

Global Tax Developments Quarterly

Accounting for Income Taxes

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



1 January – 31 March 2015

14 April 2015

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Introduction

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Unless otherwise indicated, the content in this document is based on information available as of 31 March 2015. 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 US GAAP guidance

Under US 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 US 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 January to 31 March 2015

The following section includes a brief summary of major international income tax law changes enacted during the period 1 January 2015 to 31 March 2015, unless specified otherwise.

Bulgaria
Greece
Isle of Man
Japan
Korea
United Kingdom
Vietnam

Bulgaria

Full Implementation of EU Interest and Royalties Directive

Date of enactment: 1 January 2015

Effective date: 1 January 2015

Effective 1 January 2015, Bulgaria fully implemented the EU interest and royalties directive and, therefore, will grant a withholding tax exemption for interest and royalties paid to an associated company of another member state or to a permanent establishment of an associated company situated in another member state, subject to certain conditions.

See also [World Tax Advisor – 9 January 2015](#).

Greece

New Restrictions Introduced on Expense Deductions

Date of enactment: 20 March 2015

Effective date: 21 March 2015

Under new Greek rules that apply as from 21 March 2015, any expenses incurred on a payment to one of the following categories of persons (whether an individual or a legal person) generally will be nondeductible unless the taxpayer prepays a 26% tax on the total amount of the expenses:

- A person resident in a noncooperative state or a privileged tax regime jurisdiction (a country with a corporate tax rate of less than 13%);
- A “de facto” affiliated company that does not comply with Greece’s transfer pricing documentation requirements before the relevant transaction is carried out; or
- A company or group of companies that lacks sufficient substance to conduct the particular business activity.

The ministry of finance is expected to issue further clarifications to the rules.

See also [World Tax Advisor – 27 March 2015](#).

Isle of Man

2015 Budget Presented

Date of enactment: 17 February 2015

Effective date: Various

In the 2015 budget speech presented on 17 February 2015 (and approved and enacted on the same day), the treasury minister stated that the 0% rate for companies will remain unchanged. However, with effect from 6 April 2015, the corporate income tax rate on companies receiving income from Isle of Man land and property increased from 10% to 20%. Although no significant announcements were made in relation to international matters, mention was made of the growing global focus on tax transparency (in particular, with respect to the introduction of a centralized registry of beneficial ownership of companies, for which consultation responses are being reviewed), the automatic exchange of information based on the OECD common reporting standard and the emergence of new initiatives, such as the OECD's base erosion and profit shifting (BEPS) project.

See also [World Tax Advisor – 27 February 2015](#).

Japan

2015 Tax Reform Enacted

Date of enactment: 31 March 2015

Effective date: Various

The 2015 tax reform was passed by Japan's House of Councilors of the National Diet on 31 March 2015. As part of the new tax law, there is a new effective corporate income tax rate of approximately 32.11% that applies to large companies (i.e. companies with stated capital over JPY 100 million) based in Tokyo for tax years beginning on or after 1 April 2015, but before 1 April 2016. That rate will be further reduced to approximately 31.33% for tax years beginning on or after 1 April 2016. Other changes include the following:

- The deductible amount of tax loss carryforwards will be reduced from 80% to 50% over the next three years;
- The tax loss carryforward period will be increased from nine to 10 years for losses incurred in tax years beginning on or after 1 April 2017;
- A reduced tax rate is applicable to the income portion of the factor-based enterprise tax for large companies over the next two years;
- The ownership threshold for purposes of fully excluding dividends received from another Japanese company is increased from 25% to 33.3% for dividends received for fiscal years beginning on or after 1 April 2015;
- The dividends received deduction is reduced from 50% to 20% for domestic shareholdings of 5% or less for dividends received for fiscal years beginning on or after 1 April 2015;
- The 95% foreign dividend exemption will not apply where foreign dividends are deductible for income tax purposes in the paying jurisdiction; this rule is effective for fiscal years beginning on or after 1 April 2016 (certain grandfather rules apply);

- The effective tax rate to trigger the application of the controlled foreign corporation regime (CFC) is changed from “20% or less” to “less than 20%,” effective for CFC fiscal years beginning on or after 1 April 2015; and
- The scope of digital services subject to consumption tax will be expanded to include digital services provided from outside of Japan, effective for transactions taking place on or after 1 October 2015.

See also [World Tax Advisor – 23 January 2015](#).

Korea

2015 Tax Reforms in Effect

Date of enactment: 3 February 2015

Effective date: 1 January 2015

Korea’s Ministry of Strategy and Finance promulgated the 2015 tax law reforms on 3 February 2015, and they generally apply as from 1 January 2015. Some important changes include:

- A new accumulated earnings tax (AET) is imposed on excess cash accumulated by large corporations whose equity capital exceeds KRW 50 billion and companies that are members of a group with a restriction on cross-shareholdings. These rules apply for taxable years beginning on or after 1 January 2015 and before 31 December 2017;
- The thin capitalization rules are amended;
- The tax credit rate for investment in productivity improvement facilities is increased for mid-sized companies that are not small and medium-sized companies;
- A Korean parent company that receives dividends from a foreign subsidiary can claim an indirect foreign tax credit with respect to the income tax paid by the foreign subsidiary only if the parent company holds directly at least 25% (previously 10%) of the voting shares of the foreign subsidiary; and
- The ability to calculate the foreign tax credit limitation for foreign-source income received from two or more countries on a combined basis is abolished. The credit now must be calculated on a per-country basis.

See also [World Tax Advisor – 24 October 2014](#) and [World Tax Advisor – 10 April 2015](#).

United Kingdom

2015 Budget Enacted

Date of enactment: 26 March 2015

Effective date: Various

The UK chancellor announced the 2015 budget on 18 March 2015 and the Finance Bill was enacted on 26 March 2015. A number of tax changes became effective on 1 April 2015, including the following: (1) the main rate of corporation tax rate is reduced from 21% to 20%; (2) the new 25% diverted profits tax is introduced; (3) the bank levy is increased from 0.156% to 0.21%; (4) the amount of annual profits of banks that can be offset by carried forward losses is restricted to 50%; (5) the VAT registration threshold is increased from GBP 81,000 to GBP 82,000, and the deregistration threshold from GBP 79,000 to GBP 80,000; (6) an investment allowance for North Sea oil and gas is introduced to replace the offshore field allowances and simplify the regime; and (7) the associated companies rules are replaced with simpler rules based on 51% group membership.

See also [United Kingdom Tax Alert – 18 March 2015](#) and [World Tax Advisor – 10 April 2015](#).

