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 October – 31 December 2015

21 January 2016
Issue 2015-4

Contents

Introduction

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. The information contained in this document was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

Unless otherwise indicated, the content in this document is based on information available as of 31 December 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 guidance 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 October to 31 December 2015

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

Australia

Multinational Anti-Avoidance Law (MAAL) and Related Measures Enacted

Date of enactment: 11 December 2015
Effective date: 1 January 2016

Australia's Tax Laws Amendment (Combating Multinational Tax Avoidance) Bill 2015 received Royal Assent on 11 December 2015 as Act No. 170 of 2015. The law generally applies as from 1 January 2016, irrespective of when arrangements were entered into. The MAAL, which applies to groups with global turnover of AUD 1 billion or more, aims to ensure that multinational entities cannot use "complex, contrived and artificial" schemes to avoid paying Australian tax.

The MAAL amends Australia's general anti-avoidance provisions that tax certain multinational entities that make supplies to Australian customers using an Australian associate (or commercially dependent entity) in connection with the supply, in a manner equivalent to having a permanent establishment in Australia. The MAAL also implements country-by-country (CbC) reporting in accordance with action 13 of the OECD's base erosion and profit shifting (BEPS) project in Australia. The base penalty for tax avoidance schemes is increased significantly where the taxpayer lacks a reasonable arguable position and the law requires Australian resident companies (and possibly some nonresidents) to file general purpose financial reports with the Australian Tax Office for periods commencing on or after 1 July 2016.

See also **World Tax Advisor – 11 December 2015** and **World Tax Advisor – 25 September 2015.**

Austria

Tax Law Enacted

Date of enactment: 28 December 2015
Effective date: 1 August 2015

Law 163/2015, published in Austria's federal gazette on 28 December 2015, amends the provision in the 2015-2016 tax reform relating to restrictions on the repayment of equity contributions before the measure could take effect. The option to consider a distribution of profits to be such a distribution (subject to withholding tax) or a repayment of an equity contribution (based on the contributions paid in), which was abolished for tax years starting after 31 July 2015, is re-introduced by Law 163/2015. Profit distributions require positive retained earnings and are otherwise treated as repayments of equity contributions until retained earnings are positive. Profits may not be distributed if (1) a step-up is obtained in the course of a reorganization and capital reserves are dissolved; (2) such reserves may not be created in a reorganization; or (3) the fair market value determines consideration in a reorganization.

Law 163/2015 also revises Austria's exit taxation rules. Under the new rules, circumstances that lead to the loss of Austria's taxation rights over certain assets that previously were the subject of exit taxation now trigger exit taxation at fair market value. If the transfer is made to an EU / European Economic Area (EEA) member state that has concluded a comprehensive administrative and enforcement assistance agreement with Austria and involves assets transferred to other permanent establishments of the same business or to other businesses or business units, an application may be filed to pay the exit tax in seven installments. Previously, a taxpayer could request deferral of exit taxation until the relevant assets were sold or transferred outside the EU/EEA, and in any event, the taxpayer would not have to pay the exit tax if the 10-year statute of limitations period expired.

France

2015 Amended Finance Law Enacted

Date of enactment: 30 December 2015
Effective date: Various

The 2015 Amended Finance Law, adopted by the French parliament on 17 December 2015 and enacted on 30 December 2015, includes several measures to bring the domestic participation exemption for inbound dividends and the withholding tax exemption for outbound dividends distributed to EU companies in line with EU rules (i.e. decisions of the Court of Justice of the European Union (CJEU) and the European Commission and the 2015 amendments to the EU parent-subsidiary directive).

The law also amends the tax group consolidation regime to bring French law in line with the September 2015 decision of the CJEU in the *Groupe Steria* case, in which the court held that the French tax consolidation rules violate the EU freedom of establishment principle because a domestic tax group of French companies can obtain certain tax benefits for dividends that are not available to tax-integrated parent companies with subsidiaries established in other EU member states. For fiscal years starting on 1 January 2016, dividends received by French group companies from other French members of the same group and from qualifying EU/EEA companies will be 99% exempt from tax, with the remaining 1% treated as deemed expenses that are subject to corporate income tax.

See also **World Tax Advisor – 8 January 2016**, **France Tax Alert – 2 December 2015, France Tax Alert – 19 November 2015** and **European Union Tax Alert – 3 September 2015.**

France

2016 Finance Law Enacted

Date of enactment: 30 December 2015
Effective date: Various

France's 2016 Finance Law, adopted by the parliament on 17 December 2015 and enacted on 30 December 2015, includes the introduction of CbC reporting into French law. The reporting obligation, which is based on the OECD's final report on action 13 of the BEPS initiative, applies to fiscal years starting on or after 1 January 2016 for companies that:

- Prepare consolidated financial statements;
- Have or control, directly or indirectly, subsidiaries located abroad, or that have branches located abroad;
- Have annual consolidated revenue that is at least equal to EUR 750 million; and
- Are not held by other entities that are subject to CbC reporting under French or foreign law.

The actual data to be included in the CbC report will be defined by an administrative decree.

See also **World Tax Advisor – 8 January 2016.**

Germany

2015 Tax Amendment Act

Date of enactment: 5 November 2015
Effective date: Various

The 2015 tax amendment act, published in Germany's federal gazette on 5 November 2015, includes a new exemption from the change-in-ownership rules that result in the forfeiture of tax loss carryforwards, changes to the real estate transfer tax (RETT) rules for real estate owned by partnerships and introduces a limitation regarding boot (i.e. non-share consideration, such as cash or loan receivables) that a receiving entity provides to the transferor in certain tax-neutral reorganizations. Salient features of the new rules are as follows:

- The intragroup exemption to the change-in-ownership rules is extended to apply to changes of shareholders within a 100% controlled group, including where an ultimate parent is the transferring or the purchasing entity and is held by more than one person, and the ultimate shareholder now may be a partnership or an individual. The new rules apply retroactively to share transfers taking place after 31 December 2009.

- The RETT rules are amended to provide that, for transfers taking place after 5 November 2015, new separate tests will apply to corporate partners and to partnerships that are partners in real-estate-owning partnerships: (1) for a corporate partner, an indirect ownership transfer is deemed to take place if at least 95% of the shares in the corporation are transferred directly or indirectly to a new shareholder; and (2) for a partnership that is a partner, a harmful ownership transfer will be deemed to take place based on the partner's pro rata indirect interest in the real estate-owning partnership. The new rules are contrary to a previous decision of Germany's federal tax court.

