International Core of Excellence

2018 ICE Essentials

Foreword

Local insight into key foreign jurisdictions—International Core of Excellence

The impact of the U.S. tax reform will be felt not only in the U.S. but around the world. While it likely will take some time for stakeholders to familiarize themselves fully with the new rules and evaluate their implications and consequences, U.S. businesses soon will have to make real-world decisions that will affect their foreign operations: decisions regarding cash repatriation, adjustments to ownership structures for foreign investments, acquisition financing where multiple jurisdictions are involved, organization of supply chain activities, etc.

When that time comes, the focus will no longer be solely on the new U.S. rules. Companies will be looking for practical solutions that best serve the interest of their businesses and those solutions will have to accommodate non-U.S. tax factors—for example, it is important to be aware that steps taken to limit a tax cost in the U.S. may eventuate in a higher tax burden outside the U.S.

In this respect, one thing has not changed: U.S. companies will still need to integrate non-U.S. tax considerations into their decision-making. Now more than ever, they will need reliable and timely information—as well as actionable insights—on tax policy, legislation and practices affecting their foreign operations if they are to maintain a competitive edge.

We are committed to helping you and your organization navigate the opportunities and challenges of a rapidly evolving global tax environment. The foreign country specialists in the International Core of Excellence (ICE) team have the technical and practical experience to help you identify and address the impact of foreign tax rules on U.S. business drivers. The team's presence in the U.S. means that specialists are available to provide prompt assistance to U.S. organizations, unimpeded by time zone variations or geographical obstacles. The ICE team is fully integrated into Deloitte's U.S. International Tax practice, and the groups work together to help develop practical recommendations that address the needs and circumstances of your business. At the same time, the ICE team coordinates with Deloitte's global network to confirm they are up to date and fully informed on the (often rapidly) evolving tax law and regulatory changes in their home countries.

The 2018 ICE Essentials guide profiles the main features of the tax systems of 15 countries and introduces the specialists of the ICE team. This easy-to-read guide includes vital information on tax rates, residence, incentives, consolidation, anti-avoidance rules, indirect taxation and tax administration. In conjunction with the guide, the ICE team shares regular updates through the "ICEbreaker" series, quarterly single-page synopses of top-of-mind corporate tax issues, legislative updates and other developments relevant to cross-border business.

Our ICE resources are further supplemented by the [Deloitte International Tax Source](#) (DITS), a free online database that allows users to view and compare tax information that includes corporate income tax, withholding tax and tax treaty rates and transfer pricing regimes. DITS also houses the full Country Highlights series, which contains profiles of the tax systems of over 140 countries and the full suite of our global tax alerts and newsletters and other tax resources. In addition, [Deloitte tax@hand](#), our global tax app, is a secure digital resource for news and perspectives on 60 jurisdictions, which users can tailor to their interests.

I hope you find our publications informative and of practical use, and I invite you to contact our ICE team of professionals or your local Deloitte contact if you have any questions or require additional information.

For more information on the ICE program, please visit https://www2.deloitte.com/us/en/pages/tax/solutions/international-core-of-excellence.html.

We look forward to working with you.

Kind regards,

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Australia

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Investment basics

Currency
Australian Dollar (AUD)

Foreign exchange control
No

Accounting principles/financial statements
The Australian equivalent of IFRS (A-IFRS) applies. Financial statements must be filed annually.

Principal business entities
These are the public company ("Limited" or Ltd), private company ("Proprietary Limited" or Pty Ltd), partnership, corporate limited partnership, trust, superannuation fund and branch of a foreign corporation.

Corporate taxation:

Residence

A company is resident in Australia if it is incorporated in Australia or, if not incorporated in Australia, it carries on business in Australia and either exercises central management and control there or has its voting power controlled by shareholders that are residents of Australia.

Basis

Resident companies are taxed on worldwide income. A nonresident company generally pays taxes only on income derived from Australian sources. The tax rates and treatment are the same for companies and branches of foreign companies. However, there are exceptions for special types of companies such as cooperative firms, mutual and other life insurance companies and nonprofit organizations, which are taxed at slightly different rates.

Taxable income

To calculate taxable income, a company generally computes assessable income and subtracts allowable deductions. Assessable income derived by a company carrying on business usually would include gross income from the sale of goods, the provision of services, dividends, interest, royalties and rent. Assessable income excludes exempt income (e.g. certain dividends received from pooled development funds and income derived by certain entities, such as charities, etc.). Income characterized as nonassessable nonexempt income also is excluded from assessable income (e.g. income derived by certain foreign branches). Foreign equity distributions received (directly or indirectly through one or more interposed trusts and partnerships) from a foreign company in which an Australian corporate tax entity holds a 10% participation interest also are nonassessable nonexempt income.

Taxation of dividends

Australia operates a full imputation system for the avoidance of economic double taxation of dividends. Under this system, the payment of company tax is imputed to shareholders, in that domestic shareholders are relieved of their tax liability to the extent profits have been taxed at the corporate level. Dividends paid out of profits on which corporate tax has been paid are said to be "franked" and generally entitle shareholders to a tax offset for the corporate tax paid.

Capital gains

Assessable income includes any capital gains after offsetting capital losses. Net capital gains derived by companies are taxed at the 30% corporate rate. Australian tax residents (generally excluding temporary residents) are liable for tax on worldwide capital gains (subject to double tax relief). Where a company holds a direct voting interest of 10% or more in a foreign company for a certain period, any capital gain or loss on the sale of the shares in the foreign company may be reduced (see under "Participation exemption"). Foreign investors include capital gains in assessable income only for assets that are "taxable Australian property" (e.g. the business assets of Australian branches of nonresidents and direct and indirect interests in Australian real property).

Losses

Tax losses (reduced by exempt income) may be utilized and carried forward indefinitely to offset future assessable income, provided a "continuity of ownership" (more than 50% of voting, dividend and capital rights) or a "same business" test is satisfied. Capital losses are subject to the same tests, but may be offset only against capital gains.

Rate

The corporate tax rate is 30%, or 27.5% for companies with an aggregate annual turnover of less than AUD 25 million in the 2017-18 income year (increased from AUD 10 million in the 2016-17 income year, and scheduled to further increase to AUD 50 million in the 2018-19 income year). Legislation has been enacted to reduce the corporate rate for companies with less than AUD 50 million of annual turnover to 25% by the 2026-27 income year.

Surtax

No

Alternative minimum tax

No

Foreign tax credit

The foreign income tax offset (FITO) rules allow taxpayers to claim a credit or tax offset against Australian tax in respect of assessable income that is foreign income or on which they have paid foreign income tax. The amount of the tax offset is equal to the foreign income tax paid, subject to a cap. The offset may be used only in the income year to which the foreign tax relates; unused FITO offsets may not be carried forward to future income years.

Participation exemption

Capital gains or losses on the disposal of shares in a foreign company, at least 10% of which is held by an Australian resident company for a certain period, may be reduced by a percentage that reflects the degree to which the assets of the foreign company are used in an active business.

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Furthermore, foreign equity distributions received (directly or indirectly through one or more interposed trusts and partnerships) from a foreign company in which an Australian corporate tax entity holds a 10% participation interest are nonassessable nonexempt income.

Holding company regime
No

Incentives
Expenditure on eligible R&D activities is entitled to beneficial treatment. Under the R&D tax incentive program, companies with an aggregated group turnover of less than AUD 20 million are entitled to a 43.5% refundable tax offset and larger companies are entitled to a 38.5% nonrefundable tax offset on expenditure up to AUD 100 million.

Investors of an Australian early stage innovation company (ESIC) are eligible for a nonrefundable carryforward tax offset equal to 20% of the amounts paid for newly issued equity interests (shares) in the ESIC, provided the investor does not fall within of the list of specified exclusions (and capped at AUD 200,000). There also are capital gains tax concessions for eligible shares.

There are special rules for the taxation of a Managed Investment Trust (MIT), which is a type of collective investment vehicle. Certain MITs and Attribution Managed Investment Trusts (AMITs) are subject to a concessional final withholding tax of 15% levied on fund payments made to foreign investors resident in countries that have concluded an exchange of information (EOI) agreement with Australia. Broadly, a fund payment represents the Australian-source net income (other than dividends, interest and royalties) of the trust.

An Investment Manager Regime (IMR) provides concessional taxation treatment in certain circumstances where foreign-managed funds invest in Australia using Australian resident fund managers. Various other incentives also are available (e.g. film tax incentives).

Withholding tax:

Dividends
Dividends paid by Australian-resident companies from profits already taxed at the corporate rate may carry franking credits for the tax paid. Dividends are referred to as "fully franked," "partially franked" or "unfranked," depending on the extent to which a company has chosen to use its franking credits. To the extent distributions to foreign residents are unfranked distributions, they are subject to withholding tax at the statutory rate of 30%, which may be reduced under a tax treaty.

Australia has conduit foreign income rules, under which certain foreign-source income derived by an Australian resident company can be distributed to foreign resident shareholders free of dividend withholding tax under Australian domestic law.

Interest
Interest paid by an Australian company to a foreign resident generally is subject to a 10% withholding tax. There are some exemptions, including for certain publicly offered debentures and limited nondebenture debt interests. An interest withholding tax exemption applies for interest paid to unrelated foreign financial institutions or government bodies under specific tax treaties.

Royalties
Royalties are subject to a withholding tax of 30%, unless the rate is reduced under a tax treaty.

Technical service fees
Australia does not levy withholding tax on payments of technical service fees that fall outside the definition of royalties.

Branch remittance tax
No

Other
Fund payments made to foreign residents by an MIT are subject to withholding at 15% when made to a foreign resident in a country that has an EOI agreement with Australia; otherwise, withholding is required at a rate of 30%.

Other taxes on corporations:

Capital duty
No

Payroll tax
Payroll tax is levied on employers by the states and territories, with the amount based on salaries, wages and benefits paid to employees.

Real property tax
See under "Stamp duty" for property transfers. Land tax also is levied by all but one of the states and territories on entities owning land within their borders. Rates of up to 3.7% apply, depending on the jurisdiction. In some states, a land tax surcharge may be applied to foreign or absentee owners.

Social security
Employers are required to contribute to a complying superannuation fund or retirement savings account on behalf of their employees, at a rate of 9.5% of the employee's "ordinary time earnings," up to a maximum earnings base of AUD 52,760 per quarter in 2017/18. Exemptions from the superannuation requirement apply in limited circumstances.

Stamp duty

The states and territories impose stamp duty at rates of up to 5.75% on the transfer of real property and some other business property. Rates vary depending on the state/territory and class of business property transferred. Stamp duty also is imposed on the indirect transfer of real property held by certain companies and unit trusts, at rates of up to 5.75%. In some states, extra stamp duty may be imposed by way of a surcharge (for foreign buyers of residential property) and premium duty rates (for high-value residential property).

Transfer tax

See under "Stamp duty."

Other

A petroleum resource rent tax is levied on profits generated from all onshore and offshore Australian petroleum projects, excluding the Joint Petroleum Development Area (as defined in the Timor Sea Treaty).

Employers are required to pay fringe benefits tax (FBT) on the value of fringe benefits (e.g. motor vehicles, low-interest loans and school fees) provided to their employees, at a rate of 47% (from 31 March 2017–31 March 2018) on the grossed-up value of each benefit. FBT is deductible for income tax purposes.

State legislation requires employers to insure employees against work-related injuries and compensate them for injury, disability or death arising from, or in the course of, employment.

Anti-avoidance rules:

Transfer pricing

The transfer pricing rules may apply to any international transaction. The rules do not necessarily require direct ownership between the two transacting parties (i.e. "any connection" between the parties is all that is required). The rules apply to international transactions/dealings between separate legal entities, as well as permanent establishments. Covered cross-border transactions include those involving tangible or intangible property, the provision of services and financing. The commonly accepted transfer pricing methods in Australia are the comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin methods, out of which the most appropriate and reliable method should be applied. The Australian Taxation Office (ATO) has powers to adjust the pricing of transactions that are considered not to be at arm's length. See also "Disclosure requirements" and "Rulings," below.

The government has enacted transfer pricing reforms into Australian law to ensure that the transfer pricing provisions in Australia's tax treaties can be applied as a separate assessment power. The transfer pricing rules are designed to be applied to situations where a party obtains a transfer pricing benefit, and require the substitution of arm's length conditions for actual conditions.

Thin capitalization

Interest deductions claimed against Australian assessable income for both foreign controlled Australian investments (inward investors) and Australian entities investing overseas (outward investors) are restricted where an entity's debt exceeds a certain prescribed level. The maximum allowable debt for inward and outward investors generally is determined by applying one of the following tests:

- The safe harbor test, under which the prescribed debt-to-equity ratio is, broadly, 60% of total assets less nondebt liabilities and certain related party investments/receivables, as disclosed in the accounts. A separate test applies for financial institutions;
- The arm's length debt test, under which the prescribed level of debt is the maximum amount of debt the entity reasonably could have borrowed from commercial lending institutions; or
- Separate worldwide gearing tests that are available to inward and outward investors.

The rules apply to total debt, rather than just related-party foreign debt, and cover Australian multinational companies, as well as foreign multinational investors. Taxpayers that, together with their associates, have interest deductions of less than AUD 2 million per annum or outward investing entities with 90% or more of their total average value of assets consisting of Australian assets are exempt from the rules.

Controlled foreign companies

Qualifying Australian shareholders are subject to taxation on an accruals basis on their proportionate share of a CFC's "attributable income." For a foreign company to be a CFC, either: (1) five or fewer Australian residents must hold 50% or more of the company; (2) (subject to additional considerations) a single Australian entity must hold no less than 40% of the company; or (3) five or fewer Australian entities (including associates) effectively must control the company. Where the CFC rules apply, the Australian shareholder includes in its assessable income its share of the attributable income at the end of the CFC's statutory accounting period. Dividends subsequently paid out of attributable profits are treated as nonassessable nonexempt income.

Disclosure requirements

All taxpayers in Australia must maintain adequate records to document their tax affairs, including transfer pricing. While there is no requirement to submit documentation

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by a certain date, contemporaneous tax and transfer pricing documentation is a prerequisite to having a reasonably arguable position for penalty mitigation purposes.

Australian taxpayers are required in certain circumstances to file an International Dealings Schedule (IDS) with their annual income tax return. The IDS requests various details in respect of a taxpayer's cross-border related party dealings, including specific disclosures in relation to areas that the ATO considers high risk (i.e. certain types of transactions and dealings with related parties in favorable tax jurisdictions). The IDS also requires disclosure of information related to the application of the CFC and thin capitalization rules (see above).

In addition, for income years commencing on or after 1 January 2016, significant global entities (SGEs) (i.e. companies that are members of groups with annual global income of at least AUD 1 billion) must provide additional information to the ATO as part of Australia's country-by-country (CbC) transfer pricing reporting requirements. Three annual statements (a CbC report, a master file and a local file) must be filed with the ATO in the approved form within 12 months of the end of the income year; however, an exemption may be granted in certain circumstances.

For financial periods beginning on or after 1 July 2017, the ATO expects economic groups with turnover in excess of AUD 250 million to file a Reportable Tax Position (RTP) Schedule with their tax returns. The RTP Schedule requires taxpayers to disclose their contestable and material tax positions.

A Voluntary Tax Transparency Code encourages the disclosure of more tax and accounting information from businesses with at least AUD 100 million of turnover.

An SGE also is required to file general purpose financial statements with the ATO in certain circumstances.

Other

Australia operates a general anti-avoidance rule (GAAR) that supplements other specific anti-avoidance rules. The GAAR is a provision of last resort and can be applied by the taxing authority where there is a scheme, the sole or dominant purpose of which is to obtain a tax benefit.

The Multinational Anti-Avoidance Law (MAAL) targets the avoidance of permanent establishment status in Australia by foreign entities. Broadly, the MAAL will apply to SGEs where a foreign entity supplies goods or services to Australian customers, an Australian affiliate performs activities in Australia directly in connection with those supplies and there is a relevant "principal purpose" to obtain a tax advantage.

As from 1 July 2017, a 40% diverted profits tax (DPT) applies to SGEs, on profits transferred offshore through related party transactions (the "diverted profit"). All Australian cross-border related-party transactions where the relevant income is subject to foreign tax at a rate less than 24% potentially are within the scope of the DPT.

Broadly, the DPT can apply in certain circumstances if a tax benefit is obtained in connection with a scheme and it can be concluded that the scheme, or any part of it, was entered into for the principal purpose of enabling a tax benefit to be obtained. There are limited carve-outs for nonapplication of the DPT.

Compliance for corporations:

Tax year

The tax year is 1 July to 30 June, although a substituted year of income may be adopted in certain circumstances, with approval from the ATO.

Consolidated returns

A tax consolidation regime allows wholly owned Australian groups to elect to be taxed as a single consolidated entity for income tax purposes ("tax consolidated group"). The regime focuses on the tax consolidated group as the tax entity and disregards intragroup transactions for income tax purposes. The law reduces impediments to group restructuring, allows for pooling of losses within the group and allows tax-free movement of assets within the group without any formal rollover requirements. There also are rules allowing certain Australian-resident wholly owned subsidiaries of a foreign company to form a consolidated group known as a multiple entry consolidated (MEC) group.

The election to form a tax consolidated group or a MEC group is optional. However, once made, the election is irrevocable.

Filing requirements

Tax returns generally must be filed on an annual basis based on taxable income for a year of income. The due date for filing the annual return for companies with 30 June year-ends is 15 January for large/medium-size companies (annual turnover exceeding AUD 10 million) and 28 February for all others, following the end of the year of income.

Extensions to file the tax return may be granted in certain cases.

Penalties

Penalties and interest may be imposed for late filing, failure to file, failure to exercise due care and tax avoidance and evasion.

Rulings

The ATO can issue public and private rulings. Rulings generally are binding on the ATO where they apply to a taxpayer and the taxpayer relies on the ruling by acting in accordance with it. Public rulings may apply to all entities or a class of entities, either generally or in relation to a particular arrangement. The ATO will issue a private ruling on the tax consequences of a specific scheme at a taxpayer's request. However, only the taxpayer requesting the private ruling can rely on it. The ATO also operates an advance pricing arrangement program, under which taxpayers can obtain certainty on the application of the arm's length principle to their cross-border dealings with related parties.

Personal taxation:

Basis

Resident taxpayers generally are taxed on worldwide income, with a tax offset for foreign tax paid on foreign income, up to the amount of Australian tax payable on that income. Foreign residents are taxable only on Australian-source income. Residents who qualify as "temporary Australian residents" are taxable on their worldwide employment income, and on Australian-source investment income and capital gains from "taxable Australian property."

Residence

For tax purposes, an individual is a resident if he/she ordinarily "resides" in Australia or satisfies one of the following statutory tests: (1) is domiciled in Australia (unless the Commissioner of Taxation is satisfied that the individual's permanent home is elsewhere); (2) has spent more than half the tax year in Australia (unless the Commissioner of Taxation is satisfied that the individual's home is elsewhere and he/she does not intend to take up residence in Australia); or (3) is a contributing member (or the spouse or child younger than 16 years of such a member) to the superannuation fund for officers of the Commonwealth Government. A "temporary resident" for tax purposes is an individual who meets all of the following criteria: (1) holds a temporary visa granted under the Migration Act 1958; (2) is not an Australian resident within the meaning of the Social Security Act 1991; and (3) does not have a spouse who is an Australian resident within the meaning of the Social Security Act 1991.

Filing status

Each taxpayer must file a separate return; joint returns are not permitted.

Taxable income

Taxable income for personal income tax purposes includes income from employment, business income, certain capital gains and passive income such as dividends, interest and rental income.

Capital gains

Net capital gains derived from the disposal of assets acquired after 19 September 1985 are included in assessable income. For assets held for more than one year, individuals are taxed on half of the capital gain ("capital gains tax discount") at their marginal rate. Nonresidents and temporary residents are ineligible for the capital gains tax discount in respect of gains arising after 8 May 2012. For assets acquired before 21 September 1999, individuals may choose between applying the discount and the former system under which they are taxed at their marginal rate on the entire gain, indexed for inflation. Indexation of the cost base of existing assets was frozen at 30 September 1999.

Capital gains tax applicable to nonresidents and temporary residents is now limited to "taxable Australian property" disposed of by foreign investors. A creditable withholding tax may apply where certain assets (such as Australian real estate) are sold by foreign residents.

Deductions and allowances

Business expenses may be taken as tax deductions if they are necessarily incurred in gaining or producing assessable income. Charitable donations to Australian-registered charities may be tax deductible. Expenses of a capital, private or domestic nature generally are not tax deductible. Tax residents of Australia are allowed some tax offsets, including offsets for dependents. Many government offsets are available only to Australian citizens or permanent residents.

Rates

Progressive rates up to 47% apply (including a Medicare levy of 2%, see under "Social security," below). A tax-free threshold of AUD 18,200 applies for full-year resident taxpayers (a reduced threshold applies to part-year residents).

Other taxes on individuals:

Capital duty

No

Stamp duty

The states and territories impose stamp duty at rates of up to 5.75% on the transfer of real property and some other business property. Rates vary between states and territories and between classes of business property transferred. In some states, extra stamp duty also may be imposed by way of a surcharge (for foreign buyers of residential property) and premium duty rates (for high-value residential property).

Capital acquisitions tax

No

Real property tax

See under "Stamp duty" for property transfers. Land tax also is levied by all but one of the states and territories on entities owning land within their borders. Rates of up to 3.7% apply, depending on the jurisdiction. In some states, a land tax surcharge may be applied to foreign or absentee owners.

Inheritance/estate tax

No

Net wealth/net worth tax

No

Social security

Employers are required to contribute to a complying superannuation fund or retirement savings account on behalf of

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their employees, at a rate of 9.5% of the employee's "ordinary time earnings," up to a maximum earnings base of AUD 52,760 per quarter in 2017/18. Exemptions from the superannuation requirement apply in limited circumstances.

In addition to income tax, a 2% levy is payable on the taxable income of most Australian residents to fund Medicare, a universal health program that provides basic medical and hospital care free of charge, and DisabilityCare. Relief is available to low-income taxpayers. Certain individuals on temporary visas are ineligible for Medicare benefits and can apply to the Minister of Health for a certificate of exemption.

A temporary budget repair levy of 2% also applied from 2015 to 2017 to taxable income exceeding AUD 180,000 in 2016/17 (the temporary budget repair levy ceased to apply as from 1 July 2017).

A further Medicare levy surcharge (up to 1.5%) may be imposed on taxpayers whose taxable income exceeds a certain threshold only if they do not hold appropriate private hospital insurance.

Compliance for individuals:

Tax year
The tax year is 1 July to 30 June.

Filing and payment
Resident taxpayers whose taxable income exceeds AUD 18,200 (or who have had Australian taxes withheld from lower salary amounts) are required to file an income tax return. Foreign residents must file an income tax return if they derive Australian-source income or gains. The return must be filed by 31 October for the income year ending on 30 June of the same calendar year (unless the individual is on a tax agent filing program and is eligible for an extended filing deadline).

Penalties
Penalties and interest may be imposed for late filing, failure to file, failure to exercise due care and tax avoidance or evasion.

Goods and services tax:

Taxable transactions
The Goods and Services Tax (GST) is a transaction-based, value-added tax on the inputs and outputs of an organization's business activities. GST is charged at each step in the supply chain, with GST-registered entities including GST in the price of "taxable" goods and services they supply. There are other types of supplies where GST is not included in the price; these include "input taxed" supplies, such as financial supplies, and "GST-free" supplies, such as the sale of going concerns and exports of goods and services. Generally, entities that are registered for GST purposes can claim a credit for the GST paid on the inputs acquired for use in their enterprise. However, entities making input taxed supplies generally are unable to claim such credits, unless one of several concession measures applies.

Rates
10%

Registration
An entity that carries on an enterprise must register for GST if its annual turnover is at or above the registration turnover threshold. The current threshold is AUD 150,000 per year for not-for-profit entities, and AUD 75,000 per year for all other entities. However, an entity that carries on an enterprise may choose to register even if its turnover is below the registration turnover threshold. A nonresident entity carrying on an enterprise whose turnover is below the turnover threshold can choose to register for GST to recover the GST it pays on its inputs.

Filing and payment
Each GST-registered entity must account for its GST obligations on a Business Activity Statement (BAS) at the end of each tax period. Entities with an annual turnover of AUD 20 million or more must file a monthly BAS. In general, entities with an annual turnover below AUD 20 million can choose to file a monthly or a quarterly BAS.

Small businesses voluntarily registered for GST are allowed to report and pay GST annually rather than quarterly, to help reduce compliance costs.

Source of tax law: Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997, as amended; Foreign Acquisitions and Takeovers Act 1975, as amended; A New Tax System (Goods and Services Tax) Act 1999, as amended; payroll tax acts, stamp duty acts, and land tax acts of the six states and two territories

Tax treaties: Australia has concluded nearly 50 tax treaties. Australia signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Australian Taxation Office, States and Territories Revenue Offices, Foreign Investment Review Board (FIRB assists the Australian Treasurer in regulating foreign investment into Australia, including intragroup transactions, and a transaction requiring FIRB approval can be unwound if such approval is not obtained)

Brazil

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Investment basics

Currency
Brazilian Real (BRL)

Foreign exchange control
Companies generally do not need prior authorization for a foreign exchange transaction, although a record of the transaction must be filed electronically with the central bank.

Accounting principles/financial statements
Publicly traded companies and nonpublic companies with assets exceeding BRL 240 million or gross revenue exceeding BRL 300 million must have external auditors. Only publicly traded companies must publish annual account reports in Brazilian GAAP. IFRS is required as from calendar year 2010. Annual reports, balance sheets, income statements and minutes of annual meetings must be published in the official gazette and another well-known newspaper. A closed corporation also must publish its financial statements if shareholder equity is equal to or exceeds BRL 2 million.

Principal business entities
These are the limited liability company (LTDA) and joint stock company (SA). Branches are uncommon, since they may operate in Brazil only through a specific ministerial decree.

Corporate taxation:

Residence

A corporation is resident in Brazil if it is incorporated in Brazil.

Basis

Resident companies are taxed on worldwide income. A foreign company is subject to Brazilian taxation only if it carries out certain sales activities in Brazil through an agent or representative that is domiciled in the country and that has the power to legally bind the foreign seller, or through a domestic branch of the foreign seller. A representative acting as an agent will not give rise to a taxable presence in Brazil if the final transaction is concluded abroad by the nonresident company.

Taxable income

The basic income tax applies to operating profits derived by a company in Brazil. Operating profits are defined as gross operating receipts, less the cost of goods sold or services rendered; commercial, administrative and operating expenses; and other charges, reserves and losses authorized by law.

Brazilian companies may opt annually to be taxed on actual or presumed income. The "*lucro real*" method is based on actual annual or quarterly taxable income. The "*lucro presumido*" method, which is available if certain requirements are satisfied, is based on a quarterly estimated or deemed taxable income.

Qualifying small enterprises with annual gross income not exceeding BRL 4.8 million may elect to be taxed under a simplified regime (for purposes of corporate income tax, federal excise tax (IPI), federal social contributions on gross income (PIS and COFINS), state VAT on sales and services (ICMS), tax on services (ISS) and social security contributions).

Taxation of dividends

Dividends received from other Brazilian companies and income derived from premiums received on the issuance of new shares are not included in taxable income.

Capital gains

Capital gains are treated the same way as ordinary income (subject to restrictions on the offsetting of capital losses against ordinary profits in certain cases).

Capital gains derived by a nonresident on an investment registered with the central bank are subject to progressive rates ranging from 15% to 22.5%. (A 25% rate applies if the gains are derived by a resident of a tax haven.)

Foreign investors in the financial market may be subject to different rates.

Losses

Losses must be segregated as "operating" or "nonoperating." Nonoperating losses may be set off only against nonoperating gains. Tax losses incurred in one fiscal year may be carried forward indefinitely, but the amount of the carryforward that can be utilized is limited to 30% of taxable income in each carryforward year. The carryback of losses is not permitted.

Rate

Corporate income tax (IRPJ) is levied on the taxable profits of an entity at a rate of 15%. However, as noted below, taking into account the surtax and the social contribution on net profits, the combined nominal rate is 34%.

Surtax

In addition to the statutory corporate income tax rate of 15%, a surtax of 10% on income in excess of BRL 240,000 per year is imposed on legal entities, and a 9% social contribution tax (CSLL) is levied on adjusted net income. For financial institutions, the CSLL rate is 20%.

Alternative minimum tax

No

Foreign tax credit

A foreign tax credit for qualifying foreign taxes paid is available to offset the IRPJ and CSLL imposed on foreign-source income. Further limitations on the credit include a per-company limitation for foreign subsidiaries (some consolidation of branches and of lower-tier subsidiaries is allowed) and a per-country limitation for foreign branches.

Participation exemption

Dividends received from other Brazilian companies are not included in taxable income.

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Holding company regime
No

Incentives
R&D projects and information technology qualify for some direct assistance and tax relief. An exclusion is allowed from the corporate income tax base of 60% to 100% of R&D project expenses. The IPI on the acquisition of assets is reduced and accelerated depreciation is allowed for R&D assets. Subsidized financing is available to purchase capital goods, invest in infrastructure projects and build ships. Export sectors qualify for duty drawback on imports and for special financing through an export-promotion program. Exporters of manufactured goods are entitled to a tax refund of a percentage of the value of their export revenue, depending on the type of goods exported.

There also are regional incentives for federal and state taxes, granted by the Brazilian government.

Withholding tax:

Dividends
No withholding tax is imposed on dividend distributions to a nonresident that are paid from profits earned as from 1 January 1996. As from calendar year 2015, dividends are determined based on IFRS.

Interest
Interest paid to a nonresident generally is subject to a 15% withholding tax unless the rate is reduced under a tax treaty. The rate is 25% if the recipient is resident in a tax haven.

Royalties
The general withholding tax rate on royalty payments is 15%, unless the rate is reduced under a tax treaty. The rate is 25% if the recipient is resident in a tax haven.

Technical service fees
The general withholding tax rate on technical service and technical assistance fees, administrative assistance and similar payments to nonresidents is 15%, unless the rate is reduced or eliminated under a tax treaty. The rate is 25% if the recipient is resident in a tax haven.

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No

Payroll tax
See "Social security," below.