Diverted Profits Tax Rules in Effect

Date of enactment: 26 March 2015

Effective date: 1 April 2015

The new 25% diverted profits tax effective from 1 April 2015 will apply to profits of multinationals artificially shifted from the UK; specifically, the tax will apply where a UK company or a foreign company with a UK taxable presence creates a tax advantage by using transactions or entities that lack economic substance, or where a foreign company artificially avoids having a taxable presence in the UK. The DPT is intended to encourage companies to adjust their corporate tax position to reflect the expected outcomes from the G20/OECD base erosion and profit shifting (BEPS) project. DPT is distinct from corporation tax, and the UK considers that it will fall outside the scope of the UK's existing bilateral tax treaties.

See also [United Kingdom Tax Alert – 18 March 2015](#) and [World Tax Advisor – 10 April 2015](#).

Vietnam

Amendments to Corporate Income Tax

Date of enactment: 12 February 2015

Effective date: 1 January 2015

A decree issued by Vietnam's government on 12 February 2015 and that applies as from 1 January 2015 amends and supplements other decrees relating to corporate income tax. The rules on Vietnam-source income applicable to foreign enterprises are revised, guidance is provided on deductible expenses and some changes are made to corporate income tax incentives.

See also [World Tax Advisor – 10 April 2015](#).

Enacted tax law changes that are now effective: 1 January 2015 to 31 March 2015

The following section includes a brief summary of major international income tax law changes enacted before 1 January 2015, but are first effective in the period 1 January 2015 to 31 March 2015.

Albania

Withholding Tax Increase

A law published in the Albanian official gazette on 24 December 2014 increases the withholding tax rate on dividends, interest and royalties paid to nonregistered and nonresident persons from 10% to 15%. The new rate also applies to service fees, rents, gaming and gambling income.

See also [World Tax Advisor – 12 December 2014](#).

Algeria

Tax Rate Change

The Algerian government announced a change to the corporate tax rate in a memo dated 19 January 2015. According to the memo, the standard corporate tax rate is now 23% (the rate previously was 25% for non-tourism companies involved in the services sector and 19% for tourism and production sector companies). Special tax rules may apply to the hydrocarbon and mining sectors. The rate change applies for the corporate income tax return to be filed before the end of 20 April 2015 (i.e. fiscal year 2014).

See also [World Tax Advisor – 13 February 2015](#).

Angola

Standard Tax Rate Reduction

In October 2014, Angola enacted a new version of the industrial income tax

Albania
Algeria
Angola
Austria
Canada
Chile
Colombia
Estonia
France
Italy
Jordan
Kazakhstan
Luxembourg
Mexico
Norway
Peru
Poland
Portugal
Russia
South Africa
Spain
Taiwan
Thailand
Ukraine

code that applies as from 1 January 2015. The new code includes a standard corporate tax rate of 30% that applies as from the 2014 tax year (reduced from 35%). A reduced rate of 15% applies to income derived from agriculture, aquaculture, forestry, and poultry and livestock production.

See also [World Tax Advisor – 13 February 2015](#).

Austria

Tax Group Regime Changes

The 2014 Tax Reform Act passed on 28 February 2014 includes changes to the tax group regime that apply as from 1 January 2015. The act provides that only 75% of foreign losses may be used to offset taxable income of the Austrian tax group members (including the Austrian head of the group). Foreign losses that cannot be used in a one year will become part of the tax loss carryforwards of the head of the group. Additionally, income generated by the recapture of previously utilized foreign losses will be able to be fully offset against tax losses carried forward. Finally, a refund of tax withheld on dividends qualifying for benefits under the EU-parent-subsidiary directive will be possible only after the calendar year of withholding has elapsed.

See also [Austria Tax Alert – 23 January 2014](#) and [Austria Tax Alert – 20 March 2014](#).

Canada

Legislation on Cross-Border Financing and Foreign Affiliate Dumping

Draft legislation released by Canada's Department of Finance on 29 August 2014 received royal assent and was passed into law on 16 December 2014. The law includes implementation of back-to-back financing proposals that are effective for payments after 2014 regardless of the interest accrual period. Several changes were made to the thin capitalization rules that are effective for tax years that begin after 2014.

See also [World Tax Advisor – 10 October 2014](#) and [World Tax Advisor – 23 January 2015](#).

Chile

Tax Reform Measures

A broad-based tax reform enacted on 29 September 2014 is effective from dates ranging from 1 October 2014 through 1 January 2017. Measures that apply as from 1 January 2015 include tighter thin capitalization rules, repeal of the goodwill benefit, additional requirements to deduct payments to foreign related parties and a one-year window (2015) to withdraw retained profits at a reduced rate and to disclose undeclared assets and income abroad subject to a single tax rate of 8%.

See also [Chile Tax Alert – 17 April 2014](#), [World Tax Advisor – 26 September 2014](#) and [Chile Tax Alert – 23 August 2014](#).

Colombia

Income Tax and Income Tax for Equality (CREE) Amended

The Colombian parliament approved a law on 23 December 2014 that makes several changes to the tax regime that are effective as from 1 January 2015. The law allows tax losses and minimum base excesses generated as from FY 2015 to be offset against the CREE tax due in FY 2015 and thereafter and prevents the use of a taxpayer's credit balances with respect to other taxes to offset the CREE tax payable. The 9% CREE

rate is maintained for FY 2016 and following years (previous legislation considered a reduction of the rate to 8% as from 2016). A CREE surcharge is introduced for tax years 2015 to 2018 that will apply to taxpayers whose CREE taxable base is equal to or greater than approximately USD 347,000. The rate of the surcharge is 5% for 2015, 6% for 2016, 8% for 2017 and 9% for 2018.

Income derived by legal entities that is not attributed to a branch or permanent establishment in the years 2015-2018 will be subject to income tax at a rate of 39% for 2015, 40% for 2016, 42% for 2017 and 43% for 2018.

Estonia

Changes to Taxation of Directors' Fees

As from 1 January 2015, directors' fees (as well as nonmonetary benefits) paid to nonresident board members of an Estonian company are taxable in Estonia, even if the payer is not a resident legal entity or an Estonian permanent establishment of a nonresident. The treatment of directors' fees for social tax purposes, however, remains unchanged, i.e. social tax will be due on fees paid to a nonresident director, regardless of who pays the fees or where the management activities are performed. An exemption from social tax may be available in certain cases.

See also [World Tax Advisor – 28 November 2014](#).

