Global Tax Developments Quarterly

Accounting for Income Taxes

Summary of recent international tax developments that may have implications on accounting for income taxes under U.S. GAAP

1 April to 30 June 2013
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Introduction

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Unless otherwise indicated, the content in this document is based on information available as of 30 June 2013. Accordingly, certain aspects of this document may be updated as new information becomes available. Financial statement preparers and other users of this document should take actions to remain abreast of and carefully evaluate additional events that may be relevant to accounting for income taxes matters.

Applicable U.S. GAAP guidance

Under U.S. GAAP, the effects of new legislation are recognized upon enactment. More specifically, the effect of a change in tax laws or rates on a deferred tax liability or asset is recognized as a discrete item in the interim period that includes the enactment date. The tax effects of a change in tax laws or rates on taxes currently payable or refundable for the current year are reflected in the computation of the annual effective tax rate after the effective dates prescribed in the statutes, beginning no earlier than the first interim period that includes the enactment date of the new legislation. However, any effect of tax law or rate changes on taxes payable or refundable for a prior year, such as when the change has retroactive effects, is recognized upon enactment as a discrete item of tax expense or benefit for the current year. While there is no specific rule as to what constitutes “enactment” under U.S. GAAP, it is commonly accepted that enactment takes place on the date the last step in the legislative process required to promulgate the law is complete (e.g., a law is published in an official gazette, signed by a president, or receives Royal Assent).

Enacted tax law changes — 1 April to 30 June 2013

The following section includes a brief summary of major international income tax law changes enacted during the period 1 April to 30 June 2013, unless specified otherwise.

Australia

General Anti-Avoidance Rule Amended

Date of enactment: 29 June 2013
Effective date: 16 November 2012

On 29 June 2013, the bill that includes amendments to the general anti-avoidance rule in Part IVA of the Income Tax Assessment Act 1936 received Royal Assent and became enacted law. These amendments create additional uncertainty as to how aspects of Part IVA apply, and differences in interpretation between the Australian Taxation Office and taxpayers likely will lead to further litigation. The amendments apply to schemes entered into, or commenced to be carried out, from 16 November 2012. Taxpayers should review transactions entered into, or commenced to be carried out, as from 16 November 2012.

See also **Australia Tax Alert — 18 February 2013**.

Brazil

Changes to the Gross Revenue Limitation Introduced

Date of enactment: 17 May 2013
Effective date: 1 January 2014

A new Federal Law (12,814/13) published in Brazil's official gazette of 17 May 2013 introduces changes to the gross revenue limitation under the presumed profit regime. There are two different methods available to calculate corporate income tax in Brazil: the "*Lucro Real*" (actual profit regime) and the "*Lucro Presumido*" (deemed profit regime). The regimes differ in their mechanics and complexity. The actual profit regime begins with book income and considers deductible and nondeductible expenses in its computation.The presumed profit regime provides a simplified calculation allowing the taxpayer to calculate its income tax on a deemed basis related only to its revenue. As from 1 January 2014, legal entities whose total gross income does not exceed BRL 78 million in the previous year (currently BRL 48 million) or BRL 6.5 million multiplied by the number of months the company carried out its activities in the previous year (if less than 12 months) can opt to be taxed under the presumed profit regime. The combined rate would be the same for both methods (34%), but depending on the profitability of the company, one method may be more advantageous than the other.

Denmark

Corporate Income Tax Rate Reduced

Date of enactment: 27 June 2013
Effective date: Various

On 27 June 2013, the Danish Parliament passed four bills that contain various tax measures including a gradual reduction of the Danish corporate income tax rate from the current 25% to 24.5% in 2014, 23.5% in 2015 and 22% as from 2016. The corporate rate reduction will not apply to businesses in the oil and gas industry, and the special payroll duty payable by financial businesses will be increased gradually to offset the reduction in the rate.

Gibraltar

Tax Treatment of Intercompany Interest Amended

Date of enactment: 6 June 2013
Effective date: 1 July 2013

The Gibraltar government approved changes to the taxation of intercompany interest on 6 June 2013 in response to the conclusion of the EU Code of Conduct Group in November 2012 that Gibraltar's tax treatment of intercompany interest was not in line with EU requirements. Under existing law, Gibraltar does not levy tax on interest. The amendments result in interest received on intercompany loans falling within the scope of taxation in Gibraltar where the interest is deemed to accrue in or derive from Gibraltar. As a result, any interest receivable that is subject to taxation will be taxed at a rate of 10% (20% in the case of utilities companies or companies abusing a dominant position). The amendments apply as from 1 July 2013.

See also **Gibraltar Tax Alert — 11 June 2013**.

India

Tax Measures in Budget 2013/2014

Date of enactment: 10 May 2013
Effective date: Various

India's annual budget for 2013/2014 enacted on 10 May 2013 includes measures that could adversely impact foreign entities.

The most important budget amendments from an international tax perspective are as follows:

- The corporate tax rate remains unchanged, but the surcharge on companies has been increased from 5% to 10% for domestic companies and from 2% to 5% for foreign companies. As a result, the effective tax rate for an Indian company earning more than INR 100 million is now 33.99% for a domestic company and 43.26% for a foreign company.
- The domestic withholding tax rate on royalties and fees for technical services has been increased from 10% to 25%. (If a nonresident wishes to benefit from a reduced rate of withholding tax under an applicable tax treaty, it is required to produce a tax residence certificate, register with the Indian tax authorities and obtain a Permanent Account Number or PAN (failure to obtain a PAN will result in the application of the domestic withholding tax rate of 20%)).
- Effective 1 June 2013, share buybacks by an Indian company, other than a listed company, are subject to a distribution tax of 20% (an effective rate of 22.66%, including the surcharge and education cess).

- The introduction of the general anti-avoidance rule (GAAR) has been postponed until 1 April 2015. The GAAR will apply only when the "main purpose" of an arrangement is to obtain a tax benefit. Further, the applicability of the GAAR in a particular case is subject to approval by a panel whose decision is binding on the tax payer and Revenue authorities.

Unless otherwise specified, the amendments generally are effective as from 1 April 2013.

See also **World Tax Advisor — 8 March 2013**.

Malta

Branch Profits Exemption and Expanded Royalty Exemption Introduced

Date of enactment: 17 May 2013
Effective date: 1 January 2012

On 17 May 2013, Malta's parliament approved tax amendments that introduced two new tax exemptions for branch profits and trademark royalties. Malta operates a full participation exemption with respect to dividends and gains derived from qualifying shareholdings, and to royalties derived from registered patents and copyrights. To ensure compliance with EU law, the participation exemption regime is broadened to include profits and gains derived by a Maltese company that are attributable to a permanent establishment (PE) situated outside Malta, or to the transfer of such PE. The profits and gains are to be calculated as if the PE is an independent enterprise operating in similar conditions and at arm's length. Additionally, the amendments extend the exemption to royalties derived from qualifying trademarks. Detailed rules prescribing the terms and conditions necessary for the application of the exemption to copyrights and trademark royalties are expected to be published shortly. The new rules apply retroactively to tax periods commencing on or after 1 January 2012.