Real property tax
The real property tax is collected by the municipality where property is located and is calculated on a deemed "sales price" of the property. The tax rate varies by municipality, but may be estimated in the range of 0.3% to 1.5%.

Rural property tax is an annual federal tax assessed on the ownership of rural property at rates ranging from 0.03% to 20%, depending on the region and the utilization of the property. Real estate transfer taxes also apply (see "Transfer tax" below).

Social security
Employers are required to contribute 8% of wages to each employee's deferred salary account for the severance fund, as well as 20% of an employee's wages to the public pension system (National Institute for Social Security or INSS), and a maximum of 8.8% for other social security taxes. In some business sectors, the 20% INSS contribution has been replaced by a contribution levied on gross revenue.

Stamp duty
No

Transfer tax
A real estate transfer tax is due upon the transfer of title to real property (land, buildings). The tax rate is progressive from 2% to 6%, calculated, roughly, on the sales price. The buyer is responsible for payment of the tax.

Other
Although not corporate income taxes, the PIS/PASEP (social integration program) and COFINS (tax for social security financing) are federal taxes imposed on gross revenue at rates of 0.65% (PIS) and 3% (COFINS), where a Brazilian entity pays corporate income tax under the deemed taxable income regime.

Where a Brazilian entity pays corporate income tax based on actual income, the PIS and COFINS rates are 1.65% and 7.6%, respectively. In the latter case, the Brazilian entity may use input PIS and COFINS credits to offset its PIS and COFINS liabilities. Export companies are exempt, as long as funds actually entered the country. The importation of goods and services generally is subject to PIS and COFINS at a combined rate of 11.75% and 9.25%, respectively. The tax on services (ISS) is a municipal tax imposed on the supply of services, other than services subject to ICMS.

A financial transactions tax (IOF) is imposed on foreign exchange, credit and security transactions.

The Contribution for the Intervention in the Economic Domain (CIDE) is imposed at a rate of 10% on the importation of technical services and royalties.

BR

Anti-avoidance rules:

Transfer pricing
Brazil's transfer pricing rules apply only to cross-border transactions between related parties and transactions with entities located in tax haven jurisdictions. The rules deviate substantially from the OECD transfer pricing guidelines; they do not adopt the arm's length principle, but use fixed margins to calculate the transfer price. The rules also provide that interest derived from a cross-border loan is subject to certain limits, regardless of whether the loan agreement is registered with the Brazilian central bank. The limits vary depending on the type of currency adopted, type of interest (fixed or variable), etc., and take into account market rates and a spread to be determined by the Minister of Finance.

For inbound financial transactions, where the Brazilian taxpayer is paying interest to a foreign related party, the annual spread is limited to a maximum rate of 3.5%. For outbound financial transactions, where the Brazilian taxpayer is receiving interest from a foreign related party, the annual spread has a minimum rate of 2.5%.

Thin capitalization
Under the thin capitalization rules, interest paid to related parties that are not located in a tax haven jurisdiction and that do not benefit from a preferential tax regime may be deducted on an accruals basis for corporate income tax purposes only if (i) the expenses are necessary for the company's activities, and (ii) both of the following thresholds are met: (a) the related party debt-to-equity ratio does not exceed 2:1, calculated based on the proportion of related party debt to direct equity investment made by related parties; and (b) the overall debt-to-equity ratio does not exceed 2:1, calculated based on the proportion of total debt to total direct equity investment made by related parties.

Interest paid to an entity or individual located in a tax haven or that benefits from a preferential tax regime (regardless of whether the parties are related) may be deducted only if the expenses (i) are necessary for the company's activities, and (ii) both of the following thresholds are met: (a) the amount of the Brazilian entity's indebtedness to the tax haven/preferential tax regime resident does not exceed 30% of the net equity of the Brazilian entity; and (b) the Brazilian entity's total indebtedness to all entities located in a tax haven jurisdiction or benefiting from a preferential tax regime does not exceed 30% of the net equity of the Brazilian entity.

Excess interest is treated as a nondeductible expense for IRPJ and CSLL purposes. The transfer pricing rules affecting cross-border loans remain in effect, as do the general requirements for deductibility.

Controlled foreign companies
Profits earned by CFCs and certain foreign affiliates (noncontrolled subsidiaries) of Brazilian entities are included in the base for calculating the IRPJ and CSLL liability of the Brazilian controlling or parent company.

Provided certain requirements are met, Brazilian taxpayers have the option to make an irrevocable election (on a calendar-year basis) to consolidate the profits and losses of CFCs until 2022 and to carry forward losses incurred by CFCs for five years. Until calendar year 2022, a Brazilian controlling entity in certain business sectors may utilize a 9% presumed credit to offset the income tax related to CFC profits included in its taxable income.

Disclosure requirements
Related party transactions and CFC information must be disclosed in the annual income tax return. Country-by-country reporting standards were introduced as from fiscal year 2016.

Other
General anti-avoidance rules apply. Under the rules, any amount paid, credited, delivered, used or remitted directly or indirectly to an entity or individual incorporated or resident in a tax haven jurisdiction or benefiting from a preferential tax regime may be deducted only if the taxpayer can identify the beneficial "recipient" of the proceeds; provide proof that the entity or individual has the operational capacity to carry out the transaction for which the payment is made; and submit documentation showing the purchase price paid and the receipt of the goods, rights or the use of services. (See above under "Transfer pricing" and "Thin capitalization" for additional rules specific to interest payments.)

Compliance for corporations:

Tax year
Calendar year

Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

Filing requirements
Every business entity in Brazil (including corporations, partnerships, branches and agencies of companies domiciled abroad) must file an annual income tax return for the previous calendar year by the last working day of July. Corporate taxes (IRPJ and CSLL) usually are due on annual adjusted profit, with monthly advance payments; excess tax paid is available to offset future taxes.

BR

Penalties
Late payment of IRPJ and CSLL is subject to penalties and interest.

Rulings
While there is no advance tax ruling system, Brazil allows formal consultations on the application of tax laws to the taxpayer's specific facts. The resulting decisions are binding on all taxpayers, with the possibility of an appeal depending on the existence of inconsistent separate decisions, in which case an affected taxpayer may request a final statement that binds all taxpayers that have received decisions on the same facts/law.

Personal taxation:

Basis
Resident individuals are taxed on their worldwide income. Nonresidents are taxed only on income from Brazilian sources.

Residence
In addition to citizens, the following individuals are considered tax residents: naturalized foreigners; foreigners who hold a permanent visa (which was available for new applicants up to 21 November 2017) or a temporary visa with a local employment contract from the date of arrival; and foreigners who hold a temporary visa, but no local employment contract, after completing 183 days of residence in Brazil within any 12-month period. New visa guidelines may affect aspects of tax residence in 2018.

Filing status
There is an option for married individuals to file a joint tax return for the household.

Taxable income
Taxable income includes wages, salaries, bonuses, consulting fees and commissions, premiums, directors' fees and dividends and interest from foreign sources. It also includes most allowances connected with employment. The formal profit sharing paid by a Brazilian employer to employees is exempt only for INSS and severance fund purposes. Dividends received from local sources are tax exempt.

Capital gains
Capital gains are subject to progressive rates ranging from 15% to 22.5%.

Deductions and allowances
Instead of itemizing deductions, taxpayers may elect the standard annual deduction of 20% of taxable income, up to a maximum of BRL 16,754.

Deductions and allowances may include (subject to additional restrictions): social security taxes paid by the employee; contributions to private Brazilian pension plans (up to 12% of gross income); alimony or pension payments under a court order; expenses incurred by self-employed individuals to produce business income or to maintain the source of such income; a standard deduction per dependent up to BRL 2,275; educational expenses, up to an annual limit of BRL 3,561; unreimbursed payments for health insurance plans and medical, dental, psychotherapy and physical therapy expenses; and documented contributions to approved Brazilian cultural, artistic and audio-visual activities and donations to Brazilian Child and Youth Counsels, up to 6% of tax due or 3% if the donation is at the time the tax return is filed.

Rates
No tax is levied on annual income up to BRL 22,848. Tax is levied as follows: (1) 7.5% for income between BRL 22,849 and BRL 33,920; (2) 15% for income between BRL 33,921 and BRL 45,012; (3) 22.5% for income between BRL 45,013 and BRL 55,976; and (4) 27.5% for income exceeding BRL 55,977.

Nonresidents of a nontreaty country are taxed at a flat rate of 25% (on earned income) or 15% (on other income, except dividends paid from a Brazilian entity, which are tax-exempt).

Other taxes on individuals:

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
See "Real property tax" and "Transfer tax" under "Other taxes on corporations."

Inheritance/estate tax
States are authorized to tax inheritances at rates of up to 8%.

Net wealth/net worth tax
No

Social security
Employees contribute 8% to 11% to social security, depending on their salary categories.

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Compliance for individuals:

Tax year
Calendar year

Filing and payment
Tax is paid on a monthly basis, either through withholding from salary or by advance payment for the self-employed.

Monthly advance payments also are required for income received outside of Brazil by Brazilian tax residents. All residents who are subject to income tax must file a final annual tax return by the last business day of April of the following year. The return must include a statement indicating all their property and rights (domestic or foreign).

In addition to filing an income tax return, a resident individual that owns more than USD 100,000 in assets abroad must report these assets to the Brazilian central bank by 5 April of each year.

Penalties
Late filing of the income tax return will result in a penalty of 1% per month on the tax due, up to 20%. A minimum penalty of BRL 166 applies if no tax was due. A maximum penalty of BRL 250,000 applies for the late or incorrect filing of the Brazilian central bank return.

Value added tax:

Taxable transactions
Brazil operates a multiple rate system, with tax levied at the federal, state and municipal levels. IPI is a federal excise tax levied on the manufacture of goods and the import of goods into Brazil. Exports are exempt. ICMS is a state VAT levied on the circulation and import of goods and the provision of interstate and intermunicipal transportation and communications services.

Rates
The IPI rates depend on the type of product, at an average rate of 20%. The ICMS is levied at rates ranging from 4% to 25%.

Registration
IPI and ICMS calculations must be kept in proper fiscal books.

Filing and payment
IPI and ICMS are paid monthly. ICMS filing is on a monthly basis.

Source of tax law: 1988 Federal Constitution, National Tax Code of 1966 and the Federal Income Tax Code

Tax treaties: Brazil has concluded 33 tax treaties that currently are effective.

Tax authorities: Brazilian Revenue Service

China

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Investment basics

Currency
Renminbi (RMB) or Yuan (CNY)

Foreign exchange control
The government maintains strict exchange controls, although the general trend has been toward a gradual liberalization of China's foreign exchange markets and specific controls over companies and individuals.

Accounting principles/financial statements
Accounting standards similar to IFRS are mandatory for publicly held companies listed in China and certain other companies (e.g. banks), and have been widely applied to large and medium-sized enterprises established in China.

Principal business entities
China maintains a matrix of laws and regulations that includes pure domestic enterprises, wholly foreign-owned enterprises, equity joint ventures, cooperative joint ventures, holding companies, domestic partnerships, foreign-invested partnerships, trusts, branches and representative offices. Branches of foreign companies are permitted for certain industries (e.g. banks and insurance companies). An enterprise that is set up as a company may be established as a joint stock company or a limited liability company.

Corporate taxation:

Residence
An enterprise is resident in China if it is established in China or if its place of effective management is in China. Effective management is defined as substantial and overall management and control over manufacturing and business operations, human resources, financial and property aspects of the entity. A foreign company also will be subject to tax in China if it has an "establishment" in China or, if it does not have an establishment in China, if it derives income from China. The definition of an establishment is broad and does not include an exemption for an independent agent. If a foreign company has an establishment in China, it will be subject to China tax on all income effectively connected with that establishment.

Basis
Residents are taxed on worldwide income, while nonresidents are taxed on China-source income and income effectively connected with their establishments (if any) in China.

Taxable income
Taxable income is the amount remaining from gross income in a tax year after deducting allowable expenses and losses, nontaxable and tax-exempt items and any prior-year loss carryforwards. All documented costs incurred in connection with operating activities on a reasonable and actual basis are allowable, except those specifically identified as nondeductible.

Taxation of dividends
An exemption applies for dividends paid by a resident enterprise to another resident enterprise (with certain limits). Dividends received from a foreign entity are included in taxable income and generally are subject to income tax at a rate of 25%, with a tax credit granted for foreign tax paid.

Capital gains
Gains and losses from the transfer of assets generally are combined with other operating income and taxed at the applicable enterprise income tax rate.

Losses
Losses may be carried forward for five years. The carryback of losses generally is not permitted.

Rate
The standard enterprise income tax rate is 25%. Special rates mainly apply to small-scale enterprises (20%, or 10% if certain requirements are met), enterprises with new/high-technology status (15%), advanced technology service enterprises that perform qualifying outsourcing services (15%) and enterprises incorporated in certain regions of China and engaged in encouraged business activities (15%). Special rates are available for certain other encouraged business.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against Chinese tax on the same profits, but the credit is limited to the amount of China tax payable on the foreign income. If the foreign tax credit exceeds the limit, the excess may be carried forward for five years. An indirect tax credit also is allowed when dividends are distributed to a resident enterprise that holds directly or indirectly at least 20% of the foreign entity (within five tiers) deriving the underlying profits.

Participation exemption
No

Holding company regime
No

Incentives
The principal incentives include a 15% preferential tax rate applicable to new/high-technology enterprises and advanced technology service enterprises, and a 50% or 75% super deduction for qualifying R&D expenditure. There is a geographically based incentive focused on new/high-technology enterprises established as from 2008.

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The incentive (in addition to the 15% rate that applies to all new/high-technology enterprises) is a two-year tax holiday, followed by three years at a 12.5% rate. Encouraged industries in certain regions (e.g. western China, Hengqin (Guangdong), Pingtan (Fujian) and Qianhai (Shenzhen)) can enjoy a reduced 15% enterprise income tax rate until 31 December 2020. Tax exemptions and other forms of preferential treatment apply to the agriculture, forestry, animal husbandry and fishery sectors, software and integrated circuit industries, major infrastructure projects, certain environmental projects and certain transfers of technology.

Withholding tax:

Dividends
A 10% withholding tax, which is lowered from a 20% statutory rate, is imposed on dividends paid to a nonresident company unless the rate is reduced under a tax treaty. As a measure to further promote foreign investment in China, the government has issued rules to provide a deferral of withholding tax on dividends and profits distributed to foreign investors and reinvested into encouraged investment projects in China, with retroactive effect from 1 January 2017.

Interest
A 10% withholding tax, which is lowered from a 20% statutory rate, applies to interest paid to a nonresident unless the rate is reduced under a tax treaty. A 6% VAT also is imposed.

Royalties
A 10% withholding tax, which is lowered from a 20% statutory rate, applies to royalties paid to a nonresident unless the rate is reduced under a tax treaty. A 6% VAT generally is applicable, but may be waived when royalties are paid for the transfer of qualified technology.

Technical service fees
Technical service fees paid to a nonresident are subject to the statutory enterprise income tax rate (i.e. 25%) on a net-profit basis to the extent the services are rendered in China, unless the tax is reduced under a tax treaty. A minimum 15% deemed profit rate is used where documents substantiating costs and expenses are unavailable. A 6% VAT generally will be levied, regardless of where the services are rendered.

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No

Payroll tax
No

Real property tax
Real estate tax, levied on land and buildings, is paid by the owner of real estate at 1.2% per year on the original cost, less a variable allowance depending on the location, or at 12% per annum on rental income. An urban land usage tax is imposed on the land area occupied, at rates ranging from RMB 0.6 to RMB 30 per square meter. Other minor local levies may apply.

Social security
The employer is required to contribute approximately 20% of basic payroll to the state-administered retirement scheme, as well as to medical insurance, maternity insurance, unemployment insurance and work-related injury insurance funds. The total employer contribution can be up to 40% of the employee's base monthly salary, although the rates can vary across the country. The employee is required to contribute a certain percentage of his/her monthly salary to the above funds. There generally are limits on the total contribution payable if the employee's salary reaches a threshold set by the local authorities.

Foreign individuals legally working in China (including both those locally hired and those seconded from abroad to work) generally are required to participate in the social security scheme, unless an exemption applies under a bilateral social security totalization agreement. Both the employer and the employee must contribute into these schemes.

Stamp duty
Stamp duty at varying rates applies to contracts, agreements and certain legal documents.

Transfer tax
No

Other
Deed tax is imposed at rates between 3% and 5% on the total value of land use rights or building ownership rights when transferred. Land appreciation tax is imposed on gains realized on the transfer of real estate. The gain is calculated based on sales proceeds, less certain deductions, and the tax is charged in four bands ranging from 30% to 60%.

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As from 2018, environment protection tax will be collected on taxable pollutants (atmospheric pollutants, water pollutants, solid waste and noise), based on the "pollution emission equivalent amount."

Anti-avoidance rules:

Transfer pricing

China has transfer pricing rules and has adopted a broad definition of associated enterprises, with a strong emphasis on control. A related party can include an entity with significant control over the taxpayer's senior management, purchases, sales, production and the intangibles and technologies required for the business. Accepted transfer pricing methodologies are the comparable uncontrolled price, resale price, cost plus, transactional net margin, profit split and other methods that comply with the arm's length principle. Contemporaneous documentation is required (with certain exemptions) and cost sharing agreements may be used for developing intangible property or for shared services arrangements. A resident taxpayer that is the ultimate parent of a multinational group with annual consolidated revenue exceeding a threshold amount or that is appointed as the filing entity of a multinational group is required to file a country-by-country report. Advance pricing agreements are available.

Thin capitalization

Excessive interest expense from related party financing is nondeductible for tax purposes. In general, if an entity's debt-to-equity ratio exceeds 2:1 (5:1 for financial institutions), the excess portion of interest expense will be nondeductible, unless contemporaneous documentation demonstrates the arm's length nature of the expense.

Controlled foreign companies

Resident companies must include in taxable income their relevant share of the undistributed profits of a CFC in certain cases. This rule applies to CFCs incorporated in low-tax countries where their effective tax rates are lower than 12.5%. The inclusion in income is not required in certain situations (e.g. where the undistributed profits of a CFC are lower than a threshold amount).

Disclosure requirements

Resident taxpayers are required to disclose related party transactions in the annual tax return. There are other disclosure requirements for contracting or services provided by nonresident companies, certain foreign investments, etc.

Other

A general anti-avoidance rule requires a bona fide business purpose for any business arrangement that has the effect of reducing, deferring or avoiding taxable revenue or taxable income. In the absence of such a purpose, the tax authorities have the power to make adjustments going back 10 years.

Compliance for corporations:

Tax year

Calendar year

Consolidated returns

The filing of consolidated returns generally is not permitted; each company must file a separate return.

Filing requirements

Enterprises must file a provisional income tax return with the local tax authorities within 15 days of the end of each quarter, and pay quarterly installments of tax, generally based on the profits for the quarter. An annual tax return and final settlement of the tax liability must be made within five months of the end of the tax year.

Penalties

A late payment surcharge will be imposed on a daily basis at a rate of 0.05% of the amount of underpaid tax. Penalties may be imposed in addition to the late payment surcharge. An interest-based penalty, calculated at the basic RMB lending rate plus 5%, applies in the case of transfer pricing, thin capitalization, CFC and general anti-avoidance tax adjustments.

Rulings

There generally is no advance ruling procedure, but the tax authorities can issue rulings in special cases. Taxpayers normally consult their local in-charge tax officials when issues arise. As noted above, advance pricing agreements may be concluded.

Personal taxation:

Basis

An individual "domiciled" in the Chinese mainland is subject to individual income tax on his/her worldwide income. A nondomiciled individual staying in China for less than one year is subject to personal tax only on China-source income. A nondomiciled individual staying in China for one full year, but less than five consecutive full tax years, is subject to individual income tax on China-source income, plus foreign income borne by Chinese entities or establishments. A nondomiciled individual staying in China for more than five consecutive full tax years is taxed on worldwide income as from the sixth year, for each full tax year spent in China.

Residence

There is no specific definition of a tax resident for personal tax purposes in the domestic law (see above under "Basis"). However, the test for domicile in China is whether an individual is usually or habitually residing in China due to his/her household, family or economic situation.

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Filing status
Each individual must file a separate return; joint filing is not permitted. Non-Chinese nationals may need to register with the competent Chinese tax authorities as soon as they become liable to individual income tax.

Taxable income
Taxable income comprises employment income; production and business income; income derived from the contracting for, or leasing operations of, enterprises or institutions; income from personal services; dividends; interest income (except interest from bank deposits); royalty income; income from leasing property; income from the assignment or transfer of property; contingency income; income from manuscripts; and other income specified as taxable by the finance department of the State Council.

Capital gains
Gains derived from the sale of property, net of relevant expenses and taxes, are subject to tax at a rate of 20%. Individuals generally are exempt from tax on gains from the sale of their sole private dwelling if they have occupied the residence for five years.

Deductions and allowances
Deductions and allowances are available, depending on the category of income. Individuals are entitled to a fixed monthly deduction of RMB 3,500 (foreign nationals are entitled to an additional fixed deduction of RMB 1,300) for wages and salaries received in China. Personal basic contributions also are deductible. These include payments to housing funds and certain medical insurance, pension and unemployment insurance payments.

Rates
Seven progressive tax rates, ranging between 3% and 45%, are levied on wages and salaries. Dividends, interest, royalties, income from leasing property, income from the transfer or assignment of property, income from manuscripts and contingency income are taxed at 20%. Interest on bank deposits is temporarily exempt from individual income tax (previously taxed at 5%). Income from production and business and income derived from contracting or leasing operations are taxed at progressive rates between 5% and 35%. Income from personal services is subject to progressive rates up to 40%.

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duty at varying rates applies to contracts, agreements and certain documents.

Capital acquisitions tax
No

Real property tax
An individual who rents out his/her property is subject to real estate tax, which is 12% of the rental income. The rate may be reduced to 4% for the leasing of residential property. However, the practice may vary across China, since the rates are determined by the local authorities.

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
Both the employer and the employee must contribute to a pension fund, medical insurance fund, maternity insurance, unemployment insurance and work-related injury insurance. The employee is required to contribute a certain percentage of his/her monthly salary to the above funds, up to certain limits set by the local authorities.

Foreign individuals legally working in China (including both those locally hired and those seconded from abroad to work) generally are required to participate in the social security scheme, unless an exemption applies under a bilateral social security totalization agreement. Both the employer and the employee must contribute into these schemes.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
Individual income tax on wages and salaries is calculated and levied on a monthly basis. Withholding agents and individuals who file returns personally must submit a tax return to the tax authorities and make the tax payment to the state treasury within 15 days after the end of the month in which the income was derived. Annual filing is required within three months of the end of the tax year for individuals with annual income exceeding RMB 120,000. Nondomiciled individuals who have resided in China for less than a full tax year may be exempt from the filing requirement. In most cases, an employer or a person who pays taxable income to a taxpayer is obliged to act as a withholding agent and is responsible

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for filing a tax return and remitting tax payments to the tax authorities on behalf of the individual. If there is no withholding agent, the individual must file his/her tax return and pay the tax assessed.

Penalties
A late payment surcharge will be imposed on a daily basis at a rate of 0.05% of the amount of underpaid tax. Penalties may be imposed in addition to the late payment surcharge.

Value added tax:

Taxable transactions
VAT applies on the supply of goods; the provision of processing, repair or replacement services; and the import of goods. The VAT reform program has been rolled out nationwide to cover all goods and services (including those that used to fall under the scope of the business tax that no longer is imposed after 1 May 2016).

Rates
The standard VAT rate is 17%, with a lower rate of 11% applying to certain foods, goods, books and utilities. A 3% rate applies under the small-scale taxpayer scheme. Lower rates apply to certain transactions involving used goods. Exports generally are zero-rated. The rates under the VAT reform program are as follows: 17% for the leasing of moveable and tangible goods; 11% for transportation services, construction services, postal services, basic telecommunication services, leasing of real estate and the sale of real estate and land use rights; and 6% for value-added telecommunication services, financial services, modern services and lifestyle services and the sale of intangible assets other than land use rights. A 5% rate may apply to certain transactions involving real estate (e.g. sales of real estate that was acquired by 30 April 2016). Certain specified cross-border taxable activities can be zero-rated.

Registration
A company is required to register with the local tax authorities at the time of incorporation to have its status recognized. If the taxpayer's status is approved, VAT taxpayers (other than small-scale VAT taxpayers) must register for VAT purposes with the tax authorities. A nonresident company is not required to register for VAT.

Filing and payment
VAT returns generally must be filed each calendar month and submitted before the 15th day of the following month. Taxpayers importing goods must pay tax within 15 days after the issuance of the tax payment certificate by Customs.

Other
Consumption tax applies to alcoholic beverages, luxury cosmetics, diesel fuel, fireworks, jewelry, motorcycles, motor vehicles, petrol, luxury watches, tobacco, golf equipment, yachts, etc., at rates ranging from 1% to 56% of the value of the goods. Once the taxpayer's tax status has been approved by the tax authorities, the vendor should register as a consumption tax payer. Returns generally must be filed each calendar month and submitted before the 15th day of the following month.

Source of tax law: Enterprise Income Tax Law; Individual Income Tax Law; Provisional Rules on Value Added Tax, etc.

Tax treaties: China has over 100 tax treaties. China signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Ministry of Finance, State Administration of Taxation

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Investment basics

Currency
Euro (EUR)

Foreign exchange control
No

Accounting principles/financial statements
French GAAP. Financial statements must be filed annually.

Principal business entities
These are the joint stock company (SA/SAS), limited liability company (SARL), commercial partnership (SNC) and branch of a foreign company.

Corporate taxation:

Residence
A company incorporated in France is deemed to be tax resident. A foreign company can be resident in France if it is managed and controlled in France.

Basis
France operates a territorial tax system. Residents and nonresidents are taxable in France on profits allocable to a French business and on French-source income. Foreign-source income of French residents generally is not subject to French tax (and foreign-source losses may not be deducted).

Taxable income
Taxable income is equal to book income, plus or minus certain tax adjustments.

Taxation of dividends
Dividends generally are included in taxable income, although distributions from qualifying subsidiaries benefit from the participation exemption (see "Participation exemption," below).

Capital gains
Capital gains generally are subject to corporate tax at the standard rate, but capital gains derived from the sale of qualifying shareholdings can benefit from the participation exemption (see "Participation exemption," below).

Losses
Ordinary losses may be carried forward indefinitely, but may be offset against taxable profit of a given year only up to an amount equal to EUR 1 million, plus 50% of the taxable result in excess of this amount for the fiscal year. Losses may be carried back for one year in certain cases, up to EUR 1 million. Additional limitations apply to the deduction of capital losses on the sale of shares between related parties.

Rate
The standard corporate income tax rate is 33.33%, with a reduced rate of 28% applying on the first EUR 500,00 of taxable income for 2018. The rate will be progressively reduced to 25% by 2022. Small or new businesses may benefit from lower rates.

Surtax
A 3.3% social surcharge applies to a standard corporate income tax liability exceeding EUR 763,000 (which brings the marginal effective rate to 34.43% (33.33% + 3.3%)). Small and medium-sized enterprises benefit from specific exemptions, provided certain conditions (e.g. turnover, capital) are satisfied.

Alternative minimum tax
No

Foreign tax credit
French domestic law generally does not provide for a credit for foreign taxes. Income subject to foreign tax that is not exempt from French tax under the territoriality principle is taxable net of foreign tax paid. However, most tax treaties provide for a tax credit mechanism, which generally corresponds to the withholding tax paid in the source country, but is capped at the French tax actually due on the net income. The portion of the credit exceeding the cap is forfeited.

Participation exemption
A participation exemption on dividends applies where the recipient owns at least 5% of the shares of the distributing entity for at least 24 months. If the participation exemption applies, the dividends are 95% tax exempt, resulting in a maximum effective rate of 1.72% (5% x 34.43%). However, if an entity is merged shortly after making a distribution and the merger is within two years of its acquisition, the parent company must choose between having the distribution within the scope of the participation exemption and taking a deduction for the loss on the shares of the distributing entity. (See also "Other" under "Anti-avoidance rules.")

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A participation exemption also applies to capital gains arising from the sale of shares that form part of a substantial investment if the shares have been held for at least 24 months. The gain is 88% exempt, resulting in a maximum effective rate of 4.13% (12% x 34.43%).

Holding company regime
See "Participation exemption."

Incentives
France offers an R&D tax credit and a tax credit for competitiveness and employment (CICE), which take the form of an actual cash payment from the government if the credits have not been used to offset an income tax liability within three years. However, the CICE will be abolished as from 1 January 2019 and replaced with a reduction of the employer's share of social security contributions.

Withholding tax:

Dividends
Dividends paid by a French corporation to a nonresident shareholder are subject to a 30% withholding tax, unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. Under the directive, dividends paid by a French corporation to a qualifying EU parent company are exempt from withholding tax (see "Controlled foreign companies," below, for rules on noncooperative countries).

Interest
Interest paid by a French company to a nonresident lender generally is not subject to withholding tax (see "Controlled foreign companies," below, for rules on noncooperative countries).

Royalties
Royalties paid to a nonresident entity are subject to the standard corporate income tax rate (currently, 33.33%). The rate may be reduced or eliminated under a tax treaty or where the royalties qualify for the benefit of the EU interest and royalties directive (see "Controlled foreign companies," below, for rules on noncooperative countries).

Technical service fees
Fees paid for commissions, consultancy and services performed or used in France are subject to the standard corporate income tax rate. The rate may be reduced or eliminated under a tax treaty (see "Controlled foreign companies," below, for rules on noncooperative countries).

Branch remittance tax
The after-tax income of a French branch of a foreign company is deemed to be distributed to nonresidents and is subject to a 30% branch tax. The tax may be eliminated or reduced under a tax treaty, and is not due if the foreign head office is located in the EU/European Economic Area (EEA) and is subject to income tax with no possibility of opting out or of being exempt; and the income is taxable in the foreign country.

Other taxes on corporations:

Capital duty
A fixed EUR 375 duty applies to most transactions that affect a company's share capital. The duty is EUR 500 for companies with capital in excess of EUR 225,000, which is the minimum registered capital for a public company. Capital reductions are taxed at a flat rate of EUR 125. Upon dissolution, a company pays a ***droit de partage*** equal to 2.5% of net worth, if the net worth is distributed pro rata to the shareholders. Amounts paid to a shareholder exceeding its pro rata rights in the distribution are taxed as a sale. (For share transfers, see "Transfer tax.")

