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In this issue:

Chile expands scope of foreign tax credit and mandates electronic billing

Law 20.727, published in the official gazette on 31 January 2014, modifies Chile's foreign tax credit rules and makes electronic billing mandatory.

Foreign tax credit rules

The changes to the foreign tax credit rules aim to reduce double taxation in cross-border transactions and thereby improve Chile's competitiveness. The new law makes three important modifications to the unilateral and bilateral foreign tax credit rules that allow a Chilean taxpayer to credit foreign tax paid against the taxpayer's Chilean income tax liability:

- The foreign taxes paid that can give rise to a credit are expanded;
- The amount of foreign tax paid or withheld that can be used as a credit is increased; and
- Unused foreign tax credits now may be carried forward indefinitely.

The new rules apply to income received (or accrued, in the case of branches of foreign companies) as from 1 January 2014. However, if foreign tax on the income was paid before that date, the corresponding foreign tax credit will be governed by the rules in effect at that time.

In general, the availability of a foreign tax credit depends on the type of foreign income and on whether Chile has concluded a tax treaty with the source country. Additionally, the Chilean taxpayer must have registered the investment (if any) that generated the foreign-source income in the outbound investment registry maintained by the Chilean tax authorities.

Income eligible for foreign tax credit – As noted above, the allowable foreign tax credit depends on the type of foreign income and on whether the source country has a tax treaty with Chile. Chile currently has concluded treaties with 25 countries (Australia, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Korea (ROK), Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Thailand and the UK).

For income derived from tax treaty countries, a foreign tax credit is available for all types of income (i.e. dividends, branch income, royalties, interest, capital gains, remuneration of dependent or independent services, etc.). Tax paid or withheld on such income is creditable against both the corporate income tax and against final taxes levied on individuals or nonresident shareholders.

Where income arises in a country that has not concluded a treaty with Chile, a foreign tax credit is available only for three types of income: (1) dividends and profit distributions received by a Chilean taxpayer; (2) profits from a foreign branch or permanent establishment; and (3) royalties and fees for technical assistance received or remitted to the Chilean taxpayer. Other types of income earned in nontreaty countries (e.g. interest, capital gains) do not give rise to a foreign tax credit. In the case of income from branches, absent a treaty, only the income tax applicable to the branch profits – not the withholding tax applied to profits remitted from the branch – can give rise to a foreign tax credit. Both taxes are creditable if the branch is established in a treaty country.

Regardless of whether income is from a treaty country or a nontreaty country, a foreign tax credit may be granted for withholding tax, as well as for the underlying corporate income tax paid by a foreign subsidiary on dividends or profits distributed to Chile. However, if the foreign entity is established in a nontreaty country, the underlying corporate income tax may be credited only if the withholding tax applied abroad was nil or lower than the Chilean corporate income tax rate (currently 20%).

Previously, the corporate income tax paid by a second-tier subsidiary was creditable, provided both foreign entities were resident in the same jurisdiction and the foreign entity distributing the dividends to a Chilean entity held at least 10% of the capital of the lower-tier subsidiary. The amended rules eliminate the second-tier limitation and extend the benefit of the credit to income tax paid by all lower-tier companies in the same country (the 10% participation requirement remains unchanged).

Amount of foreign tax credit – The foreign tax credit generally is limited to the lesser of the foreign tax effectively paid or a percentage of the foreign-source income grossed up with the available foreign tax credits. Previously, the foreign tax credit was capped at 30% tax on all types of income from treaty countries. For nontreaty countries, the foreign tax credit was capped as follows:

- 30% tax on dividends and profit distributions;
- 20% tax on profits accrued from branches or permanent establishments abroad; and
- 20% tax on royalty income.

In addition, in all cases, the aggregate foreign tax credits available to a taxpayer could not exceed an overall cap of 30% of the taxpayer’s net foreign source income for the year.

The new provisions increase the amount of foreign tax paid that can be used as a credit as follows:

- For income from nontreaty countries, the percentage applicable to dividends and profits distributions received from abroad and the overall percentage cap both are increased from 30% to 32%; and
- For income from tax treaty countries, the percentage applicable to all types of income and the overall percentage cap both are increased from 30% to 35%, on the condition that the Chilean taxpayer’s shareholders are resident in Chile or in a treaty country.