See also **World Tax Advisor — 24 May 2013**.

Romania

Amendments to Tax Code Enacted

Date of enactment: 29 May 2013
Effective date: Various

On 29 May 2013, several amendments to the Romanian tax code were published in Official Gazette No. 310. Included in the amendments is a clarification that the 50% withholding tax rate, applicable to certain payments for services made to payees in foreign jurisdictions with which Romania has not entered into a tax information exchange agreement, applies only to payments resulting from artificial transactions. Additionally, an exclusion from the microenterprises tax regime (available to entities with a minimum share capital of EUR 25,000) is introduced for newly formed companies undertaking certain disallowed activities. The amendments generally come into force within three days of publication in the Official Gazette.

Russia

Transfer Pricing Deadlines Postponed

Date of enactment: 5 April 2013
Effective date: 1 January 2012

Changes have been made to Russia's transfer pricing rules regulating the reporting of controlled transactions and the exclusion of certain transactions from the list of controlled transactions. The amendments to Federal Law No. 39-FZ were signed by the president on 5 April 2013 and apply retroactively as from 1 January 2012 (the date the transfer pricing rules became effective). These changes are designed to ensure the efficient application of the transfer pricing rules by giving taxpayers more time to prepare documentation and providing further clarification on certain controlled transactions.

The following deadlines are affected by the new measures:

- The deadline for reporting controlled transactions carried out in 2012 to the tax authorities is postponed from 20 May 2013 to 20 November 2013;
- The Russian tax authorities cannot request transfer pricing documentation related to controlled transactions carried out in 2012 before 1 December 2013 (previously 1 June 2013); and
- The deadline for the tax authorities to initiate a transfer pricing audit for 2012 is extended from 31 December 2013 to 30 June 2014.

The law also provides that certain financing transactions carried out before 1 January 2012 will not be subject to the transfer pricing rules. Affected transactions include those related to loans, credits (including trade and commercial credits), warranties and bank guarantees. This provision does not apply, however, to pre-2012 transactions whose terms were amended after 1 January 2012.

See also **World Tax Advisor — 26 April 2013**.

Enacted tax law changes that are now effective — 1 April to 30 June 2013

The following section includes a brief summary of major international income tax law changes enacted before 1 April 2013, but are first effective in the period 1 April to 30 June 2013.

Japan

2012 Tax Reform Applicable for Fiscal Years Beginning on or After 1 April 2013

The Japanese government enacted the 2012 Tax Reform on 30 March 2012. The key change included in the reform is a restriction on the deductibility of interest paid to certain foreign affiliates ("earnings stripping"). Specifically, the enacted earnings stripping rule disallows deductions of interest expense paid to foreign related parties to the extent such interest exceeds 50% of the Japanese company's adjusted taxable income. Related parties include a company that owns (or is owned), directly or indirectly, at least 50% by the company paying the interest. Interest paid by a company whose debt is guaranteed by such controlled companies also would be subject to the limitation. The deductibility restriction is an addition to the existing thin capitalization rules and is applicable for fiscal years beginning on or after 1 April 2013.

See also **World Tax Advisor — 12 April 2013**.

Romania

Higher Withholding Tax Rate on Certain Income Derived by Nonresidents

An ordinance published by the Romanian government on 23 January 2013 contains measures designed to prevent aggressive tax planning by nonresidents. According to the new rules, income derived by a nonresident is subject to a 50% withholding tax rate (rather than the normal 16%) if the recipient is resident in a country that has not concluded an exchange of information agreement with Romania and the payment arises from a transaction that is deemed to be artificial. The effect of the law on the applicability of the tax treaty provisions in such a case would seem to be uncertain. The new rules are effective as from 1 February 2013.

United Kingdom

Corporate Income Tax Rate Reduction Effective as from 1 April 2013

On 17 July 2012, the UK Finance Act 2012 received Royal Assent, passing into law a number of tax measures announced in the UK Budget 2012. A key measure included in this legislation is the phased-in reduction of the corporate income tax rate. Pursuant to the newly enacted legislation, a 23% corporate income tax rate is effective 1 April 2013, in place of the previously enacted 24% tax rate, which became effective 1 April 2012. Because the reduced tax rate is effective from 1 April, companies that do not have a 31 March year-end may be subject to a blended tax rate on income earned in the reporting period that includes the effective date of the tax rate change. For example:

- Company X is organized and operating under UK law and has an accounting period ending 31 December 2013.
- With the enactment of the 23% tax rate effective as from 1 April 2013, Company X's 2013 blended tax rate will decrease to 23.25%, where the 24% tax rate is applicable from January 2013 through March 2013 and the 23% tax rate is applicable from April 2013 through December 2013.

In addition to the corporate income tax rate reduction, the measures passed by the Finance Act 2012 included controlled foreign corporation reform effective from 1 January 2013, and the introduction of a patent box regime effective from 1 April 2013.

See also **Global Tax Developments**, **UK Corporate Tax Rate Reduction — 26 July 2012**, and **UK Tax Alert — 21 March 2012**.

Enacted tax law changes that are effective as from 1 July 2013

The following section includes a brief summary of major international income tax law changes enacted before 1 April 2013, but are effective as from 1 July 2013.

Per a review of the jurisdictions that are generally monitored and tracked in this publication, no tax law changes that are effective as from 1 July 2013 have been identified.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated (ASC 740-10-30-2(a)). When a change in tax law is enacted in an interim period, a corporation should account for the enactment in accordance with the guidance set forth under ASC 740-270, Income Taxes: Interim Reporting. For current taxes payable or refundable, the annual effective tax rate (AETR) is adjusted to reflect the new tax law in the period in which the new tax law is effective, but not before it is enacted. Deferred taxes are adjusted for changes in tax law discretely in the interim period that includes the enactment date. These rules sometimes result in accounting for a change in tax law in more than one quarter.

On the horizon…

The following developments in tax law had not become effective as of 30 June 2013, but may, in certain cases, become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

Australia — Budget 2013-14 Targets Debt Funding by Multinationals

The 2013-14 Australian budget presented on 14 May 2013 contains several tax proposals that will affect cross-border business. No change to the corporate income tax rate was announced, but the government has proposed a tightening of the thin capitalization and interest deductibility rules. It also proposes to abolish deductions for interest expense on debt used to fund the acquisition of foreign affiliates to counteract what it perceives as abusive debt pushdown transactions by multinationals. Further, there are proposed changes to the foreign dividend exemption, the nonresident capital gains tax rules, the consolidation regime and the research and development (R&D) credit. The government has specifically linked a number of the announcements to the OECD base erosion and profit-shifting (BEPS) project.

See also **Australia Tax Alert — 15 May 2013**.

