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Global Indirect Tax News

Indirect tax updates from around the world

October 2013

Welcome to the October 2013 edition of GITN, containing updates from the Americas, Asia Pacific, and EMEA regions.

Features of this edition include the introduction of GST in Malaysia on 1 April 2015, an increase in the Japanese Consumption Tax on 1 April 2014, a new VAT Act in Kenya, and further news on the upcoming Polish VAT changes on 1 January 2014.

If you have any queries or comments about the GITN, I would be delighted to hear from you.

David Raistrick
Global Indirect Tax Leader

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Americas

Colombia

Government considering extension of industry and commerce tax

The government is considering whether to extend the application of the industry and commerce tax (ICA) to all companies that undertake business in the oil sector.

VAT on air transportation must be refunded if service is not provided

VAT applies to the air transportation of passengers. The Colombian tax authorities have recently clarified that if these services are not provided, VAT does not apply, and the VAT paid by customers must be refunded to them.

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China

National implementation rule on VAT exemption for cross-border services under VAT reform announced

Under the VAT reform pilot program, from January 2012, the provision of certain cross-border services is eligible for VAT exemption (see the January 2013 edition of this newsletter for details on the VAT reform and the VAT exemption). However, in the absence of a national implementation rule, it was impossible in some locations to file for an exemption, and thus VAT had to be charged.

Accordingly, on 18 September 2013, the State Administration of Taxation issued the long-awaited national implementation guidance, Bulletin [2013] No. 52, which applies retroactively as from 1 August 2013 (and can also apply to qualifying services before that date and for which the VAT exemption has not yet been applied).

Bulletin 52 introduces some new requirements for a cross-border service to benefit from the VAT exemption:

- The service provider must enter into a written contract with the service recipient;
- If the service was provided to overseas entities, all service fees must be collected from overseas; and
- Taxpayers must file for the VAT exemption with the tax authorities, by submitting the required documents, including the application form, contract, and documents showing that the services and the service recipient are outside China (if applicable).

Bulletin 52 also clarifies the detailed scope of some cross-border services which should be VAT exempt. In particular, according to a previous VAT reform rule bulletin (Bulletin 37), the VAT exemption will not be available if the certification/ attestation/ consulting services provided to overseas entities are related to goods in China; Bulletin 52 further clarifies that this test should refer to the physical location of the goods when the services were provided.

Some issues remain unresolved under Bulletin 52, e.g., whether VAT exempt treatment will apply when the service recipient is located outside China while the service beneficiary is located within China.

In light of the above, companies that have not been able to benefit from VAT exemption for cross-border services should proactively communicate with the tax authorities, to complete the required filing procedure to claim any overpaid VAT.

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India

Supreme Court holds that sale of flats is subject to VAT

The Larger Bench of the Supreme Court of India has held that if an agreement to sell immovable property is entered into prior to construction, the agreement is a “works contract” and the sale is liable to VAT, which is levied on work contracts.

It was contended by the developer/promoter that the construction of a flat was undertaken by them on their own behalf, and not on the behalf of the flat purchaser, and that the transaction was therefore the sale of the flat, and not the construction of the flat. If that were the case, the transaction would not be subject to VAT.

The Supreme Court, upholding its earlier decision in the case of *K. Raheja Development Corporation*, observed that the agreement between the developer/promoter and the purchaser was to construct and eventually sell a flat. Such a transaction involves the activity of construction inasmuch as the flat can only be conveyed when it has been constructed. The ultimate transaction between the parties may be the sale of the flat, but it cannot be said that the characteristics of a works contract (namely the construction) are not involved in that transaction.

The court also clarified that the activity of construction undertaken by the developer/promoter would become a works contract only when the developer/promoter enters into a contract with the flat purchaser. Accordingly, VAT is only charged on the amount of the increase in the value of the goods that occurs after the agreement is entered into.

