Deloitte.

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 2016

15 April 2016

Issue 2016-1

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 March 2016. 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 January to 31 March 2016

The following section includes a brief summary of major international income tax law changes enacted during the period 1 January 2016 to 31 March 2016, unless specified otherwise.

Australia

Legislation on Automatic Exchange of Information Enacted

Date of enactment: 18 March 2016
Effective date: 1 July 2017

On 18 March 2016, legislation was enacted that implements the OECD's Common Reporting Standard for the automatic exchange of financial information in Australia as from 1 July 2017. The exchange of information will commence in 2018 and it will relate to the period 1 July 2017 to 31 December 2017. In subsequent years, information will be exchanged for the preceding calendar year.

See also **World Tax Advisor – 25 March 2016.**

Belgium

Tax Haven Blacklists Updated

Date of enactment: 10 and 11 March 2016
Effective date: 1 January 2016

On 10 and 11 March 2016, the Belgian government published two royal decrees that update the lists of countries that are considered tax havens for purposes of the dividends received deduction regime and the reporting requirement that applies to payments made to tax haven jurisdictions. The updated black lists generally are applicable as from 1 January 2016.

See also **World Tax Advisor – 25 March 2016** and **World Tax Advisor – 8 January 2016.**

Brazil

Capital Gains Tax and Controlled Foreign Corporation Rules Modified

Date of enactment: 17 March 2016
Effective date: Various

Law 13,259/2016, published in Brazil's official gazette on 17 March 2016, converts Provisional Measure No. 692/2015 (PM 692) into law. Law 13,259/2016 contains changes to the capital gains tax modifications originally included in PM 692 and introduces some changes to the controlled foreign corporation rules:

- The income tax rates applicable to capital gains derived from the sale of assets are revised such that the new progressive rates range from 15% to 22.5%; and
- Brazilian taxpayers generally may elect to have the foreign profits of affiliated entities taxed on 31 December of each year (i.e. under the methodology applicable to controlled entities) rather than at the time the profits are distributed.

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

Chile

2014 Tax Reform Modified

Date of enactment: 8 February 2016
Effective date: Various

A law published in Chile's official gazette on 8 February 2016 contains amendments to simplify and clarify the 2014 tax reform law. These modifications generally are effective as from the date of publication, and some changes are retroactive. However, the new dual tax regime with the corresponding simplifications will enter into effect as from 1 January 2017.

The new law sets default presumptions regarding the dual income tax regime that will apply to different types of taxpayers as from 1 January 2017, and restricts the types of taxpayers eligible for the "fully integrated regime." It also temporarily extends the full tax credit available under the "partially integrated regime" to investors in countries that have signed a tax treaty with Chile that has not entered into force as of 1 January 2017, and makes certain other modifications. The new law will not affect the tax rates established by the 2014 tax reform.

See also **World Tax Advisor – 12 February 2016.**

Isle of Man

2016 Budget Enacted

Date of enactment: 16 February 2016
Effective date: Various

The 2016 budget has been enacted and is the first step in a six-year plan to increase tax revenue by growing the economy (rather than by increasing tax rates) and keeping expenditure under tight control. The main tax measures, which generally apply as from 6 April 2016, include the introduction of a tax holiday for qualifying land developments, under which relevant income or profits of a company will be exempt from income tax for up to five years.

See also **World Tax Advisor – 26 February 2016.**

Japan

Tax Reform Enacted

Date of enactment: 29 March 2016
Effective date: Various

On 29 March 2016, Japan’s National Diet enacted the 2016 tax reform proposals, which include the following changes affecting corporate tax:

- The standard effective corporate income tax rate is reduced to 29.97% for fiscal years beginning on or after 1 April 2016 and to 29.74% for fiscal years beginning on or after 1 April 2018. Additionally, there will be a further expansion of the factor-based enterprise tax and a broadening of the tax base through the revision of the depreciation system and other measures.
- The limitation on the utilization of net operating losses (NOLs) will be further limited to 60% for fiscal years beginning on or after 1 April 2016, 55% for fiscal years beginning on or after 1 April 2017 and 50% for fiscal years beginning on or after 1 April 2018.
- The extension of the NOL carryforward period from nine years to 10 years, which was determined in the 2015 tax reform, will be deferred for one year to fiscal years beginning on or after 1 April 2018.

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

Enacted tax law changes that are now effective: 1 January 2016 to 31 March 2016

The following section includes a brief summary of major international income tax law changes enacted before 1 January 2016, but are first effective in the period 1 January 2016 to 31 March 2016.