Australia — Draft Legislation Released on Investment Manager Regime

On 4 April 2013, the Australian government released draft legislation for consultation that will implement the third and final element of the investment manager regime (IMR); the first two elements were enacted in 2012. In the absence of the IMR, many foreign funds could be subject to Australian tax if the fund has an income gain sourced in Australia, including gains on non-Australian investments if those investments are managed by an Australian-based fund manager or investment advisor. The third installment of the IMR legislation completes the IMR framework for how non-Australian tax resident funds are to be subject to, or exempt from, Australian tax. The draft legislation generally applies as from 1 July 2011. However, the parts that amend the IMR 1 and IMR 2 will apply to prior income years.

See also **Australia Tax Alert — 9 April 2013**.

Belgium — Withholding Tax Exemption for Researchers and Patent Income Deduction to be Amended

The Belgian government submitted a draft bill to parliament on 19 April 2013 that would amend the withholding tax exemption for qualified researchers and the patent income deduction. The proposed changes aim at strengthening R&D activities and innovation in Belgium by increasing the tax credits for employees involved in R&D projects and allowing small and medium-sized enterprises (SMEs) to access more easily the patent income deduction regime. However, at the same time, the draft bill introduces more stringent control measures regarding eligibility for the incentives.

See also **World Tax Advisor — 14 June 2013**.

Belgium — Draft Tax Proposals Adopted by Parliament

Several tax proposals have been adopted by the Belgian Parliament in recent months. These proposals include an increase to the withholding tax rate on corporate liquidation proceeds from 10% to 25%, a reduced withholding tax rate for new investments in SMEs, an increase to the transfer tax on long-term leasing rights from 0.2% to 2% (and to 0.5% for nonprofit organizations) and revisions to the dividend received deduction and notional interest deduction regimes. The draft laws will become effective ten days after being published in the Official Gazette unless otherwise specified.

Colombia — Forthcoming Withholding Tax Update

The Colombian government is expected to issue regulations that establish a minimum basis and a special basis (similar to that which is currently applicable for income tax withholding) upon which to calculate withholding for the recently enacted CREE tax. The CREE tax came into force on 1 January 2013 and is applicable to companies domiciled in Colombia as well as foreign companies operating through a permanent establishment in Colombia. Additionally, the Colombian Government recently introduced a bill into parliament in order to approve a Tax Information Exchange Agreement with the U.S.

Germany — Amended Tax Act 2013 Approved

Germany's upper and lower houses of parliament approved the Tax Act 2013 on 6 and 7 June 2013, respectively, as part of the "Tax Act implementing the Administrative Assistance Directive and amending tax regulations." The most important changes in the Tax Act 2013 include the introduction of an anti-hybrid rule, an expansion of the real estate transfer tax rules and a disallowance of deductions for certain payments made by a German partnership to its partners. The Tax Act still must be signed by the president and published in the Federal Gazette to become effective, although these steps are expected to be completed in the near future.

See also **Germany Tax Alert — 13 June 2013**.

Israel — Corporate Income Tax Rate Increase

On 17 June 2013, the Israeli parliament (Knesset) voted in favor of the 2013-2014 budget in its first reading. The budget includes an increase to the corporate income tax rate from 25% to 26.5%. The budget will be presented to parliament, which will have until 30 July 2013 to pass it. If enacted, the 26.5% corporate income tax rate will be applicable as from 1 January 2014.

Netherlands — Supreme Court Rejects "Compartmentalization" of Participation Exemption

In a decision issued on 14 June 2013, the Netherlands Supreme Court ruled that the application of the participation exemption regime should not be "compartmentalized" when the regime has been amended and there are no transition rules for the new measures. Immediately following the Supreme Court decision, the State Secretary announced that the participation exemption regime will be amended to specifically allow compartmentalization when any changes are made to the regime (although the precise wording of the new statutory language is not yet available). It is possible that the new provisions on compartmentalization could affect dividends distributed by a company that is resident in an EU member state, but that are attributable to profits earned during the period before the country concerned became an EU member state (even though the distribution takes place after accession). If enacted, the new provisions on compartmentalization would apply retroactively as from 14 June 2013.

See also **World Tax Advisor — 28 June 2013**.

Norway — Consultation Paper Released on Related Party Interest Deduction

Norway's Ministry of Finance released a consultation paper on 11 April 2013 that would introduce limits on the deduction of interest on related party debt. The main purpose of the proposal is to restrict earnings stripping via intercompany debt financing. Under the proposal, net interest expense paid to a related party would not be deductible in a year to the extent such expense exceeds 25% of EBITDA, subject to certain adjustments. Net interest expense in excess of the limitation would be able to be carried forward for five years provided the expense falls within the 25% limitation for those years. The proposal is not clear as to whether current year net interest expense would be deducted before or after any excess net interest carried forward. The proposal suggests that the rules would apply as from fiscal year 2014. No grandfathering rules are proposed.

See also **Norway Tax Alert — 12 April 2013**.

Norway — Tax Increase Announced for Petroleum Companies

On 5 May 2013, the Norwegian government announced proposed changes to the petroleum tax system. Companies that have been granted a license to explore and produce petroleum are subject to a special petroleum tax regime. The regime has two components: the taxation of profits from petroleum exploitation (and pipeline transportation) at a rate of 28% and a special petroleum tax of 50%. The tax base for calculation of the two taxes generally is the same, except that in calculating the special petroleum tax, an additional deduction (the "uplift) is available. The proposed changes to the petroleum tax system include reducing the uplift from 7.5% to 5.5%, which would result in a reduction in the overall uplift (i.e., for four years) from 30% to 22%. Also announced was a reduction in the general corporate income tax rate from 28% to 27%, but for petroleum companies, this rate reduction would be offset by an increase in the rate of the special petroleum tax from 50% to 51%. If approved, the changes to the tax rates would apply as from 2014 and the changes to the uplift would apply as from 5 May 2013.

See also **Norway Tax Alert — 9 May 2013**.

South Africa — International Tax Highlights of 2013 Budget Speech

South Africa's Minister of Finance made some announcements in the 2013 budget speech on 27 February 2013 that will impact the taxation of foreign companies conducting business in the country. The minister announced that a proposed 15% withholding tax on interest paid to offshore recipients and a proposed increase to the rate of withholding tax on royalties, which were expected to be effective as of 1 July 2013, will be postponed until 1 March 2014. As from 1 March 2014, a withholding tax will be introduced on service fees. No further details were provided on the service withholding tax, but the rate is likely to be 15%, in line with the current rate of dividend withholding tax, the rate of the proposed interest withholding tax and the proposed increase in the rate of royalty withholding tax. Another notable proposal impacting cross-border transactions is the introduction of a special type of "South African corporate holding company." It is envisaged that the holding company would be able to choose its functional currency (or currencies); operate a foreign currency account and a Rand-denominated account for operational expenses; engage in cash pooling without restriction; freely transfer local income generated from cash management activities; and freely raise and deploy capital offshore. It also is anticipated that a complementary tax incentive may be introduced to allow such companies to use a foreign functional currency for tax accounting purposes.

