

Global Indirect Tax News

Your reference for indirect tax and global trade matters

Welcome to the August 2016 edition of GITN, covering updates from the Americas, Asia Pacific and EMEA regions.

Features of this edition include news on a number of trade agreements; the passage of the Indian Constitution Amendment Bill, which is a significant step towards the introduction of GST; a tax amnesty in Turkey; and an update on the expected introduction of VAT in the United Arab Emirates and the wider Gulf Cooperation Council.

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

David Raistrick

Deloitte Global Leader – Indirect Tax

In this edition of GITN:

[Country summaries](#)

[Americas](#)

[Asia Pacific](#)

[EMEA](#)

[Eurasian Economic Union](#)

[Contacts](#)

[Back to top](#)

Country summaries

Americas

[Mexico](#)

The General Administration of Foreign Trade Audit of the Federal Government is to implement a pilot program for performing electronic audits on companies that carry out import and export transactions.

Operations by the Tax Administration Service against undervaluation and avoidance of countervailing duties in the importation of steel products have led to the seizure of more than 3,800 tons of such products, from 2015 to date.

[Back to top](#)

Trade Preferences

Canada-Ukraine

The Canada-Ukraine Free Trade Agreement has been signed.

Colombia

The Colombian Government recently announced the entry into force of new FTAs, with South Korea and Costa Rica.

Mexico-Argentina

Mexico and Argentina have signed 17 cooperation agreements, including a review of Economic Complementation Agreement 6.

Mexico-Brazil

The Fourth Round of Negotiations for the expansion and deepening of the Economic Complementation Agreement 53 between Mexico and Brazil has been concluded.

[Back to top](#)

Asia Pacific

China

The China Customs Audit Regulations have been revised.

India

The Constitution Amendment Bill for GST has been passed by Parliament.

There has been an increase in VAT rates in the State of Bihar.

There has been clarification regarding the application of service tax on freight forwarders involved in the transportation of goods from India.

Mandatory warehousing requirements have been removed for STPIs, EOUs, EHTPs, BTPs.

Kazakhstan

Orders have been issued regarding imports that are exempt from VAT.

A Resolution and an Order have been issued regarding the import and export of precious stones, jewellery and other items, and unrefined natural diamonds.

Rules have been issued regarding shipping documentation for tobacco items.

[Back to top](#)

EMEA

European Union

The European Commission has launched a consultation on reduced VAT rates for e-books, etc.

The European Commission has issued an updated list of cross-border rulings.

Denmark

The tax authorities have issued a new binding instruction repealing the scheme for postage outlay, with effect from 1 January 2017.

The tax authorities have confirmed that the supply of electricity and water to vessels used for navigation on the high seas is free of VAT.

The tax authorities have confirmed that the rental of oil tanks and associated services are services regarding the rental of real estate.

The tax authorities have considered whether the reconstruction of vessels creates a fixed establishment for VAT purposes.

The Danish Tax Board has published a binding ruling on a 'reverse *Skandia* case' – a foreign head office which is part of a VAT group supplying services to a Danish branch.

The first rulings with regards to the VAT treatment of the management of pension funds have been published.

There is an update on the replacement of Certificates of Origin.

Italy

The Customs and Monopoly Agency have provided clarifications and operative guidelines on certain measurement systems to be applied for excise assessment purposes, and have issued the decision form to be adopted at the end of procedures to authorize a comprehensive guarantee

Portugal

There are a number of changes to VAT legislation and circulation tax.

A new excise duties refund scheme will apply to road freight companies.

Russia

An online forum has been launched by the Russian Federal Tax Service for discussions on issues relating to VAT on services provided electronically by foreign companies to individuals in Russia.

A draft law is being prepared regarding the application of VAT to export operations.

The Supreme Court has confirmed VAT recovery based on VAT invoices issued in the name of a non-existent entity.

Pharmaceutical goods and radiotronics have been included in the list of goods without analogues produced in Russia.

There is a temporary prohibition of export from Russia of semi-finished leather.

South Africa

Anti-dumping duties on bolts and nuts of iron or steel from China have been terminated.

Turkey

A new Tax Amnesty Law has been enacted. If taxpayers apply to benefit from the Law within the prescribed period, past tax liabilities can be significantly reduced and potential penalties will not be applied.

Ukraine

From 1 August 2016, the customs authorities, businesses and the state supervisory agencies have moved to a unified electronic database – a 'single window' system.

The National Bank of Ukraine has eased payment terms for import and export transactions.

There is a temporary reduction in used car excise duty.

United Arab Emirates

VAT in the UAE and the wider Gulf Cooperation Council is expected in January 2018 or January 2019 at the latest.

United Kingdom

'Use and enjoyment' applies to insured repairs from 1 October 2016.

The tax authorities have published a consultation document on the proposed Soft Drinks Industry Levy.

[Back to top](#)

Trade Preferences

Ukraine-Canada

The Canada-Ukraine Free Trade Agreement has been signed.

Eurasian Economic Union

Eurasian Economic Union

Resolutions have entered into force regarding the EEU integrated system of tariff preferences.

There have been amendments to the classifiers used to complete customs declarations.

Customs declaration forms and procedures have been amended.

Non-tariff regulation measures have been amended.

A list of goods recognized as significant for the internal EEU market and the export of which may be temporarily banned or restricted has been approved.

There have been amendments to the EEU integrated customs tariffs.

A temporary zero import customs duty rate has been introduced on aluminum fluoride.

[Back to top](#)

Americas

Mexico

Foreign trade electronic audits

The General Administration of Foreign Trade Audit (AGACE in its Spanish acronym) of the Federal Government will implement in the following months a pilot program for performing electronic audits on companies that carry out import and export transactions.

The authorities are seeking to simplify audit processes by obtaining more information from companies through electronic means.

The AGACE will develop an analytical platform that will allow audits to be more assertive and less intrusive.