France

Amended 2014 Finance Law Enacted

The Amended Finance Law for 2014 was enacted on 30 December 2014 and is effective as from 1 January 2015. Measures of particular importance are as follows:

- A new form of tax consolidation permits horizontally consolidated tax groups. A consolidated group now may be comprised of French sister companies that share a common parent company established in an EU member state or in a state in the European Economic Area (EEA) that has concluded an administrative assistance agreement with France. (The nonresident parent company can be a resident outside of the EU/EEA, provided it has a PE in the EU/EEA (through which it is subject to a corporate tax equivalent to the French corporate income tax).) The horizontal consolidation option applies starting from tax years ending on 31 December 2014.
- The participation exemption regime for dividends is amended to transpose the amended EU parent-subsidiary directive into French law.
- Changes are made to the tax treatment of share repurchases so that the capital gains tax regime will apply exclusively to amounts paid to partners or shareholders, irrespective of whether shareholders are individual or corporations.

See also [France Tax Alert – 14 November 2014](#) and [World Tax Advisor – 23 January 2015](#).

2015 Finance Law Enacted

The 2015 Finance Law, passed on 30 December 2014 and effective as from 1 January 2015 contains two measures that affect the French overseas departments (French Guiana, Guadeloupe, Martinique, Mayotte and Reunion): (1) an increase in the research and development tax credit from 30% to 50% of expenditure incurred up to EUR 100 million, and 5% for expenditure exceeding this amount; and (2) an increase in the

competitiveness credit, which previously was 6% of total wages paid to employees earning no more than 2.5 times the French legal minimum wage, to 7.5% for salaries paid in 2015 and 9% for salaries paid in 2016 and subsequent years.

See also [World Tax Advisor – 24 October 2014](#) and [World Tax Advisor – 23 January 2015](#).

Italy

2015 Stability Law Enacted

The 2015 budget law was approved on 22 December 2014 and published in the official gazette on 29 December 2014 as the 2015 Stability Law. The Stability Law includes a number of significant changes to Italy's tax rules that apply as from 1 January 2015, including the following:

- Introduction of a patent box regime;
- Introduction of a new research and development tax credit available until 2019;
- A full deduction for purposes of the local tax on productive activities (IRAP) for labor costs for permanent-hired employees (as from FY 2015);
- Repeal of the reduction of the IRAP rate to 3.5% approved on 24 April 2014 so the standard rate remains 3.9%;
- Authorization to the government to review and revise the "black-list" of countries; and
- An opportunity for nonresident companies to "step-up" the tax basis of Italian unlisted participations.

See also [World Tax Advisor – 23 January 2015](#) and [World Tax Advisor – 27 February 2015](#).

Jordan

Tax Rate Change

Jordan's government enacted several tax rate increases on 31 December 2014 that apply as from 1 January 2015. The standard corporate tax rate increased from 14% to 20% and the rate applicable to banks increased from 30% to 35%. A 24% rate applies to certain specified industries, including telecom and mining, and a 20% rate applies to the contracting, trading and services sectors. A 14% rate applies to the industrial sector. The withholding tax rate on interest, royalties and imported services increased from 7% to 10%.

See also [World Tax Advisor – 13 February 2015](#).

Kazakhstan

Investment Rules Revised

New rules designed to improve Kazakhstan's overall investment climate became effective on 24 June 2014 and apply as from 1 January 2015. Preferential treatment is granted for investors involved in "priority investment projects," and other beneficial options are available for projects that do not qualify as priority investment projects. The list of priority activities includes crop and animal production; activities related to food and beverage production; the manufacturing of pharmaceuticals, textiles and clothing, computer; electronic and optical products, and coke and refined petroleum products; and the production of chemical industry products.

See also [World Tax Advisor – 25 July 2014](#).

Luxembourg

2015 Budget Enacted

Luxembourg's 2015 budget law was published in official journal on 24 December 2014 and applies as from 1 January 2015. The corporate income tax rate of 22.47% (including the employment fund surcharge) remains unchanged for 2015.

The budget introduces changes to the minimum income tax. Collective entities are subject to a minimum income tax of EUR 3,210 or a progressive minimum income tax from EUR 535 to EUR 21,400 that depends on the total assets on their balance sheets. Additionally, changes are made to the criteria for the application of the minimum income tax of EUR 3,210: a collective entity must own qualifying holding and financial assets that exceed 90% of its balance sheet and have a total balance sheet exceeding EUR 350,000 to be liable for the EUR 3,210 minimum income tax. Entities that meet the 90% test and have a total balance sheet below EUR 350,000 will be liable to a minimum income tax of EUR 535 (also previously EUR 3,210).

A new measure included in the procedural part of the tax law specifically refers to transfer pricing for which the tax authorities may request documents to investigate transactions with related parties.

See also [World Tax Advisor – 14 November 2014](#) and [World Tax Advisor – 9 January 2015](#).

Mexico

Requirements for Electronic Accounting Records Published

On 19 August 2014, Mexico's tax authorities (SAT) extended the period for companies to electronically submit detailed accounting records and journal entries to the SAT internet portal and amended rules published on 4 July, as follows:

- The requirement to submit the monthly trial balance and chart of accounts in electronic format applies as from January 2015 for entities with taxable income exceeding USD 285,000 on their 2013 tax return and in their 2013 financial systems. Information for FY14 does not need to be submitted.
- The due date for the monthly trial balance will be the third day of the second month after the month for which the information is submitted (except for the initial chart of accounts and the trial balance for January 2015 and February 2015 that must be submitted no later than 30 April 2015).
- Entities that issue securities on the Mexican or a foreign recognized exchange must submit electronic accounting information on a quarterly, rather than a monthly, basis. The first reporting deadline for these entities will be 3 May 2015.

See also [World Tax Advisor – 25 July 2014](#) and [World Tax Advisor – 22 August 2014](#).

Norway

2015 Budget Passed

Norway's 2015 budget was enacted on 19 December 2014 and is effective from fiscal year 2015 (for fiscal years not following the calendar year, the budget is effective for fiscal years ending on a date in 2015). The budget includes an increase in the cap on the deductibility of internal research and development (R&D) expenses from NOK 8 million to NOK 15 million, and in the cap on outsourced R&D expenses from NOK 22 million to NOK 33 million.

See also [World Tax Advisor – 24 October 2014](#).