- The new rule regarding the boot that a receiving entity provides to the transferor in certain tax-neutral reorganizations is limited to 25% of the book value of the contributed assets or a maximum amount of EUR 500,000 in a tax-neutral reorganization. To the extent the boot exceeds this threshold the transaction is treated as a taxable event. This rule applies retroactively to transactions taking place after 31 December 2014.

See also **World Tax Advisor – 11 December 2015.**

Ireland

Finance Bill 2015 Enacted

Date of enactment: 21 December 2015
Effective date: 1 January 2016

Ireland's Finance Bill 2015, which gives legal effect to the 2016 budget proposals presented on 13 October 2015, was signed into law by the president on 21 December 2015. The new rules include the introduction of CbC reporting, based on the OECD's recommendations in action 13 of the BEPS project and the introduction of a knowledge development box.

See also **Ireland Tax Alert – 13 October 2015** and **Finance Bill 2015 – Analysis.**

Italy

Implementation Rules and Guidance Issued for Patent Box Regime

Date of enactment: 21 October 2015
Effective date: 21 October 2015

Implementation rules for Italy's new patent box regime were published in the official gazette on 21 October 2015 (following the issuance of a decree on 30 July) and the tax authorities issued guidance on 1 December 2015 that further clarifies the application of the regime and provides detailed instructions on how to elect into the regime, the procedure for obtaining a tax ruling, the treatment of losses connected to the use of qualifying intellectual property and the consequences of extraordinary transactions. The patent box regime, which applies as from 1 January 2015 for calendar-year taxpayers, grants a partial exemption from corporate income tax and the regional tax on productive activities for income derived from qualifying intangible assets. The exemption is equal to 30% of qualifying income for 2015, 40% in 2016 and 50% in 2017.

See also **Italy Tax Alert – 10 December 2015**, **Italy Tax Alert – 24 October 2015,** and **World Tax Advisor – 27 February 2015.**

Italy

Legislative Decree Modifying Anti-Abuse Rules Enacted

Date of enactment: 18 August 2015
Effective date: 2 September 2015

A legislative decree published in Italy's official gazette on 18 August 2015 modifies the anti-abuse rules provided in the tax reform delegation law (and in line with the European Commission recommendation on aggressive tax planning). The decree repeals the domestic anti-abuse provision, which was relevant only for income tax purposes and applied only to specific listed transactions and introduces a general anti-abuse rule that applies for both direct and indirect tax purposes and is not limited to specific listed transactions. The decree entered into force on 2 September 2015, but applies retroactively to arrangements already in place that were not challenged by the tax authorities by 30 September 2015.

See also **World Tax Advisor – 23 October 2015** and **World Tax Advisor – 13 March 2015.**

Luxembourg

2016 Budget Approved

Date of enactment: 23 December 2015
Effective date: Various

The Luxembourg parliament approved the 2016 budget, which includes a number of changes to the tax law for fiscal years 2015 and 2016; the budget was published in the official journal on 23 December 2015. The main direct tax measures affecting companies include the modification of the scope of the tax consolidation regime, the implementation into Luxembourg law of the amended EU parent-subsidiary directive, the abolition of the minimum corporate income tax, the revision of the net worth tax, the repeal of the intellectual property box regime and the extension of the deferred tax payment upon exit.

See also **Luxembourg Tax News – 23 December 2015** and **Luxembourg Tax Alert – 16 October 2015.**

Netherlands

Changes to Fiscal Unity Regime Enacted

Date of enactment: 30 December 2015
Effective date: 1 January 2016

Changes to the Dutch fiscal unity regime were published in the official gazette on 30 December 2015 to bring the regime in line with decisions of the CJEU and the tax court of Amsterdam. The revised regime (in the Corporate Income Tax Act), which applies as from 1 January 2016, is extended to include the situation where a Dutch parent company holds shares in a Dutch sub-subsidiary through one or more intermediary companies established in the EU/EEA and where an EU/EEA parent company holds shares in at least two subsidiaries established in the Netherlands.

See also **World Tax Advisor – 13 November 2015, European Union Tax Alert – 3 September 2015** and **European Union Tax Alert – 12 June 2014.**

Norway

2016 Budget Passed

Date of enactment: 18 December 2015
Effective date: 1 January 2016

Norway's budget for 2016 was enacted on 18 December 2015 and applies as from 1 January 2016. Key measures include the following:

- The corporate income tax rate is reduced from 27% to 25%.
- The net interest deduction limitation rules are amended so that net interest paid to related parties is not deductible to the extent the total net interest expense exceeds 25% (previously 30%) of earnings before interest, taxes, depreciation and amortization).
- One element of the OECD's BEPS action 2 (neutralizing the effects of hybrid mismatch arrangements) is adopted, so that Norway's exemption for dividends will not apply to the extent the distributing entity is entitled to a deduction for the distribution.

See also **Norway Tax Alert – 7 October 2015** and **Norway Tax Alert – 2 December 2014.**

Romania

New Tax Code

Date of enactment: 10 September 2015
Effective date: 1 January 2016

Law 227/2015 regarding the Fiscal Code, published in the official gazette on 10 September 2015, makes significant changes to Romania's tax rules. The law was subsequently amended through a government ordinance, and the amended law is effective as from 1 January 2016. The main measures that affect corporate taxpayers are as follows:

- The concept of the "place of effective management" has been defined. Nonresident legal entities that have their place of effective management in Romania are included in the category of taxpayers that are required to declare and pay corporate income tax.
- The types of R&D activities that qualify for a tax deduction have been clarified.
- Dividends received from a Romanian legal entity will be treated as exempt income, irrespective of the extent of the participation and the length of time the participation has been held.

See also **Tax & Legal Weekly Alert 9-13 November 2015** and **Tax & Legal Weekly Alert 14 – 18 September 2015.**

Romania

Withholding Tax Rate on Dividends Reduced

Date of enactment: 27 October 2015
Effective date: 1 January 2016

The withholding tax rate on dividends paid to resident or nonresident legal entities and individuals is reduced from 16% to 5% as from 1 January 2016.