Australia

Multinational Anti-Avoidance Law (MAAL) and Related Measures

Australia's MAAL received Royal Assent on 11 December 2015 and 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, amends Australia's general anti-avoidance provisions to prevent multinational entities from using certain arrangements to artificially avoid attributing business profits to a permanent establishment in Australia. The MAAL implements country-by-country (CbC) reporting in accordance with action 13 of the OECD's base erosion and profit shifting (BEPS) project in Australia. It also increases the base penalty for tax avoidance schemes where the taxpayer lacks a reasonable arguable position and 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 Reform and Amendment

Austria's 2015-2016 tax reform enacted on 14 August 2015 increased the general withholding tax rate on dividends paid by an Austrian corporation from 25% to 27.5% as from 1 January 2016. The research and development (R&D) credit was increased from 10% to 12% for business years starting after 31 December 2015.

Law 163/2015, enacted on 28 December 2015, modified the tax reform provision that related to capital repayment, as well as Austria's exit taxation rules. Under Law 163/2015, profit distributions require positive retained earnings and are otherwise treated as repayments of equity contributions until retained earnings are positive. Under the new exit taxation rules, the option to defer exit taxation until the relevant assets were sold or transferred outside the EU/European Economic Area is replaced with an option to pay the exit tax in seven installments.

See also **World Tax Advisor – 21 August 2015.**

Belarus

Tax Code Changes

Amendments to the Belarus tax code that became effective on 1 January 2016 include changes relating to the definition of a permanent establishment, the withholding tax on interest paid to nonresident entities, the definition of a beneficial owner of income and the transfer pricing rules.

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

Chile

Tax Reform Measures

A 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.**

France

2015 Amended Finance Law

The 2015 Amended Finance Law, 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 Finance Law also amends the tax group consolidation regime to bring French law in line with the CJEU decision 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

France's 2016 Finance Law, 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.

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

Ireland

Finance Act 2015

Ireland's Finance Act 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. Finance Act 2015 is effective as from 1 January 2016.

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

Italy

Stability Law

The Stability Law for 2016, published in Italy's official gazette on 30 December 2015, makes a number of significant changes to the tax rules, including the introduction of CbC reporting rules, plans to lower the corporate tax rate and the withholding tax on certain dividends, and repeal of the controlled foreign company blacklist (with new criteria to identify black-list entities). The corporate tax rate generally will be reduced from 27.5% to 24% as from 1 January 2017. For new assets purchased during the period 15 October 2015 to 31 December 2016, an extra 40% depreciation deduction will be available for tangible assets whose depreciation rate for tax purposes exceeds 6.5%.

Most of the measures under the Stability Law are effective as from 1 January 2016.

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

Luxembourg

Net Worth Tax

The minimum corporate income tax was abolished to bring Luxembourg in line with EU law and replaced by a minimum net worth tax (NWT). As from 1 January 2016, the NWT rate depends on a company's total net assets:

- A rate of 0.5% applies on total net assets up to EUR 500 million (unchanged from the prior rule); and
- A rate of 0.05% applies on total net assets exceeding EUR 500 million.

The NWT calculated at these rates is subject to the minimum NWT requirements. Luxembourg collective entities that own qualifying holding and financing assets exceeding 90% of their total balance sheet, and whose total balance sheet exceeds EUR 350,000, are subject to a minimum NWT of EUR 3,210; the minimum NWT is EUR 535 where the total balance sheet is up to EUR 350,000. Other Luxembourg companies are subject to a progressive minimum NWT, depending on the total balance sheet asset value, with the tax ranging from EUR 535 to EUR 32,100. The aggregate amount of NWT due by a tax consolidated group is limited to EUR 32,100.

See also **World Tax Advisor – 12 February 2016, Luxembourg Tax News – 23 December 2015** and **Luxembourg Tax Alert – 16 October 2015.**

Mexico

Miscellaneous Tax Rules

Mexico's Miscellaneous Tax Rules for 2016, which were published in the official gazette on 23 December 2015 and apply as from 1 January 2016, include changes to the rules governing nonresidents that carry out operations in Mexico under the maquiladora "shelter regime." Specifically, the miscellaneous rules contain an option for such nonresidents to elect for an additional four-year period to operate in Mexico under the shelter regime without creating a permanent establishment in Mexico, provided certain requirements are met.

See also **World Tax Advisor – 12 February 2016.**

Netherlands

Changes to Fiscal Unity Regime

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, 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

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.