Peru

Tax Reform Effective

Peru's government enacted a law on 31 December 2014 that contains the following tax measures:

- Corporate income tax rates gradually will decrease for resident corporate taxpayers from 30% to 26% over a five-year period beginning in 2015;
- Dividend tax triggered by a distribution of profits or an agreement to distribute profits to resident individuals or nonresident shareholders gradually will increase from 4.1% to 9.3% over a five-year period beginning in 2015; and
- The deemed dividend rule for credits granted to shareholders are modified.

See also [World Tax Advisor – 23 January 2015](#).

Poland

Corporate Income Tax Act Amended

Poland's amended Corporate Income Tax Act was published on 3 October 2014 (with some further amendments related to the date of application of the CFC rules published on 29 October). The amended act includes the introduction of CFC rules and amended thin capitalization rules that apply as from 1 January 2015.

Under the CFC rules, Polish taxpayers will be taxed at a rate of 19% on the income of their CFCs. A new definition of equity and debt-to-equity ratio of 1:1 applies (previously 3:1) under the thin cap rules, with any interest on debt exceeding this amount being nondeductible. The scope of the thin cap regime is expanded to cover direct shareholders and direct sister companies, as well as indirectly related entities.

See also [World Tax Advisor – 14 November 2014](#).

Portugal

2015 Budget Law Includes Corporate Tax Rate Reduction

Portugal's budget law for 2015, published in the official gazette on 31 December 2014, applies as from 1 January 2015. The budget includes a reduction in the corporate income tax rate from 23% to 21% (with a further reduction expected in coming years to between 17% and 19%).

An environmental tax reform became effective on 1 January 2015, which covers areas such as energy, transport, urbanism, forests and biodiversity. The reform introduces a surtax on carbon emissions (applicable to "non-EU ETS entities" (European Union Emissions Trading Scheme) and a tax on plastic bags.

Russia

Changes to Taxation of Foreign Entities Enacted

Russia's president signed a law on 24 November 2014 that makes fundamental changes to the taxation of foreign entities, with the new rules applying as from 1 January 2015. The law introduces the concept of "beneficial ownership," a new definition of corporate residence, a controlled foreign company regime, new rules on the indirect disposal of shares of Russian real estate-rich companies and requirements that Russian legal entities and individuals disclose information on their interests in foreign companies. The law also imposes

additional compliance requirements with respect to application of the reduced tax rates and other benefits under Russia's tax treaties.

See also [World Tax Advisor – 25 April 2014](#), [World Tax Advisor – 26 September 2014](#) and [World Tax Advisor – 12 December 2014](#).

South Africa

Withholding Tax on Interest Effective

The effective date for the introduction of withholding tax on interest was postponed from 1 January 2015 to 1 March 2015. The withholding tax applies to interest that is paid or that becomes due and payable on or after that date.

See also [World Tax Advisor – 24 October 2014](#).

Spain

Corporate Tax Reform Enacted

The broad-based tax reform proposed by the Spanish government in June 2014 was published in the official gazette on 28 November 2014 and applies as from 1 January 2015. The main change is a reduction of the general corporate income tax rate of 30% to 28% for 2015 and to 25% in taxable years starting from 2016. Other changes affect tax-deductible expenses, tax loss carryforwards, tax credits, the participation exemption, transfer pricing, nonresident income tax and the tax consolidation regime.

See also [Spain Tax Alert – 2 July 2014](#), [World Tax Advisor – 12 September 2014](#) and [Spain Tax Alert – 2 December 2014](#).

Taiwan

Changes Made to the Imputed Tax Credit

The Taiwan Legislative Yuan passed several amendments to the income tax act on 16 May 2014. One of the changes is a 10% surtax levied on a Taiwan company's current year profits if the profits are not distributed to shareholders by the end of the following fiscal year. Surtax paid will be included in the imputed credit account as part of the imputed tax credit and the surtax may be used as a credit against the withholding tax payable on dividends distributed to nonresident individual or nonresident corporate shareholders in subsequent years. The new rule will limit the amount of the credit to 50% of the surtax paid by the distributing company. The changes apply as from 1 January 2015.

See also [World Tax Advisor – 13 June 2014](#).

Thailand

Corporate Tax Rate Extended

On 10 November 2014, the Thailand government extended the 20% corporate income tax rate to be applied for an accounting period starting on or after 1 January 2015, but not after 31 December 2015.

See also [World Tax Advisor – 23 May 2014](#) and [World Tax Advisor – 28 November 2014](#).

Ukraine

Tax Reform Enacted

A law published on 31 December 2014 made a number of changes to Ukraine's tax code and other laws, particularly regarding corporate income tax, transfer pricing, personal income tax and value added tax. Overall, the law simplifies tax accounting and reduces the total number of taxes and duties. The new law is effective from 1 January 2015, although some measures will take effect at a later date.

See also [World Tax Advisor – 13 February 2015](#).

Enacted tax law changes that are effective as from 1 April 2015

The following section includes a brief summary of major international income tax law changes enacted before 1 January 2015, but are effective as from 1 April 2015.

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 April 2015 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 yet been enacted as of 31 March 2015, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your US or local country tax advisor for more information.

Costa Rica
Germany
Hong Kong
India
Italy
Namibia
Portugal
Singapore
South Africa
Taiwan
United States

Costa Rica – Draft Income and Sales Tax Reform Bill Released

On 10 March 2015, Costa Rica's Ministry of Finance released discussion drafts of a bill that would make substantial changes to the income tax and sales tax laws. The drafts are expected to be formally sent to congress in the near future for debate and approval. Important income tax measures in the discussion draft include the following:

- Steps towards a worldwide and overall system of taxation;
- A general 15% tax on capital gains derived by domestic residents;
- Introduction of "BEPS"-type rules;
- Introduction of a 15% tax rate on foreign passive income when it is repatriated to Costa Rica; and
- Change of tax periods from fiscal year to calendar year.

See also [World Tax Advisor – 27 March 2015](#).

Germany – Ministry of Finance Releases Draft Bill

On 20 February 2015, Germany's Minister of Finance issued a draft bill that contains several measures that originally were part of the 2015 budget but that were postponed, but it does not include other deferred measures, such as the introduction of an anti-hybrid and anti-double dip rule. The draft bill includes the following:

- A broadening of the intragroup restructuring exception to the change-in-ownership rules that would apply retroactively to share transfers that took place after 31 December 2009;
- Real Estate Transfer Tax rules for real estate held by partnerships; and
- A limitation regarding boot that a receiving entity provides to the transferor in certain tax-neutral reorganizations.

See also [Germany Tax Alert – 19 December 2014](#).