See also **World Tax Advisor — 24 May 2013**.

Taiwan — New CFC and Place of Effective Management Rules Under Discussion

The Taiwan government recently presented two proposals to the Legislative Yuan that could significantly change the taxation of business entities in Taiwan that have foreign subsidiaries, as well as foreign businesses that have permanent establishments in Taiwan. The proposed measures are the introduction of controlled foreign company (CFC) rules and place of effective management (POEM) rules. Under existing rules, Taiwan companies are taxed only when they receive dividends from their offshore subsidiaries, i.e., earnings derived from foreign subsidiaries are not required to be included in Taiwan income until dividends are received by the Taiwan parent company. The proposed CFC rules would require a Taiwan company to include currently in its taxable income its pro rata share of the taxable profits of its CFC. Under the proposed POEM rules, a foreign enterprise that has its place of effective management in Taiwan would be deemed to be a resident in Taiwan and, thus, subject to tax on a worldwide income basis. In other words, the rules would require foreign companies that carry out all of their management functions in Taiwan to pay tax as domestic business entities. If approved, the new rules would apply as from 1 January 2015.

See also **World Tax Advisor — 24 May 2013**.

Did you know?

The following section contains information that may be relevant at the date of publication.

Argentina — Tax Amnesty Program Introduced

A tax amnesty became effective on 25 March 2013 with respect to all federal tax, social contributions and certain customs duties liabilities incurred before 1 March 2013. Withholding tax, health care and tax prepayment liabilities are not within the scope of the regime. The amnesty does not provide for any reduction in the tax debt; instead, it allows taxpayers to pay the aggregated debt, interest and penalties in up to 120 monthly installments at a monthly interest rate of 1.35%. Taxpayers must apply to the Argentine tax authorities before 1 August 2013 to participate in the amnesty.

See also **World Tax Advisor — 10 May 2013**.

Australia — Measures to Publically Disclose Tax Payment Details Introduced into Parliament

On 29 May 2013, amendments requiring the Commissioner of Taxation to publish limited information about the tax affairs of certain large corporate taxpayers were introduced into Parliament. This measure was originally announced on 4 February 2013 and the Australian government released a discussion paper entitled “Improving the transparency of Australia’s business tax system” on 3 April 2013. The amendments also propose to allow the publication of certain aggregate tax information and allow enhanced information sharing between government agencies in relation to foreign acquisitions and investment decisions affecting Australia.

See also **Australia Tax Alert — 4 April 2013**.

Brazil — Further Changes to IOF Rate

The Brazilian government issued a decree on 4 June 2013 that reduces the rate of the tax on financial transactions (IOF) from 6% to 0% for certain exchange transactions carried out by foreign investors wishing to bring funds into Brazil to provide margin guarantees required by the various exchanges or for capital market purposes. The reduced rate previously applied only to investments in the stock exchange and specific types of funds and bonds. The decree is effective as from 5 June 2013, the date it was published in the official gazette.

See also **World Tax Advisor — 14 June 2013**.

Chile — Supreme Court Allows Tax Authorities to Request Cross-Border Financial Information from Banks

Chile’s Supreme Court issued a decision on 25 March 2013, in which it confirmed the right of the Chilean tax authorities to require banks to disclose confidential information of certain customers. The

Supreme Court decision confirms that, except for deposits that are covered by the strict bank secrecy provision, the Chilean tax authorities are entitled to request and obtain from banks and financial institutions information on transactions performed for their clients, without having to evidence a legitimate interest, unless the information concerns one or more specific clients, in which case the tax authorities will have to provide justifications for the disclosure requirement.

See also **World Tax Advisor — 10 May 2013**.

China — SAT Clarifies When a Secondment Arrangement Creates a PE

China's State Administration of Taxation (SAT) issued guidance on 19 April 2013 (Bulletin 19) that clarifies when the secondment of an employee by a nonresident company will give rise to a taxable presence in China. Bulletin 19 provides a clarification of the PE risk associated with certain secondment arrangements and introduces a two-prong test for determining whether a seconded employee remains the employee of the nonresident company (with the result that the activities of the expatriate employee create a PE in China), or whether the individual is an employee of the host Chinese company. The guidance also directs the Chinese tax authorities to undertake a robust review of documentation and the substance of secondment arrangements, and sets out the type of documentation and information that companies should maintain to minimize challenges. Bulletin 19 clarifies and expands on SAT guidance on secondments released in 2010 (Circular 75) and applies as from 1 June 2013.

See also **World Tax Advisor — 14 June 2013**.

Colombia — Tax Accounting Implications of the CREE

On 26 December 2012, tax reform was enacted in Colombia that reduced the corporate income tax rate from 33% to 25% effective 1 January 2013 and introduced a new 9% tax. The new 9% tax (reduced to 8% beginning with the 2016 tax year), "impuesto sobre la renta para la equidad," which translated means "income tax for equitableness" ("CREE tax"), replaces the existing payroll tax and is imposed in addition to the regular corporate income tax. The CREE tax is calculated on a modified taxable income base, which cannot be lower than 3% of the net equity as of the last day of the prior year. Because the base on which the CREE tax is calculated cannot be lower than 3% of prior year net equity, the CREE tax functions like a minimum tax. Also, while this area of tax law is not well developed, it may be possible to treat taxes paid based on 3% of net equity as a tax credit carryforward (available for five years) to the extent that such equity-based taxes exceed the CREE tax calculated on the modified taxable income base.

Because the CREE tax may be calculated on either a modified measure of taxable income or on net equity, questions have arisen as to whether the CREE tax is a tax within the scope of ASC 740 (i.e., whether it is an income tax). We believe that the CREE is an income tax only to the extent that the tax exceeds the equity-based component in a given year. The tax on the equity-based component is not an income tax, and should be accounted for "above the line" as a reduction of profits before tax. The CREE tax is based on a "modified income base" and thus temporary differences and carryovers related to the CREE tax may be different than temporary differences related to corporate income taxes. As such, entities may need to maintain separate inventories of temporary differences and carryovers for corporate income tax purposes and CREE tax purposes (e.g., an entity may conclude that it is appropriate to recognize a deferred tax asset for net operating loss carryforwards at the corporate tax rate of 25%, but would not recognize a deferred tax asset for the corporate net operating loss carryforwards for CREE tax purposes and similarly tax credit carryforwards for CREE tax purposes may not be available to offset corporate income tax).

See also **Accounting for Income Taxes Quarterly Hot Topics: June 2013 Issue**

France — Tax Authorities Clarify Application of Dividend Surtax to PEs

The French tax authorities issued administrative guidance on 10 April 2013 that aims to clarify the new 3% surtax on dividend distributions and deemed dividend distributions levied on French entities subject to corporate income tax, including French permanent establishments (PEs) of foreign companies. The surtax was introduced via the revised budget law for 2012. Under the revised budget law, profits of foreign entities are subject to the 3% surtax when they cease to be at the "disposal" of a PE. Specifically, amounts that "cease to be at the disposal of a PE" correspond to withdrawals made by the head office and certain expenses disallowed under the French corporate income tax rules. However, profits that cease to be at the disposal of a French PE of a foreign entity that has its place of effective management in an EU member state and is liable to corporate income tax in that county without benefiting from any exemption will not be subject to the 3% surtax.