Foreign tax credit carryforward – Under the previous rules introduced in 2007, the Chilean tax authorities had taken the position that unused foreign tax credits could not be carried forward and thus were forfeited, except where expressly provided otherwise by the then-prevailing legal provisions. A specific carryforward provision existed only for branch income and royalties, which precluded the carryforward of a foreign tax credit related to profit distributions.

The new law allows foreign tax credits associated with all types of income to be carried forward indefinitely. If a portion of the foreign tax creditable against corporate income tax is not used in the year the income is received or accrued (because the taxpayer is in a tax loss position or for any other reason), the balance may be carried forward indefinitely and used to offset the corporate income tax liability in subsequent years. Only the balance of the portion of foreign taxes creditable against the corporate income tax may be carried forward; any portion creditable against final taxes levied on individuals or nonresident shareholders of a Chilean company still will be forfeited in the event of a tax loss.

Mandatory electronic billing

Optional electronic billing was introduced in Chile several years ago. Law 20.727 generally makes the electronic issuance of certain documents mandatory; however, taxpayers in geographical areas without internet or electricity coverage may be authorized by the tax authorities to continue issuing paper invoices.

Under the new law, the following documents must be issued electronically:

- Invoices;
- Purchase invoices;
- Consignment invoices; and
- Debit and credit notes.

Taxpayers can choose to continue issuing transport bills (which must accompany any transport of tangible goods), receipts issued in retail sales to end consumers and certain fee notes in paper form.

For taxpayers using paper receipts, the receipts generated in electronically paid transactions will be considered receipts for tax purposes.

A free electronic billing platform will be available on the tax authorities' website, on which certain taxpayers, including taxpayers with little activity and small businesses, can issue and receive invoices.

The due date for the implementation of electronic billing depends on a taxpayer's location and volume of sales, and ranges from 1 November 2014 (for all taxpayers with annual sales of over USD 4,160,000) to 1 February 2017 (for rural taxpayers with annual sales of under USD 100,000).

Considering that the process of implementing electronic billing, including selection of an appropriate technological solution, certification by the Chilean tax authorities and integration with the existing corporate information technology systems typically takes several months, the 1 November deadline may be challenging for taxpayers.

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Bahamas:
Proposed VAT bill and regulations issued

The Bahamas Ministry of Finance released a draft value added tax (VAT) bill, draft regulations and a summary and explanation of the draft legislation on 30 November 2013. The releases were intended to inform and educate the public about the proposed regulations and to encourage feedback from the Bahamian business community.

The proposed introduction of VAT is a result of an attempt to reform the Bahamas' tax system to increase revenue in a sustainable and responsible manner, with a view to reducing recurring fiscal deficits. The Bahamas currently does not impose income, capital gains or sales taxes; instead, its tax structure relies heavily on customs duties. The implementation of VAT is one measure in a comprehensive tax reform strategy that aims to increase revenue by broadening the tax base and, at the same time, lessening dependence on customs duties. The government has stated that select customs duties on goods would be decreased once VAT is implemented.

Under the proposed bill, VAT would apply on the supply of goods and services, and on imports (with certain exceptions) at a standard rate of 15% (10% for hotel accommodations and food and beverages sold within hotels, which would replace the existing hotel tax imposed at the same rate). Exports generally would be zero-rated, with no VAT payable. While the implementation of VAT is expected to be offset by lower customs duties for imported goods, no similar relief would apply for the tax that would be imposed on domestic services. This change likely would increase the costs related to various services within the local economy.

Certain goods and services would be exempt from VAT. The draft bill details these items, which include selected food items (e.g. meats, grains, fruits and vegetables and baby food); electric and water utilities (within a threshold); insurance services; medical services; real estate sales transactions; and gaming/gambling, among other transactions.

Businesses carrying out a taxable activity in the Bahamas with sales exceeding a prescribed threshold (in most cases, BSD 100,000) would be required to register for VAT purposes. Businesses also would be permitted to register voluntarily. VAT registrants would be required to submit a VAT return after the end of each tax period (expected to be monthly). The VAT return would include necessary details to calculate the tax payable for the period.