Hong Kong – Budget Release for 2015/16

The Hong Kong financial secretary delivered the 2015/16 budget on 25 February 2015, which includes measures to support certain sectors, diversify economic development and reinforce long-term economic

growth. More “sweeteners” and similar tax measures are offered to businesses and individuals than in the last few years’ budgets, including an extension of the 75% tax rebate on profits tax (up to HKD 20,000) and the introduction of a 75% rebate on salaries tax and tax under personal assessment (up to HKD 20,000) for final 2014/15 tax payable.

See also [World Tax Advisor – 13 March 2015](#).

Hong Kong – 2015 Inland Revenue (Amendment) Bill

The Inland Revenue (Amendment) Bill 2015, published in the Hong Kong official gazette on 20 March 2015, seeks to amend the existing provisions of the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 to extend the profits tax exemption to nonresident private equity funds. The exemption, announced in the 2015-16 Hong Kong budget, is designed to increase the competitiveness of Hong Kong’s asset management businesses. The key amendments are as follows:

- Transactions in securities in an expected private company will be tax-exempt “specified transactions”;
- A nonresident private equity fund that is not managed by a person licensed under the Securities and Futures Ordinance also may enjoy a profits tax exemption if it meets the criteria of a “qualifying fund”; and
- A “special purpose vehicle,” whether incorporated in or outside Hong Kong, will be exempt from profits tax in respect of its assessable profits arising from certain transactions.

See also [World Tax Advisor – 27 March 2015](#).

India – 2015 Budget Presented

The finance minister presented the 2015-16 budget on 28 February 2015 that includes a corporate tax rate reduction, clarification of the indirect transfer of shares rules and a deferral of the general anti-avoidance rule. The parliament is expected to consider the budget proposals over the next two months. Other relevant measures include the following:

- The application of minimum alternative tax provisions would be revised;
- The surcharge on the income tax and on the dividend distribution tax would be increased;
- The payment of interest by an Indian permanent establishment of a foreign bank to its head office or other branches would be taxable in India;
- The domestic withholding tax rate on certain royalties and fees would be reduced; and
- The period of eligibility of the concessional tax on certain interest income would be extended for foreign institutional investors and qualified financial institutions.

See also [World Tax Advisor – 13 March 2015](#).

Italy – Changes Proposed to Anti-Abuse Rules

The Italian government released a draft decree on 24 December 2014 that would modify the anti-abuse rules and revise criminal tax penalties. Specifically, the draft decree would repeal the domestic anti-abuse provision, which is relevant for income tax purposes and applies to specific listed transactions, and would introduce a general anti-abuse rule that would apply for both direct and indirect tax purposes and would not be limited to specific listed transactions.

See also [World Tax Advisor – 13 March 2015](#).

Namibia – 2015/2016 Budget Announced

The 2015/2016 budget announced by the Minister for Finance on 31 March 2015 includes a number of measures that would affect companies, including a reduction of the corporate tax rate for non-mining and nonmanufacturing enterprises from 33% to 32% and a reduction in the withholding tax rate on services from 25% to 10%. A new presumptive tax would be investigated and introduced for small and medium-sized enterprises. The enactment date of the proposed changes is uncertain.

See also [World Tax Advisor – 10 April 2015](#).

Portugal – Madeira Free Zone Regime Extended

The European Commission has formally authorized Regime IV of the International Business Centre of Madeira. Companies licensed to operate within the framework of the International Business Centre will be entitled to a reduced corporate tax rate of 5% until the end of 2027, among other significant tax benefits. The Portuguese government has approved a law proposal on Regime IV that should be published shortly.

Singapore – Highlights of 2015 Budget

The principal focus of Singapore's 2015 budget, announced on 23 February 2015, is to build for the future and strengthen the social fabric. Changes to the corporate tax system generally are relatively minor, with extensions announced for major tax incentives for the insurance, maritime and real estate investment trust industries. Various incentives and allowances would be extended and the following concessions would be withdrawn: the approved headquarters incentive, the tax concession for offshore leasing of plant and machinery, and the concession enjoyed by individual on certain royalty and other payments. Tighter requirements would be introduced for a withholding tax exemption or concessionary tax rate on interest payments made to nonresidents. Further details on some of the measures are expected to be released in May 2015.

See also [World Tax Advisor – 13 March 2015](#).

South Africa – 2015 Budget Delivered

The 2015 budget speech delivered to parliament on 25 February 2015 includes measures that would affect company tax, international tax, personal income tax and indirect taxes. The following changes are proposed:

- Modification of the controlled foreign company rules;
- Modification of withholding tax as it relates to services fees, the sourcing of interest and the sale of immovable property by nonresidents;
- Introduction of a 10% concessionary tax rate under the new international growth scheme for qualifying South African companies;
- Relaxation of the anti-avoidance provision relating to an issue of shares by a resident company as consideration to acquire shares in a foreign company; and
- Elimination of the foreign tax credit for service fees sourced in South Africa.

See also [World Tax Advisor – 13 March 2015](#).

Taiwan – Real Estate Capital Gains Tax Reached Preliminary Consensus

The ministry of finance has announced that a preliminary consensus has been reached on a real estate capital gains tax reform package that aims to rectify flaws in the current system, simplify the rules and make them more equitable. Although a complete bill has not yet been drafted, the proposed reform tentatively would include a flat rate of 17% on capital gains derived by legal entities and individuals from the disposal of both land

and buildings. However, a 30% rate would apply to foreign investors, or if the real property was held for less than two years before the disposal.

See [World Tax Advisor – 27 February 2015](#).

United States – US Presidential budget proposal for FY 2016 released

On 2 February 2015, President Obama released a budget blueprint for fiscal year 2016 that calls for a cut in the top corporate tax rate to 28% (25% for “advanced manufacturing” companies). It also calls for changing the tax treatment of multinationals – and moving the US toward a territorial tax system – through a new minimum tax on foreign earnings of domestic multinationals and their controlled foreign subsidiaries, along with a one-time repatriation tax on previously untaxed foreign earnings. In addition, a number of the temporary tax provisions that expired at the end of 2014 would be renewed or made permanent.

See also [United States Tax Alert – 6 February 2015](#) and [World Tax Advisor – 13 February 2015](#).

Did you know?

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

Brazil – New Tax Package Introduced

The Brazilian government introduced a series of measures that aim to increase tax revenue to address fiscal debt. The new measures are part of a broader package of economic and tax reforms that are expected to significantly increase tax collection and address macroeconomic challenges faced by the president in her second term, which started on 1 January 2015.

See also [Brazil Tax Alert – 4 February 2015](#).