See also **World Tax Advisor — 26 April 2013**.

Greece — Guidance Issued on Corporate and Withholding Tax Issues

Greece's Ministry of Finance issued guidance on 7 June 2013 that clarifies the withholding tax treatment of dividends and certain corporate income tax rules in light of the changes included in Law 4110/2013, which was introduced earlier in 2013. The circular provides clarification as to the application of the reduced 10% withholding tax and the creditability of such withholding tax on dividends paid or received beginning 1 January 2014.

See also **World Tax Advisor — 14 June 2013**.

Indonesia — Ministry of Finance Clarifies Withholding Tax Rules for Mining Companies

Indonesia's Ministry of Finance issued a regulation on 27 February 2013 that addresses the withholding tax obligations of companies operating under production-sharing contracts, contracts of work and coal contracts of work (collectively, "Contracts"). The withholding tax provisions of some Contracts contain rates that applied on the date the Contracts were signed. Such Contracts typically last for 20 to 30 years, and the withholding tax rates in the Contracts generally are much higher than current rates. The regulation requires that such companies withhold tax at the rates prescribed under the law and regulations prevailing on the date the withholding tax becomes payable. Although the regulation was issued to provide fair treatment for service providers, it remains unclear whether a regulation issued by the Ministry of Finance can supersede the provisions of the Contracts, which generally have a special status under Indonesian law.

See also **World Tax Advisor — 14 June 2013**.

International — G8 communiqué advocates multilateral exchange of information

World leaders attending the G8 meeting in Northern Ireland issued a communiqué on 18 June 2013 that endorses the multilateral sharing of tax information and the promotion of greater transparency in order to discourage tax evasion. The communiqué confirms earlier anti-avoidance positions adopted by supra-national bodies such as the G20 and the EU (the latter with statements especially on transparency and country-by-country reporting), provides for new initiatives and converts what previously were theoretical positions into concrete action points. Further, the communiqué states that developing countries should be included in the initiative, as the support of non-G8 countries is crucial to its success. For example, the OECD base erosion and profit shifting (BEPS) report is referred to in the context of G8's support for the principle that developing countries should be able to collect the taxes they are entitled to and should have access to the global tax information they need for this purpose. At the same time, the communique welcomes the OECD's feasibility study for its "Tax Inspectors without Borders" proposal to assist tax administrations investigate specific and complex cases. The G8 communiqué is another step along the path towards combatting tax evasion and tax avoidance, and proposes a number of interesting initiatives. As the adoption of the recommendations would seem to require a considerable shift in prevailing attitudes, it may take a considerable amount of time to implement them in practice.

See also **OECD Tax Alert — 20 June 2013** and **Accounting for Income Taxes Quarterly Hot Topics: June 2013 Issue**

Malta — New Treaty Signed with Russia

Malta and Russia signed a new tax treaty on 24 April 2013 to replace the pending tax treaty signed between the countries in 2000. It is expected that the entry into force of the new treaty will contribute to the development of cross-border trade, as well as finance and investment relationships between the treaty partners. The treaty will enter into force 30 days after Russia gives notice that its internal ratification procedures have been completed. The treaty will apply in respect of income derived during taxable years beginning on or after 1 January of the year following the year in which the treaty enters into force.

See also **Malta Tax Alert — 8 May 2013**.

Netherlands — Temporary Accelerated Tax Depreciation Announced

On 28 June 2013, the Dutch Ministry of Finance announced in a press release that a temporary 50% accelerated depreciation rate will be available to companies that purchase new capital assets. Applicable assets must be placed in service prior to 1 January 2016, otherwise the accelerated depreciation amount will be subject to recapture. The accelerated depreciation will be available from 1 July 2013 to 31 December 2013.

Peru — Update on Reporting Obligations Applicable to Indirect Transfers

The Peruvian tax authorities (SUNAT) recently posted information on their website that addresses the requirement that resident legal entities notify the authorities when their shares or participating interests are transferred indirectly. According to rules that apply as from February 2011, capital gains derived from certain indirect transfers of the shares of, or participating interests in, a Peruvian legal entity fall within the Peruvian tax net (taxed likely at a rate of 30%). In the absence of a local acquirer, the Peruvian legal entity whose shares or participating interests are acquired is jointly and severally liable with the nonresident transferor for the payment of any capital gains tax that may arise from an indirect transfer if, in the 12-month period before the transfer, the parties are economically related. To mitigate the practical difficulties in monitoring such transactions, the 2011 law requires resident legal entities to notify the SUNAT when their shares or participating interests are transferred indirectly. The SUNAT was asked to issue guidance on the appropriate form, terms and conditions for making the notification, but this has not taken place, so the SUNAT has posted information on its website that should help to facilitate compliance with the reporting obligation.

Additionally, the SUNAT recently notified certain resident companies that audit procedures are being initiated to verify compliance with the capital gains tax rules governing the direct or indirect transfer of shares or participating interests. Failure to comply with the information requests could result in the tax authorities applying the tax code rules for making an assessment based on deemed income, as well imposing penalties. Potentially affected taxpayers should evaluate the risk of an information request and start designing a plan for appropriate compliance.

See also **World Tax Advisor — 10 May 2013** and **World Tax Advisor — 14 June 2013**.

Peru — Guidance Issued on Transfer Pricing Documentation Requirements

The Peruvian tax authorities have issued a resolution to provide guidance regarding formal transfer pricing reporting requirements, and to extend the deadline for complying with the 2012 transfer pricing requirements. A new Resolution, published in the official gazette on 30 May 2013, provides guidelines containing safe harbors for transfer pricing formal documentation requirements originally regulated by an earlier Resolution. The new resolution entered into force the following day, and it amends the content of the former guidelines to conform to the scope of rules on transfer pricing formal documentation requirements that came into effect on 30 June 2012 pursuant to Legislative Decree No. 1112. The new guidelines affect the reporting obligations for fiscal year 2012, which are due in 2013. Potentially affected taxpayers should begin to assess the impact of the new transfer pricing formal documentation requirements to ensure appropriate compliance within the remaining four months before the beginning of the reporting dates.

See also **Arm's Length Standard — June/July 2013**.