Around 150 companies will start with this pilot program. These companies have certification as an Authorized Economic Operator or certification for the purposes of VAT and excise tax.

Seizure of undervalued steel products

Operations by the Tax Administration Service (SAT) against undervaluation and avoidance of countervailing duties in the importation of steel products have led to the seizure of more than 3,800 tons of such products, from 2015 to date.

SAT imposed penalties and fines of more than MXN 3,850 million (approx. USD 208.1 million) on companies that attempted to import steel under irregular conditions, such as avoiding countervailing duties, citing incorrect tariff classifications or undervaluing goods.

According to the Head of SAT, Aristoteles Nuñez, with the training given to SAT staff, observers from the steel industry at customs, and equipment to measure and analyze product types and characteristics, SAT will be able to ensure proper law enforcement, so the applicable import duties are paid.

As of today, there are 89 tariff codes of the steel industry that are subject to countervailing duties or safeguard measures in Mexico.

Cecilia Montaña Hernández,
cmontanohernandez@deloittemx.com, Deloitte Mexico

[Back to top](#)

Trade Preferences

Canada-Ukraine

Canada-Ukraine Free Trade Agreement signed

On 11 July 2016, Ukraine's First Vice Prime Minister, Stepan Kubiv, and Canada's Minister of International Trade, Chrystia Freeland, signed a free trade agreement (CUFTA).

For more information, see [Ukraine-Canada](#) below.

Colombia

FTAs with South Korea and Costa Rica

The Colombian Government recently announced the entry into force of two important free trade agreements (FTAs) for Colombia, which create new market opportunities for international trade with South Korea and Costa Rica.

The main purpose of the agreements, besides the expansion of the Colombian market, is to apply the customs tariff elimination program, in order to reach a 0% customs tariff for imports and exports with these countries.

When the FTAs enter into force, the benefits stated in the agreements will apply immediately, according to the customs tariff elimination schedule.

FTA with South Korea

On 15 July 2016, the FTA with South Korea came into force.

The objective of the Colombian Government under the FTA is to provide customs tariff benefits for the entry of more than 7,400 products to the South Korean market. The customs tariff elimination schedule is to apply over 12 year period.

FTA with Costa Rica

From 1 August 2016, 74% of the goods produced by the Colombian manufacturing industry will have a customs tariff of 0%. For the remaining 26%, customs tariff elimination will apply over a period of 10 years.

Challenges for Government and industry

The new opportunities created with the entry into force of the FTAs imply not just an expansion of the Colombian market, but also a significant challenge for the Government and industry, bearing in mind that the open foreign market requires the development of new strategies and business models at an international level.

Carolina Bueno, cbueno@deloitte.com, Deloitte Colombia

Tomás Barreto, jbarreto@deloitte.com, Deloitte Colombia

Mexico-Argentina

Economic Complementation Agreement 6 between Mexico and Argentina

On 29 July 2016, Mexican President Enrique Peña Nieto held a state visit to Argentina.

The objective of this visit was the relaunch of relations between the two countries from an economic-commercial perspective.

As a result of the state visit, both nations signed 17 cooperation agreements, one of which is the review and deepening of the Economic Complementation Agreement 6 (ACE 6), signed between Mexico and Argentina 29 years ago, and that has not been modified or altered since then.

Cecilia Montaña Hernández, cmontanohernandez@deloittemx.com, Deloitte Mexico

Mexico-Brazil

Economic Complementation Agreement 53 between Mexico and Brazil

On 7 July 2016, the Fourth Round of Negotiations for the expansion and deepening of the Economic Complementation Agreement 53 (ACE 53) between Mexico and Brazil was concluded.

The main objective of this round of negotiations was to review the lists of goods for which the parties are interested in obtaining preferential duty treatment.

Additionally, both parties analyzed the texts regarding the disciplines that would be part of the deepening of the ACE 53, with the purpose of obtaining an agreement that includes both agricultural and industrial goods.

Cecilia Montaña Hernández,
cmontanohernandez@deloittemx.com, **Deloitte Mexico**

[Back to top](#)

Asia Pacific

China

Revision of China Customs Audit Regulations

Introduction

On 1 July 2016, State Council Order [2016] 670 was issued as a revision to the 1997 China Customs Audit Regulations. The revisions will be effective as of 1 October 2016 and are the first revisions to the Chinese audit regulations since 1997. In view of these upcoming changes, an advanced preparation is more important than ever before in managing customs risks in China.

The broadened scope of customs audits in China

Order 670 clearly underscores Chinese Customs' continued focus on increased audits, and demonstrates their commitment to enforce revenue collection. There are sweeping changes within the revised audit regulations but, essentially, the scope of customs audits has been broadened:

- Customs' legal power when irregularities have been detected has been expanded (e.g. increased ability to detain more goods);
- The legal obligations of a targeted company have increased, including self-assessment and reporting;
- Customs' ability to use outside auditing firms as well as the mitigation of penalties where a finding of a violation results from a voluntary self-reporting is formalized.

Following the recent trade facilitation reforms in China, audits are poised to play a more significant role in ensuring customs compliance and enforcing revenue collection. Self-policing is a tool China Customs will continue to rely on heavily, as evidenced by formalizing the self-assessment and reporting practices within these revisions. As a result, an advanced preparation is more important than ever before in managing customs risks in China.

Implications

The broadened scope of customs audits and continued focus thereon of China Customs underline the increased importance of customs compliance in China. Following the upcoming changes, it can be expected that China Customs will strengthen their audits and raise their expectations. Moreover, the legal obligations for targeted companies have increased.

Preparation for changes

When doing business in China, companies should be aware of the increased importance of customs compliance and undertake appropriate actions. In view of the upcoming changes, effective as of 1 October 2016, advanced preparation is advised in order to detect (potential) non-compliant situations. In addition, targeted companies should ensure that they fulfill the increased legal obligations. A well-considered anticipative approach can avoid potential discussions with China Customs when an audit takes place.