Chile – New Direct Foreign Investment Regime

The Chilean government submitted a bill to Congress on 30 January 2015 that would establish a new regime for direct foreign investment in the country and replace the existing foreign investment statute.

See also [World Tax Advisor – 27 March 2015](#).

China – New Measures Announced on Free Trade Zones (FTZ) and Pilot Reforms

On 12 December 2014, China's State Council announced several initiatives including the further reduction of items in the "negative list" that applies to foreign-invested entities engaging in business in the China (Shanghai) Pilot FTZ, the establishment of three new FTZs (Guangdong, Tianjin, and Fujian), and the roll out of 28 nationwide pilot measures. It generally is anticipated that the new FTZs in Guangdong and Fujian will be aimed at promoting economic cooperation between Mainland China and Hong Kong, Macau and Taiwan and that the new FTZ in Tianjin will focus on key industries, such as high-end manufacturing, financial services and logistics and transportation. The government has not announced when the initiatives will be launched.

See also [World Tax Advisor – 9 January 2015](#).

China – Guidance Issued to Facilitate Corporate Reorganizations

China's Ministry of Finance and the State Administration of Taxation published two circulars on 8 January 2015 that relax the requirements for reorganizations to qualify for special tax treatment (i.e. no gain or loss will be recognized on the date of reorganization for enterprise income tax purposes, but will be deferred to the time of a subsequent taxable disposition) and grant a maximum five-year period to pay tax by installment on gains realized when a nonmonetary asset is contributed for equity. The circulars apply retroactively as from 1 January 2014, as well as to any transaction whose tax treatment has not been finalized.

Brazil
Chile
China
Denmark
European Union
France
Greece
India
Italy
Korea
Kuwait
Netherlands
Spain
Switzerland
Thailand
Ukraine
United States

See also [World Tax Advisor – 13 February 2015](#).

China – SAT Issues New Rules on Indirect Transfer of Assets by Nonresident Enterprises

On 6 February 2015, China's State Administration of Taxation issued new guidance (Bulletin 7) on the PRC tax treatment of an indirect transfer of assets by a nonresident enterprise. Bulletin 7 is the latest regulatory instrument on indirect transfers and follows two previous sets of guidance issued in 2009 and 2011. Bulletin 7 abolishes certain provisions in the previous guidance and provides more comprehensive guidelines on a number of issues

See also [China Tax Alert – 6 February 2015](#).

Denmark – Government Issues Bill with Anti-Avoidance Measures

The Danish government issued a bill on 20 March 2015 that would introduce two anti-avoidance provisions – general anti-avoidance rule (GAAR) and a rule applicable to foreign trusts – as well as limits on the duration and binding effect of rulings relating to the valuation of assets. The proposed GAAR that would implement the amended EU parent-subsidiary directive mirrors the wording of the amended directive, but it also would capture transactions covered by the EU merger and interest and royalties directives.

See also [World Tax Advisor – 27 February 2015](#).

European Union – Adoption of Certain Proposed Anti-Abuse Provisions

The European Council issued a press release on 27 January 2015 announcing that it adopted the proposal to include a general anti-abuse provision in the EU parent-subsidiary directive. The anti-abuse clause aims to prevent misuses of the directive and ensure more consistency in its application; the clause requires governments to refrain from granting the benefits of the directive where there is an arrangement, or a series thereof that are not genuine and have been put in place to obtain a tax advantage. EU member states are required to implement the anti-abuse rule by 31 December 2015.

See also [World Tax Advisor – 9 May 2014](#) and [World Tax Advisor – 13 February 2015](#).

France – Constitutional Ruling on Computation of Turnover

On 6 March 2015, the constitutional court ruled upheld the constitutionality of the computation of turnover for purposes of the 10.7% temporary surcharge on corporate income tax. A taxpayer had argued that the computation of turnover within a tax-consolidated group violates the equality clause of the French constitution, but the constitutional court considered there was no violation as the parent company is solely liable for corporate income tax based on the group taxable income, pursuant to French tax consolidation rules.

See also [World Tax Advisor – 9 January 2015](#).

Greece – Guidance Issued on Withholding Tax Exemption

The Greek government has issued guidance that sets out the documentation a Greek enterprise must submit to support a withholding tax exemption on dividends, interest and royalties paid to qualifying EU enterprises under the relevant EU directives as incorporated in the Greek income tax code. Documents supporting a withholding tax exemption must be filed for each payment before the deadline for filing a nil return; alternatively, the taxpayer can furnish a tax residence certificate issued by the competent foreign authority. A transitional rule allows a Greek entity to submit the required documentation relating to dividends, interest and royalties paid between 1 January 2014 and 26 January 2015 up to 30 April 2015 without the assessment of penalties.

See also [World Tax Advisor – 27 March 2015](#) and [World Tax Advisor – 13 March 2015](#).

India – Supreme Court Rules Success Fees Constitute Fees for Technical Services

In a decision issued on 18 February 2015, India's Supreme Court held that a "success fee" paid to a nonresident financial advisor was subject to withholding tax as fees for technical services (FTS) under India's Income-tax Act 1961 (ITA), even though the advisor operated from offices outside India and provided the services outside India.

See also [World Tax Advisor – 27 March 2015](#).

India – Clarification on Foreign Dividends Taxation

The Central Board of Direct Taxes issued a circular on 26 March 2015 clarifying that dividends declared and paid by a foreign company outside India where the shares derive their value substantially from assets situated in India does not have the effect of a transfer of underlying assets located in India and, therefore, will not be taxable in India. According to the circular, such dividends will not be deemed to be income "accruing or arising in India." Considerable uncertainty had arisen following the introduction of the indirect transfer rules in the Finance Act 2012; under these rules, a nonresident would be subject to tax in India on a transfer of shares or an interest in a foreign entity if such shares/interest substantially derive their value from assets located in India.

See also [World Tax Advisor – 10 April 2015](#).

Italy – List of Low Tax Jurisdictions Updated

A decree published on 23 December 2014 removes Luxembourg, with respect to the 1929 holding companies law, from Italy's list of jurisdictions that generally are not deemed to be low-tax jurisdictions for purposes of the controlled foreign company rules but that, because of specific legislation or other tax incentives, are deemed to be tax havens with respect to specified low-tax activities.

See also [World Tax Advisor – 9 January 2015](#).

Korea – Supreme Court Rules on Taxation of Patents

Korea's Supreme Court issued a decision on 27 November 2014 concluding that payments made for the use of a patent registered outside Korea should not be considered Korea-source income for purposes of the Korea-US tax treaty, regardless of whether the patent was used in manufacturing or sales activities in Korea.

See also [World Tax Advisor – 27 March 2015](#).

Kuwait – Guidance on Foreign Direct Investment Issued

Executive regulations that apply as from 1 January 2015 set out the principles, rules, standards and procedures for implementing the 2013 foreign direct investment law that should provide increased opportunities for investors in Kuwait. The new law is one of several new laws and regulations aimed at improving the overall investment climate in Kuwait, fostering competitiveness, encouraging more engagement in value-added investment opportunities by local and foreign investors and achieving Kuwait's economic and social objectives. Certain investment incentives are available under the law, including tax exemptions.

See also [World Tax Advisor – 13 February 2015](#).

Netherlands – Tax Court Confirms CJEU Decision on Fiscal Unity Regime

The Second Instance Tax Court of Amsterdam issued a decision on 11 December 2014 on the compatibility of the Dutch fiscal unity regime with EU law. The court confirmed the conclusions reached by the Court of Justice of the European Union (CJEU) in June 2014 decision, in which the CJEU held that the fiscal unity regime in the

Netherlands Corporate Income Tax Act is incompatible with the freedom of establishment principle in the Treaty on the Functioning of the European Union. In anticipation of new legislation, the Dutch government published an update of the fiscal unity decree.

See also [European Union Tax Alert – 12 June 2014](#) and [World Tax Advisor – 9 January 2015](#).

Spain – Requirement to Benefit from WHT Exemption for Dividend Distribution to EU Parent Companies Relaxed

As from 1 January 2015, the requirements for EU resident investors to receive a withholding tax exemption for dividend distributions from a Spanish subsidiary have been relaxed to include situations in which the EU investor holds less than 5% of the capital of the distributing company, as long as the acquisition cost of the participation exceeds EUR 20 million and certain other requirements are met. Even if the requirements above are satisfied, under a targeted anti-abuse provision in the nonresidents income tax law, the tax exemption will not apply if the majority of the voting rights of the EU parent company receiving the dividends are directly or indirectly held by individuals or entities that do not reside in a EU member state, unless the incorporation and operations of the EU parent company are carried out for valid economic motives and substantive business reasons.

See also [Spain Tax Alert – 4 February 2015](#).

Switzerland – Lower Safe Harbor Intercompany Interest Rates for 2015 Announced

The Swiss Federal Tax Administration (FTA) issued a circular on 13 February 2015 that contains new safe harbor interest rates for intragroup loans. The circular prescribes the minimum interest rates for loans granted by a Swiss company to its shareholders or related parties, as well as the maximum interest rates for loans granted by the shareholders or related parties to a Swiss company in Swiss francs or a foreign currency. The safe harbor interest rates for 2015, which apply retroactively as from 1 January 2015, generally are significantly lower than in previous years.

See also [World Tax Advisor – 13 March 2015](#).

Thailand – Cabinet Approves Draft Measures to Promote IHQs and ITCs

The Thai Cabinet has approved measures proposed by the Ministry of Finance that would promote the establishment of international headquarters (IHQs) and international trading centers (ITCs) in the country. The proposed measures under the IHQ and ITC regimes would relax some of the conditions that currently are imposed on regional operating companies and expand the tax and nontax benefits granted to qualifying companies, with a view to attracting multinationals to set up their hub activities in Thailand.

See also [World Tax Advisor – 9 January 2015](#).

Thailand – Tax Measures to Enhance SMEs

The Thailand Board of Investment (BOI) has issued measures to enhance the capability of small and medium-sized enterprises (SMEs). Tax benefits and incentives will be available for promoted activities, including a corporate income tax exemption for two to eight years, depending on the category of activities, and an exemption from import duty on machinery. There also are nontax incentives and an opportunity for applicants to apply for additional merit-based incentives.

To qualify for the incentives, a SME must have a minimum investment capital of at least THB 500,000 (excluding land and working capital) per project, Thai ownership of at least 51% of the registered capital, a

debt-to-equity ratio not exceeding 3:1 and net fixed assets or investment size (excluding land and working capital) of no more than THB 200 million for total promoted and non-promoted activities.

The BOI will grant investment promotion benefits for seven categories of activities, including 38 manufacturing and service activities. For projects having additional investment or expenditure that will benefit the country or an overall industry (i.e. research and development, technology and innovation, as well as expenditure derived from the acquisition of intellectual property or licensing fees for commercializing technology developed in Thailand, advanced technology training, etc.), the SME will receive one to three years of the tax incentives based on the merit of the project.

The measures are effective as from 1 January 2015 and application for investment promotion must be submitted to the BOI by 31 December 2017.

Ukraine – Currency Control Restrictions Extended and Tightened

The National Bank of Ukraine (NBU) has published new regulations that extend currency control measures introduced in 2014, and introduce additional restrictions. The regulations, which apply as from 4 March 2015, prohibit the granting of loans in Ukraine nation currency (UAH) that are secured by property rights for foreign currency funds deposited with Ukrainian banks and place limits on the amount of foreign exchange that can be purchased. The NBU also raised the benchmark interest rate from 19.5% to 30%. The new restrictions apply until 3 June 2015.

See also [World Tax Advisor – 27 March 2015](#) and [World Tax Advisor – 12 December 2014](#).

United States – Final Foreign Tax Credit Splitter Regulations Issued

On 9 February 2015, the US Treasury and the Internal Revenue Service (IRS) filed final regulations under section 909 of the Internal Revenue Code (IRC) addressing foreign tax credit splitter transactions and removed the temporary regulations issued on 9 February 2012. Section 909, added to the code on 10 August 2010, suspends foreign taxes (split taxes) that accrue as a result of a “foreign tax credit splitting event.” The final regulations retain the four splitter arrangements enumerated in the temporary regulations: (i) reverse hybrid, (ii) loss-sharing, (iii) hybrid instrument, and (iv) partnership interbranch payment. The final regulations do not add to the existing list of splitter arrangements.

The final regulations are effective for taxable years ending after 9 February 2015.

See also [United States Tax Alert – 11 February 2015](#).

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.

There are no example disclosures for this edition.

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.

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 US GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain jurisdictions.

Jurisdiction	Combined national/local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2014	2015		
Australia	30%	30%	N/A	The government has proposed a reduction in the corporate tax rate from 30% to 28.5% as from 1 July 2015 for small businesses.
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) yield an effective tax rate of 34%.
Canada	25%–31%	25%–31%	14 Dec 2007	Provincial rates vary, ranging generally from 10% to 16%.
Chile	21%	22.5%	29 Sep 2014	Chile enacted a tax reform on 29 September 2014 that includes a gradual increase in the First Category Tax rate from 20% to 25% or 27% (depending on the tax regime) between 2014 and 2018. Income earned in 2014 is subject to a 21% rate and income earned in 2015 is subject to a 22.5% rate.
China	25%	25%	16 Mar 2007 26 Dec 2007	Entities qualifying as small-scale taxpayers are subject to a 20% tax rate and a 15% rate applies to enterprises that qualify as new and high-tech enterprises and to companies set up in certain geographical locations.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	Notes
	2014	2015		
France	33.33% – 38%	33.33% – 38%	30 Dec 2013 (See Note 1)	For taxable income derived in a fiscal year closed on or after 31 December 2013 and on or before 30 December 2016, an additional surcharge of 10.7% (based on the income tax due at the standard 33.33% tax rate) is applicable for companies with revenue exceeding EUR 250 million (see Note 1 for details). As a result of the surcharge, the effective tax rate applicable to large profitable companies is 36.9% or 38%. A rate of 36.9% applies to large profitable companies with basic corporate tax liability less than EUR 763,000 and a rate of 38% applies to large profitable companies with basic corporate tax liability exceeding EUR 763,000. These rates do not include the impact of the CVAE, an annual local business tax that is considered an income tax under US GAAP. These rates also do not include the impact of the 3% surtax on distributions that was enacted on 17 August 2012 and that is considered an income tax and effectively creates a dual tax rate regime in France under US GAAP (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% or 33.99%	30.9% or 32.45% or 33.99%	6 August 2014	The effective rate for domestic companies is 30.9% (where taxable income is less than or equal to INR 10 million), 32.45% (where taxable income exceeds INR 10 million, but is less than or equal to INR 100 million), and 33.99% (where taxable income exceeds INR 100 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, but is less than or equal to INR 100 million) and 20.96% (where taxable income exceeds INR 100 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 (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 capital gains tax rate is 33% for disposals taking place on or after 6 December 2012.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	Notes
	2014	2015		
Italy	31.4%	31.4%	28 Dec 2007	The corporate income tax (IRES) rate is 27.5% (see Note 4 for details). IRAP, the regional tax on productive activities, is levied within a range of up to 0.92% around the basic 3.9% IRAP rate (4.65% for banks and 5.9% for insurance companies). The 2015 budget law repealed the reduction of the IRAP rates that was passed in April 2014.
Japan	37.0%– 38.0% or 38.4%– 39.4%	34.6%– 35.6% or 36.0%– 37.1%	20 Mar 2014	The national corporate tax rate is 25.5%. In addition, a temporary 10% surtax on the national corporation tax rate was expected to be effective for two consecutive years starting with the first fiscal year beginning on or after 1 April 2012. However, for a calendar year taxpayer with a fiscal year beginning on or after 1 January 2015, the 10% surtax generally is no longer applicable. Japanese corporations and foreign corporations 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. The local enterprise tax generally is levied on taxable income at a rate between 7.19% and 10.073%, depending on the amount of capital and location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 17.3% or 20.7% of the national corporate tax rate, depending on the location of the corporation. The local enterprise tax is deductible for national corporation tax purposes generally when it is paid. The top effective tax rate ranges are for corporations with stated capital exceeding JPY 100 million and the bottom effective tax rate ranges are for corporations with stated capital of JPY100 million or less. The inhabitant tax rates were reduced for fiscal years beginning on or after 1 October 2014, but the effective combined rate did not change because the reduction coincided with the introduction of a new local corporate tax.
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%	30%	11 Dec 2013	A special regime applies for maquiladoras. The business flat tax (IETU) introduced in 2007 was abolished as from 1 January 2014.
Netherlands	25%	25%	N/A	A 20% tax rate applies to income below EUR 200,000.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	Notes
	2014	2015		
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 the regional governments. 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. As from 1 January 2014, qualifying investors in certain regions in the far eastern part of the country and Siberia are entitled to a profits tax rate of 0% to 10% for the first five years of income generation and from 10% to 18% for the following five years. Certain companies in technology and tourist zones may be exempt from the 2% federal tax as well. Companies providing educational or medical services and agricultural goods producers are subject to 0% profits tax rate if certain criteria are fulfilled. In addition, residents of Skolkovo Innovation Centre are subject to a 10-year profits tax exemption.
Switzerland	11.5%– 24.5%	11.5%– 24.5%	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	23% and 21%	21% and 20%	17 Jul 2012 and 17 Jul 2013	A 23% rate was effective from 1 April 2013 and a 21% rate is effective from 1 April 2014. As a result of the mid-year change, a blended tax rate of 21.5% applies for taxpayers with a 31 December 2014 year-end. The corporate income tax rate is further reduced to 20% on 1 April 2015. As a result of the mid-year change, a blended tax rate of 20.25% applies for taxpayers with a 31 December 2015 year-end.

Note 1: The 2014 finance law was enacted on 30 December 2013, increasing the rate of the additional surcharge of 5% applicable for companies with revenue exceeding EUR 250 million from 5% to 10.7%. The additional surcharge applies to all fiscal years closed on or after 31 December 2013 and before or on 30 December 2016 (the surcharge of 10.7% due to expire on 31 December 2015, was extended another year by the amended finance law for 2014).

Note 2: On 17 August 2012, the 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 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 16.995% 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. Effective 1 October 2014, the amount of dividend shall be increased to such amount as would after reduction of tax on such increased amount at the specified rate be equal to the net distributed profits. The total effective tax rate on earnings would be 42.42%/43.71%/44.99%, respectively.

Note 4: Law No. 148, enacted on 16 September 2011, introduced a temporary increase of the “Robin Hood” tax from 6.5% to 10.5% effective for fiscal years 2011-2013. On 9 February 2015, Italy’s Constitutional Court declared the “Robin Hood” tax unconstitutional and repealed the surcharge effective from 12 February 2015 (the day after the decision was published in the official gazette). The Robin Hood tax was levied on the oil, gas and energy producers and trading companies, in addition to the regular corporate income tax.

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 Developments 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.

Click to [subscribe](#) to receive *Accounting for Income Taxes Hot Topics* directly via email.

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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.

2015 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.

Financial Reporting for Taxes 2015 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. Deloitte is offering two training seminars scheduled for May 18-22 in Orlando and December 7-11 in Las Vegas. Early registration is taking place now!

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