If adopted, VAT would be implemented on 1 July 2014, with the first reporting due no later than 21 business days after the implementation date.

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Bosnia and Herzegovina:
New corporate tax law under review

A new corporate income tax law is expected to be enacted in the Federation of Bosnia and Herzegovina by the end of 2014 and likely will apply as from January 2015. The most important measures in the law from an international perspective are:

- Interest income on deposits would be subject to a 10% withholding tax.
- Existing tax incentives (related to export and investment in production) would be abolished.
- The transfer pricing rules would be amended to include all five transfer pricing methods prescribed by the OECD transfer pricing guidelines. Transfer pricing documentation would be required for a taxpayer to be able to recognize tax losses in a tax balance sheet; otherwise, expenses incurred in related party transactions would be nondeductible. Penalties would apply for failure to maintain the required documentation.
- Thin capitalization rules would be introduced.
- The definition of a permanent establishment would be amended to comport with the wording of article 5 of the OECD model treaty.

The draft of the law still must be approved by parliament and, therefore, may be further amended.

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China:
New guidance eases exchange controls in Shanghai Pilot FTZ

The Shanghai head office of the People's Bank of China (PBOC) and the Shanghai Branch of the State Administration of Foreign Exchange (SAFE) have issued guidance aimed at promoting the cross-border use of renminbi (RMB) and further relaxing exchange controls for qualified entities in the China (Shanghai) Pilot Free Trade Zone (Pilot FTZ). The Pilot FTZ, launched on 29 September 2013, aims at promoting the use of RMB at an international level; the FTZ generally is viewed as a trial initiative for further broadening the scope of foreign investment, international trade and financing activities.

PBOC notice

The key points of the PBOC notice are as follows:

RMB cash pooling –

- Two-way cross-border RMB cash pooling is allowed for a multinational group that has established an operating entity in the Pilot FTZ.
- To apply for the cash-pooling scheme, a group must designate an operating entity in the Pilot FTZ to open a dedicated RMB account; the funds in this account must be accounted for separately.
- The RMB funds to be pooled are limited to cash flows generated from participants' operating and industrial investment activities; cash flows generated from financing activities cannot be pooled.

Centralized RMB receipt/payment –

- An operating entity in the Pilot FTZ may receive and pay current account payments of cross-border RMB on a centralized basis, on behalf of its domestic and foreign related parties.
- Related parties allowed in the scheme may include an entity's group members, and nongroup members that are part of the supply chain and that have a close business relationship with the group.
- To apply for the centralized RMB receipt/payment scheme, a group must designate an operating entity in the Pilot FTZ to open a dedicated RMB account.

RMB borrowing from overseas –

- The balance of RMB borrowing from overseas by an entity in the Pilot FTZ cannot exceed the ceiling amount, which is calculated as follows:
  - For most entities, the ceiling amount is the paid-in capital of the entity multiplied by the policy parameter; and
  - For nonbanking financial entities, the ceiling amount is the paid-in capital of the entity multiplied by 1.5, multiplied by the policy parameter.
- An RMB borrowing from overseas refers to loans with a term of more than one year. Cross-border trade credits and cash pooling will not be considered RMB borrowings for this purpose.
- An RMB borrowing from overseas by an entity in the Pilot FTZ can be used only for projects located in the FTZ or overseas; it cannot be used to invest in securities (including asset management products), derivatives or entrusted loans.

Cross-border RMB settlement –

- Banks in Shanghai generally may process cross-border RMB settlement under a current account or for direct investment purposes for entities or individuals in the Pilot FTZ solely through the receipt/payment instructions; however, a bank has discretion to design and implement control procedures based on the KKD principles (i.e. "Know your customer," "Know your business" and "Due diligence") to ensure a settlement request is based on a valid transaction or valid business needs.
- For inbound investment projects on the "negative list" (i.e. fields in which foreign investment is restricted), relevant government approvals must be submitted to the bank to process the RMB settlement for direct investment purposes.
- An individual working in the Pilot FTZ may open an RMB bank account for cross-border RMB settlement purposes; for a foreign individual, a residence permit with a valid period of at least one year must be submitted to open such an account.