“Higher learning” within scope of “commercial training or coaching” service for service tax

The Larger Bench of Tribunal answered a long-standing issue between the tax authorities and educational institutions regarding the levy of service tax on higher learning, holding that the taxable service of “commercial training or coaching” takes place when any institute or establishment is engaged in the activity of imparting skill, knowledge or lessons on any subject or field (excluding sports), irrespective of:

- Whether such activity is in respect of a particular discipline or a broad spectrum of disciplines/ academic areas
- The nomenclature or description of the institute or establishment (as a coaching or training center or an educational institution)
- Whether an institute or establishment is incorporated by or registered under any law
- Any distinction on the basis of curriculum, course content, teaching methodology, course duration or otherwise.

Entry tax

As the levy of entry tax on goods is currently being challenged under the constitution, the Punjab taxation department now requires a deposit of VAT to be paid in advance at specified rates on notified goods imported into the State of Punjab for sale or use in the manufacturing or processing of any goods intended for sale.

The Punjab taxation department has also exempted taxable persons registered under the Punjab VAT Act from the entry tax.

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Japan

Consumption tax rate will be increased to 8% from 1 April 2014

On 1 October 2013, the Japanese Prime Minister Shinzo Abe officially announced that the Japanese consumption tax (JCT) rate will be increased to 8% from 1 April 2014. The following amendments will be made to the JCT law in 2013.

- The revenue due to this JCT rate raise will only be used for funding social security.
- The JCT rate will be increased to 8% from 1 April 2014 and to 10% from 1 October 2015.
- Tax exemptions for newly established small- and medium-sized enterprises will not apply in the first two fiscal years for SMEs:
    - Which are established on or after 1 April 2014;
    - Where the majority of shares are owned by a large corporation, and
    - Where any group member of the large corporation has annual sales exceeding JPY 500 million.
- Enterprises not required to file an interim tax return will be allowed to file an interim tax return if they submit certain applications to the local tax office.
- Transitional rules have been provided for certain types of transactions that take place on or after the increase in the JCT rate (contracts entered into between 1 October 1996 and 30 September 2013 where the transfer of assets occurs on or after 1 April 2014).

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Malaysia

In the 2014 Budget, announced on 25 October 2013, the Minister of Finance announced that GST will be introduced on 1 April 2015 with a standard rate of 6%.

Scope

The scope will be as follows:

- GST is to be charged on goods and services at all levels: production, manufacture, wholesale and retail;
- GST will be due on goods and services supplied in Malaysia or imported from outside Malaysia;

- Supplies made by federal and state government departments are not within the scope of GST (except for certain prescribed services);
- Supplies made by local authorities and statutory bodies in relation to regulatory enforcement functions are not within the scope of GST.

Registration thresholds

It is proposed that the threshold for GST will be RM 500,000 per annum of GST taxable revenue (standard-rated and zero-rated supplies).

Businesses with annual turnover below RM 500,000 may register on a voluntary basis, subject to conditions.

Zero-rated and exempt supplies

Certain categories of goods and services will be granted full relief, in the form of zero rating – GST at a zero rate will be charged on the revenue or output side of the supplier of the zero rated goods (daily food items – rice, sugar, salt, flour cooking oil, etc.) and services (such as exported services, etc.), and GST on costs or inputs will be recoverable by the supplier.

Some supplies will be granted partial relief, through GST exemption – exemption means no GST is charged on the revenue or output of the supplier of the exempted supplies (generally education services, childcare services, residential property, etc.), but the associated GST on input costs will not be recoverable by the supplier.

Transitional period

The government has proposed certain transitional measures to provide for the smooth implementation of GST. For businesses, these measures include the following:

- With effect from 2016, the corporate income tax rate is to be reduced by 1% from 25% to 24%, and the rate for qualifying small and medium companies is to be reduced by 1% from 20% to 19%.
- With effect from 2015, the co-operative income tax rate is to be reduced by 1% to 2%.
- Secretarial fees and tax filing fees are to be deductible from the year of assessment 2015.
- The costs of purchasing information and communication technology (ICT) equipment and software are to qualify for the Accelerated Capital Allowance until the year of assessment 2016.
- Expenses incurred on accounting and ICT training relating to GST are to qualify for double deduction from the years of assessment 2014 and 2015.
- Training grants of RM 500m will be provided to businesses that send their employees for GST training in 2013 and 2014. In addition, financial assistance of RM150m will be provided to SMEs for the purchase of accounting software in 2014 and 2015 (details are expected to be announced soon by the Government).