Payroll tax
Payroll tax is levied on entities that collect revenue not subject to VAT (mostly banks and financial institutions).

Real property tax
Several real property taxes apply in France, including the "CET" (see "Other," below), the ***taxe fonciere*** and the "3% tax." (See also "Transfer tax," below.)

Social security
Contributions payable by the employer vary depending on the size and type of business and the location, but in certain cases can exceed 50% of gross pay for the employer.

Stamp duty
Stamp duties apply, but they are nominal.

Transfer tax
The sale of real property is subject to a transfer tax at a maximum rate of 5.8%.

The sale of shares of an SARL or SNC is subject to a transfer tax equal to 3% of the sales price, minus a sum equal to the number of units sold x EUR 23,000/total number of the company units. A flat rate of 0.1% applies for the sale of shares of an SA, SAS or SCA. The rate is increased to 5% if the company whose shares are transferred is a real estate company, i.e. if more than 50% of the fair market value of the company's assets correspond to French real property or real property rights.

The sale of a French going concern, a French customer list or leasehold rights is subject to a 5% transfer tax. The same tax applies to the sale of intellectual property rights (other than patents) that are related to a French going concern and used in France.

Other

Resident and nonresident companies operating a French business must pay the CET (***contribution economique territoriale***). The CET has two components: a real property tax and a tax calculated on adjusted gross receipts of the French business.

A number of minor taxes apply to corporations in France, to fund specific social initiatives.

A systemic risk tax at 0.222% applies on risks assumed by banks. The tax base is the applicable minimum required regulatory capital. The tax is being progressively phased out, as the EU Single Resolution Fund is being introduced. The systemic risk tax is scheduled to be phased out completely by 1 January 2019.

A financial transaction tax of 0.3% applies to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR 1 billion. The tax is calculated based on the value of the shares.

Anti-avoidance rules:

Transfer pricing

French entities controlled by entities established outside France are taxable in France on profits transferred, directly or indirectly, to an entity located abroad through an increase or decrease in purchase or sales prices, or by any other means. Companies exceeding certain thresholds must maintain contemporaneous transfer pricing documentation.

Rates on interest paid by French corporate taxpayers to related parties are deemed to be at arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index, the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

Thin capitalization

The deduction of interest expense on related party debt is deferred if the interest exceeds the highest of the following thresholds: (1) the interest expense on a debt equal to 1.5 times the equity; (2) 25% of the borrower's adjusted EBITDA; and (3) the amount of interest income received from related parties. An additional deduction may be available where the borrower is part of a consolidated tax group.

Nondeductible interest may be carried forward, but as from the second fiscal year following the disallowance, 5% of the total amount carried over becomes permanently disallowed each year.

The scope of the thin capitalization rules has been extended in certain circumstances to loans granted by a third-party entity, but guaranteed by a related company. Acquisition-related expenses are fully deductible only where the shareholding is actually managed from France or from another EU/EEA member state. The burden of proof is on the taxpayer to demonstrate that decisions on share-related transactions are made in France and control of the subsidiary's management is effectively undertaken from France or from another EU/EEA member state. Failing that, a portion of the interest expenses relating to the acquisition will be disallowed each year, in an amount corresponding to the ratio between the acquisition price and the average of the company's indebtedness for the fiscal year concerned. This will apply until the end of the eighth fiscal year following the acquisition. The interest disallowance does not apply where: (1) the value of the shares held by a company does not exceed EUR 1 million; (2) the French company demonstrates that the indebtedness ratio of the group is at least equal to its own; or (3) the French company demonstrates that the loan was aimed at financing assets other than the shares.

Finance charges are capped at 75% of their net amount. However, the cap does not apply if the total finance charges incurred, including charges disallowed under the thin capitalization rules, are below EUR 3 million.

Controlled foreign companies

The CFC rules apply to more-than-50%-owned or controlled foreign subsidiaries or permanent establishments of a French company when the local taxation is less than 50% of the French rate (i.e. the actual tax paid compared to the French tax that would be due on the income calculated under French GAAP). In such a case, the French company is: (i) taxed on its pro rata share of the income deemed to be received from the

CFC if the CFC is a permanent establishment or a branch; or (ii) deemed to have received distributed income from the CFC if the latter is a subsidiary. EU companies are outside the scope of the CFC rules, unless the structure was put in place to avoid tax.

Dividends, interest, royalties and payments for services made to companies located in a noncooperative country may be subject to a 75% withholding tax. Further, dividends received from entities located in noncooperative countries cannot benefit from the participation exemption.

Disclosure requirements

Country-by-country reporting is required for certain companies with annual consolidated group revenue equal to or exceeding EUR 750 million.

Other

A rule to prevent hybrid mismatches disallows an interest deduction on a loan granted by an affiliated company if the interest is not subject to a tax at the level of the lending company that is equal to at least 25% of the tax that would have been due under the normal French rules.

In line with amendments to the EU parent-subsidiary directive, the French tax code excludes from the French participation exemption regime distributed profits that are deductible from the distributing subsidiary's taxable income.

The French tax authorities have the general power to disregard or recharacterize all transactions, arrangements or legal acts that are fictitious or have been executed or entered into for the sole purpose of avoiding French tax.

Compliance for corporations:

Tax year

The tax year generally is the calendar year, although a taxpayer may choose a different year-end date. The tax year is 12 months, but can be shorter or longer in certain cases.

Consolidated returns

Under the fiscal integration regime, a group of companies may opt to consolidate profits and losses so that tax is assessed at the level of the parent company but is based on the group profit or loss. To qualify for consolidation, the parent must, *inter alia*, be subject to French tax and cannot be 95% or more owned directly by French corporate taxpayers. Only subsidiaries that are at least 95% owned, directly or indirectly, by the parent can be included in the tax group (if subject to French corporate tax). Subsidiaries indirectly held through a chain of participations that include French companies not part of the tax group or non-EU resident companies cannot be part of the group. However, groups can be consolidated vertically (the traditional interpretation) or horizontally (French sister companies with a common EU parent company may form a horizontally consolidated group).

Filing requirements

A self-assessment regime applies. Corporate tax returns normally are due by 30 April of the year following the calendar year, or within three months of the year end for a noncalendar financial year.

Penalties

Late payments and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.2% per month (2.4% per year). Special penalties can apply in the event of bad faith or abuse of law.

Rulings

Rulings are becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a permanent establishment in France.

Personal taxation:

Basis

Residents are taxed on worldwide income, whereas nonresidents are taxed only on French-source income.

Residence

Individuals domiciled in France are considered resident. An individual normally is considered domiciled in France if his/her principal residence, main place of business or professional activity or center of financial interests is located in France.

Filing status

Married persons file a joint tax return, with no option to file separately after the year of marriage or before the year of divorce.

Taxable income

Taxable income generally includes employment income, business income, real estate income, investment income and capital gains.

FR

Capital gains
Capital gains from the disposal of movable assets (e.g. securities, bonds) are subject to a unique 30% tax rate (i.e. a 12.8% income tax, plus a 17.2% social contribution). Capital gains from the disposal of immovable property are taxed at a special flat rate of 19%, plus special social security surcharges.

Deductions and allowances
Various deductions and allowances are available, based primarily on family circumstances and related to certain types of investment or expense incurred during the year.

Rates
Rates on ordinary income are progressive, ranging from 0% to 45%, plus special social security surcharges for French residents of a maximum of 15.5%.

An exceptional contribution applies on the portion of income that exceeds EUR 250,000 for single individuals and EUR 500,000 for married couples. The rate of the contribution is 3% on income between EUR 250,000 and EUR 500,000 for single individuals (EUR 500,000 and EUR 1 million for married couples) and 4% on the part of income exceeding EUR 500,000 for single individuals (EUR 1 million for married couples). The measure will remain in effect until the government achieves a zero deficit.

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duties apply, but they are nominal.

Capital acquisitions tax
No

Real property tax
Owners are liable for a tax based on the "rental value" of the property assessed by the tax authorities. Occupants are liable for a dwelling tax based on the rental value of the property assessed by the tax authorities.

Inheritance/estate tax
Transfers between close relatives are subject to tax at rates ranging from 5% to 45%, after a rebate (e.g. up to EUR 100,000 per child).

Net wealth/net worth tax
Households pay wealth tax (on real estate assets only) if the net worth of their real estate exceeds EUR 1.3 million (per household, rather than per individual). Nonresidents must pay tax on their property in France, unless they are exempt under a tax treaty. Rates are progressive, ranging from 0.5% to 1.5%.

Social security
Social security contributions and surcharges are deducted at source from salary payments, with contributions of approximately 20% for the employee.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
The income tax return generally must be filed by 31 May after the end of the tax year.

Penalties
Late payments and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.2% per month (2.4% per year). Special penalties can apply in the case of bad faith or abuse of law.

Value added tax:

Taxable transactions
VAT is levied on the sale of goods and the provision of services, and on imports.

Rates
The standard VAT rate is 20%. Reduced rates of 5.5% or 10% apply to most food products for human consumption and certain other items, and a preferential rate of 2.1% is payable on some periodicals and medicines reimbursed by the social security system. Certain transactions are zero-rated or exempt.

Registration
Entities subject to VAT must register with the tax authorities.

Filing and payment
Filing can be monthly, quarterly or annually, depending on the type of activities and other factors. Companies belonging to the same group may elect to consolidate payment of VAT (but not VAT returns) in certain cases, but VAT grouping is not possible.

Source of tax law: *Code General des Impots* (CGI) (French Tax Code), and *Livre de procedures fiscales* (LPF) (French Tax Procedure Code)

Tax treaties: France has signed tax treaties with 124 jurisdictions. France signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: French Tax Administration

Germany

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Investment basics

Currency
Euro (EUR)

Foreign exchange control
No restrictions are imposed on the import or export of capital; however, a declaration must be filed with customs for cash transfers of more than EUR 10,000 into or out of the EU.

Accounting principles/financial statements
German commercial GAAP/IFRS applies. Financial statements must be prepared annually. Taxpayers are required to maintain their books in Germany, although electronic bookkeeping may be transferred abroad if prior approval is obtained from the tax authorities.

Principal business entities
These are the joint stock company (AG), limited liability company (GmbH), general and limited partnership, sole proprietorship and branch of a foreign corporation.

Corporate taxation:

Residence
A corporation is resident if it maintains its registered office (as determined by its articles of incorporation) or central place of management in Germany.

Basis
Residents are taxed on worldwide income; nonresidents are taxed only on Germany-source income. Branches are taxed in the same way as subsidiaries.

Taxable income
Corporation tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Business expenses may be deducted in computing taxable income.

Taxation of dividends
Dividends received by a German resident corporation (from both resident and foreign corporations) generally are 95% tax exempt; however, the exemption is not applicable if the dividends are treated as tax-deductible expenses for the payer. Minimum shareholding requirements apply.

Capital gains
Capital gains generally are included in taxable income. Capital gains derived from the sale of a domestic or foreign corporate subsidiary are 95% tax-exempt, unless short-term trading rules applicable for certain financial enterprises apply.

Losses
Losses may be carried back one year and carried forward indefinitely. Losses may be offset against profits up to EUR 1 million without restriction, but only 60% of income exceeding EUR 1 million may be offset against loss carryforwards. According to German change-in-ownership rules, a direct or indirect change in ownership of more than 25%/50% to one purchaser/related party results in a partial/complete forfeiture of all tax losses (both current-year losses and loss carryforwards). Loss forfeiture may be avoided in certain intragroup restructurings. In addition, losses continue to be available to the extent built-in gains in the loss company are subject to tax in Germany, or in certain cases where the historic business of the loss company is continued on an unchanged basis.

Rate
The corporate tax rate is 15% (15.825%, including the solidarity surcharge). The municipal trade tax typically ranges between 14% and 17%. The effective corporate tax rate (including the solidarity surcharge and trade tax) typically ranges between 30% and 33%.

Surtax
A 5.5% solidarity surcharge is levied on the corporate income tax.

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against German tax that relates to the foreign income, or may be deducted as a business expense. Germany typically applies the exemption system.

Participation exemption
See under "Taxation of dividends" and "Capital gains."

Holding company regime
No

Incentives
Incentive programs are available, such as investment allowances for certain start-ups and for small and medium-sized businesses. No tax incentives are available for R&D, but attractive nonrepayable cash grants are offered, e.g. for R&D in the energy sector.

Withholding tax:

Dividends
A statutory rate of 25% (26.375%, including the solidarity surcharge) applies, with a possible 40% refund for nonresident corporations, giving rise to an effective rate of 15.825%, unless the rate is reduced under a tax treaty. No tax is levied on dividends qualifying under the EU parent-subsidiary directive.

Interest
Withholding tax generally is not levied on interest, except for interest on publicly traded debt, interest received through a German payment agent (usually a bank), convertible bonds and certain profit participating loans. The statutory rate is 25% (26.375%, including the solidarity surcharge) unless the EU interest and royalties directive applies or the rate is reduced under a tax treaty.

DE

Royalties
The withholding tax on royalties paid to a nonresident corporation or an individual is 15% (15.825%, including the solidarity surcharge), unless the EU interest and royalties directive applies or the rate is reduced under a tax treaty.

Technical service fees
No

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No

Payroll tax
No, but the employer is required to withhold wage tax on a monthly basis from an employee's income and remit it to the tax authorities. Wage tax certificates must be transmitted electronically and be authenticated by the employer.

Real property tax
Tax is levied by the municipality in which real estate is located, at a rate of 0.35% of the tax value of the property, multiplied by a municipal coefficient.

Social security
The employer generally is required to bear 50% of the wage-related social security contributions (health, nursing care, unemployment and pension insurance). Additional charges (e.g. statutory accident insurance, insolvency fund levy, etc.) may apply.

Stamp duty
No

Transfer tax
A real estate transfer tax of 3.5% to 6.5% of the sales price/value of transferred German real estate or 95% or more of the shares in a real estate-owning company is levied. The rate depends on the state in which the real estate is located. Exceptions may apply for certain intragroup restructurings.

Other
Municipal trade tax is an income tax levied by municipalities at a minimum rate of 7%. All entrepreneurs with commercial activities carried out through a subsidiary or a nonresident's commercial permanent establishment in Germany are liable for trade tax. Corporations are deemed to carry on commercial enterprises (trade or business), regardless of their actual activities. (Individuals, alone or in partnerships, are not liable for trade tax on professional or other independent services unless the activities are deemed to be commercial under the income tax law.) The municipal trade tax rate varies, but averages between 14% and 17% of income. The trade tax is based on taxable income as calculated for corporate income tax purposes, with several income adjustments.

Shipping companies may apply for lump sum tonnage taxation in certain cases.

Anti-avoidance rules:

Transfer pricing
Business dealings between related persons must be in accordance with transactions that would have been agreed upon by independent third parties dealing at arm's length, under which the underlying principle is the normal degree of commercial prudence shown by a sound and conscientious business manager. Taxpayers are required to document all facts and evidence that support their positions. Specific transfer pricing rules apply to cross-border intragroup transfers of functions. An exit tax will be imposed on the "profit potential" that is deemed to be transferred, based on the discounted cash flow value of the subsidiary/branch before and after the restructuring. Germany generally applies the authorized OECD approach.

Thin capitalization
A taxpayer may immediately deduct (net) interest expense up to 30% of taxable earnings before net interest expense, tax, regular depreciation and amortization (tax EBITDA). An EBITDA carryforward is generated if the taxpayer has net interest expense lower than 30% of the EBITDA for tax purposes, unless an exception to the interest limitation (see below) applies. The difference between 30% of the EBITDA and the net interest expense (excess EBITDA) may be carried forward and used in the following five years when the net interest expense exceeds 30% of current EBITDA. The limitation does not apply where: (i) the annual (net) interest burden is less than EUR 3 million; (ii) the taxpayer is not part of a group of companies; or (iii) the taxpayer can demonstrate that the equity ratio of the German borrower does not fall short by more than two percentage points of the worldwide group's equity ratio. Excess interest may be carried forward indefinitely (although change-in-ownership rules apply). Disallowed interest expense will not trigger withholding tax.

Controlled foreign companies
Passive income of subsidiaries in low- or no-tax jurisdictions will be attributed to German shareholders that hold, directly or indirectly, more than 50% of the subsidiary (lower ownership percentages apply where the low-taxed CFC generates passive investment income). Typical passive income is income from the rental of real estate, income from licensing or income from the lending of capital. A jurisdiction is regarded as a low-tax jurisdiction if the income of the subsidiary is subject to an effective tax rate of less than 25%. Credit and refunds at the shareholder level are taken into account when determining whether the effective tax rate abroad falls below the 25% threshold. Credit for tax paid on attributed income can be granted upon the application of the taxpayer.

DE

Disclosure requirements
A taxpayer generally must disclose all facts relevant for taxation, especially regarding transactions with foreign related parties.

Country-by-country (CbC) reporting, in line with the OECD's BEPS action item 13, is required for financial years commencing after 31 December 2015 (after 31 December 2016 in the case of secondary reporting).

Other
An "anti-double dip" rule applies for partnership structures. Under the rule, the tax deduction of "special business expenses" of a partner in a German partnership is disallowed if such expenses (typically, financing expenses incurred by the partner to acquire or fund the partnership interest) also are deducted for foreign tax purposes.

The deductibility of certain royalties and similar payments made to foreign related parties is restricted if such payments are subject to a non-OECD compliant preferential tax regime (i.e. an intellectual property regime not based on the "nexus approach" as described in action 5 of the OECD BEPS project) and taxed at an effective tax rate of less than 25%. The deduction limitation applies for payments that are made after 31 December 2017.

Compliance for corporations:

Tax year
The tax year is 12 months or the period for which accounts are prepared, if shorter. The tax accounting period may not exceed 12 months in total.

Consolidated returns
Although companies may be taxed on a consolidated basis, each company must file a separate tax return (except for VAT purposes). Tax consolidation for corporate income tax and municipal trade tax purposes (*Organschaft*) requires that the parent in the consolidation hold the majority of the voting rights in the subsidiary from the beginning of the subsidiary's fiscal year. The parties must conclude a profit and loss transfer agreement (PLTA), which must be in effect and carried out for at least five consecutive years, unless an important reason exists for termination of the agreement (e.g. sale of the subsidiary to a third party) before the end of the five-year period. Strict formal requirements for a PLTA apply. Tax consolidation for VAT purposes does not require a PLTA, but the subsidiary in the consolidation must be financially, organizationally and economically integrated with the parent company.

Filing requirements
The tax return generally must be filed electronically by 31 May of the year following the tax year; extension of the filing deadline to 31 December of the year following the tax year (for tax assessment periods commencing before/on 31 December 2017) or to the last day of February of the second year following the tax year (for tax assessment periods commencing after 31 December 2017) typically is granted if a tax advisor is involved. Quarterly advance payments of corporate tax are due in March, June, September and December. Quarterly advance payments of trade tax are due in February, May, August and November.

Penalties
Penalties may be imposed for late filing (up to 10% of the tax due and a maximum of EUR 25,000), as well as for late payment of assessed taxes (1% on the outstanding rounded-down tax amount per month or part thereof). Findings in tax audits generally do not result in penalties. However, taxes assessed as a result of an audit are subject to interest of 0.5% per full month (6% per year). The interest calculation begins 15 months after the calendar year in which the assessment became effective. Penalties also can be imposed if the taxpayer does not comply with the transfer pricing documentation requirements. If the taxpayer fails to submit documentation, or submits inadequate documentation, an additional charge between 5% and 10% of any transfer pricing adjustment (a minimum of EUR 5,000) can be assessed. An additional charge for the late submission of documentation can be assessed of at least EUR 100 per day, up to EUR 1 million. For failure to comply with CbC reporting requirements, penalties up to EUR 10,000 may be imposed.

Rulings
A taxpayer may apply for an advance ruling on the tax consequences of a proposed transaction. Administrative fees may apply.

Personal taxation:

Basis
Resident individuals are taxed on their worldwide income; nonresidents are taxed only on German-source income.

Residence
An individual is resident if he/she is domiciled or has a habitual abode in Germany. A habitual abode is deemed to exist if the individual spends more than six months in Germany. Domicile can be presumed where an individual has permanent accommodation at his/her disposal in Germany; it is not necessary that the individual actually uses the accommodation.

Filing status
Married couples and members of civil partnerships living together may opt for joint or separate assessment.

Taxable income
Taxable income is the sum of income from employment, the exercise of a trade or profession, agriculture and forestry, capital, rent and leasing and other income.

DE

Capital gains
Sales of real estate and rights to private property (not business property) generally are subject to tax if the taxpayer owned the property for less than 10 years. The sale of other private assets generally is taxable if the taxpayer held the assets for less than one year. Normal tax rates apply.

Sixty percent of the capital gain from the sale of shares is taxable at the normal rates if the taxpayer has held a direct or indirect interest of 1% or more in the corporation within the last five years. If the taxpayer has held less than 1%, the entire capital gain from the sale of privately held shares is subject to a flat 25% tax rate (26.375%, including the solidarity surcharge), regardless of how long the shareholding has been held. Taxpayers may opt for taxation at their individual tax rate, if lower

Deductions and allowances
Personal allowances are available for the taxpayer and his/her children. Other deductions, which are subject to restrictions, are available (e.g. social security contributions, insurance, medical expenses, etc.). Expenses may be deducted from the tax base, provided they were necessary to generate the income.

Rates
Rates are progressive up to 45%. A solidarity surcharge of 5.5% (resulting in a top rate of 47.5%) and a church tax of 9% (8% in Bavaria and Baden-Württemberg) are levied on the income tax.

Private investment income, including capital gains, generally is subject to a 25% (26.375%, including the solidarity surcharge) final withholding tax. Taxpayers may opt for taxation at their individual tax rate, if lower.

Other taxes on individuals:

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
Tax is levied by the municipality in which real estate is located, at a rate of 0.35% of the tax value of the property, multiplied by a municipal coefficient.

Inheritance/estate tax
Inheritance and gift tax rates range from 7% to 50%, with various exemptions available. Business property/assets are valued at fair market value. Under certain conditions, the inheritance of business property can be 85% or 100% tax free.

Net wealth/net worth tax
No

Social security
Employed individuals are required to make a contribution for pension, health, nursing care and unemployment insurance. The employer generally bears 50% of the total contribution.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
An individual can file a tax return to declare additional expenses and receive a refund. Mandatory tax returns generally are due by 31 May (for tax years up to FY 17) or July 31 (for tax years from FY 18 onward) of the following year. The final tax is assessed after filing of the tax return. If an individual receives income other than employment income, quarterly advance payments of income tax are due in March, June, September and December.

Penalties
See under "Corporate taxation."

Value added tax:

Taxable transactions
VAT is levied on the sale of goods and the provision of services.

Rates
The standard rate is 19%, with a reduced rate of 7% applying to specified transactions. Certain transactions are exempt.

Registration
German entrepreneurs generally must register for VAT purposes. However, if turnover did not exceed EUR 17,500 in the previous calendar year and is estimated not to exceed EUR 50,000 in the current calendar year, German entrepreneurs can opt for the special scheme for small businesses, so that no VAT is imposed by the German tax authorities. Nonresidents that make taxable supplies of goods or services in Germany also must register.

Filing and payment
The tax year is the calendar year. The entrepreneur must file an electronic quarterly preliminary VAT return by the 10th day of the following month and pay the VAT due. A refund will be paid if the input tax exceeds the VAT. If the tax for the previous calendar year was more than EUR 7,500, monthly preliminary returns must be filed.

Source of tax law: Income Tax Act, Corporate Income Tax Act, Municipal Trade Tax Act, VAT Ac Tax Act, Foreign Tax Act, General Tax Code, Real Estate Transfer Tax Act, Real Estate Tax Act and annual tax actsTax treaties: Germany has an extensive tax treaty network (over 90 tax treaties). Germany signed the OECD multilateral instrument on 7 July 2017, and has listed 35 tax treaties that it wishes to be covered by the multilateral instrument.

Tax authorities: Federal Ministry of Finance, Federal Central Tax Office, Ministry of Finance of the German states

Hong Kong

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Investment basics

Currency
Hong Kong Dollar (HKD)

Foreign exchange control
No

Accounting principles/financial statements
Hong Kong Financial Reporting Standards. Financial statements must be filed annually.

Principal business entities
These are the public and private limited liability company, partnership, sole proprietorship and branch of a foreign corporation.

Corporate taxation:

Residence
A corporation (or other entity) is resident if it is incorporated in Hong Kong or managed and controlled in Hong Kong.

Basis
Generally, only Hong Kong-source income is subject to Hong Kong profits tax.

Taxable income
Profits tax is levied on the Hong Kong-source profits of businesses carried on in Hong Kong. In determining the source of profits, Hong Kong generally adopts the "operations test," which involves identifying the activities that are most important in generating the profits and the place at which these activities are carried out. Expenses generally are deductible to the extent they are incurred in the production of profits that are chargeable to tax. However, domestic expenses, capital expenditure and losses, taxes and other expenses not incurred for the purpose of producing profits are not deductible. If a company's profits are derived from both Hong Kong sources and non-Hong Kong sources that are not assessable to profits tax, expenses attributable to the non-Hong Kong-source profits are not deductible.

Taxation of dividends
Dividends generally are exempt from profits tax.

Capital gains
Capital gains are not taxable. However, gains on the disposal of assets may be subject to profits tax if the disposal constitutes a transaction in the nature of trade (a factual determination).

Losses
Losses attributable to a business that earns profits subject to profits tax may be carried forward indefinitely and set off against future taxable profits of the company. There are specific anti-avoidance rules to prevent the purchase of a loss company for the sole or dominant purpose of using the company's losses. Losses cannot be carried back.

Rate
Profits tax is levied at a rate of 16.5% (15% for unincorporated businesses) where the company is carrying on business in Hong Kong and the relevant income is earned in or derived from Hong Kong.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Where there is a double tax agreement, foreign tax paid may be credited against profits tax on the same profits, but the credit is limited to the amount of Hong Kong tax payable on the same income.

Participation exemption
No

Holding company regime
No

Incentives
A profits tax exemption for offshore funds is available for specified transactions if certain conditions are satisfied. Concessionary tax rates are available for qualified corporate treasury centers, qualified aircraft lessors or leasing managers, offshore businesses of reinsurance companies and authorized captive insurance companies, etc.

Withholding tax:

Dividends
There is no withholding tax on dividend distributions from a Hong Kong entity.

Interest
There is no withholding tax on interest payments from a Hong Kong entity.

Royalties
Royalty payments made to a nonresident are deemed to be taxable in Hong Kong if made for the use of, or the right to use, intangibles in Hong Kong, or outside Hong Kong where the royalty payments are deductible for profits tax purposes. The amount deemed taxable is 30% of the gross amount of the royalties paid, resulting in an effective rate of 4.95% (16.5% x 30%) (or an effective rate of 4.5% for a noncorporate person (15% x 30%)). If the royalty is paid

to an associated nonresident for the use of intangibles that previously were owned by a person carrying on business in Hong Kong, 100% of the royalty is deemed to be taxable, resulting in an effective rate of 16.5% (15% for a noncorporate person).

Technical service fees
No

Branch remittance tax
No

Other taxes on corporations:

Capital duty
Capital duty was abolished in 2012.

Payroll tax
No

Real property tax
Property owners are subject to property tax on rental income derived from property in Hong Kong. Property tax is charged at the standard rate of 15% of the net assessable value of the property as determined by rent, service charges and fees paid to the owner, less an allowance of 20% for repairs and maintenance. A company that derives rental income from property is subject to profits tax and may apply for an exemption from property tax.

Social security
For employees whose monthly income is HKD 7,100 or more, the employer is required to deduct 5% (capped at HKD 1,500) as the employee's contribution to the Mandatory Provident Fund (MPF) scheme, and then pay an additional 5% as its own contribution.

Stamp duty
Stamp duty is charged on documents connected with the lease, sale or transfer of immovable property in Hong Kong, and the sale of shares. If the above are transferred at less than market value, stamp duty may be imposed based on the market value at the date of transfer.

Stamp duty on the transfer of Hong Kong shares is 0.2% of the value of the shares transferred, which is shared equally between the buyer and seller. An exemption may be available for an intragroup transaction if certain conditions are satisfied.

The rate on the lease of immovable property is 0.25% of the total rent payable for a short-term lease (one year or less); 0.5% of the annual or average annual rent for a one to three-year lease; and 1% of the annual or average annual rent for a lease exceeding three years.

The maximum ad valorem stamp duty on the sale and conveyance of property is 8.5% of the value of property transferred. (The ad valorem stamp duty rate for residential property is proposed to be increased to a flat rate of 15%, with certain exemptions), subject to the enactment of the relevant legislation.) In addition, for residential property acquired on or after 27 October 2012, a Special Stamp Duty (SSD) ranging from 5% to 20% is levied if the property is sold within 36 months of purchase. In addition to ad valorem stamp duty and SSD, a Buyer's Stamp Duty at a flat rate of 15% applies to residential property if it is acquired by any person (including a limited company), except a Hong Kong permanent resident, on or after 27 October 2012.

Transfer tax
No

Other
Other levies include betting duty (25%-75%) and the air passenger departure tax (levied on all air passengers departing Hong Kong (HKD 120)).

Anti-avoidance rules:

Transfer pricing
There are limited provisions in the tax law governing business carried on with closely connected nonresident persons.

Thin capitalization
There are no thin capitalization rules, but the deduction of interest expense is limited, especially with regard to interest paid to nonresidents.

Controlled foreign companies
No

Disclosure requirements
Certain related party transactions must be disclosed in the profits tax return.

Compliance for corporations:

Tax year
The tax year starts on 1 April and ends on 31 March of the following year. The basis period of tax computation is the accounting year ended in the tax year.

Consolidated returns
Hong Kong does not allow groups of companies to file consolidated returns and there is no group loss relief for members of a group of companies.

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Filing requirements
Tax returns are issued annually on the first business day of April for companies to report their profits in the accounting year ended in the previous tax year, which ends on 31 March. Companies whose financial years end between 1 December and 31 March normally are granted an extended period to file their tax returns. Assessments are issued once the Inland Revenue Department receives the tax return. Companies (and unincorporated businesses) also must pay a provisional profits tax for the following tax year, at a rate of 16.5% of the current year's profits. This payment is credited against the final profits tax liability, with any excess payment refunded.