United States — Finance Committee Leaders Announce Zero-Based Approach to Tax Reform

On 27 June 2013, Senate Finance Committee Chairman Max Baucus and ranking Republican Orrin Hatch announced in a letter to their Senate colleagues that they intend to approach tax reform as a blank slate, with all current-law expenditures assumed to be expunged from the code and the onus on lawmakers to make a case for which provisions should be added back in. They also state that they "are determined to complete tax reform in this Congress" – that is, by the end of 2014.The letter acknowledges that senators have differing views on whether the revenue that is raised from broadening the tax base should be used for lowering rates, reducing the deficit, or some combination of the two. Because of the effect of these choices, the letter does not state what individual and corporate rates would be with a blank slate. Instead, the letter gives estimates provided by the Joint Committee on Taxation of how rates would increase as expenditures are added back into the code.The letter also asks senators to examine other parts of the code for reform targets. For example, Baucus and Hatch note that many income tax provisions are not considered tax expenditures but could be simplified or reformed. In addition, the letter notes that almost half of federal tax revenue comes from sources other than income taxes and suggests that these provisions should be up for examination as well. The deadline for submissions is 26 July 2013. Baucus and Hatch note that they will give special attention to bipartisan proposals.

See also **Tax News & Views — 27 June 2013.**

United States — Supreme Court Finds UK Windfall Tax Creditable Under Code Section 901

On 20 May 2013, the Supreme Court reversed the Third Circuit and held that the UK "windfall tax" was a creditable foreign tax under Internal Revenue Code section 901 because the predominant character of the tax was that of an income tax. Consistent with the reasoning of the Tax Court in PPL and the Fifth Circuit in Entergy, the Supreme Court adopted what it characterized as a "common sense approach that considers the substantive effect of the tax." The Supreme Court stated that the "crucial inquiry is the tax's economic effect" on taxpayers and not the manner in which the foreign government characterizes the tax (e.g., label, arrangement of the formula, etc.). The Court found that the tax was in fact a tax on realized net income "disguised as a tax on the difference between two values." Accordingly, the "economic substance" of the tax was found to be a creditable income tax.

See also **United States Tax Alert — 21 May 2013**.

Uruguay — Tax Incentives Provided for Hydrocarbons Sector

The Uruguayan government has published a decree that promotes hydrocarbon exploration activities carried out within Uruguay's continental shelf. The decree provides tax benefits for both contractors and subcontractors and the benefits apply as from the date the contracts were signed. Included in the benefits granted to contractors under the decree is an exemption from the nonresidents' income tax (IRNR) with respect to interest on loans granted to the contractor by a foreign company (normally a 12% withholding tax applies). Although the exemption from IRNR is not an actual benefit for the contractor, but rather for the company granting the loan, because common practice in Uruguay is for foreign companies to require "tax free" payments, the IRNR ultimately is a cost for domestic companies. Additionally, the benefits granted to subcontractors under the decree include an exemption from corporate income tax and IRNR. This should cover all situations in which a charge to these taxes may arise: where a nonresident subcontractor does not have a permanent establishment (PE) in Uruguay (in which case there would be liability to IRNR) and where a nonresident subcontractor has a PE or where the subcontractor is a local company (in which case there would be liability to corporate income tax).

See also **World Tax Advisor — 10 May 2013**.

Vietnam — Compliance Efforts Stepped Up

Vietnam's tax authorities are enhancing their efforts to ensure compliance with the tax laws. In addition to issuing new policies that tighten and restrict tax exemptions and reductions, the authorities are:

- Stepping up the frequency of tax inspections and audits;
- Being less flexible in the application of laws and regulations that allow taxpayers to optimize their tax liabilities;
- Being more aggressive in the collection of outstanding tax amounts, as well as strictly imposing tax penalties and interest on late payments; and
- Rejecting explanations/negotiations of tax issues where there is insufficient technical basis for the negotiated position.

Taxpayers should review their tax declarations and payment obligations to ensure they are in full compliance with Vietnam's tax regulations, as a basis to mitigate future potential tax penalties for violations.

See also **World Tax Advisor — 24 May 2013**.

Example disclosures

The following section contains example financial statement disclosures that may be considered relevant, in part or in whole, at the date of publication.

FASB Accounting Standards Codification (ASC or the "Codification") Topic 740, Income Taxes states that deferred tax liabilities and assets should be adjusted for the effect of changes in tax laws or rates in the period that includes the enactment date. Before enactment, financial statement preparers should consider whether potential changes represent an uncertainty that management reasonably expects will have a material effect on the results of operations, liquidity or capital resources. If so, financial statement preparers should consider disclosing information about the scope and nature of any potential material effects of the changes. After enactment, when material, financial statement preparers should consider disclosing in Management's Discussion & Analysis (MD&A) the anticipated current and future impact on their results of operations, liquidity, and capital resources. In addition, financial statement preparers should consider disclosures in the critical accounting estimates section of MD&A, the footnotes to the financial statements, or both, to the extent that the changes could materially impact existing assumptions used in making estimates of tax-related balances.

Certain legislation that has been discussed in other sections of this document may lead to an adjustment to the deferred tax balances and current taxes payable recorded on an entity's books and, if material, may need to be disclosed in the company's financial statements. In addition, proposals to change tax laws, rules, regulations, and interpretations could impact an entity's accounting for income taxes in the future. In preparation for possible impacts of the changes in tax laws, companies should consider including disclosure of the impacts of these proposed changes in their financial statements or in MD&A.

We have accumulated a select group of example disclosures that report impacts of enacted laws and the potential impacts of proposed legislation. The information in these example disclosures reflects pronouncements as of 30 June 2013. These disclosures were obtained from public filings on **www.sec.gov**. Although taken from public filings, any information specific to the registrant has been removed. New laws are being enacted and new proposals are introduced on a regular basis. The disclosures included in this publication cover only the period noted above. The user of this document should consider new laws enacted or proposed after the period covered and consider whether disclosures would be impacted.

These disclosures may be used to gain insight into registrants' communications to their shareholders and the market about the impacts that tax legislation could have on their business. It is not a substitute for your understanding of such requirements and the exercise of your judgment. You are presumed to have a thorough understanding of the requirements and should refer to the text of the underlying rules, as necessary, in considering particular items in this example disclosure.

Example disclosure with respect to the Foreign Account Tax Compliance Act (FATCA) in the U.S.

"Upon implementation of the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA"), which is intended to address tax compliance issues related to U.S. taxpayers holding non-U.S. accounts, certain of our licensed financial institutions and other entities outside the United States will be required to report to the IRS, directly or through foreign government agencies cooperating with the IRS, information about financial transactions made by U.S. taxpayers and could be required to impose withholding, documentation and reporting requirements on such transactions. Full implementation of FATCA will be phased in over a multi-year period. The additional administrative requirements of FATCA will likely result in increased compliance costs and could have an adverse effect on our business, financial condition, or results of operations."

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"The business and regulatory environments in which we operate remain complex, uncertain and subject to change. In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Reform Act") imposes additional restrictions and limitations on our business, and we expect that the Foreign Account Tax Compliance Act ("FATCA") will cause us to incur significant administrative and compliance costs. We will continue to review and evaluate the Reform Act and FATCA and the extent of their impact on our business as the various rules and regulations required for implementation are adopted. We are also subject to numerous regulations by U.S. and non-U.S. regulators that add further complexity to our ongoing global compliance operations."