Implications

GST has far-reaching implications for businesses. Its impact cuts across business functions and affects people, systems and processes. There are various compliance, reporting and planning issues to be considered in preparing for GST. Experiences in other countries have shown that preparing for GST may take up to 12 months or more. It is important for businesses to start taking concrete steps towards preparing for the implementation of GST.

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EMEA

Bulgaria

CJEU decides that VAT is due in "barter" case

The Court of Justice of the European Union (CJEU) has decided that Serebryanniy vek EOOD should have paid VAT on the fitting out of two flats that it acquired rent-free for an initial five year period from the company's owner and director.

According to the CJEU judgment, the intention was for Serebryanniy vek EOOD, a company involved in the letting of property, tourism and the hotel business, to fit out the flats and use them in its business for an initial five year period, with the possibility that the period of use might be extended (or that the flats might revert to their owner complete with the fixtures and fittings in them at the end of the initial rent-free term).

The CJEU went straight to judgment in the case and found that the arrangements between the company and its owner/director amounted to a barter, and that VAT was due on the fitting out work that it found was supplied in return for the rent-free use of the flats.

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Croatia

New VAT legislation from 1 July 2013

Upon Croatia's accession to the European Union (i.e., on 1 July 2013), a new VAT Act entered into force and transposed EU VAT Directive 2006/112/EC into Croatian legislation.

The new VAT Act introduced the intra-Community acquisition of goods (ICA), the intra-Community supply of goods (ICS), and general (i. e. B2B and B2C) and special rules on the place of supply of services. It also prescribed that all amounts on invoices, and not just the amount of the VAT charged, have to be in domestic currency – Croatian Kunas (HRK).

From 1 January 2015, the supply of land for construction will no longer be VAT exempt and the current cash accounting scheme will be cancelled – VAT payers subject to personal income tax will no longer be able to postpone the VAT payment to the period, in which consideration is collected from the buyer.

The standard VAT rate in Croatia is 25%. There are two reduced rates in force:

- 5% – for bread; milk; daily newspapers; books with scholarly, scientific, artistic, cultural and educational content; medicines as determined by the Croatian Health Insurance Institute, etc; and
- 10% – for tourist accommodation; food preparation and the serving of food in hospitality facilities; baby food; tickets for concerts; culture; art magazines etc. The Government has announced plans to increase the reduced rate from 10% to 13% by the end of the 2013.

With respect to VAT compliance, the VAT Act provides for monthly reporting and for quarterly reporting for taxpayers supplying goods and services with a value not exceeding HRK 800,000, including VAT (approximately EUR 106,000) in the previous year. However taxpayers undertaking intra-Community transactions must report on a monthly basis.

As well as monthly/quarterly VAT returns (which must be submitted by the 20th day of the month following the end of the accounting period) and annual VAT returns (which must be submitted by the end of February of the subsequent year) taxpayers may, depending on the transactions they are involved with, have to file an EU Acquisition List (a report on the ICA of goods and services) and/ or an EU Sales List (a collective report for the ICS of goods and services). These reports must also be filed by the 20th day of the month following the end of the accounting period.

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European Union

EU study "… confirms billions lost in VAT gap …"

The European Commission has published the final report of a study to quantify and analyze the "VAT gap" – the difference between the amount of VAT that should be collected in theory and the sum actually collected – around the EU. The report covers 26 member states (Cyprus was excluded because its national accounts were being revised at the time of the study and the study was undertaken before the accession of Croatia) and suggests that around EUR 193 billion, or 1.5% of GDP in those countries covered went uncollected in 2011.

