will be treated the same as an employee.

This means that the income arising on exercise of stock options will be taxed as employment income in line with the treatment of permanent employees. Income tax withholding is required.

Capital gains tax will also be due on future sale of the shares.

### **Deductibility of a recharge for the costs of a stock option plan**

The employees of the Indian subsidiary were granted stock options under a plan operated by the Danish Holding company.

The difference between the purchase price paid by employees and average market price of the shares was recharged by the Danish holding company to the Indian employer. The issue in question was whether the recharged cost was deductible as revenue expense for the Indian company.

The Bangalore Tribunal ruled that the expenditure in question was wholly and exclusively for the purposes of the business of the Indian employer company and should be allowed as deduction as a revenue expenditure.

### **Action**

The definition of 'employee' was in this case widened to include consultants in relation to the tax treatment of stock options. Consideration should be given to whether this would be applicable to other consultants engaged by companies who receive stock options.

This Bangalore Tribunal decision supports the previous understanding on the deductibility of recharged expenses. It strengthens the position for deduction of stock option expenses recharged by the parent company to its Indian subsidiary.

Companies should consider whether they are recharging equity plan costs to Indian subsidiaries and whether they are claiming a deduction.

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#### **Have a question?**

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