- Action 2 of the OECD BEPS initiative (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.**

Peru

Super Deduction for Scientific R&D Expenses

The Peruvian government enacted a law on 12 March 2015 and applicable regulations 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. 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.**

Romania

New Tax Code

A law published in Romania's official gazette on 10 September 2015 was subsequently amended through a government ordinance, with the amended law becoming effective on 1 January 2016. The main measures that affect corporate taxpayers are as follows:

- The concept of the "place of effective management" has been defined.
- 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.
- Expenses incurred for business purposes are considered deductible for corporate income tax purposes (previously only expenses booked with the purpose of generating taxable income were considered deductible).
- In-kind contributions are taxable.

See also **Tax & Legal Weekly Alert 18-22 January 2016, Tax & Legal Weekly Alert 11-15 January 2016, Tax & Legal Weekly Alert 9-13 November 2015** and **Tax & Legal Weekly Alert 14-18 September 2015.**

Romania

Reduced Withholding Tax Rate on Dividends

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.**

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.**

Ukraine

Amended Tax Code

Ukraine's president signed a law on 31 December 2015 that amends the tax code and other legislation. 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 States

Consolidated Appropriations Act, 2016

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 effective as from 1 April 2016

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

Saudi Arabia

New Company Law

A company law published in Saudi Arabia's official gazette on 4 December 2015 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.**

On the horizon…

The following developments in tax law had not yet been enacted as of 31 March 2016, 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.

Canada – 2016-2017 Federal Budget Introduced

The 2016-2017 Canadian budget presented on 22 March 2016 contains limited measures relating to international tax, including a response to the OECD's BEPS project. Certain measures that are proposed to be effective in 2017 will require foreign parent companies of Canadian subsidiaries to examine the cross-border arrangements for financing and licensing property to those subsidiaries. In addition, new shareholder loan rules that are proposed to be effective immediately require an examination of the use of the excess cash of the subsidiaries through arrangements such as cash pooling, as well as the security provided by the subsidiaries to third-party lenders in respect of group finance arrangements.

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

Colombia – Commission Submits Final Report on Structural Tax Reform

On 24 December 2015, Colombia's Commission for Tax Equality and Competitiveness submitted its third and final report to the government with its recommendations for a structural reform of the tax system. Findings and recommendations in the commission's report include the following:

- A new tax on business profits should be introduced to replace the income tax, the income tax for equality (CREE) and the CREE surtax, at a rate of between 30% and 35%.
- The presumptive income tax rate should be increased from 3% to 4%.
- Dividends should be deemed to be ordinary income subject to taxation.

See also **World Tax Advisor – 12 February 2016.**

Hong Kong – 2016 Budget Presented

The 2016 Hong Kong budget presented on 24 February 2016 contains long-term directions and immediate measures for various industries. Immediate reliefs include a one-time tax rebate of 75% of profits tax payable for 2015-2016 (up to a ceiling of HKD 20,000); the expansion of the deduction for capital expenditure for the purchase of intellectual property rights to cover new categories; and waivers of the business registration fee and license fees for the tourism and catering industries.

See also **World Tax Advisor – 11 March 2016.**

India – 2016 Budget Presented

The Indian budget for financial year 2016-2017 (1 April 2016 to 31 March 2017), presented in parliament on 29 February 2016, contains various tax proposals relating to the OECD's BEPS project, including the introduction of CbC reporting and transfer pricing documentation, a patent box regime and an equalization levy on specified digital transactions. The proposed measures generally would apply as from 1 April 2016. The budget is expected to be enacted in May 2016, once it clears the lower house of parliament and is approved by the president.

See also **World Tax Advisor – 25 March 2016** and **World Tax Advisor – 11 March 2016.**

Italy – Public Consultation on Draft Regulations Relating to Foreign Branch Exemption Option Launched

Italy's tax authorities launched a public consultation on 25 February 2016 on the draft regulations relating to the foreign branch exemption option included in a decree issued in September 2015. The branch exemption regime allows Italian resident companies to exclude the profits and losses realized through a foreign branch in calculating their taxable income (provided the branch is not located in a "black list" country). An election must be made to benefit from the regime, and once an election is made, it is irrevocable and must be applied to all foreign branches of the Italian company. An Italian company may request a tax ruling on the existence of a foreign branch.