The Commission recognises that "… [w]hile non-compliance is certainly an important contributor to this revenue shortfall, the VAT Gap is not only due to fraud. Unpaid VAT also results from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance, amongst other things." The Commission is encouraging Member

States to adopt a tougher stance against evasion, and to reform their national tax systems in a way that facilitates compliance, deters evasion and avoidance, and improves the efficiency of tax collection.

Tour Operators: CJEU decides infringement cases against the Commission

The CJEU has followed the Advocate General's Opinion and decided against the European Commission in a series of infringement cases brought against Spain, France, Portugal, Italy, Greece, Poland, Finland and Czech Republic.

The Court's conclusion that these eight Member States were correct to tax "wholesale" supplies by tour operators under the margin scheme in the country where the tour operator belonged suggests that those countries that were not the subject of the infringement action might have to change their implementation of the "special scheme for travel agents" set out in the VAT Directive.

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Italy

Press release on VAT rate increase

The tax authorities have issued a press release clarifying compliance matters for the first few months of the VAT rate increase from 21% to 22%, which took effect from 1 October 2013.

The press release clarified that suppliers that issue invoices or fiscal receipts from October 2013 to December 2013 with an incorrect VAT rate of 21%, due to technical reasons related to software updates in their invoicing programs, may correct those invoices without incurring any penalties by issuing debit notes for the VAT rate difference (1%).

The deadlines provided by the tax authorities for correcting invoices are as follows:

VAT computation	Invoicing period	Deadline for payment of VAT rate difference
For taxpayers applying monthly computations	For invoices issued in October and November 2013	27 December 2013 (annual VAT advance payment for 2013)
	For invoices issued in December 2013	16 March 2014 (annual VAT balance for 2013)
For taxpayers applying quarterly computations	For invoices issued in the fourth quarter of 2013	16 March 2014 (annual VAT balance for 2013)

Interest will be due if VAT payments are made after the normal deadlines.

Taxpayers receiving an incorrect invoice (at the 21% rate) and not receiving the related debit note to correct the VAT rate must apply the regularization procedure by 30 April 2014.

Increase in register tax, cadastral tax and legal transcription tax

From 1 January 2014, the fixed amount of the register tax, the cadastral tax and the legal transcription tax, currently EUR 168, will increase to EUR 200.

Also, from 1 January 2014, only two rates of register tax will apply to real estate transactions:

i) 2% for homes that qualify as “first homes” (apart from those with cadastral category A1, A8 and A9); and

ii) 9% in all other cases.

Supplies of immovable property that are subject to the register tax at the rates of 2% and 9% will be subject also to legal transcription tax and cadastral tax at the fixed rate of EUR 50 each.

“Comunicazione Polivalente” (multi-purpose communication)

On 10 October 2013, the Italian tax authorities published on their website the new form for the “spesometro” communication (the client and suppliers list), and new instructions and technical specifications, which replace those published in August.

The approved form, named “comunicazione polivalente” includes the following communications:

- Spesometro;
- Reporting supplies of tourism services made to non-EU resident individuals which have a value of EUR 1,000 or more and are paid in cash;
- Reporting purchases made from suppliers established in San Marino;
- Reporting transactions carried out with economic operators established, resident or domiciled in “black list” countries; and
- Reporting by taxpayers in the business of leasing or renting cars, caravans or other vehicles, leisure boats or aircraft, if they elect to use this form instead of the existing reporting form.

The website states that for black list transactions and purchases from San Marino, taxpayers can continue to use the existing forms until 31 December 2013.

There has not been any extension to the deadline for filing the spesometro. Taxpayers must submit the form electronically through Entratel or Fisconline by:

- 12 November 2013, for taxpayers making monthly VAT computations; and
- 21 November 2013, for taxpayers making quarterly VAT computations.

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Kenya

New VAT Act

A new VAT Act came into force on 2 September 2013. The key changes include the following.

VAT status:

Many zero-rated supplies have now been reclassified as exempt supplies, whereas others have been deleted from the schedule of exempt and zero-rated supplies, meaning they will now be standard-rated (16%).

Previously exempt supplies that have now become standard-rated include: the sale of commercial buildings, the management of unit trusts, credit rating bureau services, tour operator and travel agency services, cut flowers, cinematographic films and wood charcoal.

Certain categories of oil and fuels will continue to be exempt for three years (unless the exemption is revoked earlier).

Formerly zero-rated supplies that have become exempt include: milk specially prepared for infants, medicines, certain fertilizers, sanitary towels, maize and wheat flour and bread.

Formerly zero-rated supplies that have become standard-rated include: the first 200 KWH of supply of domestic electricity, services in respect of goods in transit, books and similar printed material, mosquito nets, motor cycles, medical equipment and animal feed.

Certain previously standard-rated plant and machinery will become exempt.

Remissions

Under the repealed Act, major projects that were deemed to be in the public interest were granted remission from VAT at the discretion of the Minister for Finance.

While existing remissions will remain in place for a period of five years from enactment of the new law, no new remissions will be granted, as the law has been repealed.

This trend is being seen in other countries in the region where remissions have been thought to significantly erode the tax base.

Place of supply

The VAT Act did not previously include place of supply rules. These have now been introduced, and provide that a supply of services is made in Kenya where:

- The supplier's place of business from which the services are supplied is in Kenya, or
- Where the supplier is non-resident, the recipient is non-registered and the services are:
    - Physically performed in Kenya by a person who is in Kenya at the

time of the supply;

  - Directly related to immovable property;
  - Radio or television broadcasting received at an address in Kenya;
  - Electronic services (as defined) delivered to a person in Kenya at the time of supply; or
  - The transfer or assignment of, or grant of a right to use, a copyright, patent, trademark or similar right in Kenya.

Tax representatives

A non-resident person who is required to register for VAT must appoint a tax representative. If non-residents fail to appoint a representative, one will be appointed for them.

A tax representative must be resident in Kenya, be responsible for all the VAT obligations of the non-resident, and be jointly and severally liable with the non-resident for taxes, penalties and interest imposed under the VAT Act.

Reverse charge on imported services

Reverse charge VAT will no longer apply to the extent that a taxable person is able to claim VAT input tax recovery on the reverse charge. Where a taxpayer person is 100% taxable, no reverse charge is payable. Where a taxpayer is partially exempt, the reverse charge must only be paid on the amount of non-recoverable VAT. Fully exempt persons must account for the reverse charge in full.

Input tax

Input tax must now be claimed within a six month period (previously 12 months) from the time of supply.

Given the increased risk of being unable to claim VAT input tax, especially where VAT invoices are not received in a timely fashion or there is a dispute relating to the supply, effective systems will be required to ensure input VAT is claimed within the six month period.

Other changes

Other changes include the following:

- Reduced rate abolished: The reduced rate of 12% for electricity and industrial oils has been removed.
- Going concerns: The transfer of a business as a going concern is now a zero-rated supply, without requiring the approval of the tax authorities, as was previously the case.
- Partial exemption: Only one formula is provided for calculating deductible input tax by partially exempt persons, there have been changes to the de minimis limit for claiming input VAT (the amount of exempt supplies that can be made before the deduction of input tax is limited) and the requirement for an annual adjustment has been abolished.

- Assessments: The tax authorities can only issue an amended assessment within five years of the submission of the initial return (except in the case of fraud); previously there was no time limitation.
- Rulings: The tax authorities can now make binding public rulings and taxpayers can apply for private binding rulings.
- Tax avoidance schemes: Provisions have been in relation to tax avoidance schemes, in line with income tax legislation.
- Transitional provisions: There are a number of transitional rules to manage the transition to the new Act.

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Lithuania

VAT law amendments

From 1 January 2014, the following amendments to the VAT Law will come into effect:

- The 5% VAT rate will apply to imported equipment designed for people with disabilities;
- The 9% VAT rate will apply to thermal energy supplied for the heating of dwellings (including thermal energy that is transmitted through the hot water supply system), to hot water supplied for dwellings and to cold water supplied in order to prepare hot water for dwellings, and to thermal energy consumed to heat such cold water. This rate will apply to supplies made until 31 December 2014.
- The 5% VAT rate will continue to apply to pharmaceuticals and medical equipment where the acquisition costs are fully or partially reimbursable under the order set in the Health Insurance Law.
- As from 1 January 2015, the 9% VAT rate will apply to all accommodation services that comply with the legislation regulating tourism activities, i.e., the reduced VAT rate is no longer limited to specified hotel and special accommodation services.

Late payment interest for the fourth quarter of 2013

The Lithuanian Minister of Finance has announced that from 1 October 2013, the late payment interest for unpaid or late payments of tax for the fourth quarter of 2013 will be 0.03 percent per overdue day.

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Netherlands

CJEU rules that VAT adjustment cannot pass down supply chain

The CJEU has decided that the Dutch tax authorities cannot collect VAT arising on an “upstream” adjustment other than from the taxpayer who reclaimed the VAT in the first place. The case of *Pactor Vastgoed* concerned an adjustment that arose because Pactor Vastgoed used a property it had acquired (as a taxable supply by virtue of the Dutch “option to tax”) to make exempt supplies (initially letting the building and later selling it).

Since the Dutch option to tax rules require a building subject to the option to be used for activities that allow all, or almost all, of the VAT on the supply of it to be reclaimed, the exempt use of the building meant that the option to tax the supply to Pactor Vastgoed was disapplied. In turn, this meant that the supplier concerned made an exempt supply and hence that its input VAT recovery was restricted. The Dutch tax authorities raised an assessment against Pactor Vastgoed to collect the “upstream” adjustment that resulted from the use that Pactor Vastgoed made of the property.

The CJEU has now agreed with the Advocate General in the case that EU law “... must be interpreted as precluding the recovery of amounts due following the adjustment of a value added tax deduction from a taxable person other than the person who applied that deduction.”

The Dutch government has announced an amendment of the Dutch VAT legislation in this respect.

Abolition of deemed self-supply

The Dutch government has announced the abolition of the deemed self-supply as of 1 January 2014. The abolition benefits taxable persons that, e.g., occupy a newly constructed building.

VAT deducted before 1 January 2014 must be repaid when goods that would have been subject to the self-supply rules applicable before 1 January 2014 are occupied or applied for use after 1 January 2014.

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Poland

Status of tax rulings following 1 January 2014 Polish VAT Act changes

As discussed in previous editions of this newsletter, from 1 January 2014, significant changes in Polish VAT Act will come into force.

Under Polish tax law, tax rulings are binding provided they are not cancelled or the law that is subject to interpretation has not changed.

Given the upcoming amendments, in many cases tax rulings may no longer be binding as of 1 January 2014, e.g., rulings covering issues connected with tax points, the right of input VAT recovery, and the taxable basis.

Accordingly, it is advisable for taxpayers with VAT tax rulings to analyze whether the VAT provisions considered in the ruling are changing in a way that may impact upon the interpretation of the law.

No interim provisions for VAT changes in force as of 1 January 2014

The bill introducing the last group of changes to the Polish VAT Act, which come into force on 1 January 2014, does not include any interim provisions in respect of the changes. Accordingly, there may some confusion for taxpayers as to how transactions spanning the implementation date are treated for VAT purposes.

For example, current rules concerning the tax point and taxable basis will apply to supplies made until 31 December 2013 (even if invoiced in 2014). However, with respect to certain supplies where the specific tax point rules are to be abolished (e.g., the transport of services), there is a risk that in January 2014, VAT from invoices for December 2013 and January 2014 must be reported. Consequently, there may be a double cash burden in January 2014.

The current provisions regulating input VAT recovery apply to reporting periods before the end of 2013. Whilst local purchase invoices received in 2013 could be recovered in 2014 (in accordance with the rule providing that input VAT can be claimed within two reporting periods to allow the shifting of input VAT recovery), the input VAT recovery rules applying as of 2014 would have to be complied with. Accordingly, for the avoidance of doubt, it is recommended that local purchase invoices relating to 2013 be included in the December 2013 VAT return.

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Portugal

Amendments to declarations for commencement, modification and cessation

With effect from 24 September 2013, there were changes to the declarations required for the commencement, modification and cessation of activities for tax purposes. Accordingly, new forms are now required in respect of these declarations.

Binding rules recently released

A number of binding rules have recently been released by the Portuguese tax authorities on their website, namely regarding the right to deduct VAT and the transportation documents legislation.

2014 State Budget proposal

The proposal for the State Budget for 2014 includes the following changes:

- Cash basis regime: There will be clarification that the right to deduct input VAT by customers of entities covered by this regime (but themselves not in the regime) is not dependent on payment of the invoice.
- Waiver of the exemption for supplies of immovable property:
    - Currently the waiver only applies where the value of a property varies by 50%. It is proposed to reduce this percentage to 30%.

    - The VAT input tax deducted as a result of the waiver must be repaid if the immovable property is unoccupied for three years. It is proposed that this be increased to five years.

- Changes will be introduced to VAT recovery on bad debts.
- The reduced VAT rate will be extended to agricultural activities that are not related to the exploitation of land.
- The VAT exemption for sales to exporters will be clarified.
- The VAT treatment of freight transportation:
    - New exceptions will be introduced;
    - There will be changes and clarifications regarding the issuing of global transportation documentation;
    - The rules that apply where there are changes to the circumstances during transportation will be clarified;
    - There will be clarification of which entity is responsible for issuing transportation documentation;
    - Limitations will be imposed on the situations in which goods and vehicles may be apprehended by the tax authorities.

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Russia

Amendment to excise tax rates

The government has introduced a number of amendments to the excise tax rates for the period 2014-2016 as follows:

- The excise tax rate on gasoline grade 4 will be equal to RUB 9,916 per ton (instead of RUB 9,416 per ton as previously set) in 2014 and RUB 10,858 (instead of RUB 10,358 per ton as previously set) in 2015; and
- The excise tax rate on gasoline grade 5 will be equal to RUB 6,450 per ton (instead of RUB 5,750 per ton as previously set) in 2014 and RUB 7,750 (instead of RUB 6,223 per ton as previously set) in 2015.

Also, excise tax rates on alcohol and alcoholic products are to be indexed in 2016 (indexation will be 10% over 2015 rates).

Expansion of list of technological equipment exempt from VAT upon importation

With effect from 13 September 2013, the government has amended the list of technological equipment (including components and spare parts) for which there are no comparable Russian-produced products and which are accordingly exempt from VAT upon importation into the Russian Federation.

In particular, the list of technological equipment was expanded to include certain equipment for the fuel and energy, construction, chemical, and medical industries.

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United Kingdom

Certain Aggregates Levy exemptions and reliefs to be suspended?

In March 2012, the European Court decided that the European Commission's 2002 decision not to raise any objections to the UK's Aggregates Levy should be annulled, following legal action by the British Aggregates Association. The UK tax authorities (HMRC) have now confirmed that, in the wake of this decision, the Commission has carried out a preliminary reassessment of the levy, to consider whether it involves State aid.

The Commission's decision letter has made it clear that it considers that the Aggregates Levy in itself does not constitute an unlawful State aid and that some exemptions and reliefs do not raise State aid issues. However, it has advised the UK that it is opening a formal investigation into certain exemptions and reliefs from the levy and HMRC has now indicated that those reliefs and exemptions are to be suspended while the Commission undertakes its investigation. HMRC will be issuing further guidance for affected businesses "… as soon as reasonably practicable …".

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