Penalties
Penalties may be imposed for failure to comply with the Inland Revenue Ordinance (IRO). The Commissioner of Inland Revenue has the authority to initiate prosecution, to compound or to assess additional tax (which is a form of penalty) in respect of the offense.

Rulings
Taxpayers may request an advance ruling from the Inland Revenue Department on the application of provisions of the IRO. An advance pricing arrangement program has been introduced.

Personal taxation:

Basis
The Hong Kong personal income tax (salaries tax) covers all income arising in or derived from Hong Kong from an office, employment or pension. Interest income earned by an individual is exempt from tax in Hong Kong. Capital gains on financial transactions are also effectively exempt from tax.

Residence
Foreign residents who visit Hong Kong for no more than 60 days in a tax year (from 1 April to 31 March of the following year) are not liable to salaries tax on their employment income. Employees who already have paid tax of substantially the same nature as Hong Kong salaries tax in any territory outside Hong Kong are exempt in respect of income derived from services rendered in that territory outside Hong Kong.

Filing status
A married couple may opt for joint or separate assessment.

Taxable income
Individuals are taxed on their total Hong Kong income from employment, less deductible expenses, charitable donations and personal allowances. The source of employment income is determined by various factors, including the place where the contract was negotiated and concluded and where it is enforceable; the residence of the employer; and where the salary is paid. Income from non-Hong Kong employment is deemed to be sourced in Hong Kong if it is attributable to services rendered in Hong Kong. Directors' fees paid to directors of a company, the control and management of which is exercised in Hong Kong, are chargeable to salaries tax irrespective of where the director resides. Taxable income includes commissions, bonuses, cost of living allowances, stock option gains, awards, gratuities, allowances (including those for education) and other perquisites derived from employment. Dividend income is not taxed, but gains from the exercise of share options are taxable.

Capital gains
Capital gains are not taxable in Hong Kong.

Deductions and allowances
In arriving at assessable income, the only deductions permitted are expenses that are wholly, exclusively and necessarily incurred in the production of assessable income. For general expenses, the scope for obtaining deductions is limited. Allowable deductions include mandatory contributions to a recognized occupational retirement scheme, self-education expenses, home loan

interest, elderly residential care expenses and donations to approved charities.

Rates

Personal income is taxed in Hong Kong at progressive rates. The marginal tax rates range from 2% to 17% (on chargeable income less personal allowances), with a cap at the standard rate of 15% (on chargeable income without the deduction of personal allowances).

Other taxes on individuals:

Capital duty

No

Stamp duty

See above under "Corporate taxation."

Capital acquisitions tax

No

Real property tax

Property owners are taxed on rental income derived from property in Hong Kong. The tax is charged at the standard rate of 15% of the net assessable value of the property as determined by rent, service charges and fees paid to the owner, less an allowance of 20% for repairs and maintenance.

Inheritance/estate tax

No

Net wealth/net worth tax

No

Social security

For employees whose monthly income is HKD 7,100 or more, the employer is required to deduct 5% as the employee's contribution to the MPF scheme and then pay an additional 5% as its own contribution. Self-employed persons also contribute 5% of their relevant income and may choose to contribute on a monthly or annual basis. The maximum deduction is HKD 1,500 per month. All benefits derived from mandatory contributions must be preserved until the scheme member reaches the retirement age of 65, when he/she may withdraw the benefits in a lump sum.

Compliance for individuals:

Tax year

The tax year starts on 1 April of each year and ends on 31 March of the following year.

Filing and payment

The Inland Revenue Department issues tax returns to individual taxpayers on the first working day of May each year.

Penalties

Penalties may be imposed for failure to comply with the Inland Revenue Ordinance. The Commissioner of Inland Revenue has the authority to institute prosecution, to compound or to assess additional tax (which is a form of penalty) in respect of the offence.

Value added tax:

Taxable transactions

Hong Kong does not levy VAT.

Rates

N/A

Registration

N/A

Filing and payment

N/A

Source of tax law: Inland Revenue Ordinance and case law

Tax treaties: Hong Kong has signed 38 double tax agreements. Hong Kong signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Inland Revenue Department

India

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Investment basics

Currency
Indian Rupee (INR)

Foreign exchange control
There is a simplified regulatory regime for foreign exchange transactions and liberalized capital account transactions. Current account transactions are permitted unless specifically prohibited and are monitored by the central bank. Foreign investment is permitted in most industries, although sector-specific caps have been set for foreign investment in certain industries, such as defense, civil aviation, telecommunications, banking, insurance, pension, retail trade, etc. The government has introduced various programs to make India an attractive hub for manufacturing and attract global investments and is taking measures to simplify the processes to set up or exit from business in India.

Accounting principles/financial statements
Accounting standards issued by the Institute of Chartered Accountants of India apply, which largely are based on IAS. India has initiated steps toward the convergence of its accounting standards with IFRS (subject to a few carve-outs); these standards are called Indian Accounting Standards (Ind AS). For accounting periods commencing on or after 1 April 2016, the Ind AS are mandatory for listed and unlisted companies meeting certain net worth thresholds, in various phases.

Principal business entities
Various forms of business entity are permitted. These include the public/private limited liability company, one-person company (owned by a resident individual), partnership firm, limited liability partnership (LLP), sole proprietorship, branch office, liaison office, project office or site office of a foreign corporation.

Corporate taxation:

Residence
A corporation is resident if it is incorporated in India or if its place of effective management, in that year, is in India.

A partnership firm, LLP or other non-individual entity is considered resident in India if any part of the control and management of its affairs takes place in India.

Basis
Residents are taxed on worldwide income; nonresidents are taxed only on Indian-source income. Indian-source income may include capital gains arising from the transfer of any share or interest in a company or entity registered or incorporated outside India if the share or interest directly or indirectly derives its substantial value from assets located in India. Foreign-source income derived by a resident company is subject to corporation tax in the same way as Indian income. A branch of a foreign corporation is taxed as a foreign corporation.

Taxable income
Tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Income resulting from the indirect transfer of assets located in India is included. Normal business expenses, as well as other specified items, may be deducted in computing taxable income.

Taxation of dividends
Dividends paid by a domestic company are subject to dividend distribution tax (DDT) at 15% of the aggregate dividend declared, distributed or paid. The DDT payable is required to be grossed up. The effective rate is 20.3576%, including a 12% surcharge and a 3% education cess. Dividends subject to DDT generally are exempt from tax in the hands of the recipient. As from 1 April 2017, an additional income tax of 10% (plus the surcharge and cess) applies on a gross basis on dividend income that is declared, distributed or paid by a domestic company to a resident individual, Hindu Undivided Family (HUF) or partnership firm if the aggregate dividend income of the recipient exceeds INR 1 million per annum.

Dividends received from a foreign company generally are subject to corporation tax, with a credit for any foreign tax paid. However, dividends received by an Indian company from a foreign company in which the Indian company holds at least 26% of the equity shares are subject to tax at a reduced base rate of 15% on the gross income. A surcharge and cess also are imposed.

Dividends paid by a domestic company that are liable to DDT may be reduced by: (1) the amount of dividends received from a domestic subsidiary company during the financial year, if the subsidiary has paid DDT; and (2) dividends received from a foreign subsidiary company, provided tax is payable on such dividend income by the domestic company at the reduced base rate of 15%.

Capital gains
The tax treatment depends on whether gains are long or short term. Gains are long term if the asset is held for more than three years (one year in the case of listed shares and specified securities, and two years in the case of unlisted shares and immovable property (land, buildings or both)).

Long-term gains on listed shares and specified securities are exempt if the transaction is subject to securities transaction tax (STT). The exemption generally is not available if the equity shares were acquired on or after 1 October 2004 and the acquisition was not chargeable to STT; however, the Central Board of Direct Taxes has clarified that the exemption is available in specified cases (such as acquisitions under preferential allotment, off market acquisitions, acquisitions during a delisted period, etc.). Where gains on listed shares and specified securities are not subject to STT, a 10% tax applies (without the benefit of an inflation adjustment). The applicable tax rate on long-term capital gains derived by a nonresident from the sale of unlisted securities is 10% (without the benefit of foreign currency conversion or an inflation adjustment). Gains on other long-term assets are taxed at 20%, but with the benefit of an inflation adjustment.

Short-term gains on listed shares and specified securities that are subject to STT are taxed at 15%; gains from other short-term assets are taxed at the normal tax rates. A surcharge and cess also are imposed.

An unlisted domestic company is liable to pay an additional tax of 20% on income distributed to a shareholder on account of a buyback of the company's shares.

Losses

Business losses and capital losses may be carried forward for eight years, with short-term capital losses offsetting capital gains on both long and short-term assets, and long-term capital losses offsetting only long-term capital gains. Other than unabsorbed depreciation (which may be carried forward indefinitely), losses may be carried forward only if the tax return is filed by the due date. Unabsorbed depreciation may be offset against any income, whereas business losses may be offset only against business profits in subsequent years.

Losses incurred from the letting out of "house property" may be offset against other heads (categories) of income only up to INR 200,000. Unabsorbed losses from house property may be carried forward for up to eight years for offset against the income from house property of subsequent years.

Rate

The standard rate is 30% for domestic companies and 40% for foreign companies and branches of foreign companies. Taking into account the surcharge and cess, the highest effective rate is 34.608% for domestic companies and 43.26% for foreign companies. A 25% rate, plus the surcharge and cess, may be elected by certain new resident manufacturing companies (incorporated on or after 1 March 2016), if the company does not claim certain specified deductions, incentives, etc. A 25% rate, plus the surcharge and cess, also is applicable for financial year 2017-18 to domestic companies with total turnover or gross receipts of up to INR 500 million in financial year 2015-16.

Surtax

A 7% surcharge applies to domestic companies if income exceeds INR 10 million (2% for foreign companies), and a 12% surcharge applies if income exceeds INR 100 million (5% for foreign companies). An additional 3% cess is payable in all cases.

Alternative minimum tax

Minimum Alternate Tax (MAT) is imposed at 18.5% (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 18.5% of their book profits. MAT does not apply to certain income of foreign companies, including capital gains on transactions involving securities, interest, royalties and fees for technical services. A credit is available for MAT paid against tax payable on normal income, which may be carried forward for offset against income tax payable in subsequent years. As from 1 April 2017, the tax credit may be carried forward for up to 15 years.

Any person other than a corporation (including an LLP) is liable to an alternate minimum tax (AMT) at 18.5% (plus any applicable surcharge and cess) of the adjusted total income where the normal income tax payable is less than the AMT. AMT also is imposed on a person eligible for investment-linked incentives. The adjusted total income is the total income before giving effect to the AMT provisions, as increased by certain deductions claimed in computing the total income, including the tax holiday claimed by units in a Special Economic Zone (SEZ). A tax credit is allowed for the AMT paid against the tax payable on normal income. From 1 April 2017, the tax credit may be carried forward up to 15 years.

Foreign tax credit

Foreign tax paid may be credited against Indian tax on the same profits, but the credit is limited to the amount of Indian tax payable on the foreign income. Specific rules have been introduced regarding the mechanism for granting a foreign tax credit.

Participation exemption

No, except for DDT in some cases

Holding company regime

No

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Incentives

A deduction of up to 150% as from financial year 2017-18 (limited to 100% as from financial year 2020-21) is available in respect of capital and revenue expenditure on scientific research conducted in-house by specified industries, and for payments made to specified organizations for scientific research.

A 100% deduction is allowed for the sum paid to a company registered in India that is carrying on scientific research activities, to a research association or to a university, college or other institution engaged in research in social science or statistical research.

Investment-linked incentives (a 100% deduction for capital expenditure other than expenditure incurred on the acquisition of land, goodwill or financial instruments) are available for specified activities. As from financial year 2017-18, an investment-linked incentive in the form of 100% deduction is available for developing and/or maintaining and operating an infrastructure facility (i.e. a road, highway project, water-supply project, port, etc.), subject to specified conditions.

A deduction of up to 150% (limited to 100% as from financial year 2020-21) is available for expenditure incurred on a "notified" agricultural extension or skill development project.

Certain capital expenditure for the right to use spectrum for telecommunication services will be allowed as a deduction over the period of the right to use the spectrum.

A deduction of 100% of the profits derived by an eligible start-up from an eligible business may be elected by the taxpayer for any three consecutive assessment years out of the seven years beginning from the year of incorporation (for companies/LLPs set up on or after 1 April 2016 and before 1 April 2019).

A concessional tax rate of 10% (plus the surcharge and cess) is applicable on gross income arising from royalties in respect of a patent developed and registered in India by a person resident in India. No deduction is allowed for any expenditure or allowance in respect of such royalty income.

Undertakings set up in SEZs are exempt from tax on their export profits, subject to compliance with other conditions. Other tax holidays are available based on industry and region.

Withholding tax:

Dividends

Dividends are not subject to withholding tax. However, the company paying the dividends is subject to DDT.

As from 1 April 2017, an additional income tax of 10% (plus the surcharge and cess) applies on a gross basis on dividend income that is declared, distributed or paid by a domestic company to a resident individual, HUF or partnership firm if the aggregate dividend income of the recipient exceeds INR 1 million per annum.

Interest

Interest paid to a nonresident on a foreign currency borrowing or debt generally is subject to a 20% withholding tax, plus the applicable surcharge and cess.

A 5% withholding tax rate, plus the applicable surcharge and cess, applies to certain types of interest paid to a nonresident, including interest paid on specific borrowings in foreign currency and interest on investments made by a foreign institutional investor or a qualified foreign investor in a rupee-denominated bond of an Indian company, or in a government security.

If the nonresident does not have a permanent account number (PAN), i.e. a tax registration number, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of interest and the foreign taxpayer furnishes the prescribed documents to the payer.

If the interest income derived by a nonresident does not fulfill certain prescribed conditions for concessional withholding tax rates, a withholding tax rate of 30% (for individuals and entities other than a foreign company) or 40% (for a foreign company), plus the applicable surcharge and cess, will apply. The rates may be reduced under a tax treaty.

Royalties
Royalties paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of royalties and the foreign taxpayer furnishes the prescribed documents to the payer.

Technical service fees
Technical service fees paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of technical service fees and the foreign taxpayer furnishes the prescribed documents to the payer.

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No

Payroll tax
The employer is responsible for withholding tax on salary income.

Real property tax
Municipalities levy property taxes (based on assessed value) and states levy land-revenue taxes.

Social security
The employer generally contributes 12% of eligible wages per month to the provident fund—8.33% of the wages (up to INR 15,000) is applied to the pension fund, with the balance paid to the provident fund (except in the case of "international workers," where the pension contribution by the employer is 8.33% of the wages). For employees joining the provident fund on or after 1 September 2014, the entire employer contribution (12% of wages) is applied to the provident fund.

Stamp duty
Specified instruments, transfers of shares in an Indian company in a physical form, transactions involving real estate and other specified transactions (including a court order for an amalgamation/demerger) in India attract stamp duties that are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).

Transfer tax
STT is levied on the purchase or sale of equity shares, derivatives, units in an equity-oriented fund or units of a business trust listed on a recognized stock exchange in India.

Other
An equalization levy of 6% on the amount of consideration for specified services received by a nonresident without a permanent establishment (PE) in India must be withheld by a resident payer or a nonresident payer with a PE in India. "Specified services" include online advertising or any provision for digital advertising space, other related facilities or services or any other service that may be notified by the central government. The income subject to levy will not be taxed in the hands of the recipient.

Customs duties are levied by the central government, generally on the import of goods (GST as well as non-GST goods) into India, although certain exported goods also are liable to customs duties.

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Anti-avoidance rules:

Transfer pricing

The transfer pricing regime is influenced by OECD norms, although the penalty provisions in India are stringent compared to those in certain other countries. The definition of "associated enterprise" extends beyond a shareholding or management relationship, since it includes some deeming clauses. The transfer pricing provisions also cover specified domestic transactions (including payments to related parties) if the aggregate value of those transactions exceeds INR 200 million in one year.

The pricing of these transactions must be determined with regard to arm's length principles, using methods prescribed under India's transfer pricing rules, which are similar to the methods prescribed in the OECD guidelines, with an additional sixth method, i.e. an "other method." The arm's length price is determined based on multiple-year data, and based on a range or the arithmetic mean (depending on certain prescribed conditions).

The taxpayer is required to maintain detailed information and transfer pricing documents substantiating the arm's length nature of related-party transactions. Companies are also required to submit a certificate to the tax authorities (in a prescribed format) from a practicing chartered accountant that sets out the details of associated enterprises, international transactions, etc., along with the methods used to determine an arm's length price. The certificate must be filed by the due date of filing the annual tax return, i.e. 30 November of each year.

The Indian transfer pricing documentation requirements have been updated to incorporate the specific reporting regime in respect of country-by-country reporting and the master file provided for under the OECD/G20 BEPS project.

Where the application of the arm's length price would reduce the income chargeable to tax in India or increase a loss, no adjustment will be made to the income or loss. If a taxpayer that benefits from a tax holiday is subject to a transfer pricing adjustment, the benefit will be denied to the extent of the adjustment. Secondary adjustment provisions have been introduced through Finance Act, 2017, requiring cash repatriation for any kind of transfer pricing adjustment.

Safe harbor rules provide for the automatic acceptance of a taxpayer's transfer price that equals or exceeds specified amounts.

A taxpayer also may enter into an advance pricing agreement (APA).

Thin capitalization

No

Controlled foreign companies

No

Disclosure requirements

A nonresident with a liaison office in India is required to prepare financial statements, annual activity certificates, etc. on its activities and submit this information to the Indian tax officer within 60 days from the end of the financial year.

Other

To discourage transactions with persons located in jurisdictions that do not effectively exchange information with India, transactions with persons situated in certain jurisdictions designated by the government will be subject to the Indian transfer pricing rules and income paid to persons in those jurisdictions will be subject to a minimum withholding tax of 30%.

The general anti-avoidance rule (GAAR) provisions, which were to be implemented as from 1 April 2015, were deferred and apply to investments made after 1 April 2017. The GAAR empowers the tax authorities to declare an arrangement an impermissible avoidance arrangement if it was entered into with the main purpose of obtaining a tax benefit, and: (1) it creates rights or obligations that normally would not be created between persons dealing at arm's length; (2) it results, directly or indirectly, in the misuse or abuse of the Income Tax Act; (3) it lacks commercial substance or is deemed to lack commercial substance; and (4) it is carried out in a manner that would not be used for bona fide purposes. The GAAR will apply to arrangements where the tax benefit exceeds INR 30 million. Once the GAAR is invoked, tax treaty benefits also may be denied for the arrangement.

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Compliance for corporations:

Tax year
The tax year is the fiscal year (1 April to 31 March).

Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

Filing requirements
Taxes on income in a fiscal year usually are paid in the next fiscal year ("assessment" year). Companies must submit a final return by 30 September (30 November for companies required to file a certificate on international transactions (see "Transfer pricing")) of the assessment year, stating income, expenses, taxes paid and taxes due for the preceding tax year. Returns for noncorporate taxpayers that are required by law to have their accounts audited also are due on 30 September. All other taxpayers must submit a return by 31 July. Taxpayers claiming tax holidays or carrying forward tax losses must file their returns on or before the due date.

Companies must make four advance payments of their income tax liabilities during the accounting year, on 15 June (15% of total tax payable); 15 September (30% of total tax payable); 15 December (30% of total tax payable); and 15 March (25% of total tax payable).

Penalties
Penalties apply for failure to file a return and certificate of international transactions, failure to comply with withholding tax obligations and under-reporting and misreporting of income.

Rulings
The Authority for Advance Rulings (AAR) issues rulings on the tax consequences of transactions or proposed transactions with nonresidents. It also is able to issue rulings in relation to the tax liability of residents in prescribed cases, and on whether an arrangement is an impermissible avoidance arrangement. Rulings are binding on the applicant and the tax authorities for the specific transaction(s). APAs also are possible.

Personal taxation:

Basis
An individual who is resident and ordinarily resident in India normally is taxed on worldwide income, subject to the provisions of a relevant tax treaty. A person who is not ordinarily resident generally does not pay tax on income earned outside India unless it is derived from a business or profession controlled or established in India, or the income is accrued or received in India or deemed to have accrued or been received in India. A nonresident is subject to tax only on Indian-source income.

Residence
An individual is resident in India if he/she spends at least 182 days in the country in a given year, or at least 60 days if the individual has spent at least 365 days in India in the preceding four years. For an Indian citizen leaving India for the purpose of employment or as a member of the crew of an Indian ship, and for an Indian citizen/ person of Indian origin working abroad who visits India while on vacation, the threshold is 182 days in the given year, instead of 60 days. An individual is "not ordinarily resident" if he/she has been a nonresident in nine out of the 10 preceding years, or has been in India for less than 730 days during the preceding seven years.

Filing status

Each taxpayer must file a return; the concept of joint filing does not exist in India.

Taxable income
Income from employment, including most employment benefits, is fully taxable after considering applicable exemptions. Profits derived by an individual from carrying on a trade or profession generally are taxed in the hands of the individual, after applying available tax exemptions and tax-free thresholds (see "Rates" below). See under "Corporate taxation" regarding the taxation of dividends.

Capital gains
See under "Corporate taxation."

Deductions and allowances
Deductions are available in respect of certain payments and investments, such as contributions to the provident fund, pension funds, medical insurance or life assurance policies and some savings schemes, etc., subject to applicable limits.

Rates
Rates are progressive up to 30%, plus the applicable cess. A 10% surcharge applies if income exceeds INR 5 million and a 15% surcharge applies if income exceeds INR 10 million, subject to applicable marginal relief.

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The first INR 300,000 is exempt for resident senior citizens (aged 60 years or over, but under 80 years), and INR 500,000 is exempt for very senior citizens (at least 80 years of age); for all others, the first INR 250,000 is exempt. A tax rebate up to INR 2,500 is allowed for individuals with taxable income of up to INR 350,000.

Other

See under "Corporate taxation" regarding the AMT. AMT is not applicable to individuals, associations of persons and bodies of individuals if their adjusted total income does not exceed INR 2 million.

Other taxes on individuals:

Capital duty

No

Stamp duty

Specified instruments and transactions in India attract stamp duties that are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).

Capital acquisitions tax

No

Real property tax

Municipalities levy property taxes (based on assessed value) and states levy land-revenue taxes.

Inheritance/estate tax

No

Net wealth/net worth tax

No

Social security

Employees (including "international workers" but not "excluded employees," as defined in the Provident Fund Act) contribute 12% of eligible wages per month to the provident fund, with a matching 12% contribution by the employer. However, where India has entered into a social security agreement (SSA) with the relevant overseas country, the international worker (subject to certain conditions) is not liable to contribute to the provident fund in India. An international worker may be either: (1) a foreign employee working for an establishment in India to which the Provident Fund Act applies; or (2) an Indian employee seconded to a country with which India has entered into an SSA and who has not obtained a "certificate of coverage" and is eligible for SSA benefits.

Other

Customs duty is levied on the import of goods into India, although certain exported goods also are liable to customs duties.

Compliance for individuals:

Tax year

The tax year is the fiscal year (1 April to 31 March).

Filing and payment

The employer withholds tax on salary income. All individual taxpayers are required to file an individual tax return. Individuals must prepay 100% of the final tax due by the end of the fiscal year, either via withholding at source or by making advance payments in four installments (with interest payable on underpayments). Returns are due by 31 July (30 September for specified individuals) of the assessment year. Electronic filing of tax returns is mandatory if: (1) taxable income exceeds INR 500,000; (2) the individual has foreign assets (including a financial interest in any entity or signing authority for any account); (3) the individual is claiming any relief for foreign taxes; or (4) any refund is claimed in the return.

Penalties

Penalties apply for failure to file a return, failure to comply with withholding tax obligations and concealment of income.

Goods and services tax:

Taxable transactions

Goods and services tax (GST) was introduced in India on 1 July 2017. GST replaces various indirect tax levies such as value added tax (VAT), central sales tax and central excise duty (except for a few specified non-GST goods); service tax; entry tax; entertainment tax; and various other local taxes previously levied on most goods and services. GST is a destination-based consumption tax applicable on the supply of goods or services. GST is a part of the aggregate customs duty levied on imports. Exports and supplies to Special Economic Zones are zero-rated for GST purposes.

The central GST (CGST) and state GST (SGST) simultaneously are levied on a common tax base on all intrastate transactions. In the case of interstate supplies of goods and services, integrated GST (IGST) is levied at a rate that is an aggregate of the CGST and SGST.

GST applies to all goods and services other than alcoholic liquor for human consumption and certain petroleum products (see under “Other,” below).

Rates

Goods and services are categorized under a structure with five different rates: 0%, 5%, 12%, 18% and 28%. There is no standard rate per se, but the rate for most services is 18%. There is a special rate of 0.25% on rough precious and semi-precious stones, and 3% on gold.

In addition to GST, a GST compensation cess of 15% to 96% applies on a few “demerit” and luxury items, such as aerated drinks, cars and tobacco products.

Registration

Registration is state-specific and subject to a threshold exemption of aggregate turnover (throughout India) of INR 2 million (INR 1 million in certain states). The threshold exemption does not apply in specific cases, such as in the case of persons making an interstate taxable supply, persons who are required to pay tax under the reverse-charge mechanism, etc.

Filing and payment

GST compliance is a completely electronic process. Specific returns and filing and payment frequencies are prescribed for different types of taxpayers, with normal taxpayers being required to file monthly returns plus an annual return. Monthly return filings and tax payments are due by the 20th day of the following month.

Until March 2018, the government has relaxed the return submission requirements for small suppliers (i.e. suppliers having turnover up to INR 15 million).

Other

Alcohol for human consumption and certain petroleum products (petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel) continue to be taxed under the VAT regime.

Interstate sales of these goods continue to be liable to central sales tax. Alcohol for human consumption also is liable to state excise duty, while the above petroleum products continue to be liable to central excise duty. The standard rates for VAT, central sales tax and state excise duty on these products vary across the states, while the standard rate for central excise duty depends on the nature of the petroleum product.

Registration for VAT and central sales tax is mandatory for taxpayers dealing in affected goods if the business’s sales turnover exceeds a threshold (INR 500,000 in most states), although certain state VAT laws also specify monetary limits of sales and/or purchases.

VAT, central sales tax and state excise duty returns and payments generally are due either monthly or quarterly, based on the amount of the tax liability.

GST paid on procurements of goods and services cannot be offset against a VAT or state excise duty liability. Similarly, a VAT or state excise duty liability cannot be offset against a GST credit.

Source of tax law: Income-tax Act; Annual finance acts; Customs Act; State VAT and Central Sales Tax laws; Central, State and Integrated GST laws; Foreign Trade Policy 2015-2020

Tax treaties: India has comprehensive tax treaties with 95 countries. India signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Income Tax Department, Authority for Advance Rulings

Italy

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Investment basics

Currency
Euro (EUR)

Foreign exchange control
There are no foreign exchange controls or restrictions on repatriating funds. Residents and nonresidents may hold foreign currency within and outside the country, and direct and indirect investments may be made in any currency. However, funds held outside Italy or repatriated to Italy without a bank intermediary must be declared for tax purposes.

Accounting principles/financial statements
Italian GAAP and IFRS/IAS. Financial statements must be prepared annually. Consolidated accounts must be prepared if certain thresholds are exceeded.

Principal business entities
These are the joint stock company (SpA), limited liability company (SrL) and branch of a foreign company.

Corporate taxation:

Residence
A company is resident for tax purposes if its legal seat, place of effective management or main business activity is in Italy for the greater part of the fiscal period (i.e. at least 183 days). A foreign company that holds a controlling participation in an Italian company is deemed to have its place of effective management in Italy and, therefore, to be resident in Italy for corporate tax purposes if the foreign company is controlled by an Italian resident or managed by Italian residents representing the majority of its board of directors.

Basis
Resident companies are taxed on worldwide income; nonresident companies are taxed only on Italian-source income.

Taxable income
Taxable income for a resident company or an Italian branch of a foreign company is business income, which consists of net income earned in a financial period. Business income encompasses all income derived by the company or branch, e.g. income from a trade, passive income (e.g. dividends, interest and royalties) and capital gains. Taxable income is based on the results shown in the profit and loss (P&L) account, with certain adjustments.

Certain companies that are loss-making or whose turnover is less than a defined percentage of the value of various classes of assets are referred to as "non-operating companies" and are taxed on a deemed minimum income at a higher corporate tax rate.

A company that records tax losses for five consecutive fiscal years—or in four out of the five years and that does not meet prescribed levels of profit, as determined on the basis of certain coefficients, in the remaining year—will be considered a non-operating company as from the sixth fiscal year. The non-operating company regime usually applies to small companies, but application of the regime may be avoided by requesting a ruling from the tax authorities.

Italian companies may opt for a branch exemption regime that provides for the taxation of a branch's income in only the foreign country in which the permanent establishment (PE) is established. The option, which allows an exemption for the income deriving from the foreign PE, is irrevocable and must be applied to all PEs of the Italian company ("all in-all out").

Taxation of dividends
See "Participation exemption," below.

Capital gains
Capital gains normally are treated as ordinary income and taxed at the 24% corporate income tax rate. Capital gains derived from the sale of participations, however, are 95% exempt from taxation if the following requirements are met: (1) the participation has been held for a minimum continuous period that may range between 12 and 13 months; (2) the participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired; (3) the company in which the participation is held is not considered a "black list" entity for purposes of Italy's controlled foreign company (CFC) regime; and (4) the company in which the participation is held carries out a business activity (this requirement will not be met if assets are represented primarily by real property not used in the business activity). The last two conditions must have been satisfied continuously over the last three years or the life of the company, if shorter.

Capital gains realized by nonresident companies on the sale of "nonqualified participations" (see "Rates" under "Personal taxation") ordinarily are taxed at a 26% flat rate. Sales of qualified participations are taxed at the ordinary corporate tax rate on 58.14% of the gains. As from 2019, the 26% flat rate also generally will apply to capital gains from qualified participations. In some cases, capital gains from qualified and nonqualified participations may be exempt, according to specific rules or a relevant tax treaty.

Losses
Losses may be carried forward and offset against corporate taxable income. However, 20% of taxable income in any year cannot be offset by carried-forward losses and will be subject to corporate tax in accordance with the "minimum tax" rule. Losses incurred by a company during its first three taxable periods may be carried forward and used

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to fully offset corporate taxable income, but only if the losses relate to a new business activity (e.g. the losses may not have been incurred in the course of a merger or business contribution). The carryback of losses is not permitted.