Cross-border use of RMB in trading services – The China Foreign Exchange Trade System and the Shanghai Gold Exchange will provide RMB-quoted/denominated financial assets and precious metal trading/settlement services in the Pilot FTZ for traders in the FTZ and overseas.

SAFE regulations

The key points of the SAFE regulations are as follows:

- For an entity registered in the Pilot FTZ, foreign exchange registration formalities in respect of direct investments can be addressed by banks, rather than by the SAFE.
- Banks can simplify existing documentation requirements and review procedures in respect of current account foreign exchange receipt and payments, and sales and purchases of foreign currency, based on the KKD principles.
- Unlike the rules applicable outside the Pilot FTZ, a foreign-invested enterprise registered within the zone can freely convert foreign currency relating to capital account amounts into RMB. Such RMB amounts, however, must be retained in the designated RMB account. Transfers out of that RMB account into another RMB account are allowed only with respect to "substantiated" business needs.
- For an entity registered in the Pilot FTZ, the general ceiling in respect of offshore loans that are denominated in foreign currency is raised to 50% of the entity's total shareholders' equity (previously 30%).
- The prior approval process for providing guarantees to offshore parties and payments of guarantee fees to guarantors offshore is abolished.
- A registration requirement replaces the SAFE approval requirement in respect of a qualified finance leasing company's foreign currency receivables from its "foreign lease" business, and lease payments from domestic lessees in foreign currency are allowed in certain situations.

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India:
Corporate social responsibility requirements issued

India's New Companies Act 2013 (which is only partly in force) introduced specific provisions relating to corporate social responsibility (CSR) for companies. The relevant regulations and rules relating to CSR were issued on 27 February 2014 and will apply as from 1 April 2014 (for the financial year beginning on or after that date) to all types of companies, including holding and subsidiary companies and branches or project offices of foreign companies. The rules will apply to companies that meet any of the following criteria: net worth of INR 5 billion or more; turnover of INR 10 billion or more; or net profit (as defined by the rules) of INR 50 million or more.

A company initially required to comply with the CSR rules that later ceases to meet any of the applicable criteria for three consecutive financial years no longer is required to comply with the CSR provisions, unless it meets the applicable criteria again in the future.

A company required to comply with the CSR provisions must accomplish the following through board processes:

- Formulate a CSR policy to carry out certain qualifying activities in India, which cannot include activities undertaken in the normal course of business;
- Spend a minimum of 2% of its average net profits for the three immediately preceding financial years on qualifying CSR activities in each financial year, in the manner specified in the CSR policy; and
- Monitor adherence to the CSR policy.

Approved CSR activities can be implemented through a registered trust; a registered society; or a for-profit or not-for-profit company established by the company or its holding, subsidiary or associate company. Any entity not established by the company (or its holding, subsidiary or associate company) must have an established track record of at least three years in undertaking similar programs or projects.

A company required to comply with the CSR rules must include an annual report on CSR that contains specified information in its board's report for financial years beginning on or after 1 April 2014. Foreign companies operating in India must include specified CSR information with the balance sheet filed with the Registrar of Companies.

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Japan:
Earnings stripping rules now effective

Japan's new earnings stripping rules are applicable for fiscal years beginning on or after 1 April 2013; for entities with a December year end, the year commencing 1 January 2014 will be the first in which the rules apply. Inbound investors that use related party debt to fund their Japanese operations or investments should be aware that there now is an additional rule that should be considered when calculating deductible interest expense.

The earnings stripping rules form part of a three-pronged approach by the Japanese tax authorities to limit the erosion of a Japanese company's tax base through the payment of "excessive interest" on debt from related parties. Excessive interest is determined relative to:

- Rates – Transfer pricing rules limit deductions where interest rates exceed an arm's length amount;
- Equity – Thin capitalization rules limit interest deductions for highly leveraged companies; and
- Income – Earnings stripping rules limit deductions for companies that do not generate sufficient income.

If both the thin capitalization rules and the earnings stripping rules result in disallowed interest, the rule that denies the higher amount of interest in that year applies. In practice, this means that both rules must be considered on an annual basis to determine which should apply.