See also **World Tax Advisor – 11 March 2016** and **Italy Tax Alert – 23 September 2015.**

Luxembourg – 2017 Tax Reform Measures Announced

The Luxembourg government announced a number of measures on 29 February 2016 that it intends to include in the 2017 tax reform. The final plans for the reform will be released during the prime minister's annual speech on 26 April 2016. The main changes to be proposed for corporations are as follows:

- The corporate income tax rate would be reduced from 21% to 19% in 2017 and 18% in 2018;
- A reduced corporate income tax rate of 15% would be introduced for corporations whose annual taxable income does not exceed EUR 25,000;
- The minimum net worth tax introduced in 2016 would increase for SOPARFIs from EUR 3,210 to EUR 4,815;
- The utilization of loss carryforwards would be limited to 10 years; and
- Capital gains derived from immovable property belonging to the divested business would be exempt if certain conditions are satisfied.

See also **World Tax Advisor – 11 March 2016.**

Oman – Income Tax Law Amendments Adopted

Oman's Shura Council adopted several amendments to the Income Tax Law on 22 December 2015 that include increasing the corporate income tax rate from 12% to 15%; removing the exemption threshold of OMR 30,000, so that all Omani companies, regardless of their size, will be subject to income tax; increasing the tax rate for oil and gas industry-based companies from 12% to 35%; limiting the tax-exempt activities that are currently available; and extending the 55% income tax rate applicable to oil companies to liquefied natural gas companies.

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

Singapore – 2016 Budget Announced

Singapore's Minister for Finance delivered the 2016 budget statement on 24 March 2016. A number of measures would benefit small and medium-sized enterprises, including an enhancement of the corporate income tax rebate. The relevant tax proposals that would affect businesses also include changes to tax incentives and measures affecting intellectual property rights. The budget does not include any measures addressing the OECD BEPS initiative.

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

South Africa – 2016 Budget Announced

The 2016 budget presented to parliament on 24 February 2016 includes the following proposals that would affect multinational companies:

- The percentage of capital gains includable in taxable income would be increased from 66.6% to 80%; and
- Measures would be implemented to address mismatches associated with hybrid debt instruments that currently may result in double non-taxation in cases where the issuer of the instrument is a nonresident.

See also **World Tax Advisor – 11 March 2016.**

United Kingdom – 2016 Budget Announced

The UK Chancellor delivered his budget on 16 March 2016, releasing a "Business Tax Roadmap" that sets out a number of proposed measures, including the UK government's view on, and response to, each of the actions under the OECD BEPS project. Measures that are significant to corporations include the following:

- The corporation tax rate would be reduced to 17% as from 1 April 2020.
- Changes to the deductibility of interest that broadly follow the recommendations from Action 4 of the OECD's BEPS project would take effect as from 1 April 2017.
- The government plans to expand the scope of the draft legislation related to hybrid mismatch arrangements such that the legislation would eliminate mismatches involving permanent establishments.
- Existing distinctions between different categories of losses would be removed for losses incurred on or after 1 April 2017, allowing companies to utilize loss carryforwards against any type of income arising in future periods, rather than needing to stream losses against the same type of income. However, the amount of profit that can be offset against losses carried forward will be restricted to 50% of the amount of UK group profits in excess of GBP 5 million.
- The categories of royalties that are subject to withholding tax would be expanded, the definition of UK source within the scope of royalties would be amended, and an anti-avoidance provision related to royalties would be introduced.

See also **United Kingdom Tax Alert – 16 March 2016.**

United States – 2017 Budget Presented

On 9 February 2016, the President released a fiscal year 2017 budget package. From a corporate tax perspective, the new package proposes tax increases primarily targeting multinational corporations, the fossil fuel industry and financial services companies to pay for priorities such as tax relief for small businesses and lower- and middle-class individuals.

See also **Tax News & Views – 12 February 2016** and **World Tax Advisor – 12 February 2016.**

Did you know?

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

Australia – New Requirements for Multinational Investors Announced

The treasurer of Australia announced on 22 February 2016 that new requirements will apply to multinational companies investing in Australia, to ensure that "companies operating in Australia pay tax on their Australian earnings." The requirements will be imposed through additional criteria the government will consider when assessing a foreign person's application to invest in Australia, effective immediately.

Generally, multinational companies will be required to comply with Australian tax law, and to provide information to the Australian Taxation Office (ATO) as directed, with respect to investments that require an application to the Foreign Investment Review Board, and notify the ATO if they enter into transactions with nonresidents that could be subject to Australia's transfer pricing or tax anti-avoidance measures.