Rate

The corporate tax (IRES) rate is 24%, plus the regional tax on productive activities (IRAP, 3.9% in general)—see "Other taxes on corporations" below. For banks and other financial institutions (excluding SGRs and SIMs), the corporate tax rate is 27.5%. "Non-operating" entities are subject to a 34.5% corporate tax rate.

Surtax

No

Alternative minimum tax

There is no AMT, but a presumptive taxable income applies to non-operating companies under certain conditions—see "Taxable income," above.

Foreign tax credit

A tax credit is allowed against Italian net tax for final foreign taxes paid on foreign-source earnings in the year in which the taxes were paid. The amount of the foreign tax credit may not exceed the amount of Italian tax due.

Participation exemption

Domestic and foreign-source dividends paid by subsidiaries to Italian resident corporate taxpayers are 95% exempt from corporate income tax. There is no holding period or minimum ownership percentage to qualify for the exemption. (Different rules apply for the participation exemption for capital gains, see under "Capital gains," above.) The same exemption applies to income from some hybrid financial instruments. However, the exemption does not apply if the foreign subsidiary is a black-list entity and, in some cases, where the dividends are distributed by a black-list entity through an interposed foreign non-black-list entity. Under certain conditions, the dividends distributed by a black-list entity are 50% exempt. Provided specific requirements are met, a foreign tax credit is granted for taxes paid abroad on the same profits by the black-list entity. The tax period in which the dividends accrued is relevant in determining the nature of the dividends received (from a black-list entity or not) and the applicability of the related exemption.

Holding company regime

There is no specific holding company regime, although, as described above, dividends and capital gains on the sale of a participation may benefit from a 95% exemption.

Incentives

Incentives are available in the form of capital grants, "easy-term" loans, tax credits or super/hyper depreciation. Some incentives are granted automatically if specified requirements are met; others require the completion of evaluation procedures. Certain incentives must be negotiated.

Italian companies and Italian branches of foreign companies may apply for an optional patent (intellectual property (IP)) box regime, provided certain conditions are satisfied. The regime provides an exemption (for both IRES and IRAP purposes) for a percentage of the revenue deriving from the licensing or direct exploitation of qualifying IP (excluding trademarks), and an election into the regime is irrevocable for five years. The exemption is equal to 50% as from 2017.

Withholding tax:

Dividends

Dividends paid to a nonresident corporation generally are subject to a 26% final withholding tax (with a potential refund of the foreign tax paid on the dividend by the recipient, up to 11/26ths of the Italian withholding tax) unless the rate is reduced under a tax treaty or the dividends qualify for an exemption under the EU parent-subsidiary directive. A domestic final withholding tax of 1.20% applies to dividends distributed to shareholders resident in an EU/European Economic Area (EEA) country.

Interest

Italian-source interest payable to a nonresident generally is subject to a 26% final withholding tax. Interest derived from a direct/indirect investment in government bonds and similar securities is subject to a 12.5% substitute tax (domestic exemptions apply). The withholding tax may be reduced under a tax treaty or eliminated under the EU interest and royalties directive.

Royalties

Royalties paid to a nonresident company are subject to a 30% withholding tax calculated (generally) on 75% of the gross royalty, resulting in an effective tax of 22.5%. The withholding tax may be reduced under a tax treaty or eliminated under the EU interest and royalties directive.

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Technical service fees

Fees paid to a nonresident for the use of industrial, commercial or scientific equipment located in Italy are subject to a final 30% withholding tax, unless reduced under a tax treaty. Management fees are exempt from withholding tax.

Branch remittance tax

No

Other taxes on corporations:

Capital duty

A negligible fixed registration tax is levied on contributions of cash in exchange for shares. Other assets contributed may be subject to a registration tax or VAT, depending on the situation.

Payroll tax

No

Real property tax

The municipal authorities levy tax on the possession of immovable property at various rates, depending on the municipality. Under certain conditions, construction companies are not subject to the real property tax.

Social security

Mandatory social charges are payable by the employer and vary depending on the employee's job and the size of the workforce. Specific exemptions apply, provided certain conditions are satisfied.

Stamp duty

Stamp duty is levied on legal and banking transactions, at varying rates.

A "Tobin tax" applies in the form of a stamp duty on transfers of shares and other financial instruments issued by Italian joint stock companies (including derivative instruments, if one of the parties to the transaction is an Italian tax resident). The tax rate is 0.2% of the transaction value, reduced to 0.1% where the sale takes place on a listed market (a flat tax is applied on the value of derivative instruments).

Transfer tax

The transfer/contribution of real property situated in Italy is subject to transfer tax (registration, mortgage and cadastral tax) and/or VAT, with the rate depending on the property transferred, the status of the transferor and other factors.

Other

IRAP, the regional tax on productive activities, is levied on the net value of the production derived in each Italian region by resident companies. IRAP is calculated on the "net added value" of production, as defined by the relevant tax rules (but basically derived from the statutory accounts).

The ordinary IRAP rate applicable for manufacturing/trading companies is 3.9%. For banks and other financial institutions/companies (including holding companies), the ordinary IRAP rate is 4.65%, and for insurance companies, the rate is 5.9%.

If the taxpayer has net interest expense, 10% of the annual IRAP paid is deductible from the IRES taxable base. IRAP paid in connection with nondeductible employment expenses also is deductible from the IRES taxable base.

A 3% equalization tax will have to be withheld by Italian residents on the price paid (net of VAT) in relation to specific business-to-business services that qualify as digital transactions (i.e. those carried out through electronic means), according to a specific ministerial decree (to be issued by 30 April 2018), regardless of where the transaction is concluded and to the extent the services carried out by the provider (resident or nonresident) exceed 3,000 transactions in a calendar year. The new equalization tax is likely to be applied as from 2019.

Anti-avoidance rules:

Transfer pricing

The business income of a resident enterprise arising from transactions with nonresidents that directly or indirectly control the resident company, are under the control of the resident company or are controlled by the same entity that controls the resident company is assessed on the basis of the arm's length value of the goods transferred, services rendered or services received.

OECD guidelines generally are followed to determine the arm's length price, and both traditional methods (comparable uncontrolled price, cost-plus and resale price methods) and profit-based methods (e.g. the transactional net margin method) are used and may be acceptable based on the specific circumstances.

A withholding tax exemption or a reduced rate under an applicable tax treaty may be denied to the extent the price paid is higher than arm's length.

Transfer pricing documentation is not mandatory (but see under "Disclosure requirements"), but a taxpayer can obtain protection against penalties in the event of a transfer pricing adjustment by maintaining appropriate documentation and disclosing the existence of that documentation in the annual income tax return.

Thin capitalization

Italy does not have thin capitalization rules per se, but net interest expense is deductible only up to an amount equal to 30% of EBITDA (plus financial leasing installments). Both excess net interest expense and EBITDA may be carried forward indefinitely to increase the deduction of interest expense in a subsequent year.

In addition, a corporate income tax deduction (the ACE) is permitted for a notional yield of the annual increase in a company's equity (with certain exclusions and deductions). The notional yield is 1.5% from the 2018 fiscal year (reduced from 1.6% for the 2017 fiscal year). The deduction is available each year, provided the equity increase is not diminished. The amount for the computation of the ACE deduction may be reduced by an amount equal to the increase of investments in financial instruments (other than participations) as compared to the amount shown in the financial statements for 2010, and to avoid the risk of doubling the ACE deduction in certain other cases.

Controlled foreign companies

Under the CFC regime, profits of a nonresident entity are attributed to an Italian resident where the resident directly or indirectly controls the nonresident entity and the nonresident is considered a black-list entity for purposes of Italy's CFC rules. An entity is considered a black list entity if it is resident in a jurisdiction other than an EU/EEA country that has concluded an exchange of information agreement with Italy, if: (1) the jurisdiction has a nominal corporate income tax rate lower than 50% of the Italian rate; or (2) the entity benefits from a special tax regime that grants favorable structural treatment for tax purposes that leads to a reduction of the nominal tax rate below the 50% threshold. The CFC regime also is applicable when the foreign entity is not considered a black-list entity if the entity is subject to an actual tax rate lower than 50% of the Italian rate and more than 50% of its income is passive or derived from intercompany services.

The income of a CFC is attributed to the Italian resident in proportion to its participation in the CFC, and the profits of the CFC are taxed in the hands of the Italian resident at its average tax rate. However, for companies, the average rate cannot be lower than the ordinary corporate income tax rate of 24%. Taxes definitively paid abroad (i.e. underlying taxes) may be credited against the Italian tax levied on the CFC income.

Application of the CFC regime may be avoided by obtaining a ruling from the tax authorities. In the absence of a ruling, the taxpayer may avoid the application of the CFC regime by providing evidence that certain conditions are satisfied (e.g. demonstrating that its participation in the CFC is not designed for the purpose of allocating income to a black-list entity).

Disclosure requirements

A country-by-country reporting obligation has been introduced requiring certain multinational entities to submit an annual report showing the amount of their revenue, gross profit, taxes paid and accrued and other indicators of actual economic activity.

Other

Other specific anti-abuse provisions may apply. These primarily target tax havens, losses, excess ACE and interest expense carryforwards in the case of extraordinary transactions (e.g. mergers and demergers), withholding tax exemptions under EU directives and the assessment of Italian tax residence for foreign entities.

Compliance for corporations:

Tax year

Taxpayers may use the calendar year or a financial year.

Consolidated returns

Tax consolidation is available to domestic groups, i.e. an Italian parent company and its resident subsidiaries that are under its direct or indirect control. The control requirement is met when the parent company holds more than 50% of the share capital of another company and is entitled to more than 50% of the profits of that company.

Domestic consolidation also may be adopted if the controlling entity or a subsidiary (with an Italian branch) is a nonresident company, provided certain conditions are satisfied.

Under domestic consolidation, a single taxable income is calculated for all consolidated companies. Once an election for consolidation is made, it may not be revoked for three years unless the subsidiary ceases to be controlled by the parent company. Domestic tax consolidation is not available to companies benefiting from a reduction of the corporate tax.

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If certain requirements are met, a worldwide tax consolidation regime is available, under which all foreign controlled companies must be included in the tax group (i.e. the "all in-all out" principle).

Tax consolidation is not available for IRAP purposes.

Filing requirements
A company must file the annual corporate income tax returns (IRES and IRAP) electronically within nine months following the end of the financial year. However, companies with a calendar year end have until the end of October 2018 to file the tax return for the 2017 fiscal year.

Two advance payments of corporate income tax must be made: the first installment is 40% of the amount of corporate income tax paid in the previous year, and the second is 60% of the previous year's tax. A company must make these advance payments by the end of the sixth month and by the end of the 11th month of the financial year.

Penalties
The tax rules include a comprehensive set of penalty and interest provisions for failure to pay and failure to file, with the amounts ordinarily determined based on the specific violation (above specific thresholds, tax violations are criminal offenses).

Rulings
Advance rulings relating to transfer pricing may be obtained from the tax authorities. Such rulings also may apply to dividends and royalties. A ruling also may be requested from the authorities for other reasons, such as to avoid application of the CFC and the non-operating company regimes or anti-abuse provisions, or to obtain the correct interpretation of an unclear tax provision.

Personal taxation:

Basis
Residents are taxed on worldwide income; nonresidents are taxed only on Italian-source income.

Residence
For income tax purposes, an individual is deemed to be resident if he/she is registered at the civil registry or is domiciled in Italy for more than 183 days in a year.

Filing status
Joint filing is possible under specific circumstances.

Taxable income
Individual income tax is imposed on employment income, income from independent activities, income from capital, business income, income from immovable property and other miscellaneous income.

A special regime is applicable for inbound employees under certain circumstances—if all relevant requirements are met, 50% of their Italian-source income from employment is tax exempt. Another special regime is applicable specifically for inbound researchers and highly skilled employees—if all the relevant requirements are met, 90% of their Italian-source income from employment may be tax exempt.

Capital gains
Capital gains derived by an individual on the disposal of Italian immovable property normally are taxed as miscellaneous income, but are exempt from tax if the individual held the property for more than five years. Gains derived from the sale of a principal residence are not subject to tax. For capital gains on the disposal of shares, see "Rates," below.

Deductions and allowances
Deductions for dependents, employment income, social security contributions and other specific expenses (e.g. family charges, medical expenses) are available in calculating taxable income.

Rates
The personal income tax is progressive, rising to a top rate of 43% for income exceeding EUR 75,000. The other rates are: 23% on income up to EUR 15,000; 27% on EUR 15,001-EUR 28,000; 38% on EUR 28,001-EUR 55,000; and 41% on EUR 55,001-EUR 75,000.

Additional regional tax applies at rates ranging from 0.7% to 3.33%, depending on the region in which the individual is domiciled. An additional municipal tax ranging from 0% to 0.9% also may apply, depending on the taxpayer's municipality.

Under certain circumstances, private employees may apply a flat tax of 10% on bonuses earned up to EUR 3,000. Bonuses in kind are exempt from tax and social charges in certain instances.

Resident individuals are taxed on interest at a flat 26% rate (12.5% for interest on Italian treasury bonds or similar bonds).

The 26% flat rate also ordinarily applies to dividends and capital gains related to nonqualified participations. For listed companies, a participation representing more than 2% of the voting rights or more than 5% of the share capital is treated as a qualified participation; for other companies, a qualified participation is one representing more than 20% of the voting rights or more than 25% of the share capital.

IT

As from 1 January 2018, the 26% flat rate also generally applies to dividends related to qualified participations. In relation to profits generated up to the end of 2017 and distributed from 2018 to 2022, the regime described below will apply. As from 2019, the 26% flat rate generally will apply to capital gains related to qualified participations.

Resident individuals holding qualified participations generally are taxed at the ordinary income tax rate on 58.14% of the dividends received that were generated before 2018 (40% for profits generated before 2007 and 49.72% for profits generated after 2007 but before 2017), or 58.14% of the capital gains realized before 2019.

Nonresident individuals generally are taxed at the ordinary income tax rate on 58.14% of Italian-source capital gains related to qualified participations; the taxable percentage was 49.72% for gains realized before 2018. (If a sale was carried out before 2018 but the payment is not received until 2018, the taxable percentage is 49.72%.) The 26% flat rate generally will apply to gains realized as from 2019.

Nonresident individuals ordinarily are taxed at the 26% flat rate on dividends (with a potential refund up to 11/26ths, see above), capital gains related to nonqualified participations (in some cases an exemption may apply based on a relevant tax treaty) and interest. Nonresident individuals resident in a "white list" country (as identified by a specific decree), however, are not taxed on capital gains related to nonqualified participations, and the same capital gains realized by nonresidents on the disposal of shares listed on a stock market are exempt.

Under certain conditions, nonresident individuals moving their tax residence to Italy may apply an EUR 100,000 lump-sum tax on their income earned abroad.

Other taxes on individuals:

Capital duty
A negligible fixed registration tax is levied on contributions of cash in exchange for shares. Contributions of other assets may trigger registration tax at various rates.

Stamp duty
Stamp duty is levied on legal and banking transactions at varying rates.

The Tobin tax applies in the form of a stamp duty on transfers of shares and other financial instruments issued by Italian joint stock companies (including derivative instruments, if one of the parties to the transaction is an Italian tax resident). The tax rate is 0.2% of the transaction value, reduced to 0.1% where the sale takes place on a listed market. A flat tax applies on the value of derivative instruments.

Capital acquisitions tax
No

Real property tax
Property owners, whether or not resident in Italy, are liable for a property tax on buildings and land owned in Italy for their own use or as investments. The tax comprises three different elements: IMU (wealth tax), TASI (tax for services) and TARI (tax on refuse). The basic rate of IMU is 0.76% of the taxable value of the property, but the competent municipality can increase or reduce the basic rate by up to 0.3%. IMU normally does not apply to an individual's main residence. TASI rates range from 0% to 3.3% depending on the municipality in which the property is situated. The TARI rates also vary depending on the municipality.

Inheritance/estate tax
The taxable amount generally is represented by the value of the assets and rights inherited. Rates are 4%, 6% or 8%, depending on the relationship between the deceased and the beneficiaries. Exemptions up to EUR 1 million may apply for bequests to close relatives.

Net wealth/net worth tax
Financial assets held abroad by a resident individual (i.e. bank accounts, participations, etc.) are taxed at 0.2% of the market value. Immovable property outside Italy owned by a resident individual is subject to tax at a rate of 0.76% of the original cost or market value of the property (cadastral value of the property owned in an EU or EEA country). A lower 0.4% rate may apply to principal residences.

Social security
Individuals working in Italy normally are subject to social security contributions, with rates depending on the sector and the employee's job title. Social security in respect of the state pension fund borne by the employee generally is equal to 9.19%, plus 1% over EUR 46,630 (up to a cap of EUR 101,427) for employees who started contributing to an obligatory social security scheme after 1 January 1996. For those who started contributing before that date, contributions are calculated on the total amount of employment income received (new rates could be approved during 2017).

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Other
An additional 10% tax is levied on bonuses, stock options and variable payments paid to directors operating in the financial sector. The tax is payable only on the portion of variable compensation exceeding the fixed remuneration.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
All resident and nonresident taxpayers who derive income subject to individual income tax must file an annual tax return, except for individuals deriving only exempt income or income subject to a final withholding tax and other specific categories of income.

The "Modello 730" tax return must be filed by 23 July of the calendar year following the relevant fiscal year; while the "Modello UNICO" tax return must be filed by 31 October of the year following the relevant fiscal year (deadlines not falling on working days are postponed to the next working day).

Salaries and professional fees are subject to deduction of tax at source.

Penalties
Penalties and interest apply for late filing, failure to file and tax avoidance and evasion.

Value added tax:

Taxable transactions
VAT is levied on the supply of goods and services, and on imports.

Where deductible input VAT is charged on purchases of goods and/or services, the deduction must be taken in the VAT return for the year in which the related right arises or, at the latest, in the VAT return for the year in which the relevant invoice is received.

Rates
The standard VAT rate is 22%, with reduced rates of 4%, 5% and 10%. VAT exemptions apply to financial services, medical services, gaming and gambling, export sales and the contribution of assets to a company (e.g. purchases of capital goods).

Registration
A taxpayer carrying out taxable supplies in Italy is required to register for VAT purposes.

Filing and payment
Taxpayers are required to submit a VAT return electronically by the end of April of the following calendar year.

Taxpayers also are required to submit quarterly reports on invoices and customs bills—although a taxpayer may opt for semiannual filing—and a quarterly report on their VAT calculations, by the end of the second month following the relevant quarter/half-year.

Source of tax law: Corporate Income Tax Law, Regional Tax on Productive Activities Law, Individual Income Tax Law and VAT Law, and decrees and instructions issued by the Ministry of Finance

Tax treaties: Italy has concluded more than 100 tax treaties. Italy signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Ministry of Finance, Tax Income Agency (Agenzia delle entrate)

Japan

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Investment basics

Currency
Japanese Yen (JPY)

Foreign exchange control
There are no controls, but some reporting requirements apply.

Accounting principles/financial statements
Japanese GAAP. Financial statements must be prepared annually.

Principal business entities
These are the joint stock company, limited liability company, partnership and branch of a foreign corporation.

Corporate taxation:

Residence

A company that has its principal or main office in Japan is considered to be resident. Local management is not required.

Basis

A resident corporation is taxed on worldwide income; a foreign corporation generally is taxed only on certain Japan-source income. However, if a foreign corporation has a permanent establishment (PE) in Japan, any income attributable to the PE is taxable. The corporate tax rate for a branch is the same as for a subsidiary.

Taxable income

The taxable income of a corporation in each accounting period is the excess of gross taxable revenue over total deductible business expenses. No gain or loss generally is recognized for certain assets transferred between 100% subsidiaries.

Taxation of dividends

Dividends received by a resident corporation from another resident corporation are excluded from taxable income for corporation tax purposes if the recipient holds 100% of the dividend-paying corporation for a certain period. If a corporation owns more than 33.3% of the shares in a dividend-paying corporation for at least six months before the date the right to receive a dividend is determined, the dividend (less the dividend-receiving resident corporation's interest expense allocated to the dividend) is excluded from taxable income. If a corporation holds 33.3% or less of the shares but more than 5% of shares, or holds more than 33.3% of the shares but for less than six months before the dividend determination, 50% of the dividend is excluded from taxable income. If a corporation owns 5% or less of the shares, 20% of the dividend is excluded from taxable income. A foreign dividend exemption system exempts 95% of dividends received by a Japanese company from its qualifying shareholdings of 25% or more in foreign companies that have been held for at least six months before the dividend determination date. However, foreign dividends that are deductible in the source country are excluded from the exemption and are fully includable in taxable income.

Capital gains

Capital gains are taxable as ordinary income; capital losses generally are deductible.

Losses

Only 55% (50% for fiscal years starting on or after 1 April 2018) of a company's taxable income may be offset by net operating losses (NOLs). A small or medium-sized enterprise (SME) with share capital of no more than JPY 100 million is exempt from the NOL restriction, unless the SME is owned by a large corporation. NOL carryforwards may be further restricted in certain situations, including a change of ownership of more than 50% in connection with a discontinuance of an old business and commencement of a new business.

The NOL carryforward period is nine years (ten years for NOLs incurred during fiscal years starting on or after 1 April 2018). SMEs may carry back losses for one year.

Rate

The national standard corporation tax rate of 23.4% (23.2% for fiscal years starting on or after 1 April 2018) applies to ordinary corporations with share capital exceeding JPY 100 million.

Companies also must pay local inhabitants tax, which varies with the location and size of the firm. The inhabitants tax, charged by both prefectures and municipalities, comprises the corporation tax levy (levied as a percentage of national corporation tax) and a per capita levy (determined based on capital and the number of employees).

The local enterprise tax, another tax imposed by the prefectures, is classified as an income-based tax and factor-based tax. The factor-based enterprise tax has three components: progressive rates of up to 3.6% of taxable profits, 1.2% of a "value-added" factor and 0.5% of share capital and capital surplus.

The effective tax rate for corporations (inclusive of the inhabitants and local enterprise taxes), based upon the maximum rates applicable in Tokyo to a company whose paid-in capital is over JPY 100 million, is approximately 30%.

JP

Surtax
A 2.1% surtax applies on the withholding tax for certain Japan-source income, as discussed below under "Withholding tax."

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against Japanese tax, subject to certain limitations. An indirect foreign tax credit (deemed paid foreign tax credit) generally is unavailable.

Participation exemption
There is no participation exemption in respect of capital gains, but there is a 95% foreign dividend exemption (see above under "Taxation of dividends").

Holding company regime
No

Incentives
Various tax credits are available, including an R&D credit.

There are tax incentives available for increasing wages and salaries (for fiscal years starting between 1 April 2013 and 31 March 2018) and for job creation (effective until 31 March 2018), which may be taken in the same fiscal year if certain adjustments are made.

Special tax incentives have been introduced for qualified companies doing business in designated regions/zones.

Withholding tax:

Dividends
A 20% withholding tax normally is levied on dividends paid to a nonresident, unless the rate is reduced under a tax treaty. The rate is 15% for dividends paid by a listed company to a nonresident. A 2.1% surtax increases the domestic rates to 20.42% and 15.315%.

Interest
Interest on loans paid to a nonresident corporation generally is subject to a 20% withholding tax, while the rate on deposits and bonds is 15%. A 2.1% surtax effectively increases the rates to 20.42% and 15.315%. The rate often is reduced under a tax treaty.

Royalties
Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. A 2.1% surtax effectively increases the domestic rate to 20.42%.

Technical service fees
A 20% withholding tax generally is levied on Japan-source service fees, unless exempt under a tax treaty. A 2.1% surtax effectively increases the domestic rate to 20.42%.

Branch remittance tax
No

Other taxes on corporations:

Capital duty
Capital duty is included in the local inhabitants tax (per capita levy) and the factor-based local enterprise tax includes a levy on capital.

Payroll tax
The employer must withhold income tax and social security contributions at source.

Real property tax
The municipal fixed assets levy is assessed at an annual rate of 1.4%. A real estate acquisitions tax of 3%-4% (temporarily, 1.5%-2%) of the assessed value applies at the time land or buildings are acquired, and a real estate registration tax is imposed on the assessed value of real property at rates ranging from 0.4% to 2%, depending on the type of transfer.

Social security
The employer must withhold the employee's contribution and make its own contributions to social security tax, which has several components. The highest combined employer portion is approximately 16.342%.

Stamp duty
Stamp duty of JPY 200 to JPY 600,000 is imposed on the execution of taxable documents.

Transfer tax
The transfer of certain assets is subject to stamp duty on contracts executed in Japan.

Other
Other taxes include registration and license taxes. Share registration tax is assessed on the registration of new or additional share capital, at 0.7%.

Anti-avoidance rules:

Transfer pricing
The prices of goods and services exchanged between internationally affiliated entities must be consistent with the arm's length principle. Internationally affiliated entities are defined, among others, as those with a relationship consisting of a direct or indirect foreign shareholding of 50% or more, or a "control in substance" relationship. The burden is on the taxpayer to demonstrate that the pricing is reasonable. Failure to do so may give rise to a transfer pricing adjustment, at the discretion of the tax authorities. Advance pricing agreements on the reasonableness of the taxpayer's methodology and results may be obtained from the tax authorities. (See also under "Disclosure requirements.")

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Japan recently adopted a three-tiered approach to transfer pricing documentation—country-by-country (CbC) reporting, a master file and a local file—which generally is consistent with action 13 of the OECD BEPS project. The new rules apply for fiscal years beginning on or after 1 April 2016 for CbC reporting and master file purposes, and for fiscal years beginning on or after 1 April 2017 for local file purposes. A "Notification for Ultimate Parent Entity" also must be submitted for fiscal years beginning on or after 1 April 2016.

Thin capitalization

Japan's thin capitalization rule primarily restricts the deductibility of interest payable (including certain guarantee fees) by a Japanese corporation or a foreign corporation liable to pay corporation tax in Japan, to its foreign controlling shareholder (or certain third parties) if the interest is not subject to Japanese tax in the hands of the recipient. A foreign controlling shareholder is defined as a foreign corporation or nonresident individual that: (1) directly or indirectly owns 50% or more of the total outstanding shares of the Japanese corporation (i.e. a parent-subsidiary relationship); (2) is a foreign corporation in which 50% or more of the total outstanding shares are directly or indirectly owned by the same shareholder that directly or indirectly owns 50% or more of the shares of the relevant Japanese entity (i.e. a brother-sister relationship); or (3) otherwise exercises control over the Japanese entity. This rule also is applicable in situations involving certain third parties, including situations where: (1) a third party provides a loan to the Japanese entity that is funded by a back-to-back loan arrangement with the foreign controlling shareholder; (2) a third party provides a loan to the Japanese entity that is guaranteed by a foreign controlling shareholder; or (3) a third party provides a loan to the Japanese entity based on arrangements involving bonds and certain repo transactions.

There is a debt-to-equity safe harbor ratio of 3:1 (2:1 for certain repo transactions). This effectively means that there will be a restriction only if the debt from the foreign controlling shareholder (or specified third party) exceeds three times the amount of net equity the shareholder/third party owns, and the total debt exceeds three times the equity. In such a situation, interest expenses calculated on the excess debt are treated as nondeductible expenses for Japanese corporate income tax purposes. If the taxpayer can demonstrate the existence of comparable Japanese corporations that have a higher debt-to-equity ratio, that higher ratio may be used.

Earning stripping rules

Where net interest payments to related persons (i.e. interest payments to related persons, less relevant interest income) exceed 50% of adjusted taxable income in a fiscal year, the excess portion is nondeductible. For these purposes, "related persons" is defined broadly, and includes similar controlling and affiliate relationships to those discussed under "Thin capitalization." The rules also can apply to interest payments to certain third parties (e.g. where a third party provides a loan that is guaranteed by a related person). To summarize, "adjusted taxable income" is taxable income without applying certain provisions (including offsetting brought-forward tax losses, the dividends received deduction, the foreign dividend exemption, etc.), and adding back net interest payments to related persons and certain other expenses. De minimis exceptions to the application of the earnings stripping rules exist for: (1) net interest payments to related parties not exceeding JPY 10 million, or (2) net interest payments to related parties that are not more than 50% of the total interest expenses. Where both the earning stripping and the thin capitalization rules are applicable, the larger of the two potential disallowances will apply. To the extent the application of the above rules gives rise to nondeductible related party interest, such interest expense may be carried forward and deducted (within the limitation) against taxable income arising during the following seven fiscal years.

Controlled foreign companies

For Japanese tax purposes, a CFC may include any non-Japanese company that has an effective tax rate of less than 20%, if the company is more than 50% controlled, directly or indirectly, by Japanese shareholders. A CFC is considered "controlled" by Japanese shareholders where Japanese shareholders directly or indirectly own more than 50% of the outstanding shares.

Japanese companies that (together with their associated persons) hold 10% or more of the outstanding shares of a CFC must report their share of the taxable profits of the CFC on a current basis. When a company is classified as a CFC, the Japanese company generally is taxed on the taxable profits of the CFC on a pro rata basis corresponding to its shareholding. The CFC rules may be

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waived if a foreign subsidiary has fixed facilities engaged in business in the foreign country and conducts business activities in that country. Even if a CFC satisfies the above conditions, certain passive income is subject to tax in the hands of the Japanese parent company.

New CFC rules will apply as from a CFC's fiscal year starting on or after 1 April 2018. The new rules introduce a new category of CFC that includes "paper," "cash box" and "black listed" companies with an effective tax rate of less than 30%. The inclusion of taxable profits from such CFCs cannot be waived. The new rules also expand the definition of "controlled" to include companies controlled in substance, regardless of the shares owned.

Disclosure requirements
Disclosure requirements apply to the 10%-or-more shareholders of CFCs. Transactions with foreign related parties should be disclosed (on Form 17(4)) and submitted with the tax return.

Other
Broadly applicable anti-avoidance rules are in place.

Compliance for corporations:

Tax year
A corporation selects its fiscal year when it begins operations in Japan. The accounting period must not exceed 12 months. A branch's tax year generally is the same as the tax year of its head office.