The thin capitalization and earnings stripping rules may limit the deductibility of interest paid to foreign related parties and specified third parties. The main differences between the two sets of rules include the following:

- The thin capitalization limitation on interest is balance-sheet based (generally, interest expense on debt exceeding three times equity), while the earnings stripping limitation is based on a company's profit and loss statement (generally, "net related party interest expense" exceeding 50% of adjusted income).
- The earnings stripping rules permit disallowed interest to be carried forward for seven years, while the deduction for excess interest is disallowed on a permanent basis under the thin capitalization rules.
- A de minimis exception is available under the earnings stripping rules, but not under the thin capitalization rules.

Other key considerations related to the earnings stripping rules include the following:

- The rules cover the deductibility of interest and interest equivalents (discounts on notes, the interest portion of certain leases, guarantee fees, etc.), but exclude interest that is subject to corporation tax or income tax in Japan.
- Where a taxpayer files a consolidated return, the rules apply on a consolidated basis.
- Under the 2014 tax reform proposals, interest expense between a Japanese branch and its foreign head office would be considered related party interest expense.

Japan's earnings stripping rules may be a potential trap for unwary taxpayers, as these rules may restrict an interest deduction that is not limited under the thin capitalization rules. For example, interest paid by a Japanese holding company (with no other business operations) on shareholder debt could be restricted under the earnings stripping rules, even where the debt-to-equity ratio of the Japanese holding company is within the 3:1 limit.

Additionally, an interest expense restriction under the earnings stripping rules may be more difficult to mitigate than a restriction under the thin capitalization rules. This is because a potential disallowance under the earnings stripping regime is dependent upon many variables, such as taxable income for the year, which may include factors that the taxpayer cannot control. It may be beneficial to conduct periodic projected earnings stripping calculations during the year to monitor an entity's position.

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Luxembourg:
Impatriate tax regime extended to EEA companies

Luxembourg's tax authorities issued a circular on 27 January 2014 that retroactively extends the scope of the tax regime for "impatriates" (employees that are part of an international group and that are seconded to a Luxembourg company of the group) to apply to EEA companies as from 1 January 2014). The new circular also includes other minor modifications to extend the scope of the regime.

Employees working in Luxembourg for the benefit of companies established in other EEA-member countries now are eligible for the regime, which provides tax exemptions on benefits that employers typically provide to impatriates (e.g. for relocation, housing, cost of living allowances, school fees); previously, only employees of Luxembourg companies were eligible for the regime.

If an EEA-resident employer is not required to withhold wage tax on salaries and does not opt to do so on a voluntary basis, its impatriate employees are required to file Luxembourg income tax returns.

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Mexico:
No changes to tax regime until 2018

A special commission announced on 27 February 2014 that the Mexican federal government has committed not to propose any additional changes to the legal framework of the tax system until 30 November 2018. A "tax certainty agreement" – the first of its kind in the country – was signed by all branches and offices that are part of the federal government.

The agreement responds to concerns expressed by the general public, as well as the business community, on the importance of having an agreement of this nature to increase economic certainty in Mexico, and it demonstrates the government's commitment to ensuring a stable business environment.

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New Zealand:
GST refunds allowed for nonresidents

A special goods and services tax (GST) registration regime for nonresidents enters into effect on 1 April 2014, which will enable nonresident businesses that do not make taxable supplies in New Zealand to claim GST incurred on goods and services acquired in New Zealand.

In summary, a nonresident business will be able to register with the Inland Revenue Department under the special GST registration regime if:

- The nonresident is not carrying on and does not intend to carry on taxable activity in New Zealand;
- The nonresident is registered for consumption tax in its own jurisdiction, or, if its jurisdiction does not have a consumption tax, the nonresident is carrying on a taxable activity that would render it liable to register for GST in New Zealand if the taxable activity was carried out in New Zealand;
- The amount of the nonresident's input tax in the first period is likely to be more than NZD 500; and
- The nonresident's taxable activity does not involve the performance of services that are likely to be received in New Zealand by a person that is not registered for GST.

