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 2017
14 April 2017
Issue 2017-1

Contents

Introduction

Unless otherwise indicated, the content in this document is based on information available as of 31 March 2017. 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 2017 to 31 March 2017

The following section includes a brief summary of major international income tax law changes enacted during the period 1 January 2017 to 31 March 2017.

Belgium

Innovation income deduction now effective

Date of Enactment: 20 February 2017
Effective Date: 1 July 2016

Belgium's new innovation income deduction (IID) legislation was published in the official journal on 20 February 2017 and applies retroactively as from 1 July 2016. The IID, which is in line with the OECD recommendations on BEPS action 5 (countering harmful tax practices), replaces the patent income deduction (PID) that was abolished as from 1 July 2016 (however, a conditional "grandfathering" rule allows taxpayers to claim the PID regime until 30 June 2021 with respect to certain qualifying intellectual property rights).

See also World Tax Advisor - 24 February 2017

Japan

2017 tax reform enacted

Date of enactment: 27 March 2017
Effective date: Various

Japan's National Diet enacted the 2017 tax reform proposals on 27 March 2017, which include the following major corporate tax changes:

- The R&D tax credit regime is revised to increase competitiveness.
- The deductibility of director compensation is amended, including revisions to increase flexibility for companies to use profit-linked compensation.
- Provisions related to corporate reorganizations are revised, including the expansion of the definition of a tax-qualified horizontal-type corporate division to include certain horizontal-type corporate divisions via incorporation. The scope of tax relief for small and medium-sized enterprises will be limited for fiscal years beginning on or after 1 April 2019.
- The controlled foreign corporation rules are fundamentally revised in accordance with the basic concepts of the OECD's BEPS project. The new rules will become effective for accounting years beginning on or after 1 April 2018 of the foreign related company.

Malaysia

Finance Bill 2017 enacted

Date of Enactment: 16 January 2017
Effective Date: 17 January 2017

Malaysia's Finance Bill 2016 was enacted with minor changes and gazetted as the Finance Act 2017 on 16 January 2017; the new law entered into force on 17 January 2017.

See also World Tax Advisor - 11 November 2016

Mexico

Decrees on capital repatriation and immediate depreciation issued

Date of Enactment: 18 January 2017
Effective Date: 19 January 2017

Two tax decrees were published in Mexico's federal official gazette on 18 January 2017—one offers a tax amnesty relating to deposits or investments repatriated to Mexico by 19 June 2017, while the other provides a two-year tax incentive for the immediate depreciation of a specified percentage of new fixed assets by micro and small companies. Both decrees became effective on 19 January 2017.

See also World Tax Advisor – 10 February 2017

Oman

Income Tax Law amended

Enacted: 19 February 2017
Effective Date: Various

Amendments to Oman's income tax law were announced in a royal decree issued on 19 February 2017 and published in the official gazette on 26 February 2017. Among other changes, the amendments increase the standard corporate income tax rate, introduce a lower tax rate for qualifying small companies, expand the types of payments subject to withholding tax and impose stricter on compliance penalties. Certain changes are effective from the date the decree was published, others are effective for tax years commencing on or after 1 January 2017 and the effective dates for some changes will be announced when further guidelines are issued.

See also World Tax Advisor - 24 March 2017

United States

Anti-inversion guidance: US treasury finalizes expiring regulations and modifies "de minimis" exceptions

Date of Enactment: 13 January 2017
Effective Date: Various

On 13 January 2017, the US Department of the Treasury and the Internal Revenue Service (IRS) issued final regulations and revised temporary regulations under Internal Revenue Code section 7874. These regulations finalize expiring Temp. Reg. §§1.7874-4T and 1.7874-5T with modifications, including a modification to the de minimis exception to application of the disqualified stock rule of Treas. Reg. §1.7874-4. To qualify for the de miniumus exception, US shareholders or partners generally must (i) own less than 5% of the foreign acquirer (by vote and value); and (ii) collectively own less than 5% of each member of the foreign acquirer's affiliated group. The final regulations ease the second requirement to provide that the de minimis rule is met if, after the acquisition and all related transactions, each former owner of the US target individually owns less than 5% (by vote and value) of the stock or partnership interest in each member of the foreign acquirer's affiliated group

See also United States Tax Alert – 17 January 2017

Final PFIC regulations clarify indirect ownership issue, address Form 8621 annual reporting requirements

Date of Enactment: 27 December 2017
Effective Date: Tax years of shareholders ending on or after 31 December 2013

On 27 December 2016, the US Department of the Treasury and the IRS issued final regulations that provide guidance on determining ownership of a passive foreign investment company (PFIC). The final regulations clarify that the attribution to a US shareholder of stock held by a domestic C-corporation is solely for the purpose of attributing PFIC stock that is not already considered to be directly or indirectly owned by another US person, i.e., the final regulations prevent ownership from being attributed to multiple US persons. The final regulations also provide guidance on the application of the requirement that PFIC and qualified electing fund shareholders file a Form 8621 annual information return. The final regulations generally are effective for tax years of shareholders ending on or after 31 December 2013, the publication date of the 2013 temporary regulations.

See also United States Tax Alert – 9 January 2017

Enacted Tax Law Changes That Are Now Effective: 1 January 2017 to 31 March 2017

The following section includes a brief summary of major international income tax law changes enacted before 1 January 2017, but are first effective in the period 1 January 2017 to 31 March 2017.

Argentina

Changes made to various tax rules

Date of Enactment: 27 December 2016
Effective Date: 1 January 2017

Law 27346, published in Argentina's official gazette on 27 December 2016, amends the corporate and personal income tax rules, the simplified taxpayer regime and the VAT reverse-charge mechanism and introduces new taxes on speculative derivative instruments. The measures apply as from 1 January 2017.

See also World Tax Advisor – 13 January 2017

Azerbaijan

2017 tax law amendments

Date of Enactment: 23 December 2016
Effective Date: 1 January 2017

The Azerbaijani president on 23 December 2016 signed a law introducing amendments to the tax code. The law is effective as from 1 January 2017.

See also Azerbaijan Tax News - December 2016

Belgium

Amended parent-subsidiary directive implemented into domestic law

Date of Enactment: 1 December 2016
Effective Date: 1 January 2017

The bill to implement the amended EU parent-subsidiary directive (PSD) into Belgian law was published in the official gazette on 8 December 2016. In addition to implementing the amended PSD, the bill also makes changes to the exit tax rules to bring them in line with EU law.

The amended PSD includes an anti-hybrid rule and a general anti-avoidance rule. Both rules apply, in principle, as from 1 January 2017 in Belgium, although the anti-hybrid rule applies in 2016 to the extent the income is earned in a financial year that is closed after 31 December 2016. The exit tax payment rules (which allow for a deferral of the payment of the exit tax in line with EU law) apply as from tax year 2017 to transactions taking place as from 8 December 2016.

See also World Tax Advisor – 28 October 2016

2017 budget published

Date of Enactment: 25 December 2016
Effective Date: 1 January 2017

Belgium's 2017 budget law, published on 29 December 2016, includes an increase in the standard withholding tax rate from 27% to 30% as from 1 January 2017, as well as a new anti-abuse rule for "internal capital gains," abolition of the "speculation tax," and rules to recover unpaid taxes based on the European Commission's state aid decision regarding the excess profit ruling regime.

See also World Tax Advisor - 28 October 2016

Bulgaria

2017 tax law changes

Date of Enactment: December 2016 (Corporate Income Tax only)
Effective Date: 1 January 2017

At the end of 2016, the Bulgarian parliament adopted changes to various laws, including the corporate and personal income tax acts, the VAT act and the social security code, which became effective on 1 January 2017.

See also Bulgaria Tax Newsletter - January 2017

Canada

2016 budget measures enacted

Date of Enactment: 15 December 2016
Effective Date: 1 January 2017

Measures to implement Canada's 22 March 2016 federal budget proposals received Royal Assent on 15 December 2016 and thereafter became law. Certain measures, particularly revisions to the back-to-back loan rules became effective 1 January 2017.

See also Canada International Tax Alert - 20 January 2017

Chile

New tax regimes effective

Date of Enactment: 29 September 2014
Effective Date: 1 January 2017

The dual income tax regimes introduced by Law N° 20.780 enacted on 29 September 2014, became effective on 1 January 2017. The tax authorities issued a ruling on 14 July 2016 that provides guidance on how the two regimes operate.

See also Chile Tax Alert – 21 July 2016

Colombia

Extensive tax reform enacted

Date of Enactment: 29 December 2016
Effective Date: 1 January 2017

Colombia's government enacted a structural tax reform on 29 December 2016 that makes extensive changes to the tax treatment of companies, individuals and nonprofit entities, as well as changes to withholding taxes, VAT and other indirect taxes and tax administration. The rules generally apply as from 1 January 2017.

See also World Tax Advisor – 27 January 2017

Croatia

Tax reform enacted

Date of Enactment: 9 December 2016
Effective Date: 1 January 2017

Tax reform legislation for 2017, approved by the Croatian parliament on 2 December 2016 and published in the official gazette on 9 December 2016, includes rules that generally reduce the overall burden for both individuals and companies, and may be viewed as a step toward improving the country's general business environment. The changes generally apply as from 1 January 2017.

See also World Tax Advisor – 27 January 2017

France

Amended finance law for 2016 and finance law for 2017 passed

Date of Enactment: 29 December 2016
Effective Date: 31 December 2016

On 20 and 22 December 2016, the French parliament adopted the amended finance law for 2016 and the finance law for 2017. The laws include a progressive reduction in the corporate income tax rate from 33.33% to 28% over the period 2017 to 2020 (the 15% reduced tax rate will be maintained for companies whose turnover does not exceed EUR 7.63 million, but only for the first EUR 38,120 of taxable income, and in 2019 will be extended to apply to SMEs); a broadening of the exemption from the 3% surtax for dividends distributed within members of a French tax-consolidated group; an increase in the rate of the tax credit for competitiveness and employment from 6% to 7% for 2017; and an increase in the rate of the financial transactions tax from 0.2% to 0.3%.

See France Tax Alert – 23 December 2016 - *Note that the diverted profit tax mentioned in the tax alert was held to be unconstitutional on 29 December 2016 and, therefore, did not enter into force.* See also World Tax Advisor - 10 February 2017

Germany

BEPS measures and additional relief from change-in-ownership rules approved

Date of Enactment: 23 December 2016
Effective Date: 1 January 2017 for the BEPS related measures; 31 December 2015 for the change-in-ownership rules

Two tax bills on measures relating to the OECD BEPS initiative and the domestic change-in-ownership rules were approved by the upper house of the German parliament and published in the federal gazette on 23 December 2016. The BEPS rules apply as from 1 January 2017 and the measures relating to the change-in-ownership apply retroactively to ownership changes that took place after 31 December 2015.

See also Deloitte Tax News – 19 December 2016 and Deloitte Tax News - 6 September 2016

Georgia

New corporate income tax system in effect

Date of Enactment: May 2016
Effective Date: 1 January 2017

On 1 January 2017, Georgia moved to a new corporate income tax system under which only distributed profits are taxed. The corporate income tax rate is unchanged at 15%, but it now applies only to profits that are distributed by the company. A two-year deferral of the new rule applies for certain companies in the financial sector.

See also World Tax Advisor – 27 January 2017

Greece

Law addresses foreign losses of Greek permanent establishment

Date of Enactment: 21 December 2016
Effective Date: 1 January 2014

A law passed by the parliament on 21 December 2016 clarifies that foreign losses of a Greek permanent establishment (PE) generally may not be offset against domestic-source profits, unless the losses arise in an EU/EEA member state that has concluded a tax treaty with Greece that does not contain a provision for a foreign branch income exemption. Companies now are able to offset against domestic source profits any foreign-source losses from non-PE business activities. The main rule that tax losses may be carried forward for five consecutive years remains unchanged. The new rules apply retroactively as from 1 January 2014.

See also Greece Tax Alert – 23 January 2017

Hungary

New CFC regime introduced, tax rates reduced

Date of Enactment: 22 November and 12 December 2016
Effective Date: 18 January 2017

A new CFC regime that applies as from 18 January 2917 is broadly in line with the provisions of the EU anti-tax avoidance directive. The following entities may qualify as a CFC: (i) a foreign entity, if a domestic taxpayer holds a direct or an indirect interest exceeding 50% of the voting rights or the share capital of the entity, or is entitled to more than 50% of the profits of the entity; or (ii) a foreign PE of a Hungarian taxpayer. The foreign entity or PE may be treated as a CFC in a year in which the amount of tax paid in its country of residence is less than the difference between the tax it actually paid and the tax that would have been payable on the same income in Hungary.

In addition to the new CFC rules, the corporate tax rates (10% and 19%) are reduced to a flat rate of 9% and the rate of the social tax dropped from 27% to 22%. These rules apply as from 1 January 2017.

See also World Tax Advisor - 10 February 2017 and World Tax Advisor - Dbriefs - 16 December 2016

Ireland

Finance Bill 2016 passed

Date of Enactment: 25 December 2016
Effective Date: 1 January 2017 with certain exceptions

Ireland's Finance Bill 2016 was passed by both houses of parliament and signed into law on 25 December 2016. Many of the measures included in the final law are effective as from 1 January 2017 (with some exceptions), including the following: (i) changes relating to country-by-country reporting to transpose the EU directive regarding the mandatory automatic exchange of information into Ireland's domestic law; (ii) changes to the securitization regime, which involves "S110" companies and funds that derive profits directly or indirectly from Irish property and land; and changes to the capital gains tax relief scheme for certain entrepreneurs, the foreign earnings deduction and the special assignee relief program.

See also World Tax Advisor - 13 January 2017 and World Tax Advisor - 11 November 2016

Israel

2017-2018 budget includes IP regimes for tech companies

Date of Enactment: 29 December 2016 (supplement to the GTD 2016 Q4)
Effective Date: 1 January 2017

Measures in Israel's 2017-2018 budget that apply as from 1 January 2017 include the introduction of two new BEPS-compliant intellectual property (IP) regimes for technology companies. The law extends the "special preferred enterprise" (SPE) tax regime for qualifying companies by reducing the SPE's required annual preferred income, and introduces a reduced withholding tax rate of 5% (or a lower treaty rate, if applicable) on dividends paid by an SPE directly to its foreign parent during the period 1 January 2017 through 31 December 2019.

In addition, the corporate income tax rate and the withholding tax rates on interest and royalties reduced from 25% to 24%.

See also World Tax Advisor – 10 February 2017

Italy

Corporate tax rate reduced

Date of Enactment: 22 December 2016 (this was not included in the GTD 2016 Q4)
Effective Date: 1 January 2017

The corporate tax rate reduced from 27.5% to 24% as from 1 January 2017 (but the rate remains 27.5% for banks and other financial institutions). “Non-operating” entities are subject to a 34.5% corporate tax rate (reduced from 38%). Additionally, the final withholding tax on dividends distributed to EU-resident shareholders and to qualified shareholders resident in a European Economic Area country reduced from 1.375% to 1.20% as from fiscal year 2017.

See also Italy Tax Alert – 23 December 2016

Luxembourg

Corporate tax rate reduced

Date of Enactment: 28 December 2016 (this was not included in the GTD 2016 Q4)
Effective Date: 1 January 2017

Luxembourg’s 2017 tax reform, published in the official gazette on 28 December 2016, includes a reduction of the maximum corporate income tax from 21% to 19% in 2017 and a 17 year restriction on the utilization of net operating losses incurred as from 2017, a new deferred amortization regime that would allow to differ the deduction allowed by the amortization, an increase of the tax credits for investment and an increase of the minimum net wealth tax to EUR 4,815 for Soparfis.

See also the Deloitte interactive webpage relating to the new 2017 measures

Mexico

2017 tax package approved

Date of Enactment: 30 November 2016
Effective Date: 1 January 2017

The 2017 tax package approved by the Mexican senate on 26 October 2016 was signed by the president and published in the official gazette on 30 November 2016. The tax measures, which generally apply as from 1 January 2017, reflect some additions and modifications to the package originally submitted by the president.

See also World Tax Advisor - 11 November 2016 and World Tax Advisor - 16 December 2016

Netherlands

Amendments to interest deduction denial rules approved

Date of Enactment: 20 December 2016
Effective Date: 1 January 2017

Amendments to several Dutch interest deduction disallowance rules (related party and acquisition financing rules) became effective on 1 January 2017. The definition of related party is expanded so that an entity indirectly owning less than one-third of a Dutch taxpayer but jointly acting in concert with the Dutch taxpayer is considered a related party. The changes to the acquisition financing rules relate to (i) the calculation of “own” profit after a debt pushdown within a fiscal unity, (ii) the 60% financing exception, and (iii) the grandfathering rules.

See also Global Tax Insights - 22 June 2016 and Insights - 21 September 2016

Changes to innovation box regime implemented

Date of Enactment: 20 December 2016
Effective Date: 1 January 2017

Changes to the Netherlands' innovation box regime that apply as from 1 January 2017 include the adoption of the OECD "nexus approach," under which, in general, only qualifying income relating to intangible assets developed by taxpayers "in-house" will be eligible for the application of the regime.

See also World Tax Advisor - 24 March 2017

Norway

Corporate tax rate reduced

Date of Enactment: 17 December 2016
Effective Date: 1 January 2017

The standard corporate tax rate reduced from 25% to 24% as from the fiscal year ending in 2017. Enterprises engaged in financial activities are, as a main rule, subject to corporate tax at a rate of 25%, plus an additional tax calculated as 5% of compensation paid to employees (the same compensation as is used for purposes of calculating the employer's social security contribution).

See also World Tax Advisor – 10 February 2017 and Norway Tax Alert – 6 October 2016

Poland

Changes to corporate income tax rules target tax avoidance / evasion

Date of Enactment: 5 September 2016
Effective Date: 1 January 2017

Amendments to Poland's Corporate Income Tax Act that apply as from 1 January 2017 include changes to the taxation of in-kind equity contributions, the introduction of a share-for-share transaction anti-avoidance rule, and the introduction of a beneficial ownership requirement for interest and royalties paid to EU and European Economic Area companies to qualify for an exemption from withholding tax.

See also World Tax Advisor - 19 August 2016 and World Tax Advisor - 16 December 2016; however, the article should be updated as follows:

- Tax rulings received before the introduction of GAAR will not fully safeguard a taxpayer's position with respect to tax benefits obtained as from 1 January 2017 (i.e. the GAAR can be applied with respect to such benefits).
- The general corporate income tax exemption will be maintained for open-ended investment funds and specialized open-ended investment fund not operating under rules specific to close-ended investment funds (FIZ). The applicability of the exemption to FIZs and SIFOs operating under rules FIZ-specific rules will depend on the source of their income.

Spain

Measures introduced to raise corporate income tax revenue and tackle VAT fraud

Date of Enactment: 5 December 2016
Effective Date: 1 January 2016 and 1 January 2017

A tax package approved by Spain's Council of Ministers on 2 December 2016 and published in the official gazette on 3 December 2016 aims to achieve deficit reduction goals by raising tax revenue through measures that increase the corporate income tax liability of taxpayers operating in Spain (e.g. by limiting the use of losses and tax credits and eliminating certain deductions). Some of the measures apply retroactively for fiscal years beginning on or after 1 January 2016.

The council also approved a royal decree on 2 December 2016 that includes measures to modernize the administration of VAT and prevent VAT fraud, basically by introducing a new electronic VAT reporting system.

See also Spain Tax Alert - 5 December 2016

Ukraine

Tax reform law affects withholding tax on interest and restrictions on the deduction of royalty payments

Date of Enactment: 31 December 2016
Effective Date: 1 January 2017

A law that generally entered into effect on 1 January 2017 reduces the withholding tax rate on interest paid to nonresidents on loans made to Ukrainian residents from 15% to 5% if certain requirements are met and introduces new restrictions on the deductibility of royalty payments.

See also World Tax Advisor – 24 February 2017

United Kingdom

Hybrid mismatch legislation enacted

Date of Enactment: 15 September 2016
Effective Date: 1 January 2017

The "Hybrid and Other Mismatches" legislation was enacted on 15 September 2016 as part of the Finance Act 2016, with draft guidance issued by the UK tax authorities on 9 December 2016. The hybrid mismatch rules apply as from 1 January 2017 and are designed to counteract situations that give rise to a deduction/non-inclusion hybrid mismatch, a double deduction hybrid mismatch or an imported hybrid mismatch (i.e. where a mismatch that arises between two jurisdictions is imported into a third jurisdiction).

See also United Kingdom Tax Alert - 23 November 2016

Enacted Tax Law Changes That Are Effective As From 1 April 2017

The following section includes a summary of major international income tax law changes enacted before 1 January 2017, but effective as from 1 April 2017.

Per a review of the jurisdictions that are generally monitored and tracked in this publication, no major international income tax law changes enacted before 1 January 2017, but effective as from 1 April 2017.

On the Horizon

The following developments had not yet been enacted as of 31 March 2017, 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

Diverted Profits Tax now law

Legislation that introduces a diverted profits tax (DPT) became enacted law on 4 April 2017, and will be effective for income years starting on or after 1 July 2017. The legislation also includes measures significantly increasing penalties for taxpayers taking insufficient care in calculating their tax liability or failing to file certain documents on time as well as an updating of the transfer pricing rules.

See also World Tax Advisor 14 April 2017

Guidance issued on company's central management and control

The Australian Taxation Office has released a draft ruling that concludes that if a company has its central management and control in Australia and it carries on business (whether in Australia or not), it will be deemed to carry on business in Australia for purposes of determining whether it is a resident for Australian tax purposes. Under this view, a company that is not incorporated in Australia could be treated as a resident of Australia if the control and direction of the company are determined to take place in Australia, even if all of its operational activities are conducted outside of Australia. Interested parties may submit comments on the draft ruling until 12 May 2017. When final, the ruling will apply retroactively from 15 March 2017.

See also World Tax Advisor – 24 March 2017

Cyprus

Tax authorities intend to terminate regime relating to intragroup financing arrangements

On 8 February 2017, the Cyprus Tax Department (CTD) announced that it intends to terminate the use of the pre-agreed minimum profit margin regime for intragroup back-to-back financing arrangements, with effect from 1 July 2017. The regime has been used for a number of years to provide guidance to taxpayers on the minimum margins the CTD is prepared to accept for intragroup financing arrangements to be considered to be on arm's length terms.

See also World Tax Advisor – 24 March 2017

European Union

ECOFIN agrees to extend rules on hybrid mismatches

On 21 February 2017, the EU Economic and Financial Affairs Council reached political agreement on the terms of a draft directive to expand the scope of the EU's Anti-Tax Avoidance Directive (ATAD) in respect of countering hybrid mismatches. The ATAD 2 extends the EU's hybrid mismatch rules to cover mismatches between EU member states and non-member states, and introduces new provisions on the use of hybrids involving PEs, dual residents, imported mismatches and reverse hybrids. The provisions will apply in each member state no later than 1 January 2020 (except for the measures to address reverse hybrids, which will apply no later than 1 January 2022).

See also EU Tax Alert- 24 February 2017

Germany

Draft bill restricts deductibility of royalty payments

On 25 January 2017, the German government introduced a bill into the legislative process that would limit the deductibility of related party royalty payments in certain cases involving the application of an intellectual property regime not based on the OECD nexus approach. If approved, the proposed rule would apply to royalty payments that become due after 31 December 2017.

See also World Tax Advisor – 13 January 2017 and Germany Tax Alert – 25 January 2017

Hong Kong

2017/2018 Budget announced

The 2017/18 budget, announced by the financial secretary on 22 February 2017, includes a proposal to set up a tax policy unit in the Financial Services and the Treasury Bureau to examine the international competitiveness of the Hong Kong tax regime. The rebate on profits tax of 75% (up to HKD 20,000) is proposed to be extended, and there is a proposal to extend the existing profits tax exemption to onshore privately offered open-ended fund companies. The financial secretary also mentioned that the government plans to introduce a bill to offer tax concessions to the aircraft financing business.

See also World Tax Advisor – 24 February 2017

India

Budget 2017 announced

India's 2017 budget, announced on 1 February 2017, includes a proposal that would limit the deductibility of interest payments based on the OECD's recommendations under action 4 of the BEPS project. The proposal is designed to prevent the erosion of India's tax base through the use of related party interest expense, and would apply to interest accrued as from 1 April 2017.

The budget also include a clarification on the applicability of the tax rules governing indirect transfers of shares in relation to foreign portfolio investors, and generally do not include any changes to the tax treatment of long- term capital gains, which is a significant relief for such investors.

See also World Tax Advisor - 24 February 2017 and World Tax Advisor - 10 February 2017

Myanmar

Withholding tax on royalties reduced

Based on an announcement of the Myanmar government on 10 January 2017, as from 1 April 2017, the withholding tax on royalties paid for the use of licenses, trademarks, patents, etc. is reduced from 20% to 15% for payments made to nonresidents (and from 15% to 10% on royalty payments made to residents). A lower rate under an applicable tax treaty will apply directly if the nonresident submits a certificate of residence. Tax does not need to be withheld if the total amount of the payment is less than MMK 500,000 per year.

See also World Tax Advisor – 10 February 2017

Netherlands

Certain cooperatives to be subject to withholding tax on dividends

The Dutch government has announced that dividend payments made by a Dutch cooperative (used as a holding company) will become subject to dividend withholding tax and that a full exemption from dividend withholding tax will be introduced for distributions by BVs, NVs and cooperatives in active structures to shareholders in tax treaty countries. The amendments are expected to become available in September 2017 and to be enacted as from January 2018.

See also World Tax Advisor - 23 September 2016 and World Tax Advisor – 24 March 2017

New Zealand

Tax proposals would affect businesses

On 13 April 2016, the New Zealand government announced a number of tax proposals that would affect both large and small businesses. Changes to the “use of money interest” regime would remove many businesses from the scope of the regime, and small and medium-sized businesses (i.e. those with turnover of NZD 5 million or less) would be able to pay provisional tax based on their accounting income on a real-time basis (i.e. aligning tax payments with when income is earned). The proposals are expected to be included in a tax bill in August 2016 and generally to apply retroactively as from 1 April 2017.

See also Tax @ Hand – 12 March 2017

Singapore

2017 budget contains BEPS measures

Singapore’s 2017 budget, presented by the finance minister on 20 February 2017, includes a proposal to introduce a “BEPS-compliant” patent box regime that would “incentivize” income derived from the exploitation of intellectual property. The minister also announced that the government will consult with businesses on changes to be made to the goods and services tax (GST) regime with respect to the inbound supply of digital services.

See also World Tax Advisor – 24 February 2017

South Africa

2017 budget announced

The South African Minister of Finance presented the 2017 budget to parliament on 22 February 2017, proposing a number of changes to the tax rules for companies and individuals and reiterating South Africa's overall commitment to the OECD BEPS project. The 2017 budget also proposes to increase the withholding tax rate on dividends from 15% to 20% to eliminate tax arbitrage opportunities that may arise between companies and individuals. The budget now must be approved by parliament. Once approved, the tax proposals in the budget will enter into effect on various dates: some on the date the budget was presented, some from 1 March 2017 and some when further legislation is promulgated.

See also World Tax Advisor – 10 March 2017 and South Africa- 2017/2018 Budget Consolidated Summary

United Kingdom

Proposed change in Finance Bill 2017

Finance Bill 2017 proposes several significant changes:

- New interest deduction rules that limit a group's interest expense to its interest capacity, an amount determined by calculating interest allowance, using either a fixed ratio or group ratio method, subject to a de minimis amount of GBP 2 million. In both cases, the UK deduction is effectively limited to the group's effective ratio of third-party debt to accounting EBITDA, i.e. it is not permitted to leverage the UK at a higher level than globally.
- Brought-forward losses arising from 1 April 2017 will be able to be offset against taxable profits of different activities of the company and the taxable profits of group members; and for profits arising from 1 April 2017, only 50% of profits will be able to be relieved by brought forward losses subject to a group-wide annual de minimis of GBP 5 million.
- The trading requirement will be removed for the investing company under the substantial shareholding exemption, and other amendments to the rules will be introduced.
- Additional patent box regime provisions are included to address application of the regime to companies within a cost sharing arrangement.

When fully enacted, the provisions of the Finance Bill 2017 are expected to take effect from 1 April 2017.

Did you know

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

Brazil

Guidance issued on exchange of information on rulings

Brazil's tax authorities published a normative ruling on 21 February 2017 that contains guidance on measures to implement the OECD recommendations under BEPS action 5 (harmful tax practices). This initiative had been subject to a public consultation.

See also World Tax Advisor – 10 March 2017 and World Tax Advisor - 16 December 2016

Grey list status of Austrian holding companies clarified

Brazil's tax authorities published a normative ruling on 29 December 2016 that clarifies the conditions under which certain Austrian entities will be deemed to fall within the scope of a privileged tax regime and, therefore, be included on Brazil's grey list (which has transfer pricing and thin capitalization consequences). Austrian entities incorporated as holding companies have been included on Brazil's grey list since September 2016.

See also World Tax Advisor – 13 January 2017

European Union

CJEU rules on Spanish state aid cases involving amortization of goodwill

The Court of Justice of the European Union (CJEU) issued a decision on 21 December 2016 in cases involving Spain's financial goodwill amortization rules. The CJEU set aside the 2014 decisions of the EU General Court (EGC), which held the goodwill amortization regime did not constitute unlawful state aid under EU law and annulled two decisions of the European Commission (EC). The cases have been referred back to the EGC for reassessment; the two EC decisions, which considered the regime to be state aid, are reinstated and Spain must recover the aid granted.

See also European Tax Alert - 2 January 2017

France

Procedure for withholding tax exemption on dividends paid to EU/EEA funds simplified

On 1 March 2017, the French tax authorities published a revised version of the guidelines relating to the procedure to obtain an upfront exemption from French withholding tax on dividends that is applicable to dividends paid to qualifying EU/EEA investment funds (regardless of whether the funds are regulated under the EU UCITS directive). Under this procedure, no French tax has to be withheld by the French paying agent on dividends distributed to a qualifying EU/EEA investment fund, instead of the tax having to be withheld at the domestic rate and a subsequent refund claim having to be made.

See also World Tax Advisor – 24 March 2017

Greece

Voluntary disclosure program introduced

The Greek parliament passed a bill on a voluntary disclosure program (VDP) on 21 December 2016 that allows Greek taxpayers to report previously undeclared income by filing a new or an amended tax return. Reduced additional taxes will be levied on taxpayers participating in the VDP, as compared to the additional taxes levied in the absence of the VDP and the taxpayer will not be subject to further tax, administrative or criminal penalties or other measures. Taxpayers can participate in the VDP by filing the relevant tax returns or statements by 31 May 2017.

See also World Tax Advisor – 13 January 2017

India

Delhi Tribunal upholds taxation of capital gains on transfer of shares of a foreign company

In a decision issued on 9 March 2017, the Delhi Income Tax Appellate Tribunal upheld a tax assessment made by India's tax authorities on capital gains arising from a transfer by a nonresident of shares of a foreign company that derived its value solely from assets located in India. Under India's income tax law, which allows the taxation of indirect transfers of Indian assets by foreign companies, capital gains on such sales of foreign company shares are subject to Indian capital gains tax if the foreign company whose shares were sold derives 50% or more of its value from Indian assets.

See also World Tax Advisor 14 April 2017

Namibia

Tax amnesty program introduced

Namibia's Minister of Finance announced the commencement of a temporary tax amnesty program on 26 January 2017. The program, which waives all penalties and 80% of accrued interest on overdue tax liabilities that are settled and paid under program guidelines, began on 1 February 2017 and will continue through 31 July 2017.

See also World Tax Advisor - 10 March 2017

Russia

New documentation requirements for nonresident entities claiming treaty benefits

Under new rules that apply as from 1 January 2017, a nonresident recipient of Russia-source income (e.g. dividends, interest, royalties, etc.) must provide documentation to the Russian payer of the income before the income is paid in order to benefit from reduced withholding tax rates under Russia's tax treaties. The nonresident must produce documentary evidence that it meets Russia's beneficial owner requirements, as well as a tax residence certificate, an apostil and a notarized Russian translation of the documents.

Singapore

New protocol to tax treaty with India provides for source-based taxation of gains on shares

On 30 December 2016, Singapore and India announced the signing of a third protocol to the 1994 tax treaty, which will allow India to tax capital gains on investments routed through Singapore. The amendments to the treaty have been expected since India amended its treaties with Mauritius and Cyprus in 2016 to prevent the "round tripping" of funds. Singapore's treaty with India contains a provision that the capital gains benefit will apply only as long as the capital gains benefit continues under the India-Mauritius treaty.

See also World Tax Advisor - 27 January 2017

Switzerland

Exchange of tax rulings

A new law that requires the automatic exchange of information on tax rulings became effective on 1 January 2017, with the first exchanges expected to take place as from 1 January 2018 (relating to the 2017 tax period, but covering tax rulings obtained in 2010 or thereafter that are valid and in place in 2018).

Voters reject proposed form of Corporate Tax Reform III

In a referendum held on 12 February 2017, the Swiss electorate voted to reject the Corporate Tax Reform III (CTR III), which had been approved by the parliament. The main objectives of this comprehensive corporate tax reform, which was scheduled to become effective on 1 January 2019, were to align domestic tax law with international standards and enhance Switzerland's attractiveness as a location for multinational companies. The government is expected to issue revised draft legislation.

See also Switzerland Tax Alert - 12 February 2017

United Kingdom

PM notifies European Council of intent to withdraw from EU

On 29 March 2017, the UK Prime Minister provided written notification to the European Council of the UK's intention to withdraw from the EU under article 50 of the Lisbon Treaty. Written notification marks the opening of withdrawal negotiations between the UK and the EU, with withdrawal itself scheduled to take effect the earlier of either (1) the date a withdrawal agreement enters into force; or (2) two years after the UK's notification under article 50 (unless the negotiations are extended).

In the meantime, EU laws will continue to apply to UK entities. Along with the many other aspects of European law that would presumably cease to apply to the UK upon its withdrawal from the EU, unless other agreements are reached, various tax exemptions and reliefs related to intra-Europe undertakings would presumably also no longer apply to dealings between UK entities and entities domiciled in EU-member states.

See also World Tax Advisor 14 April 2017

United States

IRS LB&I selects areas identified as having substantial noncompliance risk

On 31 January 2017, the US IRS Large Business and International (LB&I) division announced its selection of 13 areas that have been identified as having substantial noncompliance risk) in its move toward issue-based examinations. Among the areas chosen are related party transactions and tax-free repatriation structures in the midmarket segment; foreign company US Form 1120-F reporting compliance; and transfer pricing methodologies of US distributors of goods sourced from foreign-related parties. The campaign also extends the IRS offshore voluntary disclosure program to certain US taxpayers who previously were denied access to or who voluntarily withdrew from the program.

See also World Tax Advisor - 10 February 2017

Example Disclosures

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

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

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

The link below provides sample disclosures with respect to issues including but not limited to the US tax reform, indefinite reinvestment, and intra-entity transfers.

See Roadmap to Accounting for Income Tax

Quick Reference Guide for Income Tax Rates

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

Jurisdiction	Combined rate 2016–2017		Date enacted	Notes
	National	Local	National and Local	
Argentina	35%		N/A	A 1% asset tax, which operates as a minimum income tax, is imposed on corporate assets, including shareholdings in foreign companies (but not holdings in resident companies). Asset tax paid may be credited against the company's income tax liability for up to 10 fiscal years.
Australia	30%	30%	N/A	The corporate tax rate for eligible small businesses with aggregated turnover of less than AUD 2 million is 28.5% for income years starting on or after 1 July 2015.
Austria	25%		N/A	There is an annual minimum corporate income tax of EUR 1,750 for a limited liability company and EUR 3,500 for a joint stock company.
Belgium	33.99%	33.99%	24 Dec 2002	The effective tax rate consists of the corporate income tax base rate of 33% and a surtax of 3%.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional surtax (10%) and social contribution (9%, and 20% for financial institutions) yield an effective tax rate of 34% and 45% for financial institutions.
Bulgaria	10%	10%	1 Jan 2008	
Canada	26%–31%	26%–31%	N/A	Provincial and territorial rates vary, ranging generally from 11% to 16% and are imposed 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 and 27% in 2018.
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.
Colombia		34%	1 Jan 2017	A new rate of 34% is introduced. The income tax for equality (CREE) and CREE surtax have been abolished.

Jurisdiction	Combined rate 2016–2017		Date enacted	Notes
	National	Local	National and Local	
Croatia	12%/ 18%		1 Jan 2017	The standard rate reduced from 20% to 18%; a 12% rate applies to taxpayers with annual income under HRK 3 million.
Cyprus	12.5%	12.5%	1 Jan 2013	
France	33.33% – 34.43%	33.33% – 34.43% 28% - 28.93% for SMEs up to EUR 75K (see note 1)	30 Dec 2013 (See Note 1) 31 Dec 2016	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 imposed on 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. Due to 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. According to the 2017 Finance Law that became effective on 31 December 2016, the corporate income tax rate will be progressively reduced from the current 33.33% to 28% over the period 2017 to 2020. The existing 15% reduced tax rate will be maintained for companies whose revenue does not exceed EUR 7.63 million for the first EUR 38,120 of taxable income, and in 2019 will be extended to apply to SMEs. (See Note 1 for details and provisional timetable for the 28% rate). 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 certain 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 and new exemption available for dividends paid as from 1 January 2017).
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%.
Greece	29%		N/A	The corporate income tax rate is 29% and applies to all forms of legal entities in Greece (except in exceptional circumstances, e.g. agricultural cooperatives, etc.).
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 rate 2016–2017		Date enacted	Notes
	National	Local	National and Local	
Hungary	10%/ 19%	10%/ 19% 9% CIT and 2% LBT applies in parallel	1 Jan 2017	The standard corporate income tax rate is a flat 9% (reduced from progressive rates of 10% and 19% as from 1 January 2017). In addition to the 9% corporate income tax rate, a local business tax (LBT) is levied on corporations by local municipalities. The LBT is levied on net sales revenue adjusted by some deduction items (e.g. cost of goods sold, material costs, intermediated services, subcontractor costs). The LBT rate is at the discretion of the municipality, but is capped at 2%.
India	30.9% or 33.06% or 34.61% (for financial year 1 April 2016 to 31 March 2017)	30.9% or 33.06% or 34.61% (for financial year 1 April 2017 to 31 March 2018)	14 May 2016 (Finance Act, 2016) 31 March 2017 (Finance Act, 2017)	For taxable years beginning on 1 April 2016, 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). For taxable years beginning on 1 April 2017, the effective rate for domestic companies with turnover of more than INR 500 million 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 2016 and 1 April 2017, the effective MAT rate is 19.05% (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 15 years (see Note 3). These effective rates may increase if the earnings are distributed (see Note 4 for details). See Note 5 on special incentive rates.
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%.
Israel	25%	24%	1 Jan 2017	The 2017 tax reform includes a gradual reduction in the First Category Income Tax (FCIT) rate from 25% to 24% in 2017, and to 23% as from 2018.
Italy	31.4%	27.9%	1 Jan 2017	The corporate tax rate reduced from 27.5% to 24% as from 1 January 2017. For banks and other financial institutions, the corporate tax rate remains 27.5%. “Non-operating” entities are subject to a 34.5% corporate tax rate (reduced from 38%). 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).

Jurisdiction	Combined rate 2016–2017		Date enacted	Notes
	National	Local	National and Local	
Japan	32.1%–33.1% or 34.3%–35.4%	29.97% – 30.86% or 33.8% – 34.81%	31 Mar 2015 (for 2016) 29 Mar 2016 (for 2017)	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. The tax rate applicable to the income factor of the factor-based enterprise tax for large companies with more than JPY 100 million of stated capital also will be reduced. Thus, the effective corporate income tax rates for 2017 will be lower than the rates for 2016. Japanese corporations and foreign corporations carrying on a business through a PE 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 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 JPY 100 million or less.
Luxembourg	~27.08%	~27.08%	23 Dec 2016	This rate applies to the municipality of Luxembourg City. Rates for residents of other municipalities may vary.
Malaysia	24%		N/A	The standard corporate tax rate is 24%. The rate for resident small and medium-sized companies (i.e. companies incorporated in Malaysia with paid-up capital of MYR 2.5 million or less and that are not part of a group containing a company exceeding this capitalization threshold) is 18% on the first MYR 500,000 with effect from year of assessment (YA) 2017, with the balance taxed at the 24% rate. For YA 2017 and YA 2018, companies will be eligible for a reduction of between 1% and 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the company's chargeable income, compared to the immediately preceding YA. The reduction in the tax rate will apply to the portion of chargeable income representing the increase. Labuan companies are charged to tax on Labuan trading income at a rate of 3% of profits before tax per the audited accounts or, upon election, at a fixed amount of MYR 20,000. Labuan non-trading income is exempt
Mexico	30%	30%	11 Dec 2013	
Netherlands	25%	25%	N/A	A 20% tax rate applies to income below EUR 200,000.
Norway	25%	24%	20 Dec 2016	
Peru	28%	29%	1 Jan 2017	

Jurisdiction	Combined rate 2016–2017		Date enacted	Notes
	National	Local	National and Local	
Poland	19%	19% and 15%	1 Jan 2004 and 1 Jan 2017	The reduced 15% tax rate applies only to small taxpayers and to newly created taxpayers in their first fiscal year. However, the 15% tax rate does not apply to new taxpayers created as a result of transformations or to tax capital groups (i.e. groups of related companies acting as a consolidated taxpayer).
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 also may be exempt from the 2% federal tax. 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 entitled to a 10-year exemption from profits tax.
Singapore	17%		N/A	The corporate tax rate is 17%. However, 75% of the first SGD 10,000 of chargeable income and 50% of the next SGD 290,000 of chargeable income are exempt from tax.
Slovakia	22%	21%	1 Jan 2017	
Slovenia	17%	19%	4 Nov 2016	The rate increased to 19% on 1 January 2017 and will apply for the calendar year 2017.
South Africa	28%		N/A	
Spain	25%	25%	N/A	Special rates may apply for certain types of entity; for example, banks are subject to a 30% rate.
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.
Turkey	20%		N/A	
Ukraine	18%		N/A	Certain types of businesses (e.g. insurance, banks, etc.) are taxed under special regimes, which may provide lower tax rates.
United Kingdom	20%	20% and 19%	17 Jul 2013 and 18 Nov 2015	The 20% reduced to 19% on 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. The corporate tax rate will drop to 17% as from 1 April 2020.
Other Jurisdictions	See 2017 Global Tax Rates			

Note 1: The 2014 French finance law was enacted on 30 December 2013, increasing the rate of the additional surcharge applicable for companies with income exceeding EUR 250 million from 5% to 10.7%. The additional surcharge applies to all fiscal years closed on or after 31 December 2011 and on or before 30 December 2016.

Provisional timetable:

2017 - The reduced 28% rate will apply only to SMEs with revenue below EUR 50 million, on the first EUR 75,000 of taxable income.
2018 - The 28% rate will apply to the first EUR 500,000 of taxable income for all companies.
2019 - The 28% rate will be extended to apply to all taxable income for companies with annual revenue below EUR 1 billion (the threshold will be determined at the level of the tax-consolidated group, where applicable), and for companies with annual revenue exceeding EUR 1 billion, only for the first EUR 500,000 of taxable income.
2020 - The 28% rate will become the standard corporate income tax rate.

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). France's Administrative Supreme Court referred a case to the Court of Justice of the European Union on 27 June 2016, requesting a preliminary ruling on whether the 3% surtax on dividend distributions is in line with the EU parent-subsidiary directive.

France's constitutional court issued a decision on 30 September 2016, concluding that the exemption from the 3% surtax on distributions made within a tax-consolidated group does not comply with the equality principle in the French constitution and, therefore, is unconstitutional.

The 2016 Amended Finance Law maintains the exemption from the 3% surtax on distributions, but expands the scope of the exemption to apply to distributions made by French subsidiaries to their foreign parent companies, provided a 95% ownership requirement is met, regardless of whether the foreign parent is resident within or outside the EU. The new rules apply to distributions made on or after 1 January 2017.

Note 3: As per Finance Act, 2016, the MAT provisions were amended 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 was extended to foreign companies that are residents of nontreaty countries and that are not required to register under the relevant provision of 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 (commonly known as a dividend distribution tax (DDT)) of approximately 17.304% when earnings are distributed as a dividend or upon liquidation of the company. As from 1 October 2014, the dividend is to be grossed up and the tax rate is applied on the grossed-up amount of the dividend. The total effective tax rate on earnings is 42.59%/44.38%/45.67% on the distribution/liquidation. Such dividend income is exempt in the hands of the recipient. However, as from 1 April 2016, where the recipient of the dividend is an Indian individual, Hindu undivided family or a firm, and the dividend received from Indian companies exceeds INR 1 million, a tax of 10% is payable on the amount exceeding INR 1 million.

Note 5: For taxable years beginning on 1 April 2016, a lower corporate income tax rate of 25% may apply to certain newly established domestic companies engaged in a manufacturing business, if certain conditions are fulfilled. Accordingly, the effective rate for such companies will be 25.75% (where taxable income is less than or equal to INR 10 million), 27.55% (where taxable income exceeds INR 10 million, but is less than or equal to INR 100 million) and 28.84% (where taxable income exceeds INR 100 million). A lower tax rate of 29% is applicable for domestic companies that earn a gross turnover of INR 50 million or less in taxable year 2014-15. The effective rate for such companies is 29.87% (where taxable income is less than or equal to INR 10 million) and 31.96% (where taxable income exceeds INR 10 million).

For taxable years beginning on 1 April 2017, a lower corporate income tax rate of 25% may apply to domestic companies whose turnover does not exceed INR 500 million in taxable year 2015-16 and certain newly established domestic companies engaged in a manufacturing business, if certain conditions are fulfilled. Accordingly, the effective rate for such companies will be 25.75% (where taxable income is less than or equal to INR 10 million), 27.55% (where taxable income exceeds INR 10 million, but is less than or equal to INR 100 million) and 28.84% (where taxable income exceeds INR 100 million).

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@hand—An application that delivers focused news and tax information on any device. Download Deloitte Tax@hand for free for iOS (App Store), Android (Google play) or BlackBerry (BlackBerry World) or visit the Tax@hand website, www.taxathand.
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.
2016 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 Reporting for Taxes Training—Deloitte's Financial Reporting for Taxes Training features interactive courses taught by experienced professionals who will explain applicable guidance as well as share real-world experiences and leading practices. Take advantage of registration discounts. Register today.
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.

Contact Us

Robert Tache
Partner, Deloitte Tax LLP
Phone: +1 305 372 3230
E-mail: rtache@deloitte.com

Michi Koyama
Senior Manager, Deloitte Tax LLP
Phone: +1 703 251 3496
E-mail: michikoyama@deloitte.com