Consolidated returns
A Japanese domestic parent corporation and its 100%-owned domestic subsidiaries may elect to file a consolidated tax return for national tax purposes only, i.e. local taxation is calculated on a stand-alone basis. Once such a group has been approved to enter into the consolidated tax regime, in principle, the group cannot voluntarily revoke this status.

Consolidated taxable income is calculated for the consolidated group as a single tax unit, by aggregating the separate taxable income of each subsidiary in the group and applying necessary adjustments. Consolidated tax liability is calculated based on consolidated taxable income multiplied by the applicable tax rate, adjusted for various tax credits. The group's consolidated tax liability is allocated to the individual corporations in the group based on the taxable income or loss of each corporation.

In principle, when forming/joining the consolidated group, existing subsidiaries are subject to the mark-to-market rule, and the separate return limitation year rule (under which a subsidiary's NOLs incurred before joining the group can be carried forward and offset only against its own taxable income). There are some exceptions to these rules for subsidiaries held for more than five years and subsidiaries that meet certain requirements.

Filing requirements
A corporation or a branch must file a final tax return and pay its final taxes due within two months after the close of its fiscal year. Taxes must be prepaid within two months from the end of the sixth month of the tax year, in an amount equal to either: (1) 50% of the tax payable on the previous year's earnings; or (2) the actual tax liability for the first six months.

Companies may file either a "blue" or a "white" return. The blue return carries a wide range of privileges, such as deductions, including tax loss carryforwards and accelerated depreciation. To use this form, firms must apply before the beginning of the applicable tax year (or, for a newly formed company, apply before the end of the first year) and must meet certain requirements in relation to their accounting systems and recordkeeping.

Penalties
Various penalties are imposed on taxpayers that underreport their total tax due and that fail to timely submit tax payments and tax returns. Penalties are not deductible for Japanese tax purposes.

Rulings
Japan has a limited advance ruling system. Written rulings generally are available to the public, and the availability of a ruling is subject to certain restrictions (e.g. no hypothetical cases).

Personal taxation:

Basis
An individual who is domiciled or who has a residence in Japan for one year or more is a resident. A non-Japanese national who has spent five years or less in Japan in the preceding 10-year period is regarded as a nonpermanent resident.

Residence
Permanent residents are taxed on their worldwide income. Nonpermanent residents are taxed on their Japanese-source income and on foreign-source income paid in or remitted into Japan. Nonresidents are taxed on their Japanese-source income.

Filing status
Joint filing is not permitted. Additionally, the tax rates are uniform and are not dependent on marital or other status.

Taxable income
Most income, including employment income and investment income, is taxable. Specified deductions, allowances and credits are available to reduce tax.

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Capital gains
Individuals are taxed on gains from the sale of shares at 20%. Long-term gains of individuals from the sale of real property are taxed at 20%, and short-term gains are taxed at 39%.

Deductions and allowances
Subject to certain restrictions, deductions are granted for social insurance premiums paid under Japanese government plans, life insurance premiums, earthquake insurance premiums, charitable contributions, qualified medical expenses, etc. Personal deductions are allowed for the individual, a dependent spouse and children aged 16 or older. Exemptions exist for the disabled and the elderly.

Rates
Progressive rates up to 55% apply (combined national and local inhabitants tax). A surtax of 2.1% applies to national tax due, to help pay for recovery following the 2011 earthquake.

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duty of JPY 200 to JPY 600,000 is imposed on the execution of taxable documents.

Capital acquisitions tax
See "Real property tax," below.

Real property tax
A municipal fixed assets levy is assessed at an annual rate of 1.4%. Additionally, a real estate acquisitions tax of 3% to 4% (temporarily, 1.5%-2%) of the assessed value applies at the time land or buildings are acquired and a real estate registration tax is imposed on the assessed value of real property at rates ranging from 0.4% to 2%, depending on the type of transfer.

Inheritance/estate tax
Progressive rates up to 55% apply for inheritance/estate/gift tax.

Net wealth/net worth tax
No

Social security
Social security tax comprises several components. The highest combined employee's portion is approximately 15.510%. The employer must withhold the employee's contribution.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
Employment income and investment income generally are withheld at source. Self-employment business income is calculated in a similar manner as for corporations, and must be self-reported.

Penalties
Japan imposes various penalties on taxpayers who underreport their total tax due and who fail to timely submit tax payments and tax returns. Penalties are not deductible for Japanese tax purposes.

Consumption tax:

Taxable transactions
Japanese consumption tax, similar to a European-style VAT, is levied on the supply of goods and services in Japan; the sale or lease of certain assets in Japan; the import of goods; and certain digital services provided in Japan by nonresidents.

Rates
The current rate is 8% (combined national and local tax rate) for taxable transactions, and 0% in certain circumstances (e.g. export transactions).

Registration
An existing company may elect to be a consumption taxpayer if taxable sales for consumption tax purposes do not exceed JPY 10 million in the "base period" (two years before the current year, or the first six months of the prior year), subject to certain other conditions. In principle, a new company with share capital of less than JPY 10 million should be automatically exempt from filing consumption tax returns until taxable sales exceed JPY 10 million in the base period, or a timely consumption taxpayer election is filed. The election is binding for a minimum of two taxable years. Other than this election, no registration procedures exist.

Filing and payment
A company must file a consumption tax return and remit the applicable tax to the tax authorities if the company is a consumption taxpayer (see under "Registration," above). The frequency of remittances depends on the total consumption tax collected. The amount of creditable input JCT generally depends on total sales, the taxable sales ratio and the method to determine input JCT. Other thresholds/tests also may be applicable.

Source of tax law: Corporation Tax Law, Income Tax Law, Consumption Tax Law, Special Taxation Measures Law

Tax treaties: Japan has concluded 68 income tax treaties. Japan signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: National Tax Agency (NTA)

Luxembourg

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Investment basics

Currency
Euro (EUR)

Foreign exchange control
No

Accounting principles/financial statements
Luxembourg GAAP/IFRS. Financial statements must be prepared annually.

Principal business entities
Public company (société anonyme or SA), private limited company (société à responsabilité limitee or Sàrl), Société par actions simplifiées (SAS), partnership and branch of a foreign corporation.

Corporate taxation:

Residence
A company is resident in Luxembourg if its legal seat or central administration is in Luxembourg.

Basis
Residents are taxed on worldwide income; non-residents are taxed only on Luxembourg-source income. Foreign-source income derived by residents generally is subject to corporation tax in the same way as Luxembourg-source income. Branches are taxed in the same way as subsidiaries.

Taxable income
Taxable income is calculated based on the profit as stated in the commercial balance sheet, plus certain adjustments provided for under the tax law.

Taxation of dividends
Dividends received by a resident company are included in taxable income, unless the participation exemption regime applies.

Capital gains
Capital gains generally are included in taxable income and taxed at the standard corporate tax rate. However, capital gains derived from the sale of shares may be exempt from corporate income tax in certain cases.

Losses
Losses incurred up to the fiscal year that ended on 31 December 2016 may be carried forward indefinitely. Losses incurred as from 2017 are restricted to a period of 17 years. The carryback of losses is not permitted.

Rate
A corporate income tax rate of 18% applies to a company whose taxable income exceeds EUR 30,000. The rate is 15% if annual taxable income does not exceed EUR 25,000. A municipal business tax also may be levied (see "Other," below).

Surtax
Corporate income tax is increased by a contribution of 7% to the unemployment fund.

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against Luxembourg tax if the foreign tax is comparable to Luxembourg corporate income tax. The credit is limited to the amount of Luxembourg income tax payable on the foreign income.

Participation exemption
Dividends and capital gains derived by a qualifying entity from a qualifying shareholding may be exempt from Luxembourg corporate income tax and municipal business tax if the entity deriving the income holds or commits to hold the participation, directly or indirectly, for an uninterrupted period of at least 12 months and the participation does not fall below 10% or below an acquisition price of EUR 1.2 million (EUR 6 million for capital gains) throughout that period.

Dividends received by an eligible Luxembourg parent entity from an eligible subsidiary located in another EU member state are not exempt under the participation exemption regime if the payments are deductible in the other member state. The benefits of the participation exemption regime also will not apply where the transaction qualifies as an abuse of law under the general anti-abuse rule.

Holding company regime
See "Participation exemption," above.

Incentives
A global investment tax credit is available for 8% of the acquisition value of the first EUR 150,000 of investments made during the year, and 2% of the excess over EUR 150,000. A supplementary investment tax credit of 13% of the acquisition value of qualifying investments made during the tax year also is available.

Luxembourg's intellectual property (IP) box regime was abolished in 2016. A new IP regime, which is expected to be voted on in 2018, likely would apply as from fiscal year 2018. Based on the draft law, the new regime would provide for an 80% exemption on income derived from the commercialization of certain IP rights, as well as a 100% exemption from net worth tax. However, under grandfathering rules, IP rights introduced before 1 July 2016 still could benefit, through 30 June 2021, from the old regime (under which 80% of income resulting from the exploitation of the rights and 80% of the capital gains arising from disposal of the rights are exempt from tax. Qualifying rights also would be exempt from net worth tax).

Qualifying investment fund vehicles are not subject to corporate income tax and municipal business tax.

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Withholding tax:

Dividends

Dividends paid to a nonresident company generally are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty. No tax is withheld on dividends paid to a qualifying company under the EU parent-subsidiary directive, unless the transaction qualifies as an abuse of law under the general anti-abuse rule. Luxembourg has extended the benefits of the directive to parent companies resident in non-EU tax treaty countries, provided conditions similar to those under the Luxembourg participation exemption are satisfied and the parent company is subject to a tax similar to Luxembourg corporate income tax.

Interest

Luxembourg does not levy withholding tax on interest. However, profit-sharing bonds and debt instruments with remuneration linked to the issuer's profits are taxed as dividends at a 15% rate.

Royalties

Luxembourg does not levy withholding tax on royalties.

Technical service fees

Luxembourg does not levy withholding tax on technical service fees.

Branch remittance tax

No

Other taxes on corporations:

Capital duty

No. A registration fee of EUR 75 is imposed on incorporation or amendments to bylaws.

Payroll tax

No

Real property tax

Municipalities in Luxembourg impose a land tax of 0.7% to 1% on the unitary value of real property, including industrial plants. This is multiplied by coefficients fixed by each municipality and varies according to the type of real property.

Social security

Employers must make social security contributions (including for pension, illness and accident insurance) on behalf of their employees at a total rate of 12.45% to 15.20%, depending on various factors.

Stamp duty

Stamp duty is levied at various rates on the registration of notary deeds, bailiff deeds and certain action by a court.

Transfer tax

Transfer tax is applicable mainly to the transfer of immovable property. The basic rate is 6%, plus a 1% transcription tax. For real estate located in the municipality of Luxembourg, an additional charge amounting to 50% of the transfer tax is imposed. Exemptions are available.

Other

Municipal business tax may be imposed at rates ranging from 6% to 12%, depending on where the undertaking is located.

A net worth tax of 0.5% on total net assets up to EUR 500 million and 0.05% on total net assets of EUR 500 million or more (subject to the minimum net worth tax requirements described below) is imposed on taxpayers subject to corporate income tax, but an exemption from, or a reduction in, the tax may be available.

Luxembourg collective entities that own qualifying holding and financing assets exceeding both 90% of their total balance sheet and the amount of EUR 350,000 are subject to a minimum net worth tax of EUR 4,815; where the total balance sheet does not exceed EUR 350,000, the minimum net worth tax is EUR 535.

Other Luxembourg companies are subject to a progressive minimum net worth tax, depending on the total balance sheet asset value. The tax ranges from EUR 535 (for a total balance sheet up to EUR 350,000) to EUR 32,100 (for a total balance sheet exceeding EUR 20 million).

For tax-consolidated Luxembourg collective entities, all entities in the group are subject to the minimum net worth tax (payable by the parent entity). However, the aggregate amount due by a tax consolidated group is limited to EUR 32,100.

The minimum net worth tax is reduced by the corporate income tax due the previous year.

Other taxes include gift tax, customs duty, subscription tax and registration taxes (e.g. lease contracts and loan agreements).

Anti-avoidance rules:

Transfer pricing –Transactions between related parties are required to be conducted on arm's length terms. The tax authorities can request documents to examine transactions with related parties. Taxpayers should be able to justify their transactions and provide a valid business rationale, through transfer pricing documentation based on a functional and risk analysis. Reporting requirements apply (see "Disclosure requirements," below).

New tax measures have been introduced to support Luxembourg as a prime financial center, including new guidance and clarification on the transfer pricing rules for Luxembourg entities engaged in intragroup financing activities.

A company may request an advance pricing agreement from the Luxembourg tax authorities.

Thin capitalization

There is no specific legislation but, in practice, the tax administration uses a debt-to-equity ratio of 85:15 for the financing of participations.

Controlled foreign companies

No

Disclosure requirements

Country-by-country reporting, in line with the OECD's BEPS action 13, is required for fiscal years commencing as from 1 January 2016.

Compliance for corporations:

Tax year

The tax year for a company is either the calendar year or the company's accounting year ending in a particular calendar year.

Consolidated returns

Fiscal consolidation is allowed for corporate and municipal business tax purposes, but not for net worth tax purposes, except for the minimum net worth tax (see "Other taxes on corporations," above). A fiscal unity may be formed vertically by a Luxembourg company, or a Luxembourg permanent establishment (PE) of a foreign company that is subject to a tax equivalent to Luxembourg corporate income tax, and its wholly owned (at least 95%) Luxembourg subsidiaries/ Luxembourg PEs of a foreign company that are subject to a tax equivalent to Luxembourg corporate income tax.

In certain cases, a horizontal fiscal unity may be formed between companies with the same direct or indirect parent company (without the parent company being part of the consolidation).

Filing requirements

Corporate income tax, net worth tax and municipal business tax returns must be submitted before 31 May of the following tax year. This date may be extended upon request. Tax returns must be stated in euros, although, in certain circumstances, a company may determine its taxable income in a currency other than the euro.

Capital companies (i.e. the SAS, Sàrl and partnership limited by shares) may be entitled to self-assessment.

As from fiscal year 2018, Luxembourg companies must file their corporate income tax, net worth tax and business tax returns via an electronic filing tool.

Penalties

A 0.6% monthly interest charge applies for failure to pay or for late payment of tax. Failure to submit the tax return, or late submission, results in a penalty of 10% of the tax due and a fine up to EUR 25,000. In the case of a late payment authorized by the tax authorities, the rate ranges from 0% to 0.2% per month, depending on the period of time.

Rulings

A corporate taxpayer may request an advance tax decision from the Luxembourg tax authorities.

LU

Personal taxation:

Basis
Resident individuals are taxed on their worldwide income. Nonresidents are taxed only on Luxembourg-source income.

Residence
An individual is considered a resident of Luxembourg if he/she is domiciled in Luxembourg or his/her customary place of abode is in Luxembourg.

Filing status
Married individuals are subject to joint taxation. Individuals linked by a legal partnership also can opt for joint taxation provided certain conditions are fulfilled. As from 2018 (tax return filed in 2019) married taxpayers can elect to be taxed separately (strict deadlines apply).

Nonresident taxpayers can request to be assimilated to resident taxpayers under certain conditions. New rules concerning nonresident married taxpayers (in particular, the election of tax class and disclosure of foreign income) are applicable as from 2018 (tax return filed in 2019).

Taxable income
Luxembourg law distinguishes several categories of income, including income from employment, self-employment, business and agriculture. Losses from one category of income generally may be set off against income from another category in the same year. Investment income in the form of dividends is subject to withholding tax.

Capital gains
Short-term capital gains are taxed as current income (at progressive rates up to 42%); long-term gains receive more favorable treatment, including an exemption of EUR 50,000 for gains realized in a 10-year period and taxation of the remaining long-term gains at 50% of the taxpayer's global rate. Gains derived by an individual from real estate are considered long-term if the property was held for more than two years. A temporary regime is applicable until 31 December 2018 under which long-term gains for real estate are taxed at 25% of the taxpayer's global tax rate. Gains on an individual's private residence normally are exempt.

Gains derived by an individual on shares are long-term if the shares were held for more than six months, and are taxable only if the shareholding exceeds 10%. Gains on movable assets are exempt if the assets were held for more than six months.

Deductions and allowances
Subject to certain restrictions, deductions are permitted for the following: insurance premiums for life, accident and sickness policies; individual pension schemes; alimony and annuities; childcare and housekeeping costs; charitable contributions; interest on personal and mortgage loans; and home saving and loan schemes. Allowances are granted for employment income, dividend and interest income and pension income. Single parents may benefit from an additional abatement.

Rates
Progressive rates up to 42% apply. Income tax due is increased by: (1) a contribution of 7% to the employment fund (9% for income exceeding EUR 150,000); and (2) a 1.4% dependency contribution.

Investment income in the form of dividends is subject to a 15% withholding tax. See also "Capital gains," above.

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duty usually is levied on the registration of notary deeds, bailiff deeds and certain actions by a court.

Capital acquisitions tax
Certain gifts and donations must be registered (notably, those involving immovable property). The rates range from 1.8% to 14.4%, depending on the relationship between the donor and donee.

Real property tax
Municipalities in Luxembourg impose a land tax of 0.7% to 1% on the unitary value of real property, including industrial plants. This is multiplied by coefficients fixed by each municipality, and varies according to the type of real estate.

LU

Inheritance/estate tax

Inheritance tax is levied in Luxembourg if the deceased was resident in Luxembourg at the time of his/her death. The tax base is the market value of the entire net estate inheritance at the time of death. Rates range from 0% to 48%, depending on the proximity of the relationship and the amount of the assets bequeathed to each beneficiary. Exemptions are applicable in certain cases.

Net wealth/net worth tax

No

Social security

Social security contributions apply to wages and salaries and are due from both the employer (at rates of approximately 12% to 15%) and the employee (at 12.20 to 12.45%). Contributions for both employers and employees are computed on a capped basis (approximately EUR 119,915.16 for 2018), and must be withheld by the employer. Self-employed individuals must register for social security purposes and pay approximately the same rates as the combined rates for an employer and an employee.

Compliance for individuals:

Tax year

Calendar year

Filing and payment

Tax returns are due by 31 March of the year following the tax year. The filing deadline may be extended at the taxpayer's request. Self-employed individuals must make quarterly prepayments of tax, in amounts that are fixed by the tax authorities based on the most recent final assessment.

A taxpayer may request an advance tax decision from the Luxembourg tax authorities. An administrative fee will apply if the request is in connection with individual business matters.

Penalties

Late payment of tax triggers automatic default interest of 0.6% per month. Failure to submit a tax return, or late submission, is subject to a penalty of 10% of tax due and a fine up to EUR 25,000. If late payment is authorized by the tax authorities, the rate ranges from 0% to 0.2% per month.

Value added tax:

Taxable transactions

VAT is levied on the supply of goods and services.

Rates

The standard rate is 17%. An intermediate rate of 14% applies, e.g. to the management and safekeeping of securities, the sale of wine and printed advertising materials. A reduced rate of 8% applies, e.g. to the supply of gas and electricity; and a super reduced rate of 3% applies, e.g. to the sale of books, the supply of water, pharmaceuticals, most food products and radio and television broadcasting services. Certain services are exempt, e.g. financial, health and medical services and the leasing of immovable property.

Registration

In principle, taxpayers must be VAT registered (a derogation may apply under certain conditions).

Filing and payment

A taxpayer must file at least an annual VAT return. Depending on annual turnover, a taxpayer may be requested to file monthly or quarterly VAT returns, in addition to the annual return. Monthly and quarterly VAT returns must be filed within 15 days of the end of the period and the annual VAT return, depending on the taxpayer's situation, must be filed before 1 March or 1 May of the following year.

Other

Taxpayers with an annual turnover of less than EUR 30,000 benefit from a VAT franchise regime, but they still must register for VAT and file an annual VAT return.

The tax authorities can impose a fine ranging from EUR 250 to EUR 10,000 in cases where returns are not filed or are filed late, and a penalty of up to 10% per year in cases of the late payment of VAT. Additionally, a fine up to of EUR 25,000 per day can be imposed for failure to provide information or documents when requested.

Source of tax law: Law of 4 December 1967, as amended, on Income Tax; Law of 12 February 1979, as amended, on Value Added Tax, Law of 16 October 1934, as amended, on Net worth tax, Law of 1 December 1936, as amended, on Municipal Business Tax, Abgabenordung dated 22 May 1931 and Steueranpassungsgesetz dated 16 October 1934

Tax treaties: Luxembourg has 80 effective tax treaties. Luxembourg signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Administration of Direct Contributions, the Administration de l'Enregistrement et des Domaines (VAT and other indirect taxes) and the Administration of Customs & Excise

Mexico

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Investment basics

Currency
Mexican Peso (MXN)

Foreign exchange control
None, and no restrictions are imposed on the import or export of capital. Repatriation payments may be made in any currency. Both residents and nonresidents may hold bank accounts in any currency in any part of the world; however, for some accounts located in Mexico but kept in a foreign currency, the currency must be the US dollar.

Accounting principles/financial statements
Mexican GAAP (with increasing conformity to international standards) applies. Financial statements must be prepared annually.

Principal business entities
These are the corporation (SA), limited liability company (SRL) and branch of a foreign corporation.

Corporate taxation:

Residence
An entity is resident in Mexico if it is managed and controlled in Mexico.

Basis
Residents are taxed on worldwide income; nonresidents are taxed only on Mexican-source income. Foreign-source income derived by residents is subject to tax in the same way as Mexican-source income. Branches are taxed in the same way as subsidiaries.

Taxable income
Corporate tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Normal business expenses may be deducted in computing taxable income. Inflationary accounting for tax purposes is applicable to certain types of revenue and expenses.

Taxation of dividends
Dividends received by a Mexican resident company from another Mexican resident company are exempt from corporate tax. Dividends received from a foreign company are subject to corporate tax in the period the dividends are payable, but a credit for underlying corporate and withholding tax generally is available for foreign tax paid.

If dividends from a Mexican company are not paid from the "CUFIN account" (i.e. previously taxed profits), the payer is required to pay tax.

Mexican companies with investments in renewable sources of energy may create a special net profit account (CUFIER), and if such a company distributes dividends that are not paid from the CUFIER account, the payer will be required to pay tax (30% on a grossed-up amount) on the distribution.

Capital gains
Mexican entities are not subject to special tax treatment on capital gains, and the use of capital losses is restricted in some cases.

Losses
Losses may be carried forward for 10 years, subject to applicable inflation adjustments. The carryback of losses is not permitted.

Rate
30%

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against Mexican tax on the same profits, but the credit is limited to the amount of Mexican tax payable on the foreign income.

Participation exemption
No

Holding company regime
No

Incentives
Special rules apply to maquiladoras. Incentives are granted for national cinematographic and theatrical productions, as well as investments in high performance sports, electric vehicle power feeders, technology and R&D projects, the FIBRAS (real estate investment trust) regime and risk capital.

Immediate depreciation for investments in certain new assets is available as from 1 January 2016 for taxpayers with income up to MXN 100 million; no income limit applies to taxpayers with investments in the construction and improvement of transport infrastructure and those with activities related to the treatment, processing or transport of oil, natural gas and petrochemicals.

Five special economic zones have been launched that provide preferential income tax, VAT and customs duty treatment for companies operating in the zones.

MX

Withholding tax:

Dividends

A company that distributes dividends (including distributions derived from investments in renewable sources of energy and made from the CUFIER account) to a nonresident or resident individual must withhold a 10% tax, which is considered a final tax. For nonresidents, the 10% rate may be reduced under a tax treaty.

A grandfather rule applies, under which CUFIN balances as of 31 December 2013 are not subject to withholding tax when distributed in the future.

The 10% tax may be reduced for dividends paid to individuals resident in Mexico if profits generated in 2014, 2015 and 2016 are reinvested and distributed as from 2017.

Interest

Interest paid to a nonresident generally is subject to withholding tax at rates ranging from 4.9% (interest paid to a bank) to 35%. A 40% rate applies where interest payments are made to a related party located in a tax haven. The rate may be reduced under a tax treaty.

Royalties

Royalties paid to a nonresident are subject to a withholding tax of 35% (patents and trademarks) or 25% (other kinds of royalties), unless the rate is reduced under a tax treaty. A 40% rate applies where royalties are paid to a related party located in a tax haven. The leasing of machinery and equipment generally is considered a royalty.

Technical service fees

Fees paid for technical assistance are subject to a 25% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax

Rules that are similar to the CUFIN rules for dividends apply. Permanent establishments distributing dividends or gains to their head office are subject to an additional tax of 10% on such dividends or gains.

Other

There are certain other circumstances in which withholding tax may apply on payments made to nonresidents, such as payments relating to immovable property, salaries, fees, capital gains, etc.

Other taxes on corporations:

Capital duty

No

Payroll tax

Payroll taxes apply at the state level.

Real property tax

The municipal authorities levy "rates" on the ownership of real property. Rates are deductible in calculating the corporation tax liability.

Social security

Employer contributions for social security and other related contributions (e.g. housing and retirement) are mandatory, with rates ranging from 15% to 25%, depending on the salary structure of the group of employees.

Stamp duty

No

Transfer tax

A transfer tax of between 2% and 5% applies to the transfer of real estate.

Other

While not a tax, mandatory profit sharing rules imply that an entity is obliged to distribute 10% of taxed profits to its employees no later than May of the year following the year in which the profits were generated.

A special excise tax on production and services is levied on the sale of certain goods and the provision of certain services.

Anti-avoidance rules:

Transfer pricing

Rules following the OECD guidelines apply to cross-border and domestic transactions. The following transfer pricing methods may be used in Mexico: the comparable uncontrolled price (CUP) method is considered the preferred method, followed by the cost plus and resale price methods. Profit-based methods are to be used if the CUP, cost plus and resale price methods are not applicable. The profit split and residual profit split methods, and the transactional operating margin method are not applicable in specific circumstances. Documentation rules apply. Advance pricing agreements are available.

Thin capitalization

Interest payments made by a Mexican resident company on a loan from a nonresident related party are nondeductible for income tax purposes to the extent the debt-to-equity ratio of the payer company exceeds 3:1.

Debts incurred for the construction, operation or maintenance of productive infrastructure linked to strategic areas, or for the generation of electricity, are excluded from the application of the thin capitalization rules.

Controlled foreign companies

Income is attributed to Mexican tax residents (including resident foreigners) from "controlled" entities where more than 20% of their income is passive income (broadly defined) that is taxed locally at a rate less than 75% of Mexico's statutory rate. Reporting rules may apply.

MX

Disclosure requirements
External tax auditors are required to disclose on the tax audit report when a taxpayer has entered into a transaction that is not considered viable by the Mexican tax authorities.

Mexico has adopted country-by-country (CbC) reporting in accordance with the recommendations under the OECD's BEPS project. Under the rules, companies that enter into transactions with related parties (in Mexico or abroad) and receive income equal to or greater than MXN 686,252,580 must file a master file and a local file, and Mexican multinational enterprise groups that receive income equal to or higher than MXN 12 billion also must file a CbC report.

Other
An optional tax audit report may be filed for taxpayers that have more than 300 employees, gross income exceeding MXN 100 million or assets exceeding MXN 79 million.

Compliance for corporations:

Tax year
Calendar year

Consolidated returns
A tax integration regime a group to defer income tax for up to three years, taking into account only the profits and losses of entities in the group.

Filing requirements
Under the self-assessment regime, advance corporate tax must be paid in 12 installments. The annual tax return must be filed within the first three months of the following year (no extensions are available).

An advance electronic signature certificate must be available, electronic accounting records must be maintained and the general ledger must be submitted to the tax authorities on a monthly basis.

All taxpayers are required to issue digital invoices with respect to their transactions.

Penalties
Penalties apply for noncompliance with the tax rules.

Rulings
The tax authorities will issue rulings on the tax consequences of actual transactions.

Personal taxation:

Basis
Mexican nationals are taxed on their worldwide income. Nonresidents are taxed only on Mexico-source income.

Residence
An individual is considered resident if he/she has a permanent home in Mexico. If an individual has a home in two countries, the key factor in determining residence is the location of the individual's center of vital interests. Mexican nationals are, in principle, considered tax residents, subject to the permanent home and/or the center-of-vital-interests test.

Filing status
Tax returns are filed individually, regardless of marital status.

Taxable income
Income is taxed, in part, under a schedular system, although some categories of income can be mixed to determine taxable income. Profits derived from the carrying on by an individual of a trade or profession generally are taxed in the same way as profits derived by companies. A separate regime applies to interest earned by individuals.

Capital gains
Capital gains arising from an individual's sale of publicly traded shares, including financial derivatives, are subject to a 10% tax on the gains.

Deductions and allowances
Subject to certain restrictions and caps (the lower of MXN 130,000 or 15% of taxable income), deductions are granted for medical expenses and medical insurance, retirement annuities, mortgage interest, etc. Medical, dental and hospital expenses (among others) are deductible with no restrictions when they derive from an "inability" or disability under the terms of the relevant laws.

Personal allowances are available to the taxpayer and his/her spouse, children and dependents.

Rates
Rates are progressive up to 35%.

Other
See "Incentives" under "Corporate taxation," above, for a temporary incentive relating to the repatriation of capital.

MX

Other taxes on individuals:

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
The municipal authorities levy "rates" on the ownership of real property. Rates are deductible in calculating the individual's taxable income related to leasing of real property.

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
Employed individuals are required to make social security contributions, with the amount based on the individual's salary.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
Tax on employment income is withheld by the employer and remitted to the tax authorities. Other types of income, such as income from the provision of services and leasing income, are subject to withholding. Income not subject to withholding is self-assessed; the individual must file a tax return and make prepayments of tax. Final tax is due on 30 April following the tax year (no extensions are available).

An advance electronic signature certificate must be available. For individuals carrying on a business activity, electronic accounting records must be maintained and a general ledger submitted on a monthly basis.

Penalties
Penalties apply for noncompliance with the tax rules.

Value added tax:

Taxable transactions
VAT is levied on the sale of goods, leasing and the provision of services, as well as on imports.

Rates
The general VAT rate is 16% and a 0% rate applies to food, medicine and certain other items (with some exceptions).

Registration
All persons must be registered to be able to credit the VAT paid to vendors, suppliers or at the border. Nonresidents supplying goods or services in Mexico must register.

Filing and payment
The VAT return must be submitted monthly, within the first 17 days of the following month.

VAT paid for expenses and investments made during the preoperational period is (i) creditable on the VAT return for the month the taxpayer begins business operations; or (ii) submitted for refund during the month following the VAT payment, based on an estimation of future VAT-taxable activities.