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"We also expect that FATCA will cause us to incur significant administrative and compliance costs. FATCA, which is intended to address tax compliance issues related to U.S. taxpayers holding non-U.S. accounts, will require non-U.S. financial institutions to report to the Internal Revenue Service ("IRS") information about financial accounts held by U.S. taxpayers and impose withholding, documentation and reporting requirements on non-U.S. financial institutions. FATCA remains subject to the adoption of applicable regulations by the IRS, and full implementation will be phased in over a multi-year period, commencing in 2013."

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"The Internal Revenue Service ("IRS") and Treasury Department recently issued final Treasury Regulations addressing withholding and information reporting requirements under the Foreign Account Tax Compliance Act ("FATCA") in an attempt to combat offshore tax evasion and recoup tax revenues. Under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the IRS to identify financial accounts held by U.S. persons or entities with substantial U.S. ownership. FATCA is complex and its application to Company X is uncertain at this time. Compliance with FATCA could have a material adverse effect on our business."

Quick reference guide — Applicable income tax rates

The following section includes a summary of combined tax rates applicable in several key jurisdictions, the related dates of enactment, for U.S. GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain taxing jurisdictions.

	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	
Jurisdiction	2013	2014		Notes
Argentina	35%	35%	N/A	A 1% asset tax on corporate assets, including shareholdings in foreign companies (but not holdings in resident companies) operates as a minimum income tax. Asset tax paid may be credited against the company's income tax liability for up to 10 fiscal years.
Australia	30%	30%	N/A	The government previously proposed a reduction of the corporate tax rate from 30% to 29%. In May 2012, it was announced that the proposed reduction was abandoned.
Belgium	33.99%	33.99%	N/A	Reduced rates may be available for companies with taxable income that does not exceed EUR 322,500.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional surtax (10%) and social contribution (9%, 15% for financial institutions) yields an effective tax rate of 34%.
Canada	25%–31%	25%–31%	14 Dec 2007	Phased-in decreases of the federal income tax rate were enacted in 2007. The last of the phased-in tax rate decreases came into force in 2012. Provincial rates vary, ranging generally from 10% to 16%.
Chile	20%	20%	27 Sep 2012	On 27 September 2012, the tax reform bill was enacted to increase the corporate income tax rate (First Category Income Tax) from 18.5% to 20% on earnings accrued as from 1 January 2012. To the extent of income subject to the First Category Tax as a single tax, the 20% tax rate is applicable from 1 September 2012.The rate was scheduled to revert to 17% in 2013 after being temporarily increased following the 2010 earthquake; however, the 20% rate will continue to apply as from 1 January 2013.
China	25%	25%	16 Mar 2007 26 Dec 2007	Companies that were entitled to the 15% lower rate under old law were entitled to a gradual increase in the tax rate to 25% over a five-year period. The last such gradual increase applied in 2012. Entities qualifying as small-scale taxpayers were subject to a 20% tax rate. A reduced 15% tax rate applied to enterprises that qualify as new and high-tech enterprises or companies set up in certain geographical locations.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
France	33.33% – 36.10%	33.33% – 36.10%	29 Dec 2011 & 30 Dec 2012 (See **Note 1**)	For taxpayers with a fiscal year ending before 31 December 2011, the corporate tax rate was 33.33% with an additional 3.3% surcharge applicable when the global corporate income tax charge exceeded EUR 763,000 (i.e., a combined effective corporate tax rate of 34.43%). For taxable income derived in a fiscal year closed on or after 31 December 2011 and prior to or on 30 December 2015, an additional surcharge of 5% (based on the income tax due at the standard tax rates) is applicable for companies with revenue exceeding EUR 250 million (please see **Note 1** for details). As a result of the new surcharge, the effective tax rate applicable to large profitable companies increases from either 33.33% or 34.43% to either 35% or 36.10%, respectively. These rates do not include the impact of the CVAE, an annual local business tax, which is considered an income tax under U.S. GAAP. These rates also do not include the impact of the 3% surtax on distributions that was enacted on 17 August 2012 and which is considered an income tax and effectively creates a dual tax rate regime in France under U.S. GAAP (please see **Note 2** for details). Small and medium-sized companies may be subject to a lower tax rate in certain cases.
Germany	30%–33%	30%–33%	17 Aug 2007	The corporate rate is 15%. The municipal trade tax rate typically ranges between 14% and 17%. In addition, a 5.5% solidarity surcharge is levied on corporate income tax. The effective corporate tax rate (including the solidarity surcharge and trade tax) typically ranges between 30% and 33%.
Hong Kong	16.5%	16.5%	N/A	Profits tax is levied at a rate of 16.5% (15% for unincorporated businesses) where the person is carrying on a trade, profession or business in Hong Kong and the relevant income is a profit arising in or derived from Hong Kong.
India	30.9% or 32.45%	30.9% or 32.45%	8 Apr 2011	The effective rate for domestic companies is 30.9% (where taxable income is less than or equal to INR 10 million) and 32.45% (where taxable income exceeds INR 10 million). If an entity's annual income tax liability, as a percentage of book profits, is less than 18.5%, the Minimum Alternative Tax (MAT) applies at 18.5% of book profits. The effective MAT rate is 19.06% (where income is less than or equal to INR 10 million) and 20.01% (where income exceeds INR 10 million). The excess of MAT paid over the annual tax liability may be credited against the regular tax liability for the subsequent 10 years. These effective rates may increase if the earnings are distributed (please see **Note 3** for details).
Ireland	12.5% or 25%	12.5% or 25%	N/A	The standard corporate tax rate on trading income is 12.5% and on nontrading income, 25%. The Finance Act 2013, enacted on 27 March 2013,includes an increase in the capital gains tax rate from 30% to 33% that is effective for disposals occurring on or after 6 December 2012.
Italy	27.5%	27.5%	28 Dec 2007	IRAP, the regional tax on productive activities, is levied within a range of up to one percentage point around the basic IRAP rate (3.9%). From 2011, the basic IRAP rate is 4.65% for banks and 5.9% for insurance companies. Taxpayers will need to determine whether to treat IRAP as an income tax under ASC 740. An additional 10.5% “Robin Hood” tax is levied on certain companies. (please see **Note 4** for details)