See also **World Tax Advisor – 11 March 2016.**

Belgium – Press Release on Excess Profit Rulings Issued and Appeal Submitted

The European Commission issued a press release on 11 January 2016 announcing that it had concluded its in-depth investigation on the Belgian excess profit rulings regime and that these rulings violate the state aid rules under the Treaty on the Functioning of the European Union because they deviate from the normal Belgian corporate tax rules and the arm's length principle. The Commission is ordering Belgium to discontinue the excess profits ruling practice and recover approximately EUR 700 million in tax from the beneficiaries of the rulings. The Belgian state submitted an appeal against the decision on 22 March 2016.

See also **World Tax Advisor – 22 January 2016.**

European Commission – Proposed Anti-Tax Avoidance Package Released

On 28 January 2016, the European Commission released an anti-tax avoidance package that contains proposed measures to prevent aggressive tax planning, enhance tax transparency and create a level playing field for all businesses in the EU. The package contains the following:

- Amendments to the administrative cooperation directive to implement CbC reporting;
- A draft anti-tax avoidance directive which proposes action in several areas, including three areas covered by the BEPS action plan (i.e. hybrid mismatches under Action 2, Controlled foreign companies under

Action 3, and interest restrictions under Action 4) and three areas not reflected in the BEPS action plan (i.e. exit taxation, "switch-over" clauses, and a general anti-avoidance rule (GAAR));

- Recommendations to EU member states on how to reinforce their tax treaties in an EU-law compliant manner; and
- A communication on an external strategy for effective taxation.

See also **World Tax Advisor – 12 February 2016** and **European Union Tax Alert – 28 January 2016.**

European Union – Directive on Information Exchange on Cross-border Tax Rulings Adopted

The European Council, on 8 December 2015, adopted the new directive aimed at improving transparency on tax rulings. The directive will require EU member states to exchange information automatically on advance cross-border tax rulings and advance pricing arrangements as from 1 January 2017. Member states will be required to transpose the new rules into national law before the end of 2016. In the meantime, existing obligations for member states to exchange information remain in place.

See also **World Tax Advisor – 8 January 2016** and **European Union Tax Alert – 7 October 2015.**

European Union – EU-BEPS Roadmap Issued

The Netherlands, which currently holds the presidency of the council of the EU, issued an EU-BEPS "roadmap" on 19 February 2016 that sets out plans to move forward with previous EU proposals, as well as future efforts on areas relating to the OECD's BEPS project.

See also **World Tax Advisor – 26 February 2016.**

European Union – Public Consultation on Improving Double Taxation Dispute Resolution Mechanisms Launched

The European Commission has launched a public consultation on improving double taxation dispute resolution mechanisms as part of the work on implementing the June 2015 action plan on corporate tax systems in the EU. The current mechanisms (e.g. mutual agreement procedure, arbitration) are provided by the bilateral tax treaties entered into by the EU member states and, specifically, by the EU multilateral arbitration convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. The scope of the arbitration convention is limited to transfer pricing and the allocation of profits to a permanent establishment. The consultation closes on 10 May 2016.

See also **World Tax Advisor – 26 February 2016.**

European Union – Opinion Issued on Portuguese Law Related to Financing Costs

Advocate General Kokott of the CJEU issued an opinion on 17 March 2016 stating that, in regards to the taxation of interest paid by Portuguese borrowers to lenders in other EU member states, a law that prohibits the lenders from deducting operational costs directly linked to the taxed activity is an unlawful restriction on the freedom to provide services. The Portuguese law requires Portuguese borrowers to withhold tax on interest paid to lenders at a specified rate, or a lower rate provided in an applicable tax treaty. However, the challenged law requires that the tax is levied on the gross amount of the interest income. Consequently, the lender may not deduct any costs incurred to produce such income. Portuguese resident lenders receiving interest income are subject to corporate income tax, but the lender may deduct its operating expenses (including financing costs) in calculating its taxable income. The CJEU must now issue its decision in the case.

See also **World Tax Advisor – 25 March 2016.**

Germany – Interest Deduction Limitation Question Referred to Constitutional Court

Germany's federal tax court (BFH) has referred to the constitutional court the question of whether the interest deduction limitation rule, which limits the tax deductibility of net interest expense to 30% of the tax EBITDA of a business, is in line with the German constitution. According to the BFH, the interest deduction limitation violates the principle that each taxpayer must be taxed based on its financial performance and financial capabilities, and there are no justifications (e.g. preventing abuse of law, fiscal stability) for the violation.

See also **World Tax Advisor – 26 February 2016.**

Gibraltar – Corporate Income Tax Return Filing Obligation Extended to All Companies

As from accounting periods ending on or after 1 January 2016, all companies registered in Gibraltar, as well as entities (including branches) with assessable income (as provided in the Income Tax Act), are required to file "full and complete tax returns." Companies and branches that derive assessable income of GBP 1.25 million or more within an accounting period now must file tax returns that are accompanied by audited accounts. Companies and branches with assessable income under that threshold are required to file tax returns, together with accounts accompanied by an independent accountant's report.