Customs & Global Trade contacts:

Global: Fernand Rutten, frutten@deloitte.com, Deloitte Belgium

EMEA: Klaas Winters, klwinters@deloitte.nl, Deloitte The Netherlands

Asia Pacific: William Marshall, wmarshall@deloitte.com.hk, Deloitte Hong Kong

Americas: Michele McGuire, mimcguire@deloitte.com, Deloitte United States

India

Constitution Amendment Bill for GST passed by Parliament

The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 (the Bill) has been passed by the Parliament in August 2016. This is a significant step towards the introduction of GST in India.

The next steps towards the introduction of GST include:

- Ratification of the Bill from not less than one-half of the State legislatures;
- Obtaining the President's assent on the Bill to bring the constitutional amendments in force;
- Formulation of the GST Council (the GST Council is to be formulated for various functions including recommendation of rates, exemptions etc.);
- Legislating the Central GST Act, State GST and Integrated GST Act.

As the model GST law is in place, it is expected that the implementation of GST may take effect from April 2017. However, the IT infrastructural readiness, both at Central and State Government level, would also play a major role in achieving the expected deadline of April 2017.

VAT rate increase in State of Bihar

With effect from 12 August 2016, in the State of Bihar:

- The VAT rate for goods mentioned in Schedule III has been increased from 5% to 6% (the Schedule includes goods such as information technology products, intangible goods, industrial inputs, packing materials, etc.);
- The residuary rate of VAT has been increased from 14.5% to 15%.

Service tax on freight forwarders on transportation of goods from India

A service is not subject to service tax if the place of provision of the service is outside India. The place of provision of the service of transportation of goods by air/sea is the destination of the goods. However, the place of provision of services by an intermediary (one who arranges or facilitates the provision of services or goods between two persons) is the location of the intermediary.

Concerns were raised by the industry on the applicability of service tax on freight forwarders on the transportation of goods outside India.

The Central Board of Excise and Customs clarified that when the freight forwarder deals with exporters as an agent of an airline/carrier/ocean liner, they merely act as a booking agent which does not bear any responsibility with respect to transportation and legal proceedings. They merely charge the rate prescribed by the airline/carrier/ocean liner and cannot vary it unless authorized by them. In such cases, freight forwarders would be considered as an intermediary and the services provided by such freight forwarders in India would be subjected to service tax.

However, when a freight forwarder acts as a principal engaged in negotiating the terms of the freight with the airline/carrier/ocean liner as well the exporter, raising an invoice on the exporter and undertaking all the legal responsibility and attended risks for the transportation of goods, they cannot be considered as an intermediary. In such cases the freight forwarder will not be subject to service tax when the destination of the goods is to a place outside India.

Removal of mandatory warehousing requirement for STPIs, EOUs, EHTPs, BTPs

Currently Software Technology Parks of India (STPI), Export Oriented Units (EOU), Electronics Hardware Technology Parks (EHTP) and Bio-Technology Parks (BTP) (referred to as 'Units') are granted exemption from customs duty on specified goods under Notification No. 52/2003 dated 31 March 2003, subject to various conditions stated therein. The Notification provides for the warehousing of imported goods, to be used by the Units in their permitted operations.

However, in line with the Government's Make in India initiative, as a measure of improving the 'ease of doing business', the compliance requirements with respect to warehousing provisions by these Units are abolished, and as an effect, these Units would stand de-licensed as warehouses under the Customs Act with effect from 13 August 2016.

Under the new procedure, Units will now have to obtain/furnish a procurement certificate or pre-authenticated procurement certificate at a customs station at the time of import. Thereafter, the Units are required to submit relevant bills of entry to the jurisdictional office, which will reconcile imports with procurement certificates.

**Prashant Deshpande, pradeshpande@deloitte.com,
Deloitte India**

Kazakhstan

Imports exempt from VAT

Minister for Investment and Development Order N^o 396 dated 22 April 2016 approves a list of vehicle parts used by taxpayers who have entered into an agreement to assemble vehicles whose import is exempt from VAT.

Minister for Investment and Development Order N^o 408 dated 28 April 2016 approves a list of raw materials and/or materials the import of which is exempt from VAT within the framework of an investment contract.

The VAT exemptions cover imports from Eurasian Economic Union (EEU) countries and their import from outside the EEU.

The full text of the documents can be found in official sources.

Order N^o 396 and Order N^o 408 enter into force from 1 January 2017.

Import and export of precious stones, jewellery and other items, and unrefined natural diamonds

Government Resolution N^o 356 dated 20 June 2016, among others, approves:

- Rules for importing precious stones, jewellery and other items into Kazakhstan from non-EEU countries;

- Rules for importing unrefined natural diamonds into and exporting them from Kazakhstan, including Kimberley certification.

The rules establish a procedure for submitting documents to receive a state act of control to import and/or export precious stones, jewellery and other items, and unrefined natural diamonds.

Furthermore, Minister for Investment and Development Order № 401 dated 28 April 2016 approves rules for reviewing precious stones, jewellery and other items made from precious metals and stones.

The full text of the documents can be found in official sources.

Resolution № 356 entered into force at the end of 10 calendar days after its first official publication, which was 25 June 2016.

Order № 401 entered into force at the end of 21 calendar days after its first official publication, which was 20 June 2016.

Shipping documents for tobacco items

Minister of Finance Order № 234 dated 17 May 2016 approves rules for drafting and using shipping documents for tobacco items. The rules cover the sale (including for export), movement, return, transportation and import (except for retail sales) of tobacco items by individuals and legal entities.

The Order entered into force from 1 July 2016.

Vladimir Kononenko, vkononenko@deloitte.kz, **Deloitte Kazakhstan**

Sholpan Dossymkhanova, sdossymkhanova@deloitte.kz, **Deloitte Kazakhstan**

[Back to top](#)

EMEA

European Union

EU consultation on reduced VAT rates for e-books, etc.

The European Commission has launched a consultation on the application of reduced VAT rates to supplies of electronic publications: [Public Consultation on reduced VAT rates for electronically supplied publications](#).

Under current EU law, electronic publications are subject to the standard rate of VAT, while printed matter can be taxed at lower rates (and are zero-rated in some countries). As part of its Action Plan on VAT, the Commission undertook to bring forward a legislative proposal to allow Member States to align the VAT treatment of paper and electronic publications. This consultation (which is based on a questionnaire) seeks views on the potential effects of a change to allow lower rates of VAT to apply to electronic publications.

European Commission list of cross-border rulings

The European Commission has published the latest (July 2016) list of rulings that have emerged from its cross-border VAT rulings project: [Cross-border rulings \(Update July 2016\)](#).

The project began in June 2013 and is currently due to continue until 30 September 2018. The cross-border VAT rulings project aims to facilitate cross-border VAT rulings for taxpayers on contentious or inconsistent issues, and allows businesses planning cross-border transactions between two or more of the participating Member States – Belgium, Cyprus, Estonia, Finland, France, Hungary, Latvia, Lithuania, Malta, Netherlands, Portugal, Slovenia, Spain, Sweden and the UK – to seek a ruling on the VAT treatment of them in each country involved.

Donna Huggard, dohuggard@deloitte.co.uk, **Deloitte United Kingdom**

Denmark

Specific scheme for postage outlay to be repealed

The tax authorities have issued a binding instruction regarding the repeal of the specific scheme for postage outlay, with effect from 1 January 2017.

The specific scheme for postage outlay in Denmark has been a beneficial scheme for, especially, web shops that sell packets to private Danish customers and use the freight company PostDanmark.

By using the postage outlay scheme, a company can charge freight without VAT.

According to the tax authorities, the guidelines regarding the specific scheme for postage are not in accordance with the Danish VAT Act or the EU Principal VAT Directive.

The change of practice is effective from 1 January 2017, and is particularly relevant for e-commerce businesses using the special scheme.

Supply of electricity and water to vessels used for navigation on the high seas free of VAT

The tax authorities have confirmed in a binding ruling that the supply of electricity and water in a Danish harbor to vessels used for navigation on the high seas is free of VAT. It is the tax authorities' opinion that electricity and water are necessary for a vessel's operation. On this basis, electricity and water may be considered as necessary equipment, and therefore free of VAT, according to the Danish VAT Act.

The supply of electricity and water to vessels sailing primarily on domestic waters is still subject to Danish VAT.

Rental of oil tanks and associated services considered to be services regarding rental of real estate

The tax authorities have confirmed in a binding ruling that the rental of oil tanks, and associated services related to the rental of oil tanks, are considered as services regarding the rental of real estate.

Services such as reporting, additives and air, on oil tanks are deemed to be ancillary services to the main supply of the rental of oil tanks.

Whether the services are subject to VAT depends upon a voluntary VAT registration (as rental of immovable property is VAT exempt in Denmark, but can be subject to VAT if opted for.)

Whether reconstruction of vessels creates fixed establishment

The tax authorities have confirmed in a binding ruling that the rebuilding of vessels by a foreign entity triggers a permanent establishment from a Corporate Income Tax (CIT) point of view, cf. OECD's Model Tax Convention, Article 5.

In a binding ruling, the tax authorities have underlined that there is no necessary correlation between a permanent establishment from a CIT point of view and a fixed establishment from a VAT point of view. This confirmation stresses the importance of analyzing both angles when undertaking business activities in Denmark.

Hendrik Pedersen, henpedersen@deloitte.dk, Deloitte Denmark

Tomas Odgaard, todgaard@deloitte.dk, Deloitte Denmark

Tax board publishes binding ruling on 'reverse Skandia case' – foreign head office part of a VAT group supplying services to Danish branch

The CJEU case *Skandia America Corp. (USA)* (Case C-7/13) concerned supplies from a foreign head office to a branch, which was part of a local VAT group.

The Danish Tax board has now published a binding ruling that clarifies that services supplied from a foreign head office to its Danish branch should also be considered as supply of services, when the foreign head office is part of a VAT group. This means that the branch will be subject to reverse charge VAT on certain services provided from its head office.

When the *Skandia* judgment was published, it was simply added to the official guidelines of the Danish tax authorities, and no further comments were made. It was already established in Danish VAT practice that a *Skandia* situation was considered as a VAT taxable supply. It has, however, not been clear whether the authorities would take foreign VAT groups into consideration, when determining whether services supplied from such an entity to a Danish branch (and the other way around) should have VAT consequences. In fact, in a previous binding ruling it is stated, that foreign VAT groups are irrelevant for the Danish VAT treatment.

It is now clear that Danish branches also need to consider foreign VAT groups, and that such supplies are in the scope of VAT.

First rulings published on VAT treatment of management of pension funds

Since the CJEU judgments in *ATP PensionService* (Case C-464/12) and *Fiscale Eenheid X* (Case C-595/13), it has been widely discussed within the pension fund sector in Denmark, as to which services could qualify as the management of investment funds. Very few claims have been handled by the tax authorities, which seem to have been awaiting administrative practice from the Danish Tax board.

The first three binding rulings on this issue are now available; only one of them confirms that the services qualify as VAT exempt management which is specific and essential for 'management of a pension fund'.

These services are:

- Risk-management function;
- Compliance function;
- Actuarial function; and
- Internal audit function.

All functions are part of the required management of insurance undertakings according to EU Directive 2009/138/EC (Solvency II). This was the main argument for the Danish Tax Board as to why the services were accepted as essential and specific for the management of the pension fund, and therefore VAT exempt.

The two binding rulings denying VAT exemption as management of pension funds related to supply of IT consultancy and tele-services.

Cliff Kristoffersen, ckristoffersen@deloitte.dk, Deloitte Denmark

Lea Udael Jensen, ljensen@deloitte.dk, Deloitte Denmark

Replacement of Certificates of Origin

The customs authorities (SKAT) have stated, after consultation with the European Commission, that it is possible to replace Certificates of Origin for goods under the GSP-scheme even though the goods are placed under the customs procedure Inward Processing.

SKAT has advised that it is possible to replace a Form A or invoice declaration if the below-listed criteria are fulfilled:

- The goods are placed under customs procedure Inward Processing, i.e. the goods are not in free circulation within the EU;
- The goods have T1 status and are still under customs supervision;
- The goods are not changed, but only subject to usual forms of handling, e.g. repacking and labelling.

The statement and conditions have not yet been officially published.

Winnie Nielsen, winielsen@deloitte.dk, Deloitte Denmark

Dorthe Higham, dhigham@deloitte.dk, Deloitte Denmark

Johan Perulf, jperulf@deloitte.dk, Deloitte Denmark

Italy

Measurement systems for excise assessments

On 29 July 2016, the Customs and Monopoly Agency provided clarifications and operative guidelines on certain measurement systems to be applied for excise assessment purposes.

In particular, the Authority issued Circular letter No. 19/D with reference to gasoline, gas oil and kerosene moved and stored into excise warehouses and Circular letter No. 20/D with reference to ethyl alcohol to be measured into the relevant production plants.

Comprehensive guarantee

On 3 August 2016, the Customs and Monopoly Agency, in Note No 77251 RU, issued the decision form which the authorities are to adopt at the end of procedures, in order to authorize a comprehensive guarantee in accordance with Article 89.5 of the Union Customs Code (UCC).

Portugal

VAT and circulation tax changes

Decree-Law nr. 41/2016, dated 1 August 2016, introduced a number of changes to VAT and circulation tax. The changes came into force on 2 August 2016.

The main changes are as follows:

VAT legislation

- **Declaration of commencement of activities:** The 15 day deadline has been revoked for the filing of the declaration of the commencement of activities after the registration of companies in the National Registry for Legal Entities.

Therefore, a single deadline to file the declaration of the commencement of activities now applies to all taxpayers (whether or not they are subject to commercial registration): before the commencement of activities. Backdated registrations will continue to be possible (subject to penalties).

- **VAT exemptions applicable to the supply of goods or services under diplomatic/consular arrangements and international bodies recognized by Portugal (Article 151 of the EU Principal VAT Directive):** A specific procedure has been implemented to allow suppliers to directly apply the VAT exemption (instead of by means of a VAT refund) on the supply of goods or services to diplomatic entities and international bodies.

Entities belonging to another EU Member State must present the VAT exemption certificate referred to in Annex II of the Implementing Regulation nr. 282/2011. Entities established outside the EU must follow a preliminary procedure to obtain from the tax authorities, prior to the acquisition, an 'ad hoc' recognition of the right to be granted VAT exemption.

Circulation tax

- **Taxable persons:** According to a new definition introduced for the purposes of circulation tax, a taxable person will be any single or legal person, public or non-public body, which has the respective register of vehicle ownership in its own name at the time the chargeable event occurs.
- **Vehicle registration numbers:** Conditions under which a vehicle's registration number may be cancelled/revoked administratively by the tax authorities have been established.

New excise duties refund scheme to apply to road freight companies

Law nr. 24/2016, dated 22 August 2016, implements a new excise duties refund scheme for road freight companies.

Under this scheme, certain tax is partially refundable, namely, the tax included on oil and energy products (within combined nomenclature codes 2710 19 41 to 2710 19 49) paid, in the Portuguese territory, by freight companies with headquarters or a permanent establishment in an EU Member State, provided the products are supplied to duly licensed vehicles used exclusively for road freight transport. For these purposes, entities issuing fuel fleet cards or any other control mechanisms authorized by the tax authorities are required to communicate to the tax authorities the information for the application of this scheme by the Portuguese road freight companies. The details underlying the communication procedures are yet to be established; they will be established by way of Administrative Order.

In addition, the refund should be paid by the tax authorities to the acquirer (road freight companies) within 90 days counted from when the data is communicated to the tax authorities (details of the procedure to be followed in this regard are to be further established, as referred to above).

Although the Law entered in force on 23 August 2016, its practical effect will take place on 1 January 2017. However the Government can determine that the practical effect of the Law will enter into force earlier in part of the national territory, namely for testing purposes. An ordinance will be published detailing the specifications for the application of the scheme.

Afonso Arnaldo, afarnaldo@deloitte.pt, Deloitte Portugal

Russia

New forum for VAT on services rendered electronically by foreign companies in Russia

An online forum has been launched on the official website of the Russian Federal Tax Service (https://www.nalog.ru/rn77/news/activities_fts/6103267/), where visitors are welcome to discuss topical issues relating to VAT on services provided electronically (using the Internet) by foreign companies to individuals located in the Russian Federation.

Supreme Court confirms VAT recovery based on VAT invoices issued in name of non-existent entity

The Supreme Court of the Russian Federation declined to consider this case and, thus, confirmed the position of the taxpayer on VAT recovery based on VAT invoices issued in the name of a non-existent entity.

The supplier was reorganized through merging, but the supplier (the entity reorganized) continued to issue VAT invoices in the name of the original entity. The buyer, being the taxpayer, claimed VAT for recovery based on these VAT invoices. The tax authorities rejected the VAT recovery based on the VAT invoices. The taxpayer confirmed that the company was not aware of the supplier's reorganization. The VAT invoices had all required requisites.

The courts ruled in favor of the taxpayer and the Supreme Court declined to reconsider the case.

Inclusion of pharmaceutical goods and radiotronics in the list of goods without analogues produced in Russia

Resolution of the Russian Government No. 744 of 2 August 2016 includes pharmaceutical goods (medicines and medical goods) into the list of goods without analogues produced in Russia. Several criteria should be met in order to qualify the pharmaceutical goods as goods without analogues produced in Russia (e.g. percentage of value of foreign goods in the value of the final goods, presence of several production stages in Russia, etc.). The said criteria are introduced in order to provide several benefits for pharmaceutical goods without analogues produced in Russia (e.g. exemption from import VAT) and introduce restrictions for foreign goods for the purposes of state procurement.

Resolution of the Russian Government No. 764 of 9 August 2016 includes radiotronics into the list of goods without analogues produced in Russia, and establishes the relevant criteria for inclusion into the said list. The said criteria are used in order to introduce restrictions for foreign radiotronics for the purposes of state procurement.

Resolution No. 744 entered into force on 17 August 2016 and Resolution No. 764 entered into force on 19 August 2016.

Temporary prohibition of export from Russia of semi-finished leather

Resolution of the Russian Government No. 665 of 12 July 2016 introduced a temporary prohibition of export from Russia of semi-finished leather classified under the classification codes 4104 11 and 4104 19 according to the Unified Commodity Nomenclature of the Foreign Economic Activity of the Eurasian Economic Union. The export prohibition is effective from 18 July 2016 until 18 January 2017.

The Resolution came into effect on 22 July 2016.

Andrey Silantiev, asilantiev@deloitte.ru, Deloitte Russia

South Africa

Termination of anti-dumping duties on bolts and nuts of iron or steel from China

Anti-dumping duties (ranging between 55.4% and 122.7%) on bolts and nuts originating from the People's Republic of China have been terminated. The implementation date has been back-dated to 5 May 2016.

Wian de Bruyn, wdebruyn@deloitte.co.za, Deloitte South Africa

Turkey

Tax Amnesty Law

A new Tax Amnesty Law has just passed the Parliament and been published in the Official Gazette on 19 August 2016.

The Law prescribes the restructuring of taxes and some other public claims, including import taxes and penalties. In this respect, if taxpayers apply to benefit from the Law within the prescribed period, past tax liabilities can be significantly reduced and potential penalties will not be applied.

The Law covers the period before 30 June 2016 (inclusive). For customs debts, the Law covers import and export taxes or penalties applicable for customs declarations registered before 30 June 2016. There will be a period of two months after the Law is published in the Official Gazette to apply to benefit from the Law.

According to the Law, it is possible, *inter alia*, to make a voluntary disclosure for previous unpaid import taxes for a two month period without penalty (under normal circumstances, voluntary disclosure is also subject to a certain level of penalty). Where voluntarily disclosure is made for undeclared import taxes by the end of the second month following the date of publication of this Law in the Official Gazette, late payment interest and penalties on import taxes will not be collected. Alternatively, lower interest at the rate of the producer price index (ÜFE) will be applied on the tax principal.

The Law also covers the restructuring of other tax and social security debts, tax base increase for past years, and correction of inventory and fixed assets not registered in accounting records.

Bariş Demirel, bademirel@deloitte.com, Deloitte Turkey

Ukraine

'Single window' goes live

From 1 August 2016, the customs authorities, businesses and the state supervisory agencies shift to using the unified electronic database – a 'single window' system that enables an automatic exchange of data on goods and the results of state inspections, between the system users.

With the 'single window' system, the state supervisory agencies have only four hours to articulate their opinion on the relevant type of inspection to be passed. If no decision is made within this timeframe, the 'tacit approval' principle will apply, meaning that the relevant inspection is passed.

Businesses will receive information on the types of inspection to be passed at the customs office, together with the list of documents that will be required once the goods have passed through the customs border checkpoints.

It is expected that implementation of the 'single window' system will considerably curtail the customs inspection process and reduce the customs clearance costs for businesses.

Currency regulation eased

The National Bank of Ukraine has eased payment terms for import and export transactions, specifically:

- The settlement deadline for import and export transactions has been extended from 90 days to 120 days;
- The threshold value of foreign economic contracts has been increased from USD 500,000 to USD 1,000,000, where only the letter of credit payment method is used for making advance payments in foreign currency for the import of goods.

The changes are effective from 29 July 2016 through to 14 September 2016 (Resolution of the Board of the National Bank of Ukraine, No. 361 dated 28 July 2016).

Temporary reduction in used car excise duty

From 1 August 2016 to 31 December 2018, reduced excise duty rates will apply to used motor vehicles imported by individuals (Law No. 1389-VIII dated 31 May 2016).

Depending on engine volume, new excise duty rates will range from EUR 0.102 to EUR 2.209 per cubic centimeter. The Law applies to used diesel-engined, semidiesel-engined and gasoline-engined used motor vehicles classified under the Ukrainian harmonized commodity system in position 8703.

The preferential treatment applies if:

- The motor vehicle is manufactured before 1 January 2010;
- The individual imports not more than one motor vehicle a year and does not dispose of the imported vehicle within 365 days from the date of its state registration.

The reduced excise duty rates do not apply where a motor vehicle originates from a country or is imported from a country that is recognized as an invader and/or aggressor with respect to Ukraine.

Yevgen Zanoza, yzanoza@deloitte.ua, Deloitte Ukraine

United Arab Emirates

VAT in UAE and wider Gulf Cooperation Council expected in January 2018 or January 2019 at the latest

VAT in UAE in January 2018 at a rate of 5%

A joint press conference with Christine Lagarde, Managing Director of the International Monetary Fund (IMF) and the UAE Minister of Finance Obaid Humaid Al Tayer was held on 24 February 2016, during which the Minister announced that VAT is expected to be introduced in the UAE at a standard rate of 5%, while some reliefs might be granted mainly for education and health supplies.

VAT is likely to be introduced in the UAE and probably the Kingdom of Saudi Arabia on 1 January 2018.

The other GCC member states (Bahrain, Kuwait, Oman and Qatar) are yet to announce whether VAT is to be introduced at the same time, but it is generally expected that this is likely by January 2019 at the latest.

The UAE Ministry of Finance has confirmed on their website that the VAT system is intended to come into effect on 1 January 2018, and the rate is expected to be 5%. Further generic details have also been published in a FAQs section on the Ministry's website: [VAT FAQs](#).

Registration threshold

In the Gulf News of 15 June 2016, the Undersecretary of the UAE Ministry of Finance, Younis Al Khoury, said that it will be compulsory for all companies that have revenues exceeding AED 3,750,000 to register for VAT, while it will be optional for those whose revenues range between AED 1,875,000 and AED 3,750,000.

VAT and excise tax treaties expected to be published in October 2016

The GCC Finance Ministers held an extraordinary meeting on 16 June 2016 in Jeddah, Saudi Arabia, during which the VAT and excise tax treaties were discussed, and where the legal framework setting out the common VAT principles were approved in principle. A formal announcement of the treaties is expected in October 2016.

Justin Whitehouse, jmwhitehouse@deloitte.com,
Deloitte UAE

Nibale Hamdan, nhamdan@deloitte.com, **Deloitte UAE**

United Kingdom

'Use and enjoyment' applies to insured repairs from 1 October 2016

The draft legislation which intended to apply the 'use and enjoyment' principle to UK repairs under UK insurance contracts, was published in January for technical comment.

The Statutory Instrument introducing the provision has now been laid. It differs slightly from the draft version in the sense that the new rules do not apply when the repair work is supplied to the insured person (i.e. where the insurer merely pays for repair work supplied to the owner of the goods being repaired, as opposed to receiving a supply of repair services itself).

According to the Explanatory Memorandum issued alongside the Statutory Instrument, the revised law "...will require the service provider to charge UK VAT at the standard rate on the repairs they perform where the provider of the insurance cover for the goods is located outside the VAT territory of the EU ...". The revised law takes effect from 1 October 2016 and applies to supplies made to insurers on and after that date.

Consultation on Soft Drinks Industry Levy

The government announced at Budget 2016 that it would introduce a new Soft Drinks Industry Levy from April 2018. The tax authorities have now published a consultation document, [Soft Drinks Industry Levy: Consultation Document](#), which sets out proposals for how the Levy will be designed and implemented.

The consultation seeks views on the impact of these proposals, to help determine the final shape of the levy.

Responses to the consultation are sought by 13 October 2016.

Donna Huggard, dohuggard@deloitte.co.uk, **Deloitte United Kingdom**

[Back to top](#)

Trade Preferences

Ukraine-Canada

Canada-Ukraine Free Trade Agreement signed

On 11 July 2016, Ukraine's First Vice Prime Minister, Stepan Kubiv, and Canada's Minister of International Trade, Chrystia Freeland, signed a free trade agreement (CUFTA).

Under the CUFTA, each country will gradually, according to its individual schedule, abolish or reduce import duties on the goods originating from the other party to the agreement.

From the first year of operation of the CUFTA, duty free access to the Canadian market will be granted to all Ukrainian manufactured goods (except certain motor car positions) and all agricultural products except those falling under import quota restrictions. Canada will apply tariff quotas to certain product groups, such as cereal crops, dairy products, fowl, turkey, eggs and egg products, fowl and turkey meat, some preparations of meat, margarine, mixtures of milk and chocolate ice cream, artificial honey, etc.

In its turn, immediately from the CUFTA's effective date, Ukraine grants a preferential access to its market to such Canadian manufactured products as textiles, iron and steel articles, equipment and spare parts, electrical equipment. In addition, Canadian fish and seafood, grain crops, peanuts, butter grain, chocolate, bread and bakery products, confectionery products, juices, mineral water, beer, wine are fully exempt from Ukrainian duty.

With regard to a number of Canadian goods, the Ukrainian import duties will be gradually, within three, five or seven years, reduced to zero, or partially reduced by 20 to 50%. Ukraine will apply tariff quotas to frozen pork and by-products, and pork fat. Sugar (10 tariff lines) was removed from the list of duty free imports into Ukraine.

The parties must apply export duties in accordance with their respective rights and obligations as members of the WTO.

Electronically supplied products will not be subject to duties and other payments, except domestic taxes and duties.

Under the CUFTA, Ukrainian and Canadian companies will be granted a preferential access to public procurement procedures performed by the central government agencies and state enterprises of both countries.

Moreover, to maximize the advantages of the CUFTA, the parties undertake to cooperate on trade-related issues, specifically, to foster new trade and investment opportunities in science, technologies and innovations, to provide technical assistance for agricultural development and harmonization of technical regulations, and to stimulate development of small and medium businesses for gaining access to the markets of both countries.

The CUFTA will become effective when ratified by the Parliaments of both states.

Yevgen Zanoza, yzanoza@deloitte.ua, Deloitte Ukraine

[Back to top](#)

Eurasian Economic Union

EEU integrated system of tariff preferences

Eurasian Economic Commission (EEC) Council Resolution № 47 dated 6 April 2016 approves a statute outlining the conditions and procedure for applying the EEU integrated system of tariff preferences.

Specifically, it defines the conditions for tariff preferences to be applied on goods originating from developing countries and less developed countries, and lists cases when goods are not included in a list of preferential goods or removed from it, or when the application of tariff preferences on specific or all goods originating from developing or less developed countries may be suspended.

EEC Council Resolution № 48 dated 6 April 2016 adds a point 31 to the list of less developed countries – users of the customs union tariff preference system as follows: “31. Palestine (in accordance with UN General Assembly Resolution № 43/178 dated 20 December 1988)”.

Resolution № 47 enters into force at the end of 90 calendar days from the date of its official publication, which was 12 July 2016.

Resolution № 48 enters into force from the date Resolution № 47 enters into force.

Classifiers used to complete customs declarations

EEC Board Resolution № 54 dated 2 June 2016 amends the following classifiers used to complete customs declarations:

- Customs payment concessions (Appendix 7);
- Documents and data used in customs declarations (Appendix 8);
- Taxes, fees and other payments collected by the customs authorities (Appendix 9);
- Currencies (Appendix 23).

The procedure for the Resolution to enter into force and the full documents can be found on the official EEC website and EEU legal website.

Customs declaration forms

EEC Board Resolution N° 56 dated 2 June 2016 amends the customs pay-in slip form (CPIS) and the procedure for completion.

The Resolution also established that CPIS forms, which according to EEU member country law are strictly numbered, prepared before this Resolution entered into force, may be used to register customs pay-in slips until they are finished.

EEC Board Resolution N° 77 dated 21 June 2016 amends the instructions for completing goods' declarations and the instructions for completing adjustments to goods' declarations.

EEC Board Resolution N° 79 dated 5 July 2016 amends the instructions for completing transit declarations.

The full documents can be found on the official EEC website and EEU legal website.

Resolution N° 56 entered into force on 3 July 2016.

Resolution N° 77 entered into force at the end of 30 calendar days from the date of its official publication and extends to legal relations arising from 1 July 2016. The Resolution was published on 22 June 2016.

Resolution N° 79 enters into force from 1 October 2016.

Non-tariff regulation measures

EEC Board Resolution N° 57 dated 2 June 2016 amends EEC Board Resolution N° 30 dated 21 April 2015 *On Non-Tariff Regulation Measures* with respect to poisonous substances that are not precursors of narcotics and psychotropic substances.

The full document can be found on the official EEC website and EEU legal website.

The Resolution entered into force from 3 July 2016.

List of goods recognized as significant for internal EEU market and export of which may be temporarily banned or restricted

EEC Board Resolution N° 83 dated 26 July 2016 approves a list of goods recognized as significant for the internal EEU market and the export of which may be temporarily banned or restricted. Specifically, the list includes meat, milk and dairy products, wheat, grain, flour, cattle cake, liquid fuels, animal furs and hides, and metal scrap.

The Resolution entered into force at the end of 30 calendar days from the date of its official publication, which was 28 July 2016.

Amendments to the EEU integrated customs tariffs

The below table below shows the recent EEC resolutions amending EEU customs tariffs:

EEC Council Resolution №, publication date	EEU FEA CN code	Brief overview of goods	Import duty rate
39, 2 June 2016 ¹	1006 30 670 1	Rice	0%
	1006 30 670 9		10%, but no less than EUR 0.03 per kg
	1006 30 980 1		0%
	1006 30 980 9		10%, but no less than EUR 0.03 per kg
EEC Board Resolution №, publication date	EEU FEA CN code	Brief overview of goods	Import duty rate
51, 3 June 2016 ²	9102 11 000 0	Watches	7% ³
	9102 19 000 0		7% ⁴
	9102 21 000 0		7% ⁵
	9102 29 000 0		7% ⁵
73, 15 June 2016 ⁶	8409 91 000 2	Various components for installation on vehicles fuelled by natural gas	3% ⁷
	8409 91 000 8		3%
82, 28 July 2016 ⁸	+2709 00 900 1	Crude oil with density at 20°C of between 887.6 kg/m ³ and 994 kg/m ³ and a sulphur content of between 0.015 mass % and 3.47 mass %	0%
	+2709 00 900 9		Others

- Resolution excludes commodity positions 1006 30 670 0 and 1006 30 980 0 and entered into force on 2 July 2016.
- Resolution entered into force on 1 September 2016.
- Import customs duty of 7% of customs value, but no less than EUR 2 per item, applies from 1 September 2016 until 31 August 2017, inclusive. Note 27C of the EEU customs tariffs.
- Import customs duty of 7% of customs value, but no less than EUR 1.5 per item, applies from 1 September 2016 until 31 August 2017, inclusive. Note 28C of the EEU customs tariffs.
- Import customs duty of 7% of customs value, but no less than EUR 4 per item, applies from 1 September 2016 until 31 August 2017, inclusive. Note 29C of the EEU customs tariffs.
- Resolution removes commodity position 8409 91 000 9 and entered into force on 2 September 2016.
- Import customs duty of 0% of customs value applies from 2 September 2016 until 31 December 2020, inclusive. Note 39C of the EEU customs tariffs.
- Resolution removes commodity positions 2709 00 900 1 (crude oil with density at 20°C of between 906 kg/m³ and 967 kg/m³ and sulphur content of between 1.98 mass % and 2.34 mass %; 2709 00 900 9 (others)), and entered into force at the end of 30 calendar days from the date it was published, which was 28 July 2016.

Vladimir Kononenko, vkononenko@deloitte.kz, Deloitte Kazakhstan

Sholpan Dossymkhanova, sdossymkhanova@deloitte.kz, Deloitte Kazakhstan

Temporary zero import customs duty rate on aluminum fluoride

In addition to the above, Decision of the Council of the EEC No. 54 of 11 July 2016 introduces a zero import customs duty rate on aluminum fluoride classified under the classification code 2826 12 000 0 from 2 September 2016 to 31 December 2020. The effective import customs duty rate on aluminum fluoride is 9%.

The Decision came into effect from 2 September 2016.

Andrey Silantiev, asilantiev@deloitte.ru, Deloitte Russia

[Back to top](#)

Contacts

Deloitte Global & Regional Indirect Tax Contacts

David Raistrick, Deloitte Global Leader – Indirect Tax
draistrick@deloitte.co.uk

Fernand Rutten, Deloitte Global Leader – Customs & Global Trade
frutten@deloitte.com

Jon Graham, Deloitte Global Leader – Indirect Tax Asia Pacific
JonGraham@deloitte.com.au

Rogier Vanhorick, Deloitte Global Leader – Indirect Tax EMEA
rvanhorick@deloitte.nl

Carlos Iannucci, Deloitte Global Leader – Indirect Tax Latin America
ciannucci@deloitte.com

Dwayne Van Wieren, Deloitte Global Leader – Indirect Tax Americas
dvanwieren@deloitte.com



Deloitte Touche Tohmatsu Limited
30 Rockefeller Plaza
New York, NY 10112-0015
United States

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 for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 210,000 professionals are committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2016. For information, contact Deloitte Touche Tohmatsu Limited.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.