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
Japan	37%–39% or 40%–42%	37%–39%	30 Nov 2011	The national corporate tax rate for fiscal years beginning on or after 1 April 2012 is 25.5%. In addition, a temporary 10% surtax on the national corporation tax rate is effective for three consecutive years starting with the first fiscal year beginning on or after 1 April 2012. Japanese companies and foreign corporations that are carrying on a business through a permanent establishment in Japan also are subject to a local inhabitants tax and a local enterprise tax. Inhabitants and enterprise tax rates vary depending on certain factors. Consequently, for taxpayers operating in Tokyo, the local enterprise tax is generally levied on taxable income at a rate of either 10.073% or 7.552%, and the inhabitants tax generally is levied on taxable income at a rate of either 17.3% or 20.7% of the national corporate tax rate. The local enterprise tax is deductible for national corporation tax purposes generally when it is paid. As such, the change in the national corporate income tax rate will have an effect on the applicable local income tax rate(s). Following these changes, the combined effective tax rate effective for three years starting in fiscal year 2012 (net of applicable tax benefit) is approximately 37%-39%. Subsequent to these first three fiscal years, the temporary surtax will no longer apply and the combined effective tax rate will decrease by approximately 2.3 percentage points.
Luxembourg	~29.22%	~29.22%	28 Dec 2012	This rate applies to the municipality of Luxembourg City. Rates for residents of other municipalities may vary.
Mexico	30%	29%	7 Dec 2009 and 17 Dec 2012	The 30% tax rate remains in effect for 2013, but will decrease to 29% in 2014 and revert to the 28% rate in 2015. A special regime applies for maquiladoras. A Business Flat Tax (IETU) was introduced in 2007 and provided for a tax rate of 16.5% in 2008, 17% in 2009 and 17.5% in 2010 and thereafter. IETU is calculated independently from the regular tax (ISR) using a modified tax base. The ISR effectively paid can be credited against the IETU liability. The flat tax is treated as an income tax for ASC 740; however, taxpayers will need to determine whether they are required to record deferred taxes on the basis of ISR, IETU, or both.
Netherlands	25%	25%	N/A	Tax changes enacted on 1 July 2009 introduced a 20% tax rate applicable to income below EUR 200,000, effective retroactively to 1 January 2009.
Peru	30%	30%	N/A	Certain oil and gas or mining companies that signed a tax stability agreement with the government are subject to an additional 2% tax for the period covered by the agreement. In addition, a special corporate tax regime is available for certain types of resident enterprises if income does not exceed a specified amount.
Russia	20%	20%	26 Nov 2008	The 20% (18% regional and 2% federal) tax rate can be reduced to 15.5% (13.5% regional and 2% federal) by regional governments of Russia. As from 1 January 2012, the regional authorities in Special Economic Zones may grant a further reduction of the regional tax rate to as low as 0%, leaving only the 2% federal portion. Certain companies in technology (and tourist) zones may be exempt from the 2% federal tax as well.
Singapore	17%	17%	29 Dec 2009	75% of the first SGD 10,000 of chargeable income and 50% of the next SGD 290,000 of chargeable income are exempt from tax. Singapore tax is imposed on a preceding year basis (i.e., year of assessment 2013 refers to a financial year ended in 2012).

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
Sweden	22%	22%	22 Nov 2012	The corporate tax rate reduced from 26.3% to 22% as from fiscal years starting on or after 1 January 2013.
Switzerland	12%–24%	12%–24%	N/A	The rate includes federal and cantonal/communal taxes for an ordinarily taxed legal entity. The tax rate at the cantonal/communal level depends on the canton/municipality in which the company is located.
United Kingdom	24% and 23%	23%	17 Jul 2012	A 24% tax rate was effective from 1 April 2012 and a 23% tax rate is effective from 1 April 2013. As a result of the mid-year change, a blended tax rate of 23.25% applies for taxpayers with a December 31 year-end. The corporate tax rate is expected to further reduce to 21% with effect from 1 April 2014, and to 20% from 1 April 2015, but these reductions have not yet been enacted.

Note 1: On 30 December 2012, the 2013 Finance Bill was enacted extending the additional surcharge of 5% applicable for companies with revenues exceeding EUR 250M to all fiscal years closing prior to and on 30 December 2015 (previously 30 December 2013).

Note 2: On 17 August 2012, the French government enacted a 3% surtax that is levied on dividends and certain other distributions paid on or after 17 August 2012 by French and foreign entities subject to corporate income tax in France (including permanent establishments of foreign entities). The new surtax effectively creates a dual tax rate regime in France. (See also **Accounting for Income Taxes Quarterly Hot Topics: September 2012** for a discussion of certain related accounting for income taxes implications).

Note 3: A domestic entity is subject to an additional tax of approximately 16.2225% when earnings are either distributed as a dividend or in liquidation of the company. This incremental tax is commonly known as a Dividend Distribution Tax (DDT) and becomes payable when previously taxed earnings are distributed to shareholders as either dividends or in liquidation of the company, increasing the total effective tax rate on earnings from 30.9% or 32.445% to 40.55% or 41.87%, respectively.

Note 4: Law No. 148, enacted on 16 September 2011, introduces a temporary increase of the “Robin Hood” tax from 6.5% to 10.5% effective for fiscal years 2011-2013.The tax is levied on the oil, gas, and energy producers and trading companies in addition to the regular corporate income tax. The law also broadens the scope of the tax to include the renewable energy sector and other businesses in the energy sector that were previously exempt.

Additional resources

A Roadmap to Accounting for Income Taxes — This Roadmap includes all of Deloitte's interpretive guidance on the accounting for income taxes, combining the income tax accounting rules and implementation guidance from ASC 740 with Deloitte's interpretations.

***Accounting for Income Taxes — Global Tax Development* archive**

***Accounting for Income Taxes Hot Topics* archive** — A quarterly publication that highlights certain recent tax and accounting developments that may have accounting for income taxes (ASC 740) implications.

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Global Tax Alerts — Tax alerts prepared by Deloitte professionals around the world to provide timely commentary and analysis on tax developments affecting cross-border transactions.

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***World Tax Advisor* archive** — Biweekly bulletin of international tax developments written by professionals of the member firms of Deloitte. The newsletter focuses on analyses of cross-border tax developments that reflect the dynamic business environment faced by multinationals.

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***Transfer Pricing Alert* archive** — The latest updates in Transfer Pricing from around the world.

Click to **subscribe** to receive an email when a new *Transfer Pricing Alert* is issued.

2013 Global Transfer Pricing Country Guide — A comprehensive and authoritative guide, compiling essential information regarding the transfer pricing regimes in 58 jurisdictions around the world and the OECD.

Deloitte International Tax Source (DITS) — An online database featuring corporate, withholding and tax treaty rates and information for 65 jurisdictions worldwide.

Financial Reporting for Taxes Dbriefs Webcasts — A collection of live and archived Dbrief webcasts that give you valuable insights on important developments impacting financial reporting for taxes.

Financial Accounting & Reporting — Income Taxes — Financial accounting and reporting for income taxes have become increasingly complex. Tax departments are working to keep up with the latest regulatory developments and guidance related to income tax accounting, disclosures and documentation, as well as seeking ways to address their tax provision process and technology needs. Deloitte can help.

Tax Publications — A collection of tax publications issued by Deloitte to help clients stay informed on tax legislation and regulations and the potential impact on their businesses.

Click to **subscribe** to receive these publications directly via e-mail.

Financial Reporting for Taxes 2013 Training — Professionals continue to face significant challenges in financial accounting and reporting for income taxes. Deloitte's Financial Reporting for Taxes training can help you stay informed. Our next program with multiple course offerings is scheduled for December 9-13, 2013 in Las Vegas, Mandalay Bay. Course offerings are designed for corporate tax and accounting professionals.

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