Source of tax law: Income Tax, Value Added Tax, Federal Tax Code

Tax treaties: Mexico has 56 income tax treaties in force. Mexico signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: *Servicio de Administración Tributaria* (SAT or Tax Administration Service)

Netherlands

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Investment basics

Currency
Euro (EUR)

Foreign exchange control
No

Accounting principles/financial statements
IAS/IFRS/Dutch GAAP. Financial statements must be filed annually.

Principal business entities
These are the public company (***naamloze vennootschap*** or NV), private limited liability company (***besloten vennootschap*** or BV), partnership (***commanditaire vennootschap*** or CV, ***vennootschap onder firma*** or VOF, etc.), cooperative and branch of a foreign company.

Corporate taxation:

Residence
Companies that have their management in the Netherlands and, in principle, all companies incorporated according to Dutch civil law, are regarded as resident.

Basis
Residents are liable to tax on their worldwide income; nonresidents are taxed only on Netherlands-source income. Exemptions may apply for certain income from shareholdings, permanent establishments (PEs) and innovative activities (see under "Participation exemption" and "Incentives"). Branches of foreign companies and subsidiaries are treated the same way in determining corporate income tax, although branches usually are exempt from withholding tax on profit remittances to their foreign head offices.

Taxable income
Corporate income tax is due on all profits derived from conducting a business, including trading income, foreign-source income, passive income and capital gains. In principle, all costs relating to the business are deductible.

Taxation of dividends
Dividends received by a Dutch resident company are exempt if the participation exemption applies (see "Participation exemption"). If the participation exemption does not apply, either because the holding requirement is not met or because one of the three tests is not met and the subsidiary has not been subject to any form of corporate income tax, any profit derived from the shares will be taxed at the normal corporate rate without a credit. If the participation exemption does not apply because one of the three tests is not met, but the subsidiary has been subject to corporate income tax, a tax credit will be granted. The amount of the credit varies: the maximum credit is 5%, and for EU subsidiaries, a credit is granted for the actual amount of corporate income tax, up to the Dutch corporate income tax levied on the dividends.

Capital gains
Capital gains derived from the sale of a participation are exempt if the participation exemption applies (see "Participation exemption"). Other capital gains are taxed at the normal corporate rate. Gains arising on a (de-)merger may be exempt if certain requirements are met.

Losses
Losses may be carried forward for nine years and carried back for one year. Certain restrictions apply to losses incurred by a company whose activities are at least 90% finance and/or holding activities.

Rate
The corporate tax rates in 2018 are 20% on the first EUR 200,000 of taxable profits, and 25% on taxable profits exceeding EUR 200,000. The rates in both brackets will be reduced, in stages, by a total of 4% by 2021: 1% in 2019; 1.5% in 2020; and 1.5% in 2021. In 2021, the rate in the first bracket will be 16% and the rate in the second bracket will be 21%.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Foreign withholding taxes can be credited under tax treaties. If there is no tax treaty, the foreign withholding taxes can be credited only if the income comes from developing countries. Where a PE of a Dutch company is engaged in low-taxed portfolio activities, a credit will be granted for foreign tax paid on such activities.

Participation exemption
The participation exemption applies to dividends and capital gains derived from shareholdings of at least 5%, provided: (1) the subsidiary is not held as a mere portfolio investment; (2) the subsidiary is subject to a reasonable effective tax rate based on Dutch tax principles ("subject to tax test");

or (3) less than 50% of the assets of the subsidiary consist of "passive" assets, based on the fair market value of the assets ("asset test"). If the participation exemption is not applicable, a credit for the underlying tax may be obtained.

Group financing/licensing activities generally are deemed to be portfolio investment activities, i.e. participations predominantly engaged in these activities must meet test (2) or (3) for the participation exemption to apply.

Even if the participation exemption applies, dividends and interest payments received are taxable if the payment is tax deductible in the country of the payer.

Holding company regime
See "Participation exemption."

Inc entives
Various investment deductions and reliefs are available.

Under the "innovation box" regime, income derived from self-developed intellectual property (R&D) is effectively taxed at a rate of 7% (up from 5% in 2017). As from 1 January 2017, the OECD modified nexus approach applies, with the result that R&D expenses incurred by an affiliated entity are disregarded and more stringent conditions are imposed on the type of R&D activities that qualify for the innovation box.

A special tonnage tax regime applies to shipping companies.

A 0% tax liability or an exemption is provided for qualifying investment funds.

Withholding tax:

Dividends
A 15% withholding tax generally is levied on dividends paid to resident or nonresident shareholders, unless the rate is reduced under an applicable tax treaty or the participation qualifies for an exemption under the EU parent-subsidiary directive or domestic law. As from 1 January 2018, Dutch holding cooperatives are required to withhold tax from dividends in certain cases.

In domestic situations, dividends are exempt from withholding tax if the participation exemption applies or if a fiscal unity for corporate income tax purposes exists between the dividend payer and the recipient.

Domestic rules implementing the EU parent-subsidiary directive provide for an exemption from withholding tax on dividends paid to EU/EEA parent companies under the same conditions as for distributions to a Dutch parent.
As from 1 January 2018, the exemption from withholding tax also applies to dividends paid to a parent company in a third country that has concluded a tax treaty with the Netherlands that contains "qualifying provisions" relating to dividend withholding tax.

Tax withheld on dividends paid to nonresident individuals and companies may be refunded, provided the recipient is a resident of another EU/EEA member state and is the beneficial owner of the dividends. The refund will be equal to the amount of tax withheld that exceeds the (corporate) income tax that would have been due had the recipient been a Dutch resident. A similar refund also is available, in certain cases, to a resident of a third country that exchanges information with the Netherlands.

The Dividend Withholding Tax Act contains various anti-abuse rules. The dividend withholding tax is likely to be abolished in 2019 or 2020, except where abusive situations are involved.

Interest
The Netherlands does not levy withholding tax on interest. Interest on a hybrid loan can qualify as a dividend for tax purposes, in which case the rules for dividends apply. However, a withholding tax on interest is planned to be introduced in 2019 or 2020 to apply in cases of abuse.

Royalties
The Netherlands does not levy withholding tax on royalties. However, a withholding tax on royalties is planned to be introduced in 2019 or 2020, for cases where abuse is involved.

Technical service fees
The Netherlands does not levy withholding tax on technical service fees.

Branch remittance tax
No

NL

Other taxes on corporations:

Capital duty
No

Payroll tax
Companies are required to withhold tax on wages paid to employees.

Real property tax
Municipalities impose an annual tax at varying rates on owners of real property related to the value of the immovable property. Real estate tax is deductible for corporate income tax purposes.

Social security
Social security contributions on employment income are payable by both the employer and the employee. The contributions are calculated on gross salary, less pension premiums withheld from the salary.

An income-dependent health insurance contribution, disability insurance contribution and unemployment insurance contribution also are levied.

Stamp duty
No

Transfer tax
A 6% real estate transfer tax is payable on the acquisition of real property in the Netherlands, or certain related rights. A reduced rate of 2% applies to the transfer of a residence.

Anti-avoidance rules:

Transfer pricing
Intracompany pricing for goods and services must be at arm's length, and documentation must be maintained on intragroup transactions. Acceptable transfer pricing methods include the comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin methods, with transaction-based methods preferred over profit-based methods. It is possible to enter into an advance pricing agreement for the use of a certain transfer pricing method.

Thin capitalization
There currently are no thin capitalization rules in the corporate income tax code.

Controlled foreign companies
There is no specific CFC legislation, but there is an obligation to annually re-assess shareholdings of 25% or more in low-taxed companies whose assets consist of at least 90% "passive" assets. According to EU regulations, CFC rules must be introduced in 2019.

Disclosure requirements
As a result of the OECD BEPS project, CbC reporting requirements are in effect that required information to be provided to the tax authorities on revenue, income, tax paid and accrued, employment, capital, retained earnings, tangible assets and activities of a multinational group.

Rules apply for the automatic exchange of cross-border rulings, CbC reports and transfer pricing agreements between the tax authorities of EU member states.

Other
The abuse of law doctrine applies where the purpose of a transaction or series of transactions is the avoidance of tax.

In addition to the restrictions on the deductibility of interest discussed above, various other rules can result in the (partial) disallowance of a deduction for interest expense incurred by a Dutch taxpayer. These include: (1) anti-base erosion rules that essentially cover the conversion of equity into intragroup debt without a valid business purpose; (2) rules on the acquisition of shares against debt from a related party without meeting a business purpose test or an effective tax rate test; and (3) rules on debt-funded acquisitions of Dutch companies that limit an interest deduction for acquisition holdings.

There are rules that disallow the deduction of interest costs relating to excess debt (deemed to be) associated with the acquisition price of participations. The excess debt is calculated based on a mathematical rule, under which operational participations acquired from a third party generally are excluded.

When forming a fiscal unity between a parent company and an acquired subsidiary, interest expense relating to the acquisition may be deducted only up to the taxable income of the parent company. Several exceptions and thresholds may apply to all of these rules.

NL

Compliance for corporations:

Tax year
The tax year generally corresponds to the calendar year, although a deviating year may be used if so provided in the company's articles of association. The tax year usually is 12 months, but shorter or longer periods are permitted in the year of incorporation.

Consolidated returns
Provided certain conditions are satisfied, a parent company may form a fiscal unity with one or more of its subsidiaries, under which the losses of one company may be offset against the profits of another company and fixed assets of one company may be transferred to another company without corporate income tax consequences. To qualify for fiscal unity status, the parent company must own at least 95% of the economic and legal ownership of the shares of the subsidiary and the parent company and the subsidiaries must have the same financial year. In certain cases, a Dutch PE of a foreign company may be included in a fiscal unity.

A fiscal unity may be formed via a company based in another EU member state, and it is possible to form a fiscal unity, in certain cases, with an EU/EEA-resident parent company.

Remedial legislation has been announced as a result of the opinion of the Advocate General (AG) of the Court of Justice of the European Union (CJEU) in two cases relating to the Dutch fiscal unity regime. The AG concluded that the Netherlands may not favor domestic situations by allowing a benefit that is not open to cross-border groups. If the CJEU follows the AG's opinion, tighter rules will be proposed, which means that some corporate income tax and dividend withholding tax rules would have to be applied as if no fiscal unity exists (this rule also could affect existing fiscal unities).

Filing requirements
A provisional assessment, generally based on information from the previous two years, usually is issued in the first month of the taxpayer's financial year. This assessment is payable in monthly installments for the remaining months of the year.

Corporate income tax returns must be filed annually, within five months of the end of the fiscal year. However, extension of this deadline is possible. Businesses are expected to file all returns electronically. The tax return must be accompanied by all information required to determine taxable profits, including the balance sheet and profit-and-loss account and any other information requested by the tax inspector. If a company does not meet these obligations or does not file a proper tax return, the inspector may issue an estimated assessment.

Penalties
Administrative penalties may be imposed for late filing or failure to file a Dutch return, or for the late payment or nonpayment of tax. Criminal penalties may be imposed if the Dutch authorities can prove fraud or gross negligence.

Rulings
A taxpayer may request an advance ruling from the tax authorities on the application of the participation exemption to holding companies in international structures; the use of hybrid financing instruments and hybrid entities; the existence of a PE in the Netherlands; or the classification of activities, i.e. group services or shareholder activities.

Other
See "Disclosure requirements," above.

Personal taxation:

Basis
Residents are taxed on their worldwide income.

Nonresidents are taxed only on Netherlands-source income. In certain cases, nonresident individuals with Dutch-source income are treated as a limited national taxpayer, in which case they are taxed on foreign-source income but are entitled to some credits.

Residence
Residence is based on factors, such as employment, family circumstances, etc.

Filing status
Married couples must file a joint assessment unless a petition for a divorce has been filed. Unmarried couples must file a joint assessment if certain conditions are satisfied.

Taxable income
Income is categorized and taxed under one of three "boxes." Box 1 is income from an enterprise, employment and housing. Box 2 is income from substantial interests (5% or more). Box 3 is income from savings and investments.

Capital gains
In principle, capital gains are taxed at progressive rates in Box 1. If the gains are related to a substantial interest, a 25% rate applies in Box 2. If the gain relates to an investment, the gains are not taxed as such in Box 3. There is no capital gains tax on gains from the sale of a dwelling.

Deductions and allowances
All expenses incurred that are necessary to obtain taxable income in Boxes 1 and 2 generally are deductible, except expenses related to employment. Certain expenses of a mixed character are not deductible or are deductible subject to certain limits. In relation to Box 3, liabilities are deductible from the taxable base.

Rates
Box 1 income is subject to progressive rates of 36.55% up to 51.95%, with a 14% base deduction for entrepreneurs; Box 2 income is taxed at a rate of 25%; and under Box 3, a fixed presumed gain (of the market value of the Box 3 assets minus debt) is taxed at a flat rate of 30%. The fixed presumed gain in Box 3 is based on the average distribution of the Box 3 assets on savings and investments (the capital mix). The calculation of the actual presumed gains for each year are based on past market returns realized.

Other taxes on individuals:

Capital duty
No

Stamp duty
No

Capital acquisitions tax
A 6% real estate transfer tax is payable on the acquisition of real property in the Netherlands, or certain related rights. A reduced rate of 2% applies on the acquisition of a residence.

Real property tax
Municipalities impose tax at varying rates on owners of real property in their municipality on an annual basis. Real property tax is not deductible for individual income tax purposes.

Inheritance/estate tax
Inheritance tax is due on inheritances received from Dutch residents. Dutch nationals who emigrate from the Netherlands still are considered residents during a 10-year period. Rates vary between 10% and 40%.

Net wealth/net worth tax
No

Social security
State social security contributions are payable by all individuals resident in the Netherlands. Additional social security contributions are payable by employees and the self-employed.

Other
An insurance premium tax is levied at a rate of 21%.

Landlords in the regulated sector that rent out more than 50 houses are subject to a landlord tax, charged on the average value of the houses. The taxable base consists of the total value of the houses minus 50 times the average value. The tax rate is 0.591% for 2018.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
In principle, the tax return must be filed before 1 May of the following calendar year. Payment must be made upon assessment.

Penalties
Administrative penalties may be imposed for late filing or failure to file a Dutch return, or the late payment or nonpayment of tax. Criminal penalties are imposed if the Dutch authorities can prove fraud or gross negligence.

Value added tax:

Taxable transactions
VAT is levied at each stage in the chain of production and distribution of goods and services. VAT applies on the supply of goods, the rendering of services, the acquisition of goods by businesses and the import of goods.

Rates
The standard VAT rate is 21%, with a reduced rate of 6% applying for certain goods and services. The reduced VAT rate is expected to be raised to 9% as from 1 January 2019. This VAT rate applies to goods like foodstuffs, medicines and books.

Registration
There is no registration threshold in the Netherlands; all VAT payers are required to register.

Filing and payment
Depending on the amount of VAT payable, VAT returns are filed monthly, quarterly or annually.

Source of tax law: *Grondwet voor het Koninkrijk der Nederlanden* (Constitution of the Kingdom of the Netherlands), as specified in various tax acts

Tax treaties: The Netherlands has concluded more than 100 tax treaties.

The Netherlands signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: *Belastingdienst* (Tax revenue)

Russia

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Investment basics

Currency
Russian Ruble (RUB)

Foreign exchange control
Some exchange control restrictions apply to Russian residents (including Russian citizens and legal entities) and to foreign currency transactions, but none apply to the distribution of profits to a nonresident entity. For these transactions, residents must provide the authorized bank with the documents confirming the decision to distribute the profits. Residents and nonresidents can hold bank accounts in any currency.

As from 1 January 2018, all Russian citizens and foreign holders of Russian residence permits are considered Russian "currency control residents" that are required to notify the tax authorities when a foreign bank account is opened, changed or closed and when there is a movement of funds in the foreign account. The legislation also restricts the use of foreign bank accounts by Russian currency control residents, and all transactions made via foreign bank accounts must be in line with the Russian law. Persons that have spent less than 183 days in Russia in a reporting period are exempt from the reporting requirement and restrictions on the use of foreign bank accounts.

Accounting principles/financial statements
Russian accounting standards apply and financial statements generally must be prepared annually.

Companies with securities traded on a stock exchange, banks, insurance companies, non-state pension funds, management companies of investment funds, investment unit trusts, clearing companies, federal state-owned and joint stock companies the shares of which are federal property (as per the list approved by the Russian government) and any other companies that prepare consolidated financial statements as required by the law or their registration documents are required to prepare consolidated financial statements under IFRS. This requirement is in addition to stand-alone statements prepared under Russian accounting standards. Annual consolidated IFRS financial statements must be audited, presented to shareholders and filed with the Central Bank.

As from 19 June 2017, the reporting year for purposes of the IFRS consolidated financial statements can be a year other than a calendar year. This decision must be specifically documented in the entity's articles of association. Certain types of entities are not eligible, including banks, insurance and clearing companies, non-state pension and investment funds, certain state-owned companies and other companies that are required to include their IFRS consolidated financial statements in the annual report.

Principal business entities
These are the public and nonpublic joint stock company, limited liability company, partnership, sole proprietorship and branch of a foreign entity.

Corporate taxation:

Residence
An entity is a Russian resident if it is incorporated in Russia, if its actual place of management is in Russia or if it is deemed to be a Russian resident under an applicable tax treaty.

Basis
Russian tax residents are taxed on worldwide income; foreign entities are taxed on income from commercial activities undertaken in Russia and on passive income from Russian sources.

Taxable income
Profits tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Normal business expenses may be deducted in calculating profits, provided they are economically justified, incurred in the generation of income and supported by adequate documentation.

Taxation of dividends
Dividends received by a Russian entity from Russian and foreign entities generally are subject to tax at a rate of 13% (but see "Participation exemption," below).

Capital gains
Capital gains are taxed as ordinary income at the normal corporate rate (but see "Participation exemption," below).

Losses
Losses (except for losses derived from activities subject to a 0% profits tax rate) may be carried forward for an unlimited period but cannot exceed a cap (for 2017-2020, the cap is 50% of the tax base of the current period). The carryback of losses is not permitted.

Rate
20%

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Foreign tax paid may be credited against Russian tax on the same profits, but the credit is limited to the amount of Russian tax payable on the foreign income.

Participation exemption
To qualify for the participation exemption for dividends, a Russian company must hold a participation of at least 50% for at least 365 days. A foreign investee must not be a resident in a "black list" jurisdiction.

A participation exemption is available for capital gains on the sale of unlisted shares and participations in Russian companies and listed shares in high-technology Russian companies (and, until 2023, listed bonds of Russian companies and listed investment units that are considered high-technology) acquired after 1 January 2011 and held for more than five years.

RU

Holding company regime
No

Incentives
Various types of tax incentives are available. For example, a reduction in the profits tax rate to 15.5% (from the standard 20% tax rate), a property tax exemption and other benefits are available for investment projects in many regions. Deductions from income chargeable to profits tax may be available for companies incurring qualifying capital expenditure. Special tax regimes (e.g. regional investment projects, special investment contracts or "territories of advanced social and economic growth") allow a 0% profits tax rate and other benefits. Companies that participate in the Skolkovo Innovation Center may benefit from a 10-year tax holiday. A 0% profits tax rate applies to a range of educational and medical services. A 150% deduction for profits tax purposes is available to all companies with qualifying R&D expenditure. Technology and software companies may benefit from reduced social security rates.

Withholding tax:

Dividends
Dividends paid to a foreign entity or to a nonresident individual are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Interest
Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Russian companies are exempt from the withholding obligation on Russian-source income of foreign legal entities within Eurobond-like structures, under certain conditions.

Royalties
Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees
No

Branch remittance tax
No

Other
Other Russian-source payments made to a foreign company may be subject to withholding tax at various rates.

Other taxes on corporations:

Capital duty
No

Payroll tax
Russian organizations, as well as branches and representative offices of foreign organizations established in accordance with the Russian law, are required to withhold personal income tax on the income paid to individuals.

Real property tax
See under "Other," below.

Social security
The employer is required to make pay-related contributions for pension, social and medical insurance. The tax authorities administer most types of social security payments. The social security contribution rates for 2018 are as follows: for pension contributions, 22% of an employee's remuneration up to RUB 1,021,000, plus 10% of any excess over this cap; for social insurance contributions, 2.9% of an employee's remuneration up to RUB 815,000 (the rate is 1.8% of an employee's remuneration in the case of foreign nationals in Russia on a temporary basis); and for medical insurance, 5.1% of the full remuneration.

Mandatory accident insurance contributions are paid separately from the above insurance contributions to the Social Insurance Fund, at rates ranging from 0.2% to 8.5% of the full amount of an individual's employment income, depending on the degree of inherent risk in the employee's occupation.

Income earned by foreign employees hired under the highly-qualified specialist regime is exempt from social security contributions (only accident insurance contributions are due).

Most foreign nationals, including citizens of the Eurasian Economic Union are subject to the same contributions as Russian nationals.

Employees are not obligated to pay social security contributions in Russia.

Stamp duty
Stamp duty may be levied on certain transactions and documents, but it usually is nominal.

Transfer tax
No

Other
Property tax is a regional tax, with rates established by the regional authorities (as well as tax exemptions not directly provided in the tax code). The tax base includes immovable fixed assets and certain movable fixed assets owned by the taxpayer, excluding land (which is subject to land tax). The tax base generally is calculated based on the depreciated book value of the assets as of the balance sheet date, and the tax rate for the property cannot exceed 2.2% (1.1% for movable property, unless exempt under the regional legislation). For certain types of administrative, business and trading premises, real estate owned by foreign companies and not allocated to a permanent establishment in Russia and certain other premises, the tax base is the cadastral value of the real estate and the tax rate for the property cannot exceed 2%.

RU

Land tax is a municipal tax, and its application is governed by local regulations and the tax code. The local authorities set the land tax rate. Under the tax code, these rates may not exceed 0.3% of the cadastral value of land that is used for agricultural purposes and dwellings, and 1.5% of the cadastral value of other land. The tax base is the cadastral value of the land as determined under the land legislation.

Anti-avoidance rules:

Transfer pricing
Comprehensive transfer pricing rules, which are substantially in line with OECD principles, apply. Acceptable transfer pricing methods are the comparable uncontrolled price method, the resale price method, the cost plus method, the comparable profits method and the profit split method.

Transfer pricing documentation requirements apply (see also below under "Disclosure requirements"). It is possible to obtain advance pricing agreement.

Thin capitalization
The thin capitalization rules restrict the deductibility of interest on loans granted by certain foreign and Russian affiliated parties or guaranteed by such parties (loans guaranteed by affiliated parties but granted by non-affiliated banks generally can be excluded from the scope of the thin capitalization rules). The maximum debt-to-equity ratio is 3:1 for related legal entities in general, and 12.5:1 for banks and leasing companies. Excess interest is nondeductible by the borrower for Russian profits tax purposes and is recharacterized as a dividend distribution subject to dividend withholding tax.

Controlled foreign companies
A Russian (corporation or individual) is taxed on the undistributed profits of a CFC at a rate of 20% or 13%, respectively. The CFC provisions are applicable where an entity or an individual that is considered a Russian tax resident has an interest of more than 25% (10%, if more than 50% is owned, directly or indirectly, by Russian tax residents) in a nonresident entity.

A threshold exemption for inclusion of a CFC's undistributed profits in the tax base of a Russian entity or individual is set at RUB 10 million.

Where the CFC rules apply, the relevant profits of the CFC are computed based on its stand-alone financial statements if at least one of the following conditions is satisfied:

- The auditor's opinion with respect to the CFC's financial statements is presented and the opinion is not negative, and the auditor does not refuse to express this opinion; and/or
- The CFC is a tax resident in a country that has concluded a tax treaty with Russia, and the country exchanges information with Russia.

If the conditions for computing a CFC's profits based on its financial statements are not satisfied, the CFC's profits must be computed in accordance with the general Russian tax rules. In addition, the general rules can be used at the taxpayer's discretion (this approach, if chosen, must be used for five consecutive tax periods).

Disclosure requirements
Certain information must be disclosed to the tax agent on persons exercising rights to certain securities issued by Russian entities and accounted for in the depositary account of a foreign nominee holder (including certain types of shares and bonds), foreign authorized holder or depositary program. This information may be made available to the tax authorities in some cases. Where the information is not disclosed, a 30% withholding tax may be applied to the income derived from such securities (except dividends).

Russian tax residents are required to notify the Russian tax authorities of the following:

- A direct and/or indirect participation in a foreign company if the participation exceeds 10%;
- The establishment of a foreign structure that is not a legal entity; and
- Any interest in a CFC in which Russian tax residents exercise control.

In addition, foreign entities owning immovable property in Russia that is subject to property tax are required to disclose information regarding their direct and indirect shareholders to the Russian tax authorities.

Legal entities must determine and maintain information on their ultimate beneficial owners and update the data annually under Russian anti-money laundering legislation.

Russia has committed to the automatic exchange of information under the common reporting standard starting from 2018, with 2017 as the first reporting period.

RU

Non-Russian financial institutions are required to report certain information to the tax authorities on Russian account holders on an annual basis (i.e. "Russian FATCA").

Russia has adopted the three-tiered approach to transfer pricing documentation (i.e. the local file, master file and CbC report) for large multinational groups. The first reporting period for which large MNEs must file the CbC report is fiscal year (FY) 2017 (voluntary filling also is available for FY 2016).

Compliance for corporations:

Tax year
Calendar year.

Consolidated returns
Russian companies forming a group with 90% (or more) direct or indirect ownership may file a consolidated corporate income tax return for the preceding calendar year if total tax payments exceeded RUB 10 billion and revenue and assets exceeded RUB 100 billion and RUB 300 billion, respectively, calculated according to Russian accounting standards.

Taxpayers electing to file a consolidated group return must continue to file as a consolidated group for at least five years.

Filing requirements
The annual profits tax return must be filed by 28 March after the close of the previous tax year.

Penalties
Penalties generally are 20% of the relevant tax (or 40% if the default is intentional), plus late payment interest and fixed penalties. Criminal penalties also may apply.

Rulings
Opinions of the tax authority may be granted to large taxpayers within the horizontal tax monitoring procedure.

An advance pricing agreement may be obtained by the largest taxpayers under the transfer pricing rules.

Personal taxation:

Basis
Russian residents are taxed on their worldwide income. Nonresidents are taxed only on Russian-source income.

Residence
An individual is resident if he/she spends 183 days or more in Russia during a calendar year.

Filing status
Each individual must file a tax return; joint filing or assessment for spouses is not permitted.

Taxable income
Taxable income consists of any receipt (in cash or in kind) by an individual, or that is subject to an individual's discretionary disposal, subject to certain exceptions. Profits earned from self-employment activities generally are calculated under the same rules as profits derived by companies.

Capital gains
Income derived from the sale of shares of a Russian company, unlisted stock in a Russian company or listed stock in a high-technology Russian company where the shares are acquired after 1 January 2011 and held for more than five years, is exempt. Gains from the sale of other types of property, except for immovable property, by Russian residents are exempt after a three-year holding period. A five-year holding period applies to immovable property that is acquired as from 1 January 2016.

Special rules apply for income derived from transactions with securities issued by Russian entities and delivered by depositaries to foreign entities acting on behalf of an individual.

Deductions and allowances
Subject to certain restrictions, resident taxpayers may be able to claim tax deductions related to property and investments (in securities and in personal investment accounts), charitable contributions, voluntary pensions, life insurance and medical and education expenses. A standard deduction applies to individuals with very low income.

A deduction up to RUB 2 million is granted on the acquisition of real estate; the deduction is up to RUB 3 million for mortgage interest. Taxable income from the sale of property (except for immovable property) that was owned for less than three years may be decreased by expenses incurred, or by a minimum deduction of RUB 1 million (for immovable property) and RUB 250,000 (for other property, except securities).

The minimum deduction applicable to the sale of nonresidential property is RUB 250,000.

Rates
A flat rate of 13% applies to Russian residents on most types of income, and a 30% rate applies toRussian-source income of nonresidents, unless the rate is reduced under a tax treaty.

Dividends are taxed at a rate of 13% for residents and 15% for nonresidents, unless the rate is reduced under a tax treaty.

RU

A 30% withholding tax may apply to certain income from securities if the relevant information is not disclosed to the tax agent (see "Disclosure requirements" under "Anti-avoidance rules," above).

The employment income of highly qualified foreign professionals is taxable at a rate of 13% (even during periods of nonresidence for tax purposes), rather than the 30% rate that otherwise would apply.

As from 2018, deemed income of Russian tax residents from beneficial loans (i.e. where the interest rate on loans made in foreign currency is lower than 9%) received from affiliated parties is taxed at a 35% rate. (Prior to 2018 the 35% rate applied to deemed income from all beneficial loans.)

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duty is levied, but it is usually nominal.

Capital acquisitions tax
No

Real property tax
Tax is imposed annually at rates ranging from 0.1% to 2% of the cadastral value or the total inventory value, adjusted by a "deflator" coefficient.

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
Only a self-employed individual must contribute to social security since contributions are borne by the employer.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
Tax on employment income is withheld by the employer and remitted to the tax authorities. In certain cases, individuals must report their income by filing a tax return no later than 30 April following the year of assessment, with any tax outstanding due by 15 July.

Foreign nationals leaving Russia must submit an exit tax return no later than one month before departure and pay any tax due within 15 days of the filing date.

Penalties
Penalties apply for noncompliance. No extensions are available.

Value added tax:

Taxable transactions
VAT is levied on the sale of goods, the provision of services deemed to be supplied in the Russian territory, the transfer of property rights and the import of goods.

Rates
The standard VAT rate is 18%; reduced rates of 10% and 0% may apply in certain circumstances (e.g. the export of goods).

Registration
A foreign entity cannot register for VAT purposes only; general tax registration is applicable for all taxes. As from 1 January 2017, foreign entities providing e-services that are deemed to be supplied in Russia to private customers, as well as related foreign intermediaries, must register for tax purposes and account for and pay any relevant VAT. The same rules will apply as from 1 January 2019 with respect to supplies of e-services by foreign entities and foreign intermediaries to businesses.

Filing and payment
The general VAT return is filed on a quarterly basis. Payments are made in three equal monthly installments and are due no later than the 25th calendar day of each of the three consecutive months following the reporting quarter (with certain exceptions, e.g. reverse charge VAT and VAT payable by foreign suppliers of e-services).

Source of tax law: Tax Code of the Russian Federation

Tax treaties: Russia has concluded 82 income tax treaties. Russia signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Federal Tax Authority

Switzerland

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Investment basics

Currency
Swiss Franc (CHF)

Foreign exchange control
No restrictions are imposed on the import or export of capital.

Accounting principles/financial statements
Swiss GAAP. Financial statements must be prepared annually.

Principal business entities
These are the corporation (AG), limited liability company (GmbH) and branch of a foreign company.

Corporate taxation:

Residence
Companies with their legal seat (registered office) or place of effective management in Switzerland are considered resident for tax purposes.

Basis
Resident companies are taxed on their worldwide income, except for profits derived from foreign branches and foreign immovable property, which are tax-exempt. Nonresident companies are taxed on permanent establishment/branch income and/or immovable property located in Switzerland.

Taxable income
Corporate income tax is levied on a company's net profits, which consist of business/trading income, passive income and capital gains. Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations. Business expenses are deductible in computing taxable income. Gains and losses from the conversion of financial statements in a functional currency into CHF are disregarded for tax purposes.

Taxation of dividends
See under "Participation exemption."

Capital gains
There is no specific capital gains tax levied at the federal level. Capital gains on the sale of assets are treated as ordinary income (and losses are deductible), regardless of how long the assets have been held. If assets are sold to a shareholder or related corporation at a price below market value, gains may be reassessed for tax purposes. Capital gains derived from the sale of a participation of at least 10% in a company (whether resident or nonresident) benefit from participation relief if the participation has been held for more than one year.

Losses
Losses may be carried forward for seven years and may be set off against any income or capital gains. The carryback of losses is not permitted.

Rate
Tax is imposed at both the federal and cantonal/communal levels. The federal tax rate of 8.5% is levied on net income (since income and capital taxes are deductible in determining taxable income, the effective tax rate is 7.8%). Taking into account both the federal and the cantonal/communal income tax, the combined effective income tax rate typically is between 12% and 24% for companies subject to ordinary taxation, depending on the place of residence.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations. Foreign-source income is taxed net of foreign taxes; no credit is granted for foreign tax paid (except for nonrefundable withholding tax on dividends, interest and royalties under an applicable tax treaty).

Participation exemption
Dividends generally are taxable for the recipient company, although relief is granted for dividends received from a qualifying participation in a resident or nonresident company. A participation is considered qualifying if the company owns at least 10% of the capital of the company paying the dividends or the participation has a value of at least CHF 1 million.

Holding company regime
The holding company tax privilege is granted to companies whose primary statutory purpose is the holding of participations (i.e. when at least 2/3 of the total assets consist of investments in subsidiaries or, alternatively, at least 2/3 of income consists of dividends) and that have no active trade or business in Switzerland. A company that enjoys the holding company privilege is fully exempt from cantonal and communal income taxes. The effective federal income tax rate on nondividend income is 7.8%.

Incentives
The mixed company tax privilege is granted to companies with predominantly foreign business activities. A business activity is deemed to be performed predominantly outside Switzerland if generally at least 80% of the total gross income is derived from foreign sources and at least 80% of expenses are incurred abroad. Foreign-source income of a mixed company is taxed at a combined effective rate of typically between 9% and 11% (including federal tax). Swiss-source income is taxed at ordinary rates for cantonal/communal and federal

CH

income tax purposes. Incentives also are available for domiciliary companies, principal companies and finance branches. Tax holidays may be available.

Withholding tax:

Dividends
Dividends paid to a nonresident are subject to a 35% withholding tax. Under the Switzerland-EU agreement, which provides Switzerland access to benefits similar to those in the EU parent-subsidiary directive, withholding tax is reduced to 0% on cross-border payments of dividends between related companies residing in EU member states and Switzerland when the capital participation is 25% or more and certain other criteria are met. In addition, many tax treaties provide for reduced rates for qualifying investments. The repayment of nominal share capital and capital contribution reserves is exempt from withholding tax.

Interest
Under domestic law, no withholding tax is levied on interest. Exceptions apply to interest derived from deposits with Swiss banks, bonds and bond-like loans, which are subject to a 35% withholding tax at the federal level. Interest paid to a nonresident on receivables secured by Swiss real estate is subject to tax at source. The 35% withholding tax and the tax at source levied under domestic law can be reduced under a tax treaty.

Royalties
Switzerland does not levy withholding tax on royalties.

Technical service fees
Switzerland does not levy withholding tax on service fees.

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No, but see under "Stamp duty."

Payroll tax
There is no general payroll tax, but payroll tax is levied on the wages of foreigners without permanent Swiss residence. For all other Swiss resident employees, wages are taxed as part of ordinary income.

Real property tax
Some cantons levy real property tax.

Social security
The employer generally is required to pay 50% of an employee's social security and pension fund contributions. The employer must deduct contributions from salary and remit the total amount to the social security authorities.

Stamp duty
A 1% stamp duty is levied on contributions to the equity of a Swiss company, whether in cash or in kind. A CHF 1 million exemption threshold applies to the issuance of shares. Reorganizations, such as mergers, spinoffs of corporate assets or transfers of a company's domicile from abroad to Switzerland typically are exempt from stamp duty.

Transfer tax
The transfer of securities by Swiss securities dealers is subject to a 0.15% tax on Swiss securities and a 0.3% tax on foreign securities.

Other
Corporate net wealth tax is imposed at varying rates depending on the canton and the type of tax privilege (typically between 0.001% and 0.5%). The net wealth tax may be credited against the income tax liability in many cantons.

Anti-avoidance rules:

Transfer pricing
Switzerland has no formal transfer pricing legislation or documentation requirements, although all related party transactions with Swiss entities must be carried out on arm's length terms. In general, Switzerland follows the OECD transfer pricing guidelines. See also "Disclosure requirements," below.

Thin capitalization
Safe haven thin capitalization rules require a minimum equity ratio for each asset class (e.g. receivables may be debt financed by 85%, investments by 70% and intellectual property by 70%). In addition, safe haven interest rates apply.

Controlled foreign companies
No

Disclosure requirements
CbC reports for qualifying enterprises must be exchanged as from 2018. Advance tax rulings may be subject to the spontaneous exchange of information.

Other
Measures against treaty abuse may apply, including a base erosion test.

Compliance for corporations:

Tax year
Accounting year

Consolidated returns
Consolidated returns are not permitted; each company is required to file a separate return.

Filing requirements
There is combined tax return filing for both federal and cantonal income tax purposes. A self-assessment procedure applies. Filing deadlines depend on the canton.

Penalties
Penalties apply for late filing or failure to file.

Rulings
Advance rulings may be obtained from the tax authorities on various matters, such as tax consequences of a planned transaction or the tax-privileged treatment of a company. See also "Disclosure requirements," above.

Personal taxation:

Basis
Resident individuals are taxed on their worldwide income, except for profits from foreign businesses, foreign branches and foreign immovable property, which are tax-exempt. Nonresidents are taxed on Swiss employment income, business profits and profits attributable to Swiss immovable property.

Residence
An individual is deemed to be resident in Switzerland if he/she intends to stay in Switzerland permanently (as indicated by the location of the center of personal and business interests), if he/she is physically present in Switzerland for at least 30 days to carry out a professional activity or if he/she is physically present in Switzerland for at least 90 days (regardless of purpose).

Filing status
A married couple is assessed jointly.

Taxable income
Federal income tax applies to all income derived from compensation for work performed and income from capital (both real and movable property). Gross income from Swiss capital is taxable; income from foreign capital is taxed only after deduction of nonrefundable foreign withholding taxes. At the federal level, partial taxation applies to income from participations of at least 10%. Similar relief provisions have been enacted, or are being enacted, at the cantonal level. All cantons levy taxes on personal income, with deductions that vary from the federal deductions.

Capital gains
Capital gains and capital appreciation derived from the sale or realization of assets through the increased value of tangible and intangible assets of a business are subject to tax. Gains realized on the sale of shares or real property generally are not subject to federal tax.

The cantons levy a separate capital gains tax on the sale of real property, but no canton levies tax on personal capital gains from movable property that is not considered an asset of a business.

Deductions and allowances
Various expenses may be deducted in computing taxable income, including interest on loans, alimony and certain donations. Personal allowances are granted to the taxpayer, his/her spouse and dependent children.

Rates
Rates for federal tax are progressive up to 11.5%. Cantonal/communal income taxes also apply.

Other taxes on individuals:

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
Some cantons levy real property tax.

Inheritance/estate tax
There is no federal inheritance and gift tax, although the cantons may levy the tax.

Net wealth/net worth tax
There is no federal tax, but the cantons levy net wealth/net worth tax.

CH

Social security
Federal old age and disability insurance (AHV/IV/EO) is mandatory for all employees. The annual contribution of 10.25% of total employee remuneration (with no ceiling) is divided between the employer and employee. The employer is required to deduct contributions from salary and remit the total amount to the social security authorities. Professional pension plans are mandatory for employees. Private pension plans are voluntary.

Compliance for individuals:

Tax year
Calendar year

Filing and payment
Filing deadlines vary from canton to canton and apply for both federal and cantonal/communal taxes. Cantons tax at source the wages of foreigners working temporarily in Switzerland (i.e. the employer must deduct the tax from salary and remit it on behalf of the foreign employee to the tax authorities).

Penalties
Penalties apply for late filing or failure to file.

Value added tax:

Taxable transactions
VAT applies to the sale of goods and services in Switzerland, and to the import of goods and services into Switzerland. Exports of goods and most services provided to nonresident recipients are, in principle, zero-rated. The acquisition and sale of intellectual property are VAT-able transactions.

Rates
The standard VAT rate is 8% (2017) and 7.7% (2018). Certain goods and services are subject to a reduced rate of 2.5% (2017 & 2018) and others (e.g. most banking services, insurance premiums, residential real estate, education, health and regulated casinos) are exempt. A special 3.8% (2017) and 3.7% (2018) rate applies to the hotel and lodging industry.

Registration
Enterprises conducting business in Switzerland and whose annual worldwide turnover exceeds CHF 100,000 must register for VAT purposes, even if Swiss VAT-able turnover is lower or minimal.

Filing and payment
VAT returns generally must be filed quarterly, and the relevant VAT amount remitted to the federal tax authorities within 60 days after the end of quarter.

Source of tax law: Direct Federal Tax Law (DBG), Tax Harmonization Law (StHG), Withholding Tax Law (VStG), Stamp Tax Law (StG), VAT Law (MWSTG) and various federal decrees/ordinances and cantonal tax laws

Tax treaties: Switzerland has concluded more than 80 treaties. Switzerland signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Federal, Cantonal and Communal Tax Administrations

United Kingdom

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Investment basics

Currency
Pound Sterling (GBP)

Foreign exchange control
No

Accounting principles/financial statements
UK GAAP/IAS. Financial statements must be filed annually.

Principal business entities
These are the public and private limited liability company, limited liability partnership, limited partnership, partnership, real estate investment trust (REIT) and branch of a foreign corporation.

Corporate taxation:

Residence
A company is UK resident if it is incorporated in the UK or its place of central management and control is in the UK.

Basis
A UK resident company is subject to corporation tax on worldwide profits and gains (see "Taxable income," below), with credit granted for overseas taxes paid. Foreign profits and losses (including those from certain capital assets) arising from a permanent establishment (PE) of a UK resident company may be excluded by making an irrevocable election. The effect of the election may be deferred where the PE has incurred a loss. Anti-diversion rules based on the CFC rules (see "Controlled foreign companies," below) may restrict the profits that can be excluded from the charge to UK tax by virtue of the election.

A nonresident company is subject to tax only in respect of UK-source profits, which include the income of a UK PE of the nonresident, certain income and gains from UK real estate, certain UK-source interest income and royalties and gains on assets used for the purposes of a PE's trade.

Taxable income
For a UK resident company, corporation tax is imposed on trading income, several baskets of nontrading income and capital gains. Normal business expenses may be deducted in computing taxable income, provided these are not capital expenditure. No deduction is available for the depreciation or amortization of land, buildings or other tangible fixed assets. Instead, tax relief is available for qualifying capital expenditure on plant and machinery (including certain integral features in buildings) at an annual writing-down allowance of 8%/18% on a reducing-balance basis, depending on the type of asset. Full relief is available for the first GBP 200,000 of expenditure (excluding automobiles) incurred per annum per business/group of companies.

There is a limit on deductions that can be taken for financing costs. These "interest restriction" rules broadly apply where the aggregate tax deductions for net financing costs of UK group companies exceed either 30% of tax EBITDA or, if the taxpayer so elects, the ratio of group net interest expense compared to accounting EBITDA (capped at 100%). There is a de minimis exemption from the interest restriction rules, under which the first GBP 2 million of interest expense is allowable. Where certain conditions are satisfied, restricted interest can be carried forward and deducted in future periods if additional capacity arises.

Taxation of dividends
A dividend exemption applies to most dividends and distributions unless received by a bank, an insurance company or other financial trader. Dividends received by a non-small UK company on most ordinary shares and many dividends on nonordinary shares from another company (UK or foreign) are exempt from UK corporation tax, with no minimum ownership period or minimum ownership level requirement. The exemption also can apply to small companies receiving dividends and distributions from UK companies or foreign companies resident in a jurisdiction that has concluded a tax treaty with the UK that includes a nondiscrimination provision. (A small company is a "micro or small enterprise," as defined by the EU).

Capital gains
Capital gains form part of a company's taxable profits. Gains or losses on the disposal of substantial shareholdings in both UK and foreign companies can be exempt. The main conditions, broadly, require the selling company to have continuously owned at least 10% of the shares of the company being sold for at least 12 months in the six years before disposal, and the company being sold must be trading or the holding company of a trading group (without, to a substantial extent, any nontrading activities) for at least 12 months before the disposal (longer in some cases). In certain circumstances, the company being sold also must be either trading or the holding company of a trading group immediately after the disposal. There is a broader exemption for certain "qualifying institutional investors."

A nonresident company generally is not subject to tax on its capital gains unless the asset is held through a UK PE or, in certain cases, where UK land/property is owned. Where an election has been made to exclude the profits of PEs (see "Basis," above), the exclusion also may apply to gains and losses of certain capital assets of the PE.

UK

The annual tax on enveloped dwellings (ATED)-related capital gains applies to both UK resident and nonresident companies and certain other vehicles disposing of UK residential property valued at more than GBP 500,000. Exemptions from this charge are available in various circumstances.

All gains on the disposal of UK residential property held by nonresident individuals, trustees, partners, some funds and narrowly-held companies are taxed.

Losses
Trading losses generally can offset total profits of the year (including capital gains), with carryback of the excess to the preceding year permitted. Trading losses arising before 1 April 2017 may be carried forward and set against trading profits of future years indefinitely. Trading losses arising after 1 April 2017 generally can be carried forward and set off against any profits, or group relieved. In both cases, carried forward losses are restricted to 50% of profits above a groupwide GBP 5 million limit per year. If there is a change of ownership of the company and a major change in the nature and conduct of the trade within specified time limits, trading losses may be lost.

Capital losses may be offset only against capital gains and only may be carried forward.

Rate
The main rate of corporation tax is 19%, reducing to 17% as from 1 April 2020. The main rate does not apply to "ring fence" profits from oil rights and extraction

A 25% rate applies as from 1 April 2015 where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

A 28% rate applies to gains that arise on disposal of UK residential property where the gain is ATED-related (see "Capital gains," above).

Surtax
No

Alternative minimum tax
No

Foreign tax credit
A UK resident company is subject to corporation tax on its worldwide profits (including capital gains), with credit given for most overseas taxes paid. As noted above (see "Basis," above), a UK company may elect to exempt the profits and losses of foreign PEs from UK corporation tax, provided certain conditions are satisfied. No credit is available where such profits are excluded from UK taxation.

Participation exemption
Most dividends, including foreign dividends, are exempt (see "Taxation of dividends," above). In addition, capital gains on the disposal of substantial (i.e. generally 10% or more) shareholdings in certain companies are not subject to corporation tax (see "Capital gains," above).

Holding company regime
See "Participation exemption," above.

Incentives
An enhanced tax deduction of 230% is available for certain R&D expenditure for small or medium-sized companies. Large companies may claim an "above the line" R&D credit at a rate of 12% as from 1 January 2018.

A patent box regime allows companies to elect to apply a preferential rate of corporation tax of 10% to all profits attributable to qualifying patents.

There are creative industry tax reliefs of up to an additional 100% deduction for qualifying expenditure on film production, animation, video gaming, high-end television broadcasts (including children's television programs), orchestral concerts and theatrical productions.

Withholding tax:

Dividends
There typically is no withholding tax on dividends paid by UK companies under domestic law, although 20% withholding tax generally applies to distributions paid by a REIT from its tax-exempt rental profits (subject to relief under a tax treaty).

Interest
Interest paid to a nonresident is subject to 20% withholding tax, unless the rate is reduced under a tax treaty or the interest is exempt under the EU interest and royalties directive. A reduction of the withholding tax rate under a tax treaty is not automatic; advance clearance must be granted by the UK tax authorities.

Royalties
Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or the royalties are exempt under the EU interest and royalties directive. Advance clearance is not required to apply a reduced treaty rate.

Technical service fees
No

Branch remittance tax
No

Other taxes on corporations:

Capital duty
No

Payroll tax
No

Real property tax
The national nondomestic rate is payable by occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which is deductible in computing income subject to corporation tax.

Council tax applies to the occupation of domestic property.

Social security
Employers are required to make earnings-related social security contributions, together with employee payroll deductions (see "Other taxes on individuals," below).

Stamp duty
Stamp duty at 0.5% applies on the transfer of UK shares and is payable by the transferee.

Stamp duty land tax (SDLT) is charged on transfers of UK real property. Land and buildings transaction tax (LBTT) is charged instead of SDLT on Scottish property. Land Transaction Tax will be charged instead in Wales from 1 April 2018.

For residential property, the SDLT rates are between 0% and 12% (increased to 15% for certain property), depending on the value of the property. The rates for nonresidential property are 0% to 5%. A 15% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, though relief from the 15% rate is available for some businesses.

In certain circumstances, transfers within a tax group may be free from stamp duty/SDLT.

Transfer tax
See "Stamp duty," above.

Other
The ATED is an annual tax charge that applies where companies and certain other entities own UK residential property valued at more than GBP 500,000, regardless of the residence of the entity owning the property. The amount of ATED payable depends on the property value band in which the property is classified. Relief from ATED is available where, broadly, the property is used for business purposes and is not occupied by a person connected with the company or other entity that owns the property.

Shipping companies may elect to pay tonnage tax in lieu of the normal corporation tax.

Anti-avoidance rules:

Transfer pricing
Comprehensive transfer pricing provisions apply to transactions with both domestic and foreign companies. The UK transfer pricing rules follow OECD principles. The rules include a requirement to prepare documentation to demonstrate compliance with the arm's length standard. Advance pricing agreements are possible in certain situations.

Thin capitalization
The arm's length principle applies. There are no safe harbor provisions. Advance thin capitalization agreements are available. (See "Taxable income," above, for debt cap rules.)

Controlled foreign companies
CFC provisions are applicable where, broadly, a UK company has a direct or indirect interest of at least 25% in a nonresident company that is controlled by UK residents. The regime operates on an income stream basis. There is a "gateway" test and a number of provisions that may apply to exempt a company from the rules. Where the CFC rules apply, the relevant profits of the CFC are computed as though it were UK resident and its UK shareholder is subject to tax accordingly. In addition, an overseas finance company can be fully or partially exempt from a CFC charge on profits derived from certain overseas group financing arrangements. The partial exemption works by taxing 25% of the finance company profits at the main corporate tax rate (resulting in an effective rate of 4.75% based on a main rate of 19%).

UK

Disclosure requirements
Certain tax arrangements that result in a UK tax advantage and fall within prescribed hallmarks must be disclosed to the UK tax authorities by, e.g. a promoter, and the user must note the use of such arrangements on the tax return. Separately, certain transactions valued at more than GBP 100 million must be reported to the UK tax authorities within six months of the transaction; these include, for example, the issuance of shares or debentures by, or the transfer or permitting the transfer of shares or debentures of, a foreign subsidiary of a UK company. There is a list of excluded transactions that do not need to be reported.

The UK has implemented country-by-country reporting requirements under the OECD BEPS project that apply to groups with consolidated revenue of EUR 750 million in the previous year. Under the UK rules, a report must be filed with the UK tax authorities within 12 months of the end of the fiscal year of the group.

Other
There are many specific anti-avoidance rules.

A general anti-abuse rule (GAAR) applies across a wide range of taxes, including corporation tax, income tax, capital gains tax and stamp duty land tax. The legislation gives the UK tax authorities power to potentially apply the GAAR to counteract tax advantages arising from tax arrangements that are abusive.

Compliance for corporations:

Tax year
The tax year is the shorter of 12 months or the period for which the accounts are prepared.

Consolidated returns
All companies file separate tax returns. However, losses may be "group relieved" between UK group companies (broadly, where one is a 75% subsidiary of another or both are 75% subsidiaries of the same corporate parent in terms of share ownership, rights to income and rights on a winding up, taking account of direct and indirect holdings). There are other group rules that apply to capital gains allowing, for example, the intragroup transfer of assets at no gain/no loss for tax purposes or the transfer of gains/losses between group members.

Filing requirements
The UK operates a self-assessment regime. Large companies pay tax in quarterly installments starting in month seven of their financial year. The tax return must be filed within 12 months of the period end. Electronic filing is mandatory for all company tax returns.

Penalties
Companies are liable to a fixed penalty of GBP 100 for failure to file a tax return by the due date, plus an additional GBP 100 if the return is not submitted within three months of the due date. Further penalties may apply to returns filed at least six months late. Tax-geared penalties can be sought for matters such as tax returns that are carelessly or deliberately incorrect. Interest is paid on late paid tax.

Rulings
UK tax legislation includes a number of anti-avoidance provisions for which advance statutory clearance may be sought. Also, under a nonstatutory clearance procedure, the UK tax authorities' view of the tax consequences of specific transactions can be sought, on a named basis, with full disclosure, where there is both commercial significance and material uncertainty.

Personal taxation:

Basis
Individuals who are resident and domiciled in the UK are subject to tax on their worldwide income and gains. Different treatment may apply where a person is UK resident but not UK domiciled.

Residence
A statutory residence test applies that is based on a combination of physical presence and connection factors with the UK and other jurisdictions.

Domicile is a concept distinct from residence. An individual's domicile status may be determined by the domicile of his/her parents or can be acquired by choice. UK resident but non-UK domiciled taxpayers can enjoy favorable tax treatment in respect of income and assets outside the UK. Individuals who have been resident in at least 15 of the preceding 20 tax years are deemed to be UK domiciled for all tax purposes. Individuals who were born in the UK and have UK domicile at birth and are UK resident will also be deemed UK domiciled for all tax purposes (subject to a short grace period for inheritance tax purposes) even if they have been resident overseas and acquired a domicile of choice overseas in the interim.

UK

Filing status
Individuals file tax returns separately, irrespective of marital status.

Taxable income
Individuals who are UK resident under the statutory residence test and domiciled in the UK are subject to UK tax on their worldwide income. Residents who are not domiciled or deemed domiciled in the UK may make a claim for the remittance basis of taxation to apply to overseas income, in exchange for an additional tax liability of GBP 30,000 per annum for taxpayers who have been UK resident for seven out of the previous nine tax years, and rising to GBP 60,000 once resident for 12 out of the previous 14 tax years. The remittance basis also may apply without the requirement to make a claim, if (broadly) the unremitted overseas income and overseas capital gains are less than GBP 2,000 or if certain other conditions are fulfilled.

Capital gains
Individuals who are domiciled and resident in the UK are subject to capital gains tax on all chargeable assets, regardless of where they are situated. Similar to the rules for overseas income, an individual who is not domiciled or deemed domiciled in the UK may make a claim for the remittance basis of taxation to apply to any capital gains on non-UK assets (see "Taxable income," above). An annual exemption of GBP 11,300 is available to reduce capital gains, except in tax years where a claim for the remittance basis is made. Where individuals who leave the UK to become nonresident realize gains in a tax year after their departure, such gains normally are not chargeable to UK capital gains tax, unless the individuals are absent from the UK for five years or less and they acquired the asset before they left.

All gains on the disposal of UK residential property held by nonresident individuals, trustees, partners, some funds and narrowly-held companies are taxed.

Deductions and allowances
Individuals are given a personal allowance deduction from total pre-tax income (GBP 11,500 for 2017/18). The personal allowance for income tax is gradually reduced to nil for all individuals with "adjusted net income" above GBP 100,000.

Rates
Income tax is charged at progressive rates. For 2017/18, the rates for non-savings income are as follows: 20% (basic rate) on income up to GBP 33,500 (GBP 31,500 for Scottish residents); 40% (higher rate) on income between GBP 33,501 (GBP 31,501 for Scottish residents) and GBP 150,000; and 45% (additional rate) on income over GBP 150,000.

Scottish residents are UK resident individuals with a close connection to Scotland, typically based on the location of their only or main home. Scottish rates of income tax only apply to non-savings income.

In 2017/18, the first GBP 5,000 of dividend income is taxable at 0% (the "dividend allowance"). Dividend income exceeding the allowance is taxed at 7.5%, 32.5% or 38.1%. The dividend allowance will reduce to GBP 2,000 in 2018/19.

The "personal savings allowance" provides a 0% tax rate on "savings income". The allowance is GBP 1,000 for basic rate taxpayers, GBP 500 for higher rate taxpayers or nil for additional rate taxpayers.

The rate of capital gains tax is determined by the total of capital gains and income. Capital gains tax is payable at a rate of 20% where an individual is liable to pay income tax at the higher or additional rate or the dividend upper or additional rate. For 2017/18, if taxable income is less than GBP 33,500, the rate of capital gains tax is 10%, except to the extent that the gains, when added to income, would exceed the GBP 33,500 limit. In that case, the excess is taxed at 20%. An 8% surcharge applies for gains on residential property and carried interest.

Entrepreneurs' relief reduces the rate of capital gains tax to 10% for certain business assets, subject to a lifetime limit of GBP 10 million of gains per individual. No tax is payable on gains up to the annual exempt amount of GBP 11,300.

Other taxes on individuals:

Capital duty
No

Stamp duty
Stamp duty at 0.5% is imposed on the transfer of UK shares. Stamp duty land tax is charged on transfers of UK real property (residential and nonresidential). See "Other taxes on corporations," above.

Capital acquisitions tax
No

Real property tax
The national nondomestic rate is payable by individual occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which is deductible in computing taxable income. Council tax applies to the occupation of domestic property.

UK

Inheritance/estate tax
Inheritance tax is charged on property passing on death, certain gifts made within seven years of death and some lifetime transfers (e.g. to most trusts). Where due, inheritance tax is payable on assets in excess of GBP 325,000 at a rate of 40% (20% for certain lifetime transfers).

A family home allowance was introduced as from April 2017, provided the property is left to descendants. This will be added to the existing GBP 325,000 threshold, meaning the total tax-free allowance for a surviving spouse/civil partner will be GBP 1 million by 2020/21. The allowance gradually is reduced for estates worth more than GBP 2 million.

Transfers between spouses and civil partners, during life or upon death, generally are exempt from inheritance tax unless only the donor spouse has a UK domicile.

For non-UK domiciled individuals, only UK property is subject to inheritance tax.

Net wealth/net worth tax
No

Social security
National Insurance Contributions (NIC) are payable by employers, employees and self-employed individuals. For example, for 2017/18, weekly paid employees pay NIC at a rate of 12% on weekly income between GBP 157 and GBP 866 and 2% on income exceeding this amount. For employers, NIC is payable at a rate of 13.8% on all income in excess of GBP 157 per week for 2017/18. For 2017/18, self-employed individuals pay NIC at a rate of 9% on annual income between GBP 8,164 and GBP 45,000 and 2% on the excess, together with a fixed charge of GBP 2.85 per week.

Compliance for individuals:

Tax year
The tax year is 6 April to the following 5 April.

Filing and payment
Tax on employment income is withheld by the employer under the Pay As You Earn (PAYE) system and remitted to the tax authorities. Tax on income not subject to PAYE and capital gains tax is self-assessed. If an individual is required to file a tax return, it must be filed by 31 October (or 31 January, if filing online) after the tax year. Payment of tax is due by 31 January after the tax year. Payments on account of tax may be required on 31 January in that tax year and 31 July in the following tax year.

Penalties
Individuals are liable to a penalty of GBP 100 for failure to file a tax return by the due date. The penalties escalate if the return is filed more than three months after the due date. Tax-geared penalties also can be sought for late payment of tax and tax returns that are carelessly or deliberately incorrect. Interest is paid on tax paid late.

Value added tax:

Taxable transactions
VAT applies to most sales of goods, the provision of services and imports.

Rates
The standard VAT rate is 20%, with a reduced rate of 5% for certain items. There also are some specific zero-rated reliefs and exemptions.

Registration
Registration is compulsory for businesses whose taxable supplies exceed GBP 85,000 (for 2017/18) in a given year or where a business expects that its taxable supplies will exceed this threshold within the next 30 days. Voluntary registration is possible for businesses making taxable supplies below this threshold.

Deregistration is possible if taxable supplies fall below GBP 83,000 (for 2017/18). If a business does not have a place of business in the UK, the registration threshold does not apply. The registration date will be the earlier of the date the business makes taxable supplies in the UK or the date the business expects it will make taxable supplies in the next 30 days.

Filing and payment
VAT returns generally are due on a quarterly basis (taxable persons are allocated one of three VAT return periods). A taxable person also may be allowed to complete returns on a monthly basis.

A surcharge may be imposed for failure to file the VAT return by the due date or failure to pay the VAT due.

Source of tax law: Income and Corporation Taxes Act 1988, Taxation of Chargeable Gains Act 1992, VAT Act 1994, Income Tax (Earnings and Pensions) Act 2003, Income Tax (Trading and Other Income) Act 2005, Income Tax Act 2007, Corporation Tax Act 2009, Corporation Tax Act 2010, Taxation (International and Other Provisions) Act 2010, Inheritance Tax Act 1984 and annual Finance Acts

Tax treaties: The UK has concluded approximately 130 tax treaties. The UK signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: HM Revenue & Customs

Deloitte.