Some practical points to consider regarding the special GST registration regime include the following:

- Registration must be completed via a paper form that will be available on Inland Revenue's website as from 1 April 2014. Additional documents, such as passport photos, business numbers and bank account statements, also will need to be submitted as part of the registration process.
- The first GST return (which also needs to be completed via a paper form) must be submitted along with the paper registration form.
- Businesses registered under the regime will have a special code added to their Inland Revenue records so that no correspondence will be sent to them regarding other types of tax.
- Physical copies of tax invoices must be provided when the first GST return is submitted, and Inland Revenue is expected to carry out strict review processes before authorizing a refund.
- When Inland Revenue receives a GST return, it will have 90 business days to issue a refund or request further information.
- After Inland Revenue has accepted a business's first GST return, the business will be able to register for myIR (Inland Revenue's online system) and file subsequent GST returns online.
- Businesses can be registered on a one, two or six-month filing basis; once registered, they must file all required GST returns, including "nil" GST returns, or risk being deregistered.
- If a business is deregistered, it will not be able to re-register for GST for another five years.

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United States:
FY 2015 budget proposal released

President Obama released a fiscal year 2015 budget blueprint on 4 March 2014 that includes tax increases primarily targeting multinational corporations and high-income individuals, to pay for lower- and middle-class tax relief, increased spending on transportation infrastructure and deficit reduction.

Highlights of individual and corporate provisions

The tax section of the president's budget renews a number of provisions from his previous annual submissions and includes some notable new revenue raisers. (For additional coverage focusing on the new international tax revenue raisers, see the alert dated 5 March 2014.) The new provisions would:
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-unitedstates-05032014.pdf?id=us:em:na:wta:eng:tax:031414

- Restrict deductions for what is defined as "excessive interest" of members of financial reporting groups;
- Create a new category of "subpart F" income (certain income of controlled foreign corporations) for transactions involving digital goods or services;
- Prevent avoidance of foreign base company sales income through manufacturing services arrangements;
- Restrict the use of hybrid arrangements that create "stateless" income;

- Limit subpart F exceptions for transactions that use hybrids to create stateless income;
- Further limit the ability of domestic entities to expatriate, including restrictions on foreign corporations "managed and controlled" in the United States;
- Conform the treatment of self-employment taxes for individual owners of certain professional service businesses;
- Conform corporate ownership standards; and
- Prevent elimination of earnings and profits through distributions of certain stock.

Key revenue provisions carried over from previous years would:

- Require households with incomes over USD 1 million to pay at least 30% of their income (after charitable giving) in taxes;
- Cap the value of itemized deductions and certain income exclusions for high-income individual taxpayers at 28%;
- Tighten the international tax rules, including provisions to defer deductions of interest expense related to deferred income of foreign subsidiaries, determine foreign tax credits on a pooling basis, tax currently excess returns associated with transfers of intangibles offshore, curtail the use of leveraged distributions to avoid dividend treatment and limit shifting of income through intangible property transfers;
- Impose a financial crisis responsibility fee on certain large financial institutions;
- Tax income from "carried interests" at ordinary rates;
- Repeal the nonqualified preferred stock designation, and eliminate the "boot-within-gain" limitation;
- Repeal certain longstanding deductions and credits for oil and gas companies; and
- Slow the depreciation schedule for corporate jets.

The budget also includes some new incentives proposals, including a proposal to increase the limitations for deductible new business expenditures and consolidate provisions for start-up and organizational expenditures. A variety of proposals carried over from previous budget packages would provide incentives for job creation, clean energy and manufacturing; investment in infrastructure; and individual retirement savings.

The budget package does not explicitly address many of the 55 temporary tax deductions, credits and exclusions that expired at the end of 2013; however, it does include provisions that would renew or make permanent a number of these tax "extenders." Most notably, the budget proposal would:

- Expand and permanently extend the research and experimentation credit;
- Modify and permanently extend the renewable energy production tax credit;
- Modify and permanently extend the New Markets Tax Credit and the Work Opportunity Tax credit;
- Modify and extend the tax credit for the construction of energy-efficient new homes;
- Permanently extend certain small-business expensing and investment limitations at their 2013 levels;
- Modify and extend the tax credit for cellulosic biofuels;
- Enhance and make permanent (with modifications) the deduction for contributions of conservation easements; and
- Extend the exclusion from income for cancellation of certain home mortgage debt.