See also **World Tax Advisor – 11 December 2015.**

Saudi Arabia

New Company Law Adopted

Date of enactment: 4 December 2015
Effective date: 2 May 2016

A new company law was published in Saudi Arabia's official gazette on 4 December 2015. The law includes the elimination of the minimum two-shareholder requirement to set up a limited liability company, the reduction of the minimum share capital requirement for a joint stock company (JSC) from SAR 2 million to SAR 500,000, as well as the reduction of the minimum number of shareholders in a JSC from five to two and the introduction of the concept of a holding company. The new rules should apply as from 2 May 2016.

See also **World Tax Advisor – 11 December 2015.**

Spain

2016 Finance Bill Approved

Date of enactment: 30 October 2015
Effective date: Various

Spain's 2016 finance bill, which was published in the official gazette on 30 October 2015 and which received parliamentary approval on 29 October 2015, includes amendments to the patent box regime to bring the rules in line with the "nexus approach" endorsed in the OECD's final report on action 5 of the BEPS project. Generally speaking, the nexus approach allows a taxpayer to benefit from an intellectual property (IP) regime such as a patent box, only to the extent the taxpayer itself incurred qualifying expenditure that gave rise to the IP income. The new patent box regulations will be effective as from 1 July 2016, with certain exceptions.

See also **Spain Tax Alert – 6 November 2015** and **OECD Tax Alert – 8 October 2015.**

Ukraine

Tax Code Amended

Date of enactment: 31 December 2015
Effective date: Various

Ukraine's president signed a law on 31 December 2015 that amends the tax code and other legislation that aims to ensure balanced budget receipts in 2016. Key measures affecting companies relate to advance payments and the quarterly filing of returns. The law generally applies as from 1 January 2016 (with some exceptions).

United Kingdom

Updates to Corporate Tax Rate

Date of enactment: 18 November 2015
Effective date: Various

The UK Finance (No. 2) Act 2015 received royal assent on 18 November 2015 and, as a result, reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020 have been enacted.

See also **United Kingdom Tax Alert – 25 November 2015.**

United States

Consolidated Appropriations Act, 2016 Enacted

Date of enactment: 18 December 2015
Effective date: Various

The Consolidated Appropriations Act, 2016, a comprehensive tax and spending measure, includes tax provisions in the Protecting Americans from Tax Hikes (PATH) Act. The PATH Act makes permanent several lapsed tax incentives, such as the research credit and the subpart F exception for active financing income. It also renews several provisions for a number of years, including the look-through rule which excludes from subpart F income certain payments of interest, dividends, rents, and royalties between related controlled foreign corporations under the foreign personal holding company rules.

The Appropriations Act also includes provisions that modify the tax treatment of real estate investment trusts.

See also **World Tax Advisor – 8 January 2016** and **Tax News & Views – 18 December 2015.**

Enacted tax law changes that are now effective: 1 October 2015 to 31 December 2015

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

Chile

Tax Reform Measures

A broad-based Chilean 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%. New general anti-avoidance rules became effective on 30 September 2015.

See also **World Tax Advisor – 8 January 2016, World Tax Advisor – 26 September 2014, Chile Tax Alert – 23 August 2014,** and **Chile Tax Alert – 17 April 2014.**

European Union

Anti-Abuse Clause Approved for Amended EU Parent-Subsidiary Directive

The Economic and Financial Affairs Council of the EU approved an anti-abuse clause for the amended EU parent-subsidiary directive on 9 December 2014 that will allow EU member states to apply stricter national rules, provided they meet the minimum EU requirements in the directive. The anti-abuse clause aims to prevent misuses of the directive and ensure more consistency in its application in the member states; the clause requires governments to refrain from granting the benefits of the directive where there is an arrangement, or a series of arrangements, that are not genuine and have been put in place to obtain a tax advantage. EU member states were required to transpose the amended directive into their domestic law by 31 December 2015.

See also **World Tax Advisor – 12 December 2014.**

Puerto Rico

Amendments to 2011 Internal Revenue Code and 2015 Tax Reform

The governor of Puerto Rico enacted a law on 30 September 2015 (Act 159 of 2015), which generally applies as from 1 October 2015, that amends the 2011 Internal Revenue Code, as well as the provisions in the tax reform enacted in May 2015. Key amendments include the following:

- Dividends and deemed distributions made to residents and nonresidents between 1 October 2015 and 31 December 2015 may be subject to a special withholding tax rate of 8%, which may apply in lieu of any other tax imposed by the 2011 code. An election to benefit from the reduced tax rate must have been made on or before 31 December 2015.
- Entities subject to the Puerto Rico Bank Act or the National Bank Act may request a waiver from the Secretary of the Treasury to exclude all expenses incurred or paid to related persons from the 20% alternative minimum tax and the 51% disallowance for income tax purposes that otherwise would apply to such expenses.

See also **World Tax Advisor – 23 October 2015** and **Puerto Rico Tax Alert – 12 June 2015.**

Enacted tax law changes that are effective as from 1 January 2016

The following section includes a brief summary of major international income tax law changes enacted before 1 October 2015, but are effective as from 1 January 2016.

Austria

Tax Reform

Austria's 2015-2016 tax reform enacted on 14 August 2015 increases the general withholding tax rate on dividends paid by an Austrian corporation from 25% to 27.5% as from 1 January 2016. The option to consider a distribution of profits to be such a distribution or a repayment of a contribution (based on the contributions paid in) is abolished for tax years starting after 31 July 2015. Retained earnings must first be distributed (thus, triggering withholding tax) and then contributions be repaid tax-free. However, a formal reduction of a company's paid-in share capital generally will lead to the repayment of contributions even after the 2015-2016 tax reform is in effect.

The research and development credit was increased from 10% to 12% for business years starting after 31 December 2015.

The 2015-2016 tax reform was amended by Law 163/2015, which was enacted on 28 December 2015 and modified the provision in the 2015-2016 tax reform that related to capital repayment.

See also **World Tax Advisor – 21 August 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. The corporate income tax measures that apply as from 1 January 2016 include the introduction of a rule that requires Chilean taxpayers to include passive income from controlled foreign companies in their tax base. A new foreign investment statute was created by Law 20,848 and published in the official gazette on 25 June 2015, with some grandfathering rules.

See also **World Tax Advisor – 27 March 2015, World Tax Advisor – 26 September 2014, Chile Tax Alert – 23 August 2014,** and **Chile Tax Alert – 17 April 2014.**

Peru

Super Deduction Granted for Scientific Research and Development Expenses

The Peruvian government enacted a law (Law 30309) on 12 March 2015 and applicable regulations (Supreme Decree 188-2015-EF) on 12 July 2015 that grant a four-year tax super deduction to companies that incur scientific research, technological and innovation development (R&D&i) expenses on projects that commence on or after 1 January 2016. Law 30309 allows companies investing in R&D&i to deduct up to 175% of their project expenses when calculating their corporate income tax liability.

See also **World Tax Advisor – 23 October 2015.**

Peru

Three-Year Tax Exemption for Capital Gains

On 12 September 2015, Peru's government approved new legislation that provides a three-year tax exemption for capital gains derived from the sale of certain shares (and other securities representing shares) through the Lima stock exchange or an equivalent exchange that may be established in the future. The exemption applies as from 1 January 2016 and requires that certain conditions be fulfilled (e.g. a liquidity threshold and a limit on the maximum number of shares that can be sold during a 12-month period). Companies listing their shares for the first time on the Lima stock exchange will have 360 calendar days from the listing date to comply with the liquidity threshold and may benefit from the exemption in the interim, provided they do not exceed the maximum number of sales allowed.

See also **World Tax Advisor – 25 September 2015** and **World Tax Advisor – 11 September 2015.**

Spain

Reduced Tax Rates

The general corporate income tax rate is reduced from 28% to 25% for tax periods starting as from 1 January 2016, as provided by Law 25/2014 of 27 November 2014. The withholding tax on dividends and interest paid to a nonresident, the tax rate on capital gains derived by a nonresident, the general tax rate on royalties or other income paid to a resident of the EU/EEA and the branch profits tax are reduced from 19.5% to 19% as from 1 January 2016.

See also **World Tax Advisor – 24 July 2015** and **Spain Tax Alert – 2 December 2014.**

On the horizon…

The following developments in tax law had not yet been enacted as of 31 December 2015, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

Australia – Companion Guideline to Multinational Anti-Avoidance Law Issued

The Australian Taxation Office (ATO) issued a “companion guideline” to the recently passed “Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015” (or MAAL). The guideline explains how the ATO will apply the new provision in the Income Tax Assessment Act 1997 concerning the implementation of CbC reporting, including transfer pricing documentation. On 12 January 2016, the ATO issued a “client experience roadmap” for the MAAL, which sets out the ATO’s views on the engagement process, legacy issues, penalties and settlements for categories of taxpayers that potentially are subject to the MAAL.

See also **World Tax Advisor – 8 January 2016.**

Brazil – Provisional Measure Published Confirms Proposed Changes

The Brazilian government published Provisional Measure (PM) 694/2015 on 30 September 2015 that confirms the proposed changes to interest on net equity payments, capital gains and the financial transaction tax. The PM also suspends certain research and development incentives for calendar year 2016.

See also **World Tax Advisor – 23 October 2015** and **World Tax Advisor – 25 September 2015.**

Chile – Government Proposes to Simplify 2014 Tax Reform

On 9 December 2015, the Chilean government presented a bill that would modify some of the rules introduced by the 2014 tax reform. The main proposals that would affect foreign investors are changes to the fully or partially integrated tax regimes, the thin capitalization rules, the general anti-avoidance rule and the repatriation regime. Congress is expected to vote on the proposed modifications in January 2016.

See also **World Tax Advisor – 8 January 2016, World Tax Advisor – 11 September 2015, World Tax Advisor – 26 September 2014,** and **Chile Tax Alert – 23 August 2014.**

India – Committee Established to Simplify Provisions of Income Tax Act

The Indian government announced on 27 October 2015 that it has established a committee charged with coming up with recommendations to simplify the provisions of the Income Tax Act 1961. The committee will identify provisions that lead to tax litigation because they are open to differing interpretations, that affect the ease of doing business in India and that require simplification in light of existing jurisprudence. The committee also has been asked to suggest alternatives and modifications to existing provisions to create more predictability and certainty in the tax law.

See also **World Tax Advisor – 13 November 2015.**

Japan – 2016 Tax Reform Proposal Released

On 16 December 2015, Japan's Liberal Democratic Party and the New Komeito Party released the 2016 tax reform proposals that include the reduction of the effective corporate tax rate to below 30% (to 29.97% in 2016 and 29.74% in 2018), the expansion of the factor-based enterprise tax, a broadening of the tax base through the revision of the depreciation system and the introduction of CbC reporting based on action 13 of the OECD BEPS project.

See also **Japan: Inbound Tax Alert – December 2015, No.15.**

Korea – Voluntary Amnesty Program Introduced

On 1 September 2015, the Korean government announced the implementation of a six-month voluntary disclosure program for Korean tax residents and domestic corporations to report previously undeclared foreign assets and income. The amnesty program is available from 1 October 2015 through 31 March 2016. Participating taxpayers that declare and pay overdue taxes will be exempt from various tax penalties and criminal prosecution (unless criminal activities are involved), except for an additional late payment interest charge of 0.03% per day on overdue amounts, and will avoid having their names publicly disclosed.

See also **World Tax Advisor – 9 October 2015.**

Namibia – Bill Presented to Parliament Includes Tax Rate Changes

Namibia's Minister of Finance presented an income tax bill to parliament on 23 September 2015 that contains a number of measures that would affect cross-border business, including a reduction of the corporate income tax rate from 33% to 32% for companies (other than mining and manufacturing companies), the reduction of the withholding tax rate on certain services provided by nonresidents and director's fees earned by nonresident directors to 10%, the introduction of a 10% withholding tax on certain interest payments made to nonresidents and a fixed 10% withholding tax rate on royalty payments made to nonresidents for the use of copyrights and trademarks.

See also **World Tax Advisor – 9 October 2015.**

Norway – White Paper Presented

On 7 October 2015, Norway's Ministry of Finance issued a "white paper" on potential tax changes, including the introduction of rules that would implement measures under the OECD's BEPS project. The white paper is a follow-up to an advisory panel's report. Public consultation will be held on the proposals, and tax law changes would not be implemented before 2017. Key measures include the reduction of the corporate tax rate to 22% by 2018 and the introduction of a withholding tax on interest and royalties.

See also **Norway Tax Alert – 7 October 2015** and **Norway Tax Alert – 2 December 2014.**

South Africa – Draft Carbon Tax Bill Released

South Africa's National Treasury released a draft carbon tax bill on 2 November 2015 that would apply as from 1 January 2017. Mandatory reporting requirements on which the tax would be based would commence in the second half of 2016.

See also **World Tax Advisor – 27 November 2015.**

Thailand – Permanent Reduction of Corporate Income Tax Rate

The Thai cabinet has approved a proposal to permanently reduce the corporate income tax rate from 30% to 20% of net profits for accounting periods starting on or after 1 January 2016. The measure currently is undergoing the legislative process.

See also **World Tax Advisor – 13 November 2015.**

Trinidad & Tobago – 2016 Budget Presented

The 2016 budget, presented by the Trinidad & Tobago Minister of Finance on 5 October 2015, includes a proposal to increase the rates of the business and green fund levies from 0.2% to 0.6%, and from 0.1% to 0.3%, respectively. A new tax administrative body, the Trinidad & Tobago Revenue Authority, would be formed by the end of fiscal year 2016 to improve tax revenue collection and compliance. The minister also announced that transfer pricing legislation would be implemented by the end of fiscal year 2016.

See also **World Tax Advisor – 27 November 2015.**

United Kingdom – Autumn Statement 2015 Announced

The UK Chancellor delivered the 2015 Autumn Statement on 25 November 2015, announcing additional funding for the UK tax authorities (HM Revenue & Customs or HMRC) and several anti-avoidance measures. The Chancellor also gave additional details related to the government's intention to devolve powers relating to setting the corporation tax rate to the Northern Ireland Assembly, subject to certain conditions.

The Chancellor announced that finance bill 2016 will introduce legislation with effect from 1 January 2017 that will implement rules designed to address hybrid mismatches in line with the OECD recommendations under the BEPS project. Additionally, the Chancellor announced a number of anti-avoidance measures, including measures related to the treatment of corporate distributions and general anti-abuse rule penalties. These measures are expected to take effect during 2016.

See also **United Kingdom Tax Alert – 25 November 2015.**

United Kingdom – Consultations Launched on Proposals Related to Action 4 of the BEPS Project, as well as Patent Box

The UK government launched a consultation on the proposals under action 4 of the BEPS project (interest deductions and other financial payments). Finance Bill 2016 will include legislation to amend the patent box rules to ensure they comply with the new international framework for tax-favored intellectual property regimes set out by the OECD in October 2015, and in particular that profits qualifying for a reduced rate of corporation tax are determined by reference to the company's direct engagement in research and development. The changes generally have effect from 1 July 2016, although some intellectual property acquired after 1 January 2016 also will be affected.

See also **World Tax Advisor – 13 November 2015.**

Did you know?

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

Argentina

Brazil

China

Colombia

Costa Rica

European Union

India

Indonesia

Korea

Luxembourg

Mexico

OECD

Peru

South Africa

Sweden

Switzerland

Taiwan

Ukraine

United Kingdom

United States

Argentina – Foreign Exchange Controls Restrictions Eased

On 16 December 2015, the new Argentine government eased the foreign exchange controls that have been in place for the past several years and that restricted the inflow and outflow of foreign currency and were accompanied by formal authorization requirements. The policy changes are implemented through new central bank regulations and apply immediately, including an increase in the amount of foreign currency that may be acquired for domestic or foreign investment to USD 2 million per month, abolition of the requirement that Argentine recipients of services provided by nonresidents obtain central bank authorization to pay for the services and changes to the rules governing the payment of dividends.

See also **Argentina Tax Alert – 26 December 2015.**

Brazil – Netherlands Holding Companies Re-included on "Grey List" of Privileged Tax Regimes

The Brazilian government issued guidance on 18 December 2015 that revokes the 2010 guidance that temporarily removed the Netherlands holding companies that do not engage in substantial economic activities from Brazil's "grey list" of privileged tax regimes. The Dutch government was not able to provide evidence that domestic tax legislation existed to justify the non-inclusion of the Dutch holding company regime as a privileged tax regime. The new guidance is effective as from 21 December 2015, the date it was published in the official gazette.

See also **Brazil Tax Alert – 21 December 2015.**

Brazil – Decision Issued on Interest on Net Equity

Brazil's Superior Court of Justice ruled that interest on net equity (INE) distributed between two Brazilian entities must be computed for purposes of the PIS and COFINS taxes (gross revenue contributions) as financial income at the level of the recipient. INE payments are limited to the greater of 50% of the current pretax earnings or 50% of retained earnings and treated as a deductible expense for corporate income tax purposes. The court held that the INE is not entirely compatible with the profit/dividend concept for tax purposes and, therefore, should be treated as taxable interest.

See also **World Tax Advisor – 13 November 2015.**

China – Income Tax Incentives Rolled Out Nationwide

China's Ministry of Finance and the SAT jointly issued guidance on 23 October 2015 that extends four enterprise income tax incentives nationwide to stimulate technological innovation. These incentives initially were piloted in various zones. The expanded incentives apply as from 1 October 2015.

See also **World Tax Advisor – 27 November 2015.**

China – Super Deduction for Research and Development Expenses Enhanced

On 2 November 2015, China's Ministry of Finance, the SAT and the Ministry of Science and Technology jointly issued new guidance that expands the scope of the super deduction for research and development expenses incurred by domestic enterprises and streamlines the administrative procedures relating to the super deduction. The guidance applies as from 1 January 2016 and replaced previous rules in this area.

See also **World Tax Advisor – 11 December 2015.**

Colombia – Guidance Issued on Attribution of Profits to Permanent Establishments

Colombia's tax authorities published a ruling dated 3 September 2015, which explains that, in accordance with guidance issued in 2013, permanent establishments (PE) and branches of foreign companies in Colombia must carry out an analysis to support the profits attributed to the PE or branch. An analysis must be prepared and submitted to the tax administration for each fiscal year, regardless of whether the PE or branch carries out activities or transactions with related parties during the fiscal year.

See also **World Tax Advisor – 27 November 2015.**

Costa Rica – Guidance Modifying Rule Requiring Certain Taxpayers to File Audited Financial Statements Issued

Costa Rica's tax authorities issued guidance on 14 October 2015 that modifies the rule requiring taxpayers classified as large taxpayers or large territorial enterprises to file audited financial statements within six months of the end of the fiscal period. Under the new rules, which apply as from the date of issuance, such taxpayers are required to file audited financial statements only upon a request from the tax authorities.

See also **World Tax Advisor – 11 December 2015.**

European Union, Luxembourg, Netherlands – State Aid Decisions by European Commission to be Appealed

The European Commission issued two decisions on 21 October 2015, concluding that Luxembourg and the Netherlands have granted selective tax advantages to two US-based multinationals, and that these are illegal under EU state aid rules. Broadly, the decisions state the two tax rulings under investigation endorsed artificial and complex methods to establish taxable profits for the companies that do not reflect economic reality. The European Commission has ordered Luxembourg and the Netherlands to recover the unpaid tax. In a letter dated 27 November 2015, the Dutch government announced that it will formally appeal the decision. The Luxembourg government issued a press release on 4 December 2015, announcing it, too, will appeal.

See also **World Tax Advisor – 11 December 2015** and **World Tax Advisor – 13 November 2015.**

European Union – Directive for Exchange of Information on Rulings Amended

On 6 October 2015, the Council of Finance Ministers reached agreement on a proposed directive that would require the automatic exchange of information within the EU on certain tax rulings. Amendments to the directive were finalized on 8 December 2015, with transposition into the national law of the EU member states required by 1 January 2017.

See also **European Union Tax Alert – 7 October 2015.**

European Union – Savings Tax Directive Repealed

The EU savings tax directive, which has allowed EU tax administrations access to information on private savings income (e.g. interest income) since 2005, was repealed on 10 November 2015. In December 2014, the European Council adopted a directive amending provisions on the mandatory automatic exchange of information between tax administrations by extending the scope of that exchange to include dividends, interest and other types of income. This directive, which is broader in scope than the savings tax directive, entered into force on 1 January 2016.

See also **World Tax Advisor – 27 November 2015.**

India – Government Clarifies Minimum Alternate Tax

On 24 September 2015, the Indian government announced its decision to amend the minimum alternate tax (MAT) provisions in the tax law retroactively, with effect from 1 April 2001, to provide relief from the MAT to foreign companies that are residents of a country that has concluded a tax treaty with India and that do not have a PE (as defined under the treaty) in India. The relief from the MAT also will be extended to foreign companies that are residents of nontreaty countries and that are not required to register under the relevant provision of the Indian company law (foreign companies without an office or PE in India are not required to register under the company law). On 23 December 2015, the government reiterated this position on applicability of the MAT to foreign companies, including foreign institutional investors and foreign portfolio investors, in instructions to field officers for completing the pending tax audits.

See also **World Tax Advisor – 23 October 2015**, **World Tax Advisor – 9 October 2015, World Tax Advisor – 11 September 2015,** and **World Tax Advisor – 22 May 2015.**

Indonesia – Tax Holiday Rules Expanded and Extended

The Ministry of Finance issued a regulation, effective as from 16 August 2015, which contains a long-awaited revision of the rules governing a tax holiday, and the Investment Coordinating Board (BKPM) issued a regulation setting out the procedure to apply for a tax holiday. The regulation issued by the ministry expands the availability of a tax holiday to corporate taxpayers that operate in one of nine specified sectors.

See also **World Tax Advisor – 23 October 2015** and **World Tax Advisor – 7 October 2011.**

Indonesia – Temporary Tax Incentive Announced for Fixed Assets Revaluation

Indonesia's Ministry of Finance issued a regulation on 15 October 2015 that provides a temporary tax incentive to corporate taxpayers that apply for a revaluation of their fixed assets. The incentive, which applies from 20 October 2015 until 31 December 2016, allows taxpayers to revalue their assets and avoid paying a flat 10% tax on the amount by which the assets have increased in value; instead, taxpayers that apply for a revaluation will be subject to a reduced tax rate on the difference between the post-revaluation asset value and the tax book value before the revaluation, with the rate depending on when the application is submitted and income tax settled.

See also **World Tax Advisor – 27 November 2015.**

Indonesia – Requirements for Public Companies to Obtain Reduced Corporate Income Tax Rate Revised

The Indonesian government has issued a regulation on the requirements for Indonesian public companies to obtain a reduced corporate income tax rate. The regulation, which applies as from 4 August 2015, eliminates the requirement that certain shares be placed in the custody of a depository and settlement institution.

See also **World Tax Advisor – 27 November 2015.**

Korea – Government Proposes BEPS-Related Amendment to Transfer Pricing Regulations

On 2 December 2015, the Korean legislators passed the proposed revisions to the International Tax Coordination Law (ITCL) that include measures to implement CbC reporting requirements based on action 13 of the OECD BEPS project. In relation to the amended law, the Ministry of Strategy and Finance recently announced amendments to the Presidential Enforcement Decree of the ITCL, which sets out the transfer pricing regulations. The key measures included in the amendments, which are applicable for fiscal years starting 1 January 2016, are as follows:

- Domestic corporations that meet certain thresholds (i.e. with respect to annual revenue or the volume of intercompany transactions) and foreign corporations with domestic business are required to submit a comprehensive report (i.e. a master file and a local file) of their cross-border related party transactions.
- The comprehensive report must be filed by the date the 2016 corporate income tax return is due (i.e. 31 March 2017); a penalty of KRW 30 million will apply for noncompliance. The local file must be in Korean, and the master file may be in Korean or English, but if in English, a Korean report must be submitted within one month after the English version is submitted.

See also **World Tax Advisor – 9 October 2015.**

Luxembourg – Largely Compliant Rating Received From Global Forum

The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) released the results of its updated “phase 2” peer review for Luxembourg on 30 October 2015, which resulted in a “largely compliant” rating for the country.

See also **Luxembourg Tax Alert – 30 October 2015.**

Mexico – CbC Reporting and OECD Standard for Exchange of Information Introduced

The Mexican government published several amendments to the tax rules on 18 November 2015, including the implementation of the OECD BEPS initiative on CbC reporting and the OECD standard for the automatic exchange of information.

See also **World Tax Advisor – 27 November 2015** and **Mexico Tax Alert – 10 September 2015.**

OECD – Final BEPS Reports Released

On 5 October 2015, the OECD released the Final Reports on the BEPS project. These reports cover the seven topics that were the subjects of the “2014 Deliverables” approved in 2014, and finalize subsequent discussion drafts on the remaining eight actions. The Final Reports recommend changes to domestic laws, the OECD model treaty and the OECD transfer pricing guidelines, and also propose to accelerate the incorporation of recommended treaty changes into existing bilateral treaties through a multilateral convention to be entered into by interested countries.

See also **United States Tax Alert – 6 October 2015** and **OECD Tax Alert – 5 October 2015.**

Peru – Decree Setting Forth Conditions for Submitting Private Binding Ruling Requests Published

Peru's executive branch published a decree that sets out the conditions for submitting a private binding ruling request under the regime introduced by Law 30296 (enacted on 31 December 2014 and effective as from 1 January 2015) and provides guidelines for the regime's gradual implementation by the Peruvian tax authorities (SUNAT). A taxpayer with a direct and legitimate interest in a tax issue may request a private binding ruling from the SUNAT on the tax treatment applicable to specific facts and circumstances affecting that taxpayer, as long as a related tax obligation has not yet arisen.

See also **World Tax Advisor – 11 December 2015** and **Peru Tax Alert – 19 December 2014.**

South Africa – Mutual Agreement Procedure Clarified

The South Africa Revenue Service (SARS) recently posted on its website an explanation of the mutual agreement procedure (MAP), in which it clarifies the types of MAP requests and the procedure to be followed to invoke the MAP.

See also **World Tax Advisor – 27 November 2015.**

South Africa – CbC Reporting to be Implemented

The SARS has announced that it will implement CbC reporting in line with action 13 of the OECD BEPS initiative, and that it will likely be effective for years of assessment commencing on or after 1 January 2016. If CbC reporting is implemented, then South African-headquartered multinational enterprises with annual group consolidated turnover exceeding EUR 750 million in the 2015 financial year will be required to submit the CbC report to the SARS, which will share the report (as well as the master file) with relevant tax authorities through the exchange of information process. Reporting will be one year after the financial year-end.

See also **World Tax Advisor – 11 December 2015.**

Sweden – Foreign Tax Credit on Incentive-Based Income Denied Due to Statute of Limitations

The Swedish Administrative Court of Appeal ruled on 14 September 2015 that a foreign tax credit on share-based incentive income may be granted only for the income year in which the income is subject to tax in Sweden. The decision may be appealed to the Supreme Administrative Court.

See also **World Tax Advisor – 11 December 2015.**

Switzerland – Reasoning for Decisions on Beneficial Ownership Published

On 28 October 2015, Switzerland's Federal Supreme Court published its reasoning for two decisions issued on 5 May 2015 that involved the concept of beneficial ownership (BO) of income under tax treaties in the context of total return swaps and futures contracts. In both cases, the court denied refunds of Swiss withholding tax under the Denmark-Switzerland tax treaty because the conclusion of the derivative transactions had caused the loss of BO of dividends received from Swiss shares acquired for hedging purposes.

See also **World Tax Advisor – 27 November 2015** and **World Tax Advisor – 22 May 2015.**

Taiwan – Ministry of Finance Responds to Release of Final BEPS Reports

Taiwan's Ministry of Finance (MOF) is considering how, and to what extent, it will implement the OECD's minimum standards and best practices. With respect to BEPS action 1 on the tax challenges of the digital economy, the MOF is evaluating the possibility of treating foreign entities engaging in e-commerce activities in Taiwan as having a fixed place of business in the country even if they do not have a physical presence in Taiwan, and requiring such foreign entities to appoint tax agents in Taiwan to file income tax returns. With respect to BEPS action 13 on transfer pricing documentation and CbC reporting, the MOF has expressed its intention to amend the transfer pricing rules to require taxpayers to submit a "master file" containing standardized information in accordance with the OECD's recommendations, as well as the mandatory "local file".

See also **World Tax Advisor – 23 October 2015.**

Ukraine – Guidance Published Clarifies Exchange of Information Procedure

The Ukraine tax authorities published guidance on 21 April 2015 that clarifies certain aspects of the exchange of information procedure with foreign tax authorities. According to the guidance, an exchange of information with foreign tax authorities takes place only under the terms of an applicable tax treaty or exchange of information agreement, neither of which contains any exceptions with respect to tax audits.

See also **World Tax Advisor – 23 October 2015.**

United Kingdom – Anti-hybrid Legislation Included in Finance Bill for 2016

The UK anti-hybrid rules are included in the draft clauses for Finance Bill 2016 published for consultation on 9 December 2015. The anti-hybrid clauses closely follow the OECD recommendations, and they will replace the existing arbitrage rules as from 1 January 2017. The main differences from the existing arbitrage rules are:

- The removal of the purpose test;
- The new rules will need to be self-assessed; and
- The introduction of explicit imported mismatch rules.

The closing date for comments is 3 February 2016.

See also **United Kingdom Tax Alert – 11 December 2015.**

United Kingdom – Draft Automatic Exchange of Information Guidance Notes Released

The UK tax authorities released draft automatic exchange of financial account information guidance notes on 14 September 2015 that provide further clarity on obligations for UK financial institutions under the UK's automatic exchange of information legislation. This guidance is specific to the application of US Foreign Account Tax Compliance Act (FATCA), UK FATCA and the OECD Common Reporting Standards (CRS) for UK financial institutions. The UK tax authorities have stated that the guidance does not replace or override the CRS commentary, but brings together the key concepts and provides additional guidance for UK-specific issues.

See also **World Tax Advisor – 9 October 2015.**

United States – Final and Temporary Rules Issued on Treatment of Dividend Equivalents under Section 871(m)

On 17 September 2015, the US Treasury Department (Treasury) and IRS released final and temporary regulations under Section 871(m) (the Final Regulations and the Temporary Regulations) which were published in the Federal Register on 18 September 2015. The Final Regulations generally retain the framework set forth in the proposed regulations released on 5 December 2013 (the 2013 Proposed Regulations) by testing the “delta” of notional principal contracts (NPCs) and equity-linked instruments (ELIs) referencing U.S. equities to determine whether such contracts are characterized as “specified NPCs” or “specified ELIs” that give rise to “dividend equivalent” payments subject to U.S. gross basis tax and withholding tax under Chapters 3 (withholding) and 4 (FATCA) of the Internal Revenue Code.

See also **United States Tax Alert – 28 October 2015** and **United States Tax Alert – 6 December 2013.**

United States – Treasury Releases New Anti-Inversion Guidance under Section 7874

On 19 November 2015, the Treasury Department issued Notice 2015-79 (Notice), which announces its intent to issue regulations that would (i) tighten the anti-inversion rules under Internal Revenue Code section 7874, and (ii) reduce the tax benefits of inversion transactions. The Notice clarifies and expands on Notice 2014-52, which was issued on 22 September 2014 and had similar objectives.

The Notice announced the intent that future regulations issued thereunder will generally apply to inversion transactions completed on or after 19 November 2015.

See also **United States Tax Alert – 20 November 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.

	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	
Jurisdiction	2015	2016		Notes
Australia	30%	30%	N/A	The corporate tax rate for eligible small businesses with aggregated turnover of <AUD 2 million is 28.5% for income years starting on or after 1 July 2015.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional surtax (10%) and social contribution (9%, 20% for financial institutions) yield an effective tax rate of 34% or 45% for financial institutions.
Canada	25%–31%	26%–31%	14 Dec 2007	Provincial rates vary, ranging generally from 11% to 16% as from 1 July 2015.
Chile	22.5%	24%	29 Sep 2014	The 2014 tax reform 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. The rate is 21% for 2014, 22.5% for 2015 and 24% in 2016.
China	25%	25%	16 Mar 2007 26 Dec 2007	Entities qualifying as small-scale taxpayers are subject to a 20% tax rate, and entities qualifying as new and high-tech enterprises are subject to a 15% tax rate.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2015	2016	Date the combined national/ local rate enacted	Notes
France	33.33% – 38%	33.33% – 34.43%	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) and an additional surcharge of 3.3% applies to companies with a basic corporate tax liability exceeding EUR 763,000. As a result of the surcharges, the effective tax rate applicable to large profitable companies is 38% for fiscal years closed on or before 30 December 2016. The 10.7% surcharge was not extended by the 2016 Finance Law, so the applicable rate for large companies is reduced to 34.43% for fiscal years closed on or after 31 December 2016 (see **Note 1** for details). 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%. 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.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2015	2016	Date the combined national/ local rate enacted	Notes
India	30.9% or 32.45% or 33.99%	30.9% or 33.06% or 34.61%	6 August 2014 14 May 2015	For taxable years 1 April 2014 through 31 March 2015, the effective rates 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). For taxable years beginning on 1 April 2015, the effective rate for domestic companies is 30.9% (where taxable income is less than or equal to INR 10 million), 33.06% (where taxable income exceeds INR 10 million, but is less than or equal to INR 100 million) and 34.61% (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 a rate of 18.5% of book profits. For taxable years 1 April 2014 through 31 March 2015, 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). For taxable years beginning 1 April 2015, the effective MAT rate is 19.06% (where income is less than or equal to INR 10 million) and 20.39% (where income exceeds INR 10 million, but is less than or equal to INR 100 million) and 21.34% (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 (see **Note 3**). These effective rates may increase if the earnings are distributed (see **Note 4** 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%.
Italy	31.4%	31.4%	28 Dec 2007	The corporate income tax rate is 27.5% (see **Note 5** 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 2016 budget law reduced the corporate income tax rate to 24% starting from 2017.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2015	2016	Date the combined national/ local rate enacted	Notes
Japan	34.6%–35.6% or 36.0%–37.1%	32.1%–33.1% or 34.3%–35.4%	31 Mar 2015	The national corporate tax rate is reduced from 25.5% to 23.9% for fiscal years beginning on or after 1 April 2015. In addition, the tax rate applicable to the income factor of factor-based enterprise tax for large companies with more than JPY 100 million of stated capital will be reduced over the next two years. Thus, the effective corporate income tax rates for 2016 are lower than those for 2015. 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, including the special local corporate tax, generally is levied on taxable income at a rate between 6% and 10.1%, depending on the amount of capital and the location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 12.9% or 16.3% 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.
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 consolidation regime was replaced as from 1 January 2014 by a new regime called the "integration regime" that grants a deferral of income tax within a group for three fiscal years.
Netherlands	25%	25%	N/A	A 20% tax rate applies to income below EUR 200,000.
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. 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 a 0% profits tax rate if certain criteria are fulfilled. Residents of the 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.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2015	2016	Date the combined national/ local rate enacted	Notes
United Kingdom	21% and 20%	21% and 20%	17 Jul 2013	A 21% rate was effective from 1 April 2014 and a 20% rate applies as from 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 French finance law was enacted on 30 December 2013, increasing the rate of the additional surcharge 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 2016 Finance Law confirms that the 10.7% surtax on large companies is abolished, which should reduce the maximum effective corporate income tax rate applicable to large companies from 38% to 34.43% for fiscal years closed on or after 31 December 2016.

Note 2: The government enacted a 3% surtax on 17 August 2012 that is levied on dividends and certain other distributions paid on or after that date by domestic and foreign entities subject to corporate income tax in France (including PEs 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 related accounting for income taxes implications). The European Commission initiated an infringement procedure against France in February 2015 in relation to the 3% surtax.

Note 3: On 24 September 2015 and as further provided in instructions issued on 23 December 2015, the Indian government announced its decision to amend the MAT provisions on a retroactive basis, with effect from 1 April 2001, to provide relief from the MAT to foreign companies that are residents of a country that has concluded a tax treaty with India and that do not have a PE (as defined under the treaty) in India. Relief from the MAT also will be extended to foreign companies that are residents of nontreaty countries and that are not required to register under the relevant provision of the Indian company law (foreign companies without an office or PE in India are not required to register under the company law).

Note 4: An Indian entity is subject to an additional tax of approximately 16.995% when earnings are either distributed as a dividend or upon 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 dividends or upon liquidation of the company. As from 1 October 2014, the dividend is to be grossed up and the tax rate applied on the grossed-up amount of the dividend. The total effective tax rate on earnings would be 42.42%/43.71%/44.99%, respectively.

Note 5: 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.

Deloitte Tax App – An application that allows readers to access news and tax information on their mobile devices.

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.

Click to **subscribe** to receive an email when a new *Global Tax Alert* is issued.

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

Click to **subscribe** to receive *World Tax Advisor* directly via email.

Transfer Pricing Alerts — 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 67 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 2016 Training — Corporate tax and accounting professionals continue to face significant challenges in financial reporting for income taxes. Deloitte's Financial Reporting for Taxes Training seminars can help you stay informed. Our seminars will be held May 23-27 in Orlando, Florida and December 5-9 in Las Vegas, Nevada. The seminars will feature comprehensive and specialty course offerings available as a single course or combination of courses. Invitations containing course descriptions, pricing, registration, and additional information will be coming soon.

Contact us

For more information contact:

Robert Tache
Partner, Deloitte Tax LLP
+1 305 372 3230
rtache@deloitte.com

Connie Lee
Director, Deloitte Tax LLP
+1 415 783 4839
colee@deloitte.com

Gabriela G. Todoroff
Manager, Deloitte Tax LLP
+1 305 808 2441
gtodoroff@deloitte.com