See also **World Tax Advisor – 25 March 2016** and **World Tax Advisor – 22 January 2016.**

Israel – Court Decision Issued on Inclusion of Stock-based Compensation Costs in Cost Plus Calculation

The Tel Aviv district court issued a decision on 25 December 2015 in a case involving the effect of an employee stock option plan on a cost plus arrangement. The court upheld the position of the Israeli tax authorities and ruled that costs incurred by an Israeli subsidiary of a foreign parent company with respect to an employee stock option plan should be included in the cost basis in calculating the cost plus remuneration under the cost plus arrangement with the foreign parent.

See also **World Tax Advisor – 26 February 2016.**

Italy – Tax Treatment of Leveraged Buyout Transactions Clarified

Italy's tax authorities issued guidance on 30 March 2016 that clarifies the tax treatment applicable to the acquisition of Italian targets by private equity funds through leveraged buyout and merger leveraged buyout transactions. The authorities confirmed that interest expense related to loans granted to an Italian special purpose vehicle incorporated for the purpose of acquiring the target is deductible under the ordinary rules. Although the guidance is specifically aimed at private equity acquisitions, the principles it provides on several other topics, including the withholding tax applicable to dividends and interest paid to nonresidents and the treatment of capital gains on the subsequent sale of the Italian target (i.e. "exit taxation") also should be applicable to corporate acquisitions.

See also **Italy Tax Alert – 6 April 2016.**

Korea – Withholding Obligation on Foreign Secondees Clarified

The Korean tax authorities issued guidance on 17 February 2016 that clarifies the upcoming requirement for domestic companies that meet the following criteria to withhold income tax from the salaries of certain foreign employees seconded to a Korean company:

- The Korean company paid more than KRW 3 billion per year in service fees to the foreign company dispatching the employees to Korea;
- The Korean company's prior year revenue is KRW 150 billion or more, or its prior year total assets are KRW 500 billion or more; and
- The core business of the Korean company is air transport, construction or the provision of professional, scientific or engineering services.

According to a new tax law that will apply as from 1 July 2016, where the employment costs of a foreign secondee to a Korean company are not borne directly by the Korean entity, the Korean entity may be required to withhold income tax at a 17% rate (18.7%, including the local income tax surcharge) on a monthly basis when the Korean entity pays the service fee to the foreign company. The amount subject to income tax withholding will be the amount of the service fee that is attributable to the earned income of the foreign secondee.

See also **World Tax Advisor – 11 March 2016** and **World Tax Advisor – 9 October 2015.**

Netherlands – Supreme Court Decision Issued on Refund of Dividend Withholding Tax

The Netherlands Supreme Court issued a decision on 4 March 2016 in which it ruled on the extent to which nonresident taxpayers can claim a refund of Dutch dividend withholding tax, following a decision issued by the CJEU. The court concluded that, in principle, the imposition of the withholding tax on dividends distributed to nonresidents could constitute a restriction on the free movement of capital where a comparison to a domestic situation (including both dividend withholding tax and individual/corporate income tax) would result in a lower tax burden than in the cross-border situation.

See also **World Tax Advisor – 25 March 2016** and **European Union Tax Alert – 18 September 2015.**

OECD – Multilateral Competent Authority Agreement Signed

On 27 January 2016, 31 countries signed the Multilateral Competent Authority Agreement (MCAA), an international framework that will allow the automatic exchange of information between the tax authorities of signatory jurisdictions. The MCAA, which is designed to further improve transparency by multinationals, should enable consistent and rapid implementation of new transfer pricing reporting standards developed under Action 13 of the BEPS action plan (specifically, CbC reporting), and should ensure that tax administrations obtain a complete understanding of the way multinationals structure their operations, while also ensuring that the confidentiality of such information is safeguarded.

See also **World Tax Advisor – 12 February 2016.**

Poland – Settlements Between Related Parties Subject to Detailed Scrutiny

The Ministry of Finance confirmed in a communication dated 5 February 2016 that settlements between Polish taxpayers and their related parties have become an area of interest to the Polish tax authorities and that they will be subject to detailed scrutiny. During the first quarter of 2016, the Ministry focused on expanding its personnel and developing knowledge in the field of transfer pricing, while in the second quarter it will carry out tax inspections focusing on those entities that have not paid corporate tax in recent years despite significant revenue growth.