Comments

As with prior budgets, the president affirms his support for revenue-neutral business tax reform and calls for several revenue raisers in the package to be used to offset the cost of that reform, including a cut in the current 35% corporate tax rate. However, the budget lacks many specific details: for example, there is no explicit proposal to reduce the corporate tax rate.

Also following the pattern of prior budgets, the administration does not lay out a path for overhauling the individual income tax rules, other than by calling on Congress to "immediately begin work on individual and business tax reform."

The administration's annual budgeting submission often is received in Congress with little fanfare or call for action. This year's budget is unlikely to be an exception.

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In brief

European Union – The European Parliament has voted to support the European Commission's proposal to introduce a "standard" VAT return to be used in all EU member states. The proposal is intended to reduce burdens on businesses operating in several jurisdictions by introducing a common format for the VAT returns in each country in which they operate. While the concept, and the Parliament's support for it, will be widely welcomed, the conflicting requirements of countries that rely on VAT returns to collect a wide range of data and those that currently use very short forms and do not wish to impose additional burdens on businesses likely will pose difficulties that will need to be overcome before the proposal is finally adopted. The Commission still hopes to reach a conclusion and adopt the new form of return by the end of 2014.

Jamaica – As from 1 March 2014, large taxpayers (i.e. those with turnover exceeding JMD 500 million), employers with more than 20 employees and persons requesting a general consumption tax refund are required to file electronic tax returns. E-filing is to be implemented in phases.

Sweden – The Ministry of Finance has announced a proposal to abolish the Swedish VAT grouping rules, possibly as early as 1 January 2015. Businesses that currently are in a VAT group in Sweden should analyze the effect and potential costs of this proposal.

Taiwan – In an effort to reduce the deficit, the government may propose an increase in the personal income tax rate on "high earners" from 40% to 45%, and an increase in the business tax rate applying to financial institutions from 2% to 5%.

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European Union
AG Kokott opines Netherlands fiscal unity regime incompatible with EU law
AG Kokott of the Court of Justice of the European Union issued an opinion on 27 February 2014, recommending that the CJEU declare the fiscal unity regime in the Netherlands Corporate Income Tax Act incompatible with the freedom of establishment principle in the Treaty on the Functioning of the European Union.
[Issue date: 28 February 2014]
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-europeanunion-280214.pdf?id=us:em:na:wta:eng:tax:031414

United States
The International Tax Provisions of the Tax Reform Act of 2014
On 26 February 2014, Ways and Means Committee Chairman Dave Camp (R-MI) released a discussion draft of a proposed comprehensive overhaul of the Internal Revenue Code, including its international tax rules. The international tax provisions of the 2014 Draft generally follow the territorial regime discussion draft that Chairman Camp released in October 2011, but

with significant changes. This alert provides a brief overview of the international tax provisions of the 2014 Draft, as well as their similarities to, and differences from, the 2011 Draft.
[Issue date: 28 February 2014]
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-unitedstates-280214.pdf?id=us:em:na:wta:eng:tax:031414

Administration proposes six new international tax revenue raisers in its proposed FY2015 budget

On 4 March 2014, the Obama Administration released its FY2015 Budget and the Treasury Department released the General Explanations of the Administration's Fiscal Year 2015 Revenue Proposals (the Greenbook). In addition to 10 international tax proposals carried over from the FY2014 Budget, the new budget includes six new proposals raising over USD 100 billion that would tighten the subpart F, thin capitalization and anti-inversion rules.
[Issue date: 5 March 2014]
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-unitedstates-05032014.pdf?id=us:em:na:wta:eng:tax:031414

Treasury issues Notice 2014-14 revising effective date for imposition of gross tax on certain equity linked instruments under Section 871(m)

In response to industry comments on proposed regulation §1.871-15, Treasury and the Internal Revenue Service have issued Notice 2014-14, effective 4 March 2014, to push back the effective date for specified Equity Linked Instruments to which Dividend Equivalent Amount treatment and gross basis tax may be imposed under IRC section 871(m).
[Issue date: 5 March 2014]
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-united-states-05032014-2.pdf?id=us:em:na:wta:eng:tax:031414

Have a question?
If you have needs specifically related to this newsletter's content, send us an email at **clientsandmarketsdeloittetax@deloitte.com** to have a Deloitte Tax professional contact you.