PRISM

Tax Newsletter

1st Quarter 2019

Australia: Foreign Owners when to lodge your Vacancy fee return

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REANDA

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Australia

Foreign Owners when to lodge your Vacancy fee return

The Australian Government in conjunction with the Australian Taxation Office introduced an Annual vacancy fee return, for all those Foreign owners who made a foreign investment application for residential property as from 7.30pm 9 May 2017 in Australia. This has been introduced where Foreign property investors have built a large number of residential property holdings with no intention to either rent or live\reside in such residential holdings.

澳大利亚政府与澳大利亚税务局允许从2017年5月9日晚上7时30分起在澳大利亚申请住宅物业的所有外国业主进行年度物业空置税申报，此举是针对在当地建造大量住宅建筑，并无意将住宅租赁或居住的外国房地产投资者而推出的。

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China

The Chinese Government has launched a series of tax deduction measures

The new Individual Income Tax Law of the People's Republic of China was implemented as of January 1, 2019. The income from wages and salaries, income from remuneration for labor services, income from author's remuneration and income from royalties are combined into comprehensive income, to which progressive tax rates ranging from 3% to 45% shall apply, with the annual tax deduction before tax increased from RMB42,000 to RMB60,000. In addition, special additional deductions will apply to six types of expenditures, namely, education of children, continuing education, medical treatment of serious diseases, interest on housing loan or rents and parental care support.

新的〈中华人民共和国个人所得税法〉于2019年1月1日起正式实施，个人工资薪金所得、劳务报酬所得、稿酬所得和特许权使用费所得合并为综合所得，适用百分之三至百分之四十五的超额累进税率。税前年扣除额从之前的人民币42,000元增加至人民币60,000元，另外再增加子女教育、继续教育、大病医疗、住房贷款利息或者住房租金、赡养老人等六项专项附加扣除。

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Cyprus

Tax incentives for the audio-visual industry in Cyprus

Committed to boosting this highly promising sector, the government of the Republic of Cyprus introduced a package of incentives encouraging international producers to choose Cyprus as their next film destination.

塞浦路斯共和国政府致力于推动音像行业这个非常具有潜力的产业，出台了一系列的税务激励政策以鼓励国际片商选择塞浦路斯作为其未来推出电影目的地。

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Greece

Capital Controls in Greece

Capital controls in Greece are moving towards their definitive abolition. The financial transactions within and abroad are less restrictive and Greece becomes an ideal destination for new investments.

希腊的资本管制正被逐步废除，加上国内和与境外的资金转账限制较之前放宽，使希腊成为新理想投资目的地。

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Hong Kong

Hong Kong Country-by-Country Reporting Notification Requirements

When the consolidated revenue of a corporate group exceeds HK$6.8 billion, the group would be required to submit a notification to the Hong Kong Inland Revenue Department in respect of its obligation to file a Country-by-Country Return. The first notification due date is 31 March 2019.

当企业集团合并收入超过68亿港币时，集团须就提交国别报告的义务向香港税务局提交书面通知。第一次书面通知的提交期限为2019年3月31日。

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Italy

The 2019 Budget Law

The 2019 Budget Law was approved at the end of the year 2018—effective 1st January 2019 with the following tax measures:

- Extension of the "hyper" or bonus depreciation allowed certain tangible and intangible assets
- Reduced corporate income tax at 15%
- New tax on Digital Services
- Amendments to the research and development (R&D) tax credit
- An extension of the step-up tax basis for land and unlisted shares, with the "step-up" subject to a substitute tax

意大利于2018年年底通过了《2019年预算法》，该法案自2019年1月1日起生效，并通过以下税收措施：

- 延长某些有形和无形资产的“过度”或红利折旧
- 企业所得税减至15%
- 数字化服务启用新税制
- 研发(R&D)方面税收抵免出台修正案
- 延长土地和非上市股票的税基设立，该税基设立须被征收替代税

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Malaysia

Special Program For Voluntary Disclosure

In the effort to address tax leakages, reduce the existing tax gap and explore new sources of revenue to increase tax collection, the Government of Malaysia has established a Tax Reform Committee. Hence, a Special Program is offered to encourage taxpayers to make voluntary disclosure in reporting their income and paying tax within the stipulated period.

为了解决税收流失问题、缩短现有的财政与税收差距并寻求新的收入来源以增加税收，马来西亚政府成立了税务改革委员会，并提出特别计划，鼓励纳税人在规定期限内，自愿申报收入并缴付漏税。

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Australia

Foreign Owners when to lodge your Vacancy fee return

1. Introduction

The vacancy fee for foreign owners of residential properties was introduced December 2017 by the Australian government to encourage foreign owners to make their properties available for rent to increase housing in Australia.

2. Annual vacancy fee

Foreign owners pay an annual vacancy fee on residential properties not rented or occupied for more than 183 days (6 months in any 12 month period).

3. Who needs to lodge a vacancy fee return

a) made a foreign investment application for residential property after 7.30pm AEST on 9 May 2017

b) purchased under a New Dwelling Exemption Certificate that a developer applied for after 7.30pm AEST on 9 May 2017

c) purchased residential property before 9 May 2017 and failed to submit a foreign investment application

d) vacant land holdings do not apply

e) must lodge a return if property is vacant or rented

f) tenants in common lodge separate annual vacancy fee

g) joint tenants lodge one annual vacancy fee

h) no return necessary if dwelling sold or transferred

i) no return necessary if no longer a foreign person

4. Who can lodge a vacancy fee return

You may lodge your own vacancy fee return or use an authorised agent

5. What is the vacancy year

A vacancy year commences from the date you occupied the property and had a continuous interest in the property.

A vacancy year is a unique year, a successive period of 12 months.

6. When is the occupation day

The first day you have the right to occupy the residential property. It is the settlement date for an established property, if a new property the date of issue of the fitness for occupancy certificate.

7. When is a residential property occupied

Occupancy is considered to apply in any 183 day period:

a) if an owner \ relative occupied the property as a residence

b) genuinely occupied under a lease \ licence for minimum terms of 30days

c) genuinely made available for rent for minimum terms of 30 days

The 183 days of occupancy can be over 12 months and not necessarily continuous, but must be at periods of more than 30 days each period of occupancy.

8. Vacancy fee exemptions

This will apply if:

a) property is damaged or unfit to occupy

b) is under repair \ renovation

c) restricted under a legal constraint

d) occupier is absent due to medical treatment

9. Fee Waivers

Fee waivers will be considered on a case by case basis

10. When to lodge

Must be lodged within 30 days at the end of each vacancy year

11. Paying the vacancy fee

After lodging the vacancy fee return the confirmation page shall advise the amount payable plus an email confirming the same.

12. What penalties may apply

If you fail to lodge the vacancy fee return, you may still be required to pay a fee.

You may also receive an infringement or civil penalty if you fail to lodge or lodge late and if you do not maintain records for 5 years after the end of the vacancy year.

13. If your situation changes

You must keep your details up to date.

14. Self-disclose a breach

You must report any breaches on the relevant forms.

China

The Chinese Government has launched a series of tax deduction measures

The new Individual Income Tax Law of the People's Republic of China was implemented as of January 1, 2019. The income from wages and salaries, income from remuneration for labor services, income from author's remuneration and income from royalties are combined into comprehensive income, to which progressive tax rates ranging from 3% to 45% shall apply, with the annual tax deduction before tax increased from RMB42,000 to RMB60,000. In addition, special additional deductions will apply to six types of expenditures, namely, education of children, continuing education, medical treatment of serious diseases, housing loan interest or housing rents, and support for elderly parents.

(1) From January 1, 2019 to December 31, 2021, foreign individuals who are resident taxpayers may choose to enjoy special additional deductions or continue to enjoy the current tax-exempt benefits on housing allowance, language training fee, and children education fee, which are mutually exclusive. Once chosen, it shall remain unchanged within a tax year.

(2) Since January 1, 2022, foreign individuals no longer enjoy tax-exempt benefits on housing allowance, language training fee, and children education fee, but may enjoy special additional deductions in accordance with relevant provisions.

On January 17, 2019, the Ministry of Finance and the State Administration of Taxation promulgated the Notice on Implementing the Inclusive Tax Deduction or Exemption Policy for Small and Micro Enterprises, which stipulates that:

(a) Small-scale VAT payers whose monthly sales are less than RMB100,000 (inclusive) shall be exempted from VAT.

(b) As for small meagre-profit enterprises, 25% of the annual taxable income no more than RMB1 million shall be taxed at a reduced rate of 20%, while 50% of the annual taxable income between RMB1 million and RMB3 million (inclusive) shall be taxed at a rate of 20%.

The small meagre-profit enterprises above-mentioned refer to the enterprises meeting the following two conditions: a) not engaged in industries restricted and prohibited in China; b) having annual taxable income lower than RMB3 million, no more than 300 employees, and total assets lower than RMB50 million.

The implementation period of the notice is from January 1, 2019 to December 31, 2021.

Cyprus

Tax incentives for the audio-visual industry in Cyprus

Committed to boosting this highly promising sector, the government of the Republic of Cyprus introduced a package of incentives encouraging international producers to choose Cyprus as their next film destination.

Qualifying production categories include, amongst others, feature Films (including animation), television Series or mini-series, documentaries for Theatrical or Television release, animation (digital or analogue), television research programs and natural history.

The law is in force from 1 January 2018.

The Scheme consists of a combination of grants and tax incentives as follows:

1. Cash rebate up to 35% of eligible expenditures incurred in Cyprus will be granted, where the amount will depend on the score of the production at the cultural test. The rebate will be given once filming is completed, on receipt of the audit report and its review by the relevant committee.

2. Tax credit, as an alternative to cash rebate, offers a reduction of the corporate tax liability of the company responsible for the implementation of a production, with the same criteria that apply for cash rebate. The sum of the tax credit against the taxable income shall not exceed 50% of the Applicants' taxable income for the tax year within which the production is made. The tax credit, to the extent that it is not granted due to the above percentage restriction, shall be carried forward and be given within the next five years, subject to the above percentage restriction.

3. Tax Allowance for investment in infrastructure and equipment. Any small and medium-sized enterprise subject to a tax liability in Cyprus investing in cinematographic infrastructure and technological equipment will be entitled to deduct the amount of its investment from its taxable income. The aid may not exceed 20% of the qualifying production expenditures in the case of small enterprises and 10% of the qualifying production expenditures in the case of medium-sized enterprises. Investment in the case of equipment should remain in the territory of Cyprus for a period of at least 5 years.

4. Return of VAT on expenditure. For qualifying production expenditures incurred in Cyprus by natural or legal persons from third countries and which are related to the implementation of productions, the company is entitled to a refund of VAT.

It is noted that, with respect to the cash rebate or the tax credit, the applicant must select which incentive it shall take advantage of, given that they cannot both apply together. The cash rebate can apply together with the tax allowance for investment in infrastructure and equipment as well as together with the VAT return. The tax credit can apply together with the tax allowance for investment in infrastructure and equipment as well as together with the VAT return, by completing the relevant applications.

The incentive shall be strictly restricted to one and only audiovisual production. The integration of more than one production under the same Applicant (slate of films) is expressly prohibited, with an exception for a group production of a documentary for television or cinema under one single general title with a single budget, or a television series of no more than 15 episodes per annum with a single budget.

Greece

Capital Controls in Greece

In Greece, capital controls were introduced at the end of June 2015 with the aim to hold the bank run, provoked by the instability of the political situation. The European Central Bank, froze the financial support towards the banks of Greece which resulted in the closing of the above-mentioned institutions and consecutively in the implementation of capital controls, whose purpose was the prevention of Greeks' run to the banks.

Capital controls can be broadly characterized as restrictions on capital transactions and comprised of three pillars: (a) measures to prevent outflows of funds abroad, (b) measures limiting cash withdrawals from banks and (c) measures to prevent the rapid decline of bank assets and liabilities (e.g. repayment of the remaining capital on bank loans). Despite these measures, there was no explicit restriction on the provision of credit by financial institutions. In addition, during the first phase of restrictions, all credit institutions operating in Greece, including branches of foreign banks, were forced to close until July 20, 2015, the Athens Stock Exchange remained closed and daily cash withdrawals were limited to a maximum of 60 euros per depositor per bank. No capital restrictions were applied to credit cards issued by foreign banks.

Following the end of the bank holiday, certain transactions were approved, such as early redemption of time deposits and payment of tuition fees to foreign universities. To reduce the burden of documentation requirements, special subcommittees were established in each financial institution to approve or reject the transfer of funds abroad. The special subcommittees were responsible for the approval of transfers abroad under a certain threshold. Transfers larger than this threshold had to be approved by the central committee.

The threshold of the total amount of transfers abroad by any individual firm was set initially at 100,000 euro per working day. This limit has been gradually increased to 250,000 euros by September 2015 and to 350,000 euros by July 2016.

Almost three and a half years since the imposition of capital controls, Greek authorities announced that they are abolished for domestic transactions and further eased for transactions abroad. The last changes in the limit on withdrawals took effect on 1 October 2018.

The provisions in the decision are as follows:

- There are no longer be any limits on withdrawals via credit cards or pre-paid cards.
- There is a 5,000-euro limit on withdrawal abroad, which includes withdrawals via credit cards and pre-paid cards issued in Greece.
- The limit on the amount of cash carried by Greek citizens traveling abroad increased from 3,000 to 10,000 euros.
- For businesses, the limit on the amount transferred abroad, in the context of their business activity, raised from 40,000 to 100,000 euros, per transaction, per client, per day.
- There is no limit on the transfer abroad of profits on investments made in Greece. For sums from profits and dividends deriving from investments in Greece, depositors can transfer to a bank account in their name abroad 100 percent of the initial investment per year. The provision applies only to investors who wired the capital from abroad to a bank account that they maintain in Greece.
- Payments or payments in full of cheques and letters of credit in cash are allowed. Until October 2018, they could only be deposited in a bank account.

Hong Kong

Hong Kong Country-by-Country Reporting Notification Requirements

Hong Kong introduced a transfer pricing regime and related documentation requirements (refer to our 3rd Quarter 2018 issue for more details). Included therein is the Country-by-Country (CbC) reporting and notification requirements. The first CbC notification due date is 31 March 2019.

In Hong Kong, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 provides a legislative framework for Hong Kong to implement the CbC reporting.

The requirements for CbC reporting only apply to a multinational enterprise group (MNE Group) whose annual consolidated group revenue reaches the specified threshold amount, i.e. HK$6.8 billion (Reportable Group).

In respect of a Reportable Group, the primary obligation of filing a CbC Return is on the ultimate parent entity (UPE) resident in Hong Kong (HK UPE) and not on any other constituent entities resident in Hong Kong (Hong Kong Entities). The HK UPE is required to file a CbC Return for each accounting period beginning on or after 1 January 2018. The HK UPE may also voluntarily file a CbC Return for an accounting period beginning between 1 January 2016 and 31 December 2017.

A Hong Kong Entity of a Reportable Group whose UPE is not resident in Hong Kong is subject to a secondary obligation of filing a CbC Return if certain conditions are met.

The Reportable Group is required to make a notification containing information relevant for determining the obligation for filing a CbC Return within 3 months after the end of the relevant accounting period. Hence, for groups with financial year end of December, the first notification deadline is 31 March 2019.

The deadline for filing a CbC Return is 12 months after the end of the relevant accounting period or the date specified in the assessor's notice, whichever is the earlier.

Penalties are provided in respect of matters such as failing to file CbC Returns and/ or notifications.

Reference

https://www.ird.gov.hk/eng/tax/dta_cbc.htm#notification

Italy

The 2019 Budget Law

"Hyper" depreciation

The Budget Law 2019 extends the 'hyper' depreciation regime (introduced by the Budget Law 2017) to investments made in 2019 in tangible assets used in the technological and digital development of enterprises covered by the Industry 4.0 Plan promoted by the Italian government.

For FY 2019, the additional amortization amounts to:

- 170% for investments up to €2.5 million
- 100% for investments from €2.5 to €10 million
- 50% for investments from €10 to €20 million

No additional amortization is provided for investments over €20 million.

Reduced corporate income tax at 15%

As of the Fiscal Year 2019, companies meeting certain prerequisites will benefit from a reduction of the standard 24% CIT (IRES) by nine percentage points on a portion of their income. Specifically, a reduced 15% CIT rate will apply to the lower of an amount of income corresponding to: (i) the previous fiscal year's profits set aside for balance sheet reserves (other than non-distributable reserves); or (ii) the total of investments into new fixed assets and costs to hire new personnel.

The Law provides detailed rules for the calculation of the eligible profits.

New Web Tax

The Law introduces a new tax applicable to the provision of digital services by repealing the old measure introduced by the 2018 Budget Law but never entered into force.

According to the new rules, the Italian tax shall now be due by both individuals and enterprises (both resident or nonresident in Italy) carrying on business activities that, individually or at the group level, jointly meet during the fiscal year the following thresholds (the Taxable Persons):

- Total amount of revenues (wherever arising) not lower than €750,000,000
- An amount of revenue derived from digital services (arising in Italy only) not lower than €5,500,000

The Italian Web tax shall be applied only to revenues derived from the following digital services (the Digital Services):

a) Provision of advertising on a digital interface targeted to users of the same interface

b) Provision of a digital multilateral interface aimed at allowing users to interact (also in order to facilitate the direct exchange of good and services)

c) Transmission of data collected from users and generated by the use of a digital interface

Tax credit for R&D

The 2019 Budget Law amends the R&D credit by reducing the general applicable rate from 50% to 25%. Specifically, starting from 2019, while the tax credit will be applied generally in the amount of 25%, a 50% rate is applied only to: (i) expenses incurred with respect to R&D contracts signed with universities, and research organizations as well as with independent innovative start-ups and Small and Medium Enterprises (SMEs); and (ii) expenses for employees directly hired to carry out R&D activities.

The maximum annual amount of the tax credit granted to each company will be €10 million.

Extension of the step-up regime for the cost of business assets and unlisted shares

The Budget Law 2019 extends the deadline for the optional step-up of the tax cost of assets and shares in unlisted entities, held on 1st January 2019 by resident individuals and by non-resident entities without a permanent establishment in Italy.

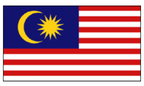
The step-up is subject to payment of a substitute tax on the cost, to be appraised by 1 July 2019, and is applied as follows:

- 11 percent in the case of shares representing more than20 percent of the voting rights or 25 percent of the stated capital
- 10 percent in the other cases 12 percent for depreciable assets or 16 percent in the case of non depreciable assets.

Reference

Specialized italian press: Sole24ore newspaper

Malaysia



Special Program For Voluntary Disclosure

In the effort to address tax leakages, reduce the existing tax gap and explore new sources of revenue to increase tax collection, the Government of Malaysia has established a Tax Reform Committee. Hence, a Special Program is offered to encourage taxpayers to make voluntary disclosure in reporting their income and paying tax within the stipulated period.

The Inland Revenue Board (IRB) of Malaysia has implemented Special Program For Voluntary Disclosure commencing from 3 November 2018 until 30 June 2019. The Voluntary Disclosure covers the following:

a) Income not previously declared, expenses overclaimed / expenses not allowed and reliefs / deductions / rebates over claimed;

b) Reporting of gains on disposal of assets (real properties and shares in real property companies); and

c) Stamping of unstamped instruments.

Voluntary Disclosure can be made for income and gains from disposal of asset for year of assessment 2017 and preceding years of assessment as well as instruments not stamped after 6 months from the stamping period.

This program is open to all categories of taxpayers.

i) Taxpayers who are not registered with the IRB

- New taxpayers have to firstly register for an income tax number. The Income Tax Return Form (ITRF) / Petroleum Return Form (PRF) / Real Property Gains Tax Return Form (RPGTRF) must be submitted either via e-Filing / e-Lodgement or manually.

ii) Taxpayers who are registered with IRB but have not submitted ITRF / PRF / RPGTRF for any year of assessment

- The ITRF / PRF / RPGTRF must be submitted either via e-Filing / e-Lodgement or manually.

iii) Taxpayers who have submitted the ITRF / PRF / RPGTRF but have not reported the correct information of the income / gains on disposal of asset(s) for any year of assessment

- Taxpayers are required to submit a written declaration either via letter or e-mail of the income / gains on disposal of assets not previously declared.

iv) Persons who fail to stamp executed instruments

- Instruments not stamped are to be submitted online or manually for stamping.

The IRB will accept in good faith all voluntary disclosures made during the Special Program period. Further review may not be made on the reported information. Penalty rates applicable and due dates for the payment of tax are as follows:

Period of Voluntary Disclosure	Rate of penalty	Payment to be made on or before
03/11/2018 - 31/03/2019	10%	01/04/2019
01/04/2019 - 30/06/2019	15%	01/07/2019

Effective from 1 July 2019, the penalty rates will range between 80% to 300% under the existing law.

Reference:

1. Operational Guidelines No.1/2018 Inