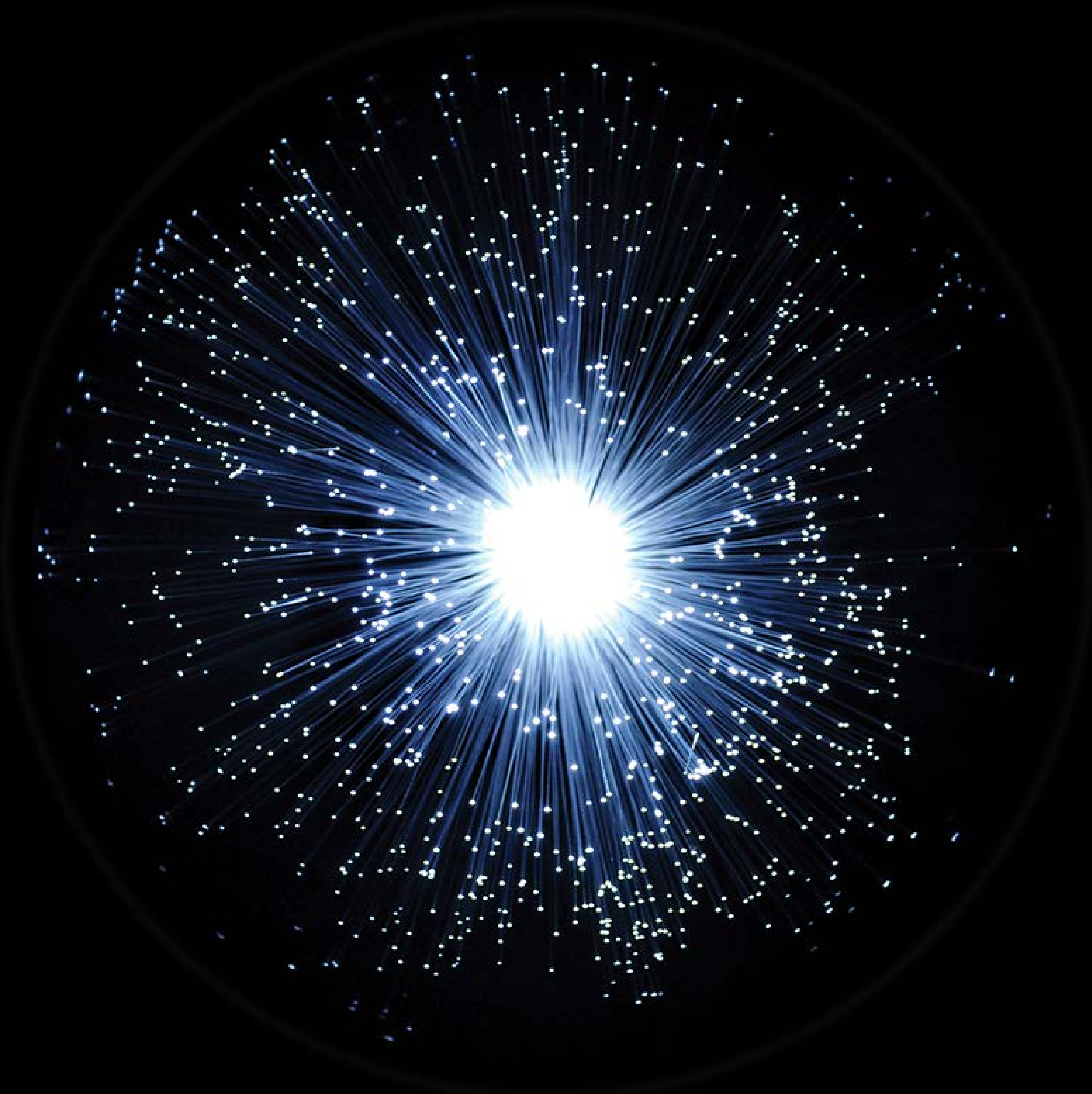

Global Tax Developments Quarterly

Accounting for Income Taxes

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

1 October – 31 December 2016
14 January 2017
Issue 2016-4

Contents

Introduction

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

Unless otherwise indicated, the content in this document is based on information available as of 31 December 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 October 2016 to 31 December 2016

The following section includes a brief summary of major international income tax law changes enacted during the period 1 October 2016 to 31 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 payment rules to bring them in line with EU law.

The amended PSD includes an anti-hybrid rule and a general anti-avoidance rule (GAAR). Both rules apply, in principle, as from 1 January 2017 in Belgium, except for the anti-hybrid rule which 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," the abolition of the "speculation tax," an increased disallowed expense for employers relating to fuel cards for company cars, 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

Canada

2016 Budget Measures Enacted

Date of Enactment: 15 December 2016
Effective Date: Various

Measures to implement Canada's 22 March 2016 federal budget proposals received Royal Assent on 15 December 2016 and thereafter became law. These include:

- Introducing measures to prevent the avoidance of the shareholder loan rules by using back-to-back arrangements;
- Tightening the rules relating to cross-border surplus stripping transactions;
- Revising the back-to-back loan rules and extending them to royalty arrangements and certain other arrangements; and
- Implementing the country-by-country reporting standards recommended by the OECD under the BEPS project.

Croatia

Tax reform enacted

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

Proposed changes to the tax law have been voted in and, in most respects, are in force from 1 January 2017. The enacted law includes revised corporate and personal income tax rates, as well as changes to the real estate transfer tax and VAT.

See also Tax News - December 2016

Cyprus

IP regime amended to introduce OECD nexus approach

Date of Enactment: 27 October 2016
Effective Date: Various

Changes to Cyprus' intellectual property (IP) regime that were incorporated into the Income Tax Law (ITL) and published in the official gazette on 27 October 2016 provide for the gradual phasing out of the current IP regime and the introduction of a new regime that is in line with the latest international developments on the taxation of IP income and recommendations under action 5 of the OECD's BEPS project. Regulations have been issued that contain detailed guidance on the application of the new IP regime.

The amendments to the ITL also include the introduction of capital allowances for all intangible assets (except goodwill and assets qualifying for the old IP regime). As a result, the capital costs of such intangible assets will be tax deductible and will be spread over the useful economic life of the asset, as determined by generally acceptable accounting principles (up to a maximum useful life of 20 years).

See World Tax Advisor - 11 November 2016

Cyprus Income Tax Legislation updated relating to CbC reporting

Date of Enactment: November 1, 2016
Effective Date: October 20, 2017

Following the signing of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country (CbC) Reports on 1 November 2016, with member states of the OECD on 30 December 2016, the Cyprus Ministry of Finance has issued a decree, pursuant to article 6(16) of the Assessment and Collection of Taxes Law.

The decree sets out the requirements for filing a CbC report by a multinational enterprise (MNE) group with consolidated group revenue of EUR 750 million and above, as well as the information to be contained in the report submitted to the Cyprus tax authorities.

One of the requirements that is included in the decree is that any constituent entity of an MNE group that is resident for tax purposes in Cyprus is required to notify the Cyprus tax authorities as to whether it is the ultimate parent entity or the surrogate parent entity, no later than the last day of the reporting fiscal year of the MNE group.

The first notification will take place on 20 October 2017.

See Tax@hand- 12 December 2016

France

"Sapin 2" law enacted

Date of Enactment: 30 December 2016
Effective Date: Various

The "Sapin 2" law, designed to promote transparency, was adopted by the French parliament on 8 November 2016.

The threshold for preparing simplified transfer pricing documentation is reduced from EUR 400 million to EUR 50 million and must be submitted for fiscal years closed as of 31 December 2016 (the documentation for calendar year 2016 must be submitted by 3 November 2017).

The Sapin 2 law included a measure that would allow CbC reports to be made available to the public as from 1 January 2018 at the latest, but the Constitutional Court has ruled that this measure was not compliant with the French Constitution, so the measure was removed from the enacted law.

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 following are the main measures introduced:

- The corporate income tax rate will be progressively reduced from the 33.33% to 28% over the period 2017 to 2020. The existing 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.
- The rate of the tax credit for competitiveness and employment (CICE) increases from 6% to 7% for 2017. The CICE, which is based on wages an entity pays to its employees over the calendar year, generates a receivable against the French Treasury, which may be offset against the entity's corporate income tax liability or if unused, refunded after three years.
- The exemption from the 3% surtax for dividends distributed within members of a French tax-consolidated group is maintained, and the scope of the exemption is broadened. According to the amended finance law for 2016, enacted on December 29 2016, the exemption is extended to distributions made by French subsidiaries to their foreign parent companies, provided the conditions for the French tax consolidation (and especially a 95% ownership requirement) are met, and regardless of whether the foreign parent is resident within or outside the EU (treaty countries only). The new rule applies to dividends paid as from 1 January 2017. Dividends paid in 2016 do not benefit from the expanded scope of the exemption.
- The financial transactions tax rate is increased from 0.2% to 0.3% as from 1 January 2017, and the scope of the tax will be extended to apply to intraday transactions as from 1 January 2018.

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, will not enter into force.*

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 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.

The first tax law includes measures based on the recommendations in the BEPS final reports and the amendments to the EU administrative cooperation directive to introduce CbC reporting. The second tax law introduces an additional relief measure from the change-in-ownership rules.

Under a new section of the Corporate Income Tax Code, the general change-in-ownership rule (which may result in the forefeiture of net operating loss (NOL) carryforwards, interest carryforwards and current year losses in cases involving a direct or an indirect transfer of 50% or more of the shares in a company to one new acquirer, related parties or parties acting in concert) will not apply where the business operations of the loss corporation contine and are unchanged from the earlier of the company's date of incorporation or the three previous calendar years before the change in ownership took place.

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

Hungary

Corporate income tax rate reduced

Date of Enactment: 22 November and 12 December 2016
Effective Date: 1 January 2017

Hungary's parliament passed the 2017 tax bill in several stages, in particular, on 22 November 2016 and 12 December 2016, with further changes announced later during December. The new measures generally apply as from 1 January 2017.

The most important changes are the reduction of the progressive corporate income tax rates (10% and 19%) to a flat rate of 9% and a reduction of the social tax from 27% to 22%.

Other measures affecting companies include the amendment of the CFC rules; introduction of deductions (to be taken in arriving at the tax base) for investments in start-up companies if certain conditions are satisfied; clarification of the rules governing the amortization of goodwill; the introduction of a new tax incentive for the commissioning and operation of energy-efficient facilities; and changes and clarifications regarding the corporate income tax obligations of taxpayers transitioning to IFRS financial statements. There also are "tax amnesty" rules that provide beneficial taxation of previously undeclared income and tax-free corporate restructuring in certain cases.

See also World Tax Advisor - 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, presented by the government on 11 October 2016, was passed by both houses of parliament and signed into law on 25 December 2016. Many of the measures included in the Finance Act 2016 are effective as from 1 January 2017 with some exceptions.

Measures announced in Finance Act 2016 include the following:

- Corporate tax and foreign direct investment matters: The changes impact multinational groups with consolidated turnover in excess of EUR 750 million and other companies with advance pricing arrangements or advance cross-border rulings that are subject to the automatic exchange of information provisions.
- Financial services / real estate sector: Ireland's securitization regime, which involves "S110" companies and funds that derive profits directly or indirectly from Irish property and land, received significant media and political attention, leading to changes in funds legislation.
- Income tax: Changes have been made 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 - 11 November 2016

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

Slovenia

Corporate income tax rate increased

Effective Date: 1 January 2017

The corporate income tax rate increased from 17% to 19% on 1 January 2017.

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

United States

Final section 367(a)/(d) regulations retroactively prevent tax-free outbound transfers of foreign goodwill and going concern value

Date of Enactment: 15 December 2016
Effective Date: Generally retroactive effect as from 14 September 2015

On 15 December 2016, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) issued final regulations under section 367(a) and (d) of the Internal Revenue Code (IRC) that prevent certain property, including but not limited to foreign goodwill and going concern value, from being transferred by a U.S. person to a foreign corporation on a tax-free basis. The final regulations, which generally mirror the 2015 proposed regulations, retain the retroactive effective date contained in the proposed regulations, thus applying to outbound transfers occurring on or after 14 September 2015.

See also International Tax Alert – 20 December 2016

Temporary and Proposed Regulations Address Covered Asset Acquisitions under Section 901(m)

Date of Enactment: 7 December 2016
Effective Date: Generally retroactive effect as from 21 July 2014

On December 7, 2016, the IRS and Department of the Treasury issued temporary and proposed regulations under section 901(m) of the IRC with respect to transactions that may give rise to a basis increase under U.S. law, but not under foreign law. The temporary regulations include the regulations previously announced in Notice 2014-44 and Notice 2014-45, without significant modifications.

The temporary regulations also contain a provision, not found in the Notices, that excludes gross basis withholding taxes from the definition of foreign income taxes for purposes of section 901(m). The proposed regulations expand the scope of section 901(m), provide rules for computing the disqualified portion of foreign income taxes under section 901(m), and contain de minimis and anti-abuse rules. The proposed regulations permit taxpayers to make a "foreign basis election" to calculate basis difference by reference to the difference between U.S. and foreign basis immediately after a "covered asset acquisition."

See also International Tax Alert – 12 December 2016

Final and Temporary Section 987 Regulations

Date of Enactment: 7 December 2016
Effective Date: Various

On 7 December 2016, the IRS and Department of the Treasury issued a comprehensive package of regulations that provide guidance under section 987 and amend related existing rules under sections 861, 985, 988, and 989. The package consists of final regulations, which generally have a delayed effective date, and temporary regulations, which in some instances have immediate application.

The final regulations provide rules for determining income or loss with respect to a qualified business unit (QBU) operating in a functional currency that is different from that of its owner. They also provide rules for determining the timing, amount, character, and source of section 987 gain or loss realized by the taxpayer with respect to such QBUs. The final regulations are similar to the proposed regulations issued in 2006 with several important distinctions, and generally apply to taxable years beginning on or after one year after the first day of the first taxable year following 7 December 2016, although taxpayers may elect to apply the new regulations to the first taxable year beginning after 7 December 2016. The final regulations exclude certain taxpayers from the scope, but the preamble provides that such taxpayers must use a reasonable approach to comply with section 987.

The temporary regulations establish section 987 loss deferral rules for certain transactions entered into after 6 January 2017, with immediate application to tax avoidance transactions entered into after 6 December 2016. The temporary regulations also provide certain elections and other rules which, subject to exceptions, track the effective date of the final regulations as described above.

See also United States Tax Alert – 14 December 2016

Final and Proposed Subpart F Regulations Addressing Section 956 and the Active Rents and Royalties Exception

Date of Enactment: 3 November 2016
Effective Date: Various

On 3 November 2016, the IRS and the Department of the Treasury issued final subpart F regulations addressing sections 954 and 956. The regulations generally adopt, with amendments, the temporary and proposed regulations that were issued on 1 September 2015. The IRS and Treasury also issued additional proposed section 956 regulations.

See also United States Tax Alert 3 November 2016

Final and Temporary Regulations Address Treatment of Certain Interests in Corporations as Stock or Indebtedness

Date of Enactment: 21 October 2016
Effective Date: Various

On 13 October 2016, the IRS and the Department of the Treasury released final and temporary regulations under section 385 of the IRC that (i) establish threshold documentation requirements that ordinarily must be satisfied in order for certain related-party interests in a corporation to be treated as indebtedness for U.S. federal income tax purposes; and (ii) treat as stock certain related-party interests that otherwise would be treated as indebtedness for U.S. federal income tax purposes. The regulations are significantly narrower in scope than proposed regulations issued on 4 April 2016.

Although the 385 regulations were released on 13 October 2016, they have a published date of 21 October 2016 for determining when the various effective dates begin to apply to taxpayers.

See also United States Tax Alert – 14 October 2016

FASB simplifies accounting for tax consequences of intra-entity asset transfers

Date of Enactment: 24 October 2016
Effective Date: Various

On 24 October 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The final ASU removes the prohibition on recognition of income tax expense for taxes paid for intra-entity transactions except for transfers of inventory. Accordingly, entities will continue to be prohibited from recognizing the current and deferred tax effects of intra-entity transfers of inventory.

See also Heads Up – 25 October 2016

Enacted Tax Law Changes That Are Now Effective: 1 October 2016 to 31 December 2016

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

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 October 2016, but effective in the period 1 October 2016 to 31 December 2016 have been identified.

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

The following section includes a summary of major international income tax law changes enacted before 1 October 2016, but effective as from 1 January 2017.

Bulgaria

New reporting obligation introduced for nonresident entities

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

New rules included in Bulgaria's corporate income tax act introduce reporting obligations for nonresident legal entities operating in the country through a permanent establishment (PE). The rules, which were published in the official gazette on 27 September 2016 and apply as from that date, require an entity to disclose the identity of its owners or shareholders in its annual corporate income tax return, as well as the extent of the participation of such owners/shareholders, if it exceeds 10%.

Because the rules are effective as from 27 September 2016, the FY 2016 corporate tax return will be the first return in which the reporting obligation applies. The information should be disclosed in the annual tax return.

See also World Tax Advisor - 28 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 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 in the following areas:

- 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 (FIO) and specialized open-ended investment fund (SFIO) not operating on rules specified to close-ended investment fund (FIZ). The applicability of the exemption to FIZs and SIFOs operating under rules specified to FIZ will be dependent on the source of their income.

United Kingdom

Hybrid mismatch legislation enacted

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

The UK enacted hybrid mismatch legislation as part of the Finance Act 2016 on 15 September 2016, which is effective as from 1 January 2017 (with no grandfathering for existing arrangements). The rules generally are intended to implement the best practice recommendations in the OECD final report on BEPS action 2.

Under hybrid mismatch rules, deductions may not be permitted for payments from the UK to non-UK recipients if the arrangement gives rise to a deduction/no-inclusion mismatch, including those that arise because the payee is a company that has one or more PEs.

The UK tax authorities (HMRC) released detailed draft guidance on 9 December 2016 setting out how the rules will work in practice.

See also United Kingdom Tax Alert - 23 November 2016

On the Horizon

The following developments had not yet been enacted as of 31 December 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.

Australia – Draft legislation issued on debt-to-equity rules and diverted profits tax

On 10 October 2016, the Australian government released exposure draft (ED) legislation and an explanatory memorandum setting out proposed amendments to improve the debt-to-equity rules. The ED proposes a new integrity rule for establishing when two or more schemes should be aggregated and treated as a single scheme for tax purposes.

The proposed replacement rule (scheme aggregation rule) is based on two tests: the interdependence test and the design test, which are aimed at ensuring that multiple schemes are aggregated only where such aggregation would accurately reflect the economic substance of the arrangement.

On 29 November 2016, the government released an ED and an explanatory memorandum for the proposed diverted profits tax (DPT) that was originally announced as part of the May 2016 federal budget. The DPT targets schemes that shift profits out of Australia and, when enacted, will allow the Australian Taxation Office (ATO) to impose a penalty tax at 40% of the relevant diverted profit.

See also Australia Tax Alerts - 2 December 2016

Belgium – New innovation income deduction to replace the patent income deduction

The Belgian government has deposited a draft bill introducing a new innovation income deduction on 21 December 2016. The bill is expected to be adopted in the first quarter of 2017 and will retroactively replace the patent income deduction, which was abolished as from 1 July 2016.

See also Tax@hand – 7 December 2016

Bulgaria – Draft bill on mandatory automatic exchange of CbC reports

The Ministry of Finance published a draft bill on 16 September 2016 that would implement the mandatory automatic exchange of CbC reports under the EU directive of 25 May 2016. The draft bill provides that multinational enterprise groups headquartered outside Bulgaria would be required to file CbC reports in Bulgaria if their consolidated group revenue exceeds EUR 750 million, with a reduced reporting threshold of BGN 100 million applying for groups with a Bulgarian resident ultimate parent company. The changes are effective as from 1 January 2017.

See World Tax Advisor - 14 October 2016

Colombia – Tax reform bill presented to Congress

Colombia's Ministry of Finance presented a tax reform bill to Congress on 19 October 2016 that contains extensive proposals that would affect both direct and indirect tax, as well as tax administration. The law was passed and it generally would apply as from 1 January 2017. We do not have details on the final version of the law at the time of publication of this newsletter.

See also World Tax Advisor - 11 November 2016

EU – Commission Re-launches Common Consolidated Corporate Tax Base

On 25 October 2016, the European Commission released the revamped draft proposal for the Common Consolidated Corporate Tax Base (CCCTB). The proposal includes two draft directives that are cross-referenced and designed to operate as parts of a single package.

The CCCTB would allow companies to file one tax return for all of their EU activities, and offset losses made in one member state against profits earned in another. The consolidated taxable profits would be shared among the member states in which the group is active, using an apportionment formula. Each member state then would tax its share of the profits at its national tax rate.

See also EU Tax Alert - 28 October 2016

EU - ATAD proposed to be broadened to address hybrid mismatches with third countries

On 25 October 2016, the European Commission issued a proposal to amend the EU Anti-Tax Avoidance Directive (ATAD) to prevent companies in the EU from using hybrid mismatches with non-EU member states to avoid being taxed in either country. The ATAD currently sets a minimum standard for EU member states and targets only hybrid mismatches between companies located in member states.

See also EU Tax Alert - 3 November 2016

Malaysia – 2016 finance bill includes re-imposition of withholding tax on offshore services

Malaysia's Finance Bill 2016 was released on 26 October 2016, following the 2017 budget speech from the prime minister and minister of finance on 21 October 2016. The finance bill includes a number of significant proposals, including several that were not announced in the budget: a reduction of the corporate income tax rate in certain cases, the re-imposition of withholding tax on offshore services, an expansion of the scope of royalties and the introduction of CbC reporting in line with the OECD recommendations for financial years beginning on or after 1 January 2017. The bill must be passed by Malaysia's House of Representatives and Senate, receive royal assent from the king and be published in the official gazette as the finance act before it is enacted. The 2016 Finance Bill has not been published in the official gazette as of the date of this publication.

See also World Tax Advisor - 11 November 2016

Puerto Rico – Draft Transfer Pricing Regulations released

On 19 October 2016, the Department of Treasury shared a draft of the transfer pricing regulations under the Puerto Rico Internal Revenue Code. The draft regulations focus on the application of the arm's length principle to evaluate the transfer pricing policies of associated enterprises and are based on the OECD transfer pricing guidelines, as well as the regulations issued under section 482 of the US Internal Revenue Code. The regulation has not been officially filed as of the date of the issuance of this publication.

See also World Tax Advisor - 28 October 2016

UK – Corporation tax reform consultation responses and draft legislation

The UK Chancellor of the Exchequer delivered the new government's first Autumn Statement on 23 November 2016. On 5 December 2016, following consultations, the UK government issued consultation responses and draft legislation in three key areas of corporate taxation:

- Tax deductibility of corporate interest expense;

- Corporation tax loss relief reform; and
- The substantial shareholding exemption.

See also UK Tax Alert – 23 November 2016; World Tax Advisor - 16 December 2016 - Substantial Shareholding Exemption; and World Tax Advisor - 16 December 2016 - Interest Expense Deductibility

Vietnam – Changes to transfer pricing rules proposed

Vietnam's government has released a draft decree that proposes comprehensive changes to the transfer pricing rules to better align them with OECD and BEPS principles.

The draft decree, which has been sent to the Ministry of Finance for comments, proposes significant changes to the definition of a related party, sets out the types of related party expenses that would be considered nondeductible based on a "substance-over-form" analysis and provides a safe-harbor limitation for deductions of related party interest expense.

See World Tax Advisor - 14 October 2016

Did you know

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

Brazil

Bulgaria

China

EU

France

Indonesia

Italy

OECD

Panama

Puerto Rico

Saudi Arabia

Singapore

Spain

Switzerland

United Kingdom

Brazil – CRS and CbC reporting regulations published

Brazil's tax authorities published two normative rulings (NR 1,680/16 and NR 1,681/16) on 29 December 2016 that contain guidance on the common reporting standards (CRS) and country-by-country (CbC) reporting, respectively. Both of these initiatives had been subject to recent public consultations and the NRs generally are consistent with the wording of the draft documents.

See also World Tax Advisor – 16 December 2016 and Tax@hand - 3 January 2017

Brazil – CFC rules modified

A Normative Ruling (NR) published in Brazil's official gazette on 29 November 2016 and effective as from that date, modifies an NR dating from 2014 by introducing provisions and clarifying some aspects relating to the taxation of profits of controlled foreign companies with Brazilian parents, including procedural matters. The new NR allows Brazilian taxpayer to elect to have the foreign profits of affiliated entities taxed on 31 December of each year instead of deferring taxation until the profits are distributed to the Brazilian taxpayer.

See also Tax@hand – 5 December 2016

Bulgaria – Tax haven list updated

On 21 December 2016, the Ministry of Finance published an updated list of countries that are deemed to be tax havens. The following countries are included on the list: Antigua and Barbuda, Bahamas, Brunei, Christmas Island, Cook Islands, Dominican Republic, Fiji, Grenada, Guam, Guyana, Hong Kong, Labuan, Liberia, Macau, Maldives, Marshall Islands, New Caledonia, Oman, Palau, Panama, Pitcairn Islands, St. Lucia, Sark, United Arab Emirates, US Virgin Islands and Vanuatu. Inclusion on Bulgaria's tax haven list means that persons resident in the listed jurisdictions (both legal entities and individuals) may not carry out certain activities in Bulgaria and may not obtain certain licenses or permits. The updated list applies as from 29 December 2016.

China – Guidance issued on preferential individual income tax policies

Guidance issued by China's Ministry of Finance and the State Administration of Taxation that applies as from 1 September 2016 expands the preferential individual income tax (IIT) policies relating to equity compensation plans and capital contributions made to a Chinese company in the form of technology. The key IIT incentives are as follows: (i) favorable IIT treatment is extended to equity compensation plans offered by unlisted companies; (ii) equity compensation plans offered by companies listed on the Shanghai and Shenzhen stock exchanges continue to benefit from the tax treatment provided in earlier guidance, but the period for the individual to settle the tax due is extended; and (iii) favorable IIT treatment is granted to investors that make equity investments in Chinese companies using achievements in technology.

See also World Tax Advisor – 25 November 2016

European Union –Directive on access to beneficial ownership information adopted

On 6 December 2016, the EU council adopted the directive on access to information on the beneficial ownership of companies. The directive will enable tax authorities to access that information in monitoring the proper application of rules on the automatic exchange of tax information. EU member states must implement the directive into their domestic law by December 31, 2017, so the directive can apply as from January 1, 2018.

See also Tax@hand - 8 December 2016

Indonesia – Tax amnesty implementation rules released

Indonesia's Ministry of Finance and the Directorate General of Taxes have issued regulations to implement the tax amnesty introduced for previously unreported net assets from fiscal years ending on or before 31 December 2015.

See also World Tax Advisor – 28 October 2016

Italy – Treatment of interest on certain medium or long-term loans clarified

In a ruling dated 29 September 2016, Italy's tax authorities clarified that if interest qualifies for the domestic withholding tax exemption for certain medium and long-term loans, the interest is not subject to tax in Italy as financial income and the nonresident lender is not required to file an Italian tax return.

See also World Tax Advisor - 25 November 2016

Italy – Tax court decisions cast doubt on compatibility of participation exemption regime with EU law

In the decisions, tax courts at the provincial and regional levels (i.e. the first and second-tier tax courts) concluded that the regime is incompatible with the Treaty on the Functioning of the European Union because it treats gains realized by Italian companies on the sale of an Italian participation more favorably than those realized by foreign companies. The courts found this treatment to be an unjustifiable restriction of the free movement of capital and/or establishment.

See also [World Tax Advisor – 16 December 2016]

OECD – Brazil, Guernsey, Jersey, Isle of Man and Latvia sign MCAA

The OECD has reported that Brazil, Guernsey, Jersey, the Isle of Man and Latvia have signed the Multilateral Competent Authority Agreement, where they agree to exchange CbC reports automatically under action 13 of the BEPS project. Additionally, Brazil has agreed to the automatic exchange of financial account information by signing the CRS Multilateral Competent Authority Agreement. The automatic exchange of financial account information will start in 2018.

See also [World Tax Advisor – 28 October 2016]

OECD – Additional guidance on the implementation of CbC reporting requirement issued

The OECD has issued additional guidance related to the implementation of the CbC reporting requirement in the BEPS action 13 final report.

See also [Transfer Pricing Alert – 6 December 2016]

Panama – Amendments to transfer pricing rules

A decree published on 25 October 2016 amends Panama's transfer pricing rules (in particular, the provisions relating to the arm's length principle), to bring the rules in line with the internationally agreed standards generally reflected in Panama's tax treaties. The decree also includes measures that clarify the requirements for a comparability analysis and sets out detailed rules on transfer pricing documentation. The decree applies to fiscal years beginning on or after 1 January 2017.

See also [World Tax Advisor – 16 December 2016]

Puerto Rico – Clarifications to AMT provisions issued

As a result of the court decision that struck down certain provisions of Puerto Rico's alternative minimum tax (AMT) regime as unconstitutional, the Puerto Rico Treasury Department issued guidance to clarify that these AMT provisions do not apply to the 2016 taxable year and to establish a mechanism for companies to claim a credit (not a refund) for excess taxes paid in the 2015 taxable year. The guidance also specifies that the relevant AMT provisions should not be considered in calculating 2016 estimated tax payments, and any estimated tax already deposited relating to those provisions can be applied against the 2016 income tax liability.

See also [World Tax Advisor – 28 October 2016]

Saudi Arabia – Changes made to taxation of listed companies

Saudi Arabia's General Authority of Zakat and Tax (GAZT) issued a circular on 4 December 2016 that introduces a new approach to the tax/zakat treatment of Saudi companies listed on the Saudi stock exchange (Tadawul). Such companies will be subject to tax/zakat based on their actual shareholdings as at their financial year-ends.

The circular is applicable to listed companies for financial years ending after 4 December 2016; as a result, it will apply to all listed companies with a financial year-end of 31 December 2016. The circular specifically states that prior years will not be impacted by the change.

See also World Tax Advisor – 16 December 2016

Singapore – CbC reporting guidelines released

On 10 October 2016, Singapore's tax authorities (IRAS) released CbC reporting guidelines that generally align with BEPS action 13 and require a Singapore-headquartered multinational enterprise (MNE) group to submit a report. The first filing date for Singapore-headquartered MNEs will be 31 December 2018 (for financial years ending on 31 December 2017). However, to address the transition issue arising from the implementation of CbC reporting for financial years beginning on or after 1 January 2016 in certain jurisdictions, affected Singapore-headquartered MNEs may file a CbC report for financial years beginning on or after 1 January 2016 to the IRAS on a voluntary basis. The IRAS is expected to release more details by the end of March 2017.

See also World Tax Advisor – 28 October 2016

Spain – Rules governing advance payment of corporate income tax modified

Legislation published in Spain's official gazette on 30 September 2016 introduces changes to the requirement for certain companies to make advance payments of corporate income tax. The new rules are effective for fiscal years beginning on or after 1 January 2016 and apply to prepayments due in October 2016 and thereafter.

See also Spain Tax Alert – 6 October 2016

Spain –CJEU rules on Spanish state aid cases involving amortization of goodwill

On 21 December 2016, the Court of Justice of the European Union (CJEU) issued its long-awaited decision in the Spanish financial goodwill amortization state aid cases. Significantly, the court set aside the 2014 decisions of the EU General Court (EGC), in which the EGC held that the goodwill amortization regime did not constitute unlawful state aid under EU law and annulled two decisions of the European Commission (dating from 2009 and 2011). The CJEU has referred the cases back to the EGC for a reassessment in light of the CJEU's conclusions. As a result of the CJEU decision, the two decisions of the European

Commission, which considered the financial goodwill amortization regime to be state aid, are reinstated and Spain must recover the aid granted.

See also European Union Tax Alert – 2 January 2017

Switzerland – Federal Council adopts multilateral competent authority agreement on exchange of CbC reports

On 23 November 2016, Switzerland's Federal Council adopted the multilateral competent authority agreement on the exchange of CbC reports and its implementing federal act. If approved by parliament, the agreement could enter into force at the end of 2017, thereby requiring Swiss multinationals to prepare CbC reports for the first time for the 2018 tax year. The exchange of CbC reports between Switzerland and its partner states would begin in 2020.

See also World Tax Advisor – 16 December 2016

United Kingdom – Guidance published on APA legislation and APA program

On 8 November 2016, the UK tax authorities published an updated version of their Statement of Practice, which provides general guidance on how the authorities interpret the UK advance pricing agreement (APA) legislation and operate the APA program. The APA program has been in effect since 1999 to assist businesses in determining the most appropriate methodology to derive the arm's length outcome for complex transfer pricing issues and prevent disputes arising that otherwise may result in a mutual agreement procedure being necessary at a later stage.

See also World Tax Advisor – 25 November 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 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 national / local rate (incl. surcharges, etc.) 2016–2017		Date the combined national / local rate enacted	Notes
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.
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%, 20% for financial institutions) yield an effective tax rate of 34% or 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 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	Entities qualifying as small-scale taxpayers are subject to a 20% tax rate, and entities

			26 Dec 2007	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.
Croatia	12%/ 18%		1 Jan 2017	The two tier rates are in place from 2017, the lower 12% rate applying only to enterprises with revenues below THRK 3,000 (c. TUSD 450) p.a.
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 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. Per 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 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).
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.
Hungary	10%/ 19%	10%/ 19% 9% CIT & 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%	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). See Note 5 on special incentive types 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. The rate is 26.5% for 2014 and 2015.
Italy	27.9%	27.9%	30 Dec 2015	The corporate income tax rate is 24% (see Note 6 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 corporate income tax rate has been reduced to 24% starting from 2017, although the applicable rate for banks and other financial entities will remain 27.5%.
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 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 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.
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	

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.
Slovenia	17%	19%	4 Nov 2016	The rate increased to 19% on January 1, 2017 and will apply for the calendar year 2017.
Spain	25%	25%	N/A	The general corporate income tax rate was reduced from 28% to 25% for tax periods starting on or after 1 January 2016. 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.
United Kingdom	20%	20% and 19%	17 Jul 2013 and 18 Nov 2015	A 20% rate applies as from 1 April 2015, reducing to 19% 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. The corporate tax rate will drop to 17% effective from 1 April 2020.

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 2013 and before or on 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 constitutionality of the provision was referred to the constitutional court by the administrative supreme court on 27 June 2016.

Per the 2016 Amended Finance Law, the above exemption from the 3% surtax on distributions should be maintained, but its scope should be extended 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 scope will apply to distributions made on or after 1 January 2017.

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 is 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 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, subject to fulfilling certain conditions. Accordingly, the effective rate for such companies would 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 new lower tax rate of 29% will be applicable for taxable year 2016-17 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 would be 29.87% (where taxable income is less than or equal to INR 10 million) and 31.96% (where taxable income exceeds INR 10 million)

Note 6: 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 as 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@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 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.

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