See also **World Tax Advisor – 25 March 2016.**

Russia – Supreme Court Decision Issued

Russia's Supreme Court issued a decision on 14 January 2016, in which it declined to consider an appeal. The lower courts had affirmed the tax authorities' disallowance of a profits tax deduction for royalties paid by a Russian company to a foreign affiliate under a sublicensing agreement, on the grounds that the taxpayer's activities in Russia reclassified it from a separate legal entity to a permanent establishment of the foreign affiliate. However, the Supreme Court's basis for approving of the lower court rulings was that the taxpayer did not provide sufficient evidence to satisfy its burden to prove that the relevant franchise agreement was concluded for sound economic reasons and to explain the reasons for setting the license payments at the relevant amounts.

See also **World Tax Advisor – 11 March 2016** and **World Tax Advisor – 25 September 2015.**

United Kingdom – Country-by-Country Reporting Regulations Issued

The UK's regulations related to CbC reporting apply as from 18 March 2016. The regulations require certain multinational enterprises to report annually to the UK tax authorities details of revenue, profit, taxes and other measures of economic activity for each tax jurisdiction in which they do business. The information will automatically be shared with other relevant tax jurisdictions in accordance with international agreements governing the exchange of information as established by the OECD. Reports are required to be filed for accounting periods beginning on or after 1 January 2016. Reporting entities will have 12 months from the end of the relevant accounting period to file a report with the tax authorities.

See also **Global Transfer Pricing Alert 2016-007.**

United States – Proposed Regulations Issued on Country-by-Country Reporting

On 21 December 2015, the U.S. Treasury Department and the IRS released proposed regulations that require annual CbC reporting by U.S. entities that are the ultimate parent entity of a multinational enterprise (MNE) group with annual revenue of USD 850 million or more.

Treasury based the proposed regulations on the model template for CbC reporting developed by the OECD as part of its BEPS project. The CbC report will be due with the timely filed tax return (with extensions) for the parent entity of a U.S. MNE group. Provided the regulations are finalized in 2016, calendar year taxpayers will first apply them for the 2017 tax year. Fiscal year taxpayers will first apply them for the fiscal year beginning after the date of final publication, which is expected to be by 1 July 2016.

See also **Global TP Alert 2016-001.**

United States – Sixth Circuit Court of Appeals Holds Over-the-Counter Foreign Currency Option Contracts are Section 1256 Contracts

On 7 January 2016, the U.S. Sixth Circuit Court of Appeals, in *Wright v. Commissioner,* held that over-the-counter (OTC) currency option contracts constitute "foreign currency contracts" under section 1256(g)(2)(A) of the Internal Revenue Code (IRC) and thus are subject to the mark-to-market rules of section 1256. The *Wright* case involved a listed transaction, commonly referred to as a "major-minor trade," which was premised on the position that OTC currency options in major currencies are properly treated as section 1256 contracts. In the aftermath of *Wright*, there is some uncertainty as to the treatment of OTC currency options going forward.

See also **United States Tax Alert – 12 January 2016.**

United States – Major Changes Made to FIRPTA

The U.S. Protecting Americans from Tax Hikes Act, enacted on 18 December 2015, makes major changes to the Foreign Investment in Real Property Tax Act (FIRPTA) and FIRPTA withholding tax rules. Among other changes, U.S. real property interests (USRPIs) held by "qualified foreign pension funds" now are exempt from FIRPTA; the threshold of publicly traded REIT stock that a person can hold without the stock being treated as a USRPI increases to 10%; the general withholding tax rate on the proceeds of dispositions and distributions of USRPIs increases to 15%; and the "cleansing rule" is repealed for REITs and RICs.

See also **United States Tax Alert – 29 January 2016.**

United States – Temporary and Proposed Regulations Issued Addressing Allocation of Creditable Foreign Tax Expenditures by a Partnership to its Partners

On 4 February 2016, the U.S. Treasury Department and the IRS published temporary and proposed regulations that provide guidance on the allocation by a partnership of creditable foreign tax expenditures that are paid or accrued by the partnership or the partnership's wholly owned disregarded entity. Taxpayers are more likely to be affected by such regulations if, in addition to paying or accruing foreign tax costs, they: (i) have partners with IRC section 743(b) adjustments, (ii) make guaranteed payments or special allocations of gross income, or (iii) make disregarded payments between branches that affect the economic returns to the partners differently.

See also **United States Tax Alert – 11 February 2016.**

United States – IRS Files Notice of Appeal in *Altera* Case

On 19 February 2016, the IRS filed a notice of appeal in *Altera Corp. v. Commissioner* to the Ninth Circuit Court of Appeals. The Ninth Circuit will decide whether a regulation that mandates that stock-based compensation costs related to the intangible development activity of a qualified cost sharing arrangement (QCSA) must be included in the joint cost pool of the QCSA (the "all costs rule") is consistent with the arm's length standard as enunciated under IRC section 482.

See also **Global Transfer Pricing Alert 2016-005.**

United States – Temporary Regulations Issued Addressing Certain Inversion and Post-Inversion Transactions

On 4 April 2016, the U.S. Treasury Department and the IRS issued temporary regulations under IRC sections 304, 367, 956, 7701(l), and 7874 to address certain inversion and post-inversion transactions. The temporary regulations provide:

- Rules for identifying a foreign acquiring corporation when a domestic entity acquisition involves multiple steps;
- Rules that disregard stock of the foreign acquiring corporation that is attributable to certain prior domestic entity acquisitions;
- Rules that require a controlled foreign corporation to recognize all realized gain upon certain transfers of assets described in section 351 that shift the ownership of those assets to a related foreign person that is not a controlled foreign corporation; and
- Rules clarifying the definition of group income for purposes of the substantial business activities test.

See also **United States Tax Alert – 6 April 2016.**

United States – Proposed Regulations Issued Addressing Treatment of Certain Interests in Corporations as Stock or Indebtedness

On 4 April 2016, the U.S. Treasury Department and the IRS published broadly applicable proposed regulations under IRC section 385 that would:

- Authorize the IRS to treat certain related-party interests as part stock and part debt for federal tax purposes;
- Establish contemporaneous documentation requirements that must be satisfied for certain related-party debt to be respected for federal tax purposes; and
- Treat certain related-party debt as stock for all purposes of the Internal Revenue Code when issued in connection with certain distributions and acquisitions.

See also **United States Tax Alert – 6 April 2016.**

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	2016	2017		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	26%–31%	26%–31%	N/A	Rates shown are general corporate income tax rates on income not eligible for special incentives, such as the small business deduction. Provincial and territorial rates vary, ranging generally from 11% to 16% and are in addition to the federal rate of 15%. Rates shown are effective as from 10 April 2016.
Chile	24%	25% or 25.5%	29 Sep 2014	The 2014 tax reform includes a gradual increase in the First Category Income Tax (FCIT) rate from 20% to 25% or 27% between 2014 and 2018. The rate is 21% for 2014, 22.5% for 2015, and 24% for 2016. The rate is 25% for 2017, unless the regime selected by the taxpayer is the semi-integrated regime, in which case the FCIT rate is 25.5% in 2017.
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. Entities incorporated in the western region are subject to a 15% tax rate if they operate in certain industries.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2016	2017	Date the combined national/ local rate enacted	Notes
France	33.33% – 34.43%	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.
India	30.9% or 33.06% or 34.61%	30.9% or 33.06% or 34.61%	6 August 2014 14 May 2015	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 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%.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2016	2017	Date the combined national/ local rate enacted	Notes
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 reduces the corporate income tax rate to 24% starting from 2017.
Japan	32.1%–33.1% or 34.3%–35.4%	29.97% – 30.86% or 33.8% – 34.81%	31 Mar 2015	The national corporate tax rate is reduced from 23.9% to 23.4% for fiscal years beginning on or after 1 April 2016 and will be further reduced to 23.2% for fiscal years beginning on or after 1 April 2018. 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. Thus, the effective corporate income tax rates for 2017 are lower than those for 2016. Japanese corporations and foreign corporations carrying on a business through a permanent establishment in Japan also are subject to a local inhabitants tax, a local enterprise tax and a local corporate 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 local corporate tax generally is levied on taxable income at a rate of 4.4% of the national corporate tax rate. 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 an “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.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2016	2017	Date the combined national/ local rate enacted	Notes
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.
United Kingdom	20%	20% and 19%	17 Jul 2013 and 18 Nov 2015	A 20% rate was effective from 1 April 2015 and a 19% rate applies as from 1 April 2017. As a result of the mid-year change, a blended tax rate of 19.25% applies for taxpayers with a 31 December 2017 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 17.304% 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 42.59%/44.38%/45.67%, 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 with comprehensive and specialized courses set for May 23-27 in Orlando, Florida and December 5-9 in Las Vegas, Nevada. Course descriptions, pricing, registration, and additional information can be found **here**. Early registration discounts are available.

Contact us

For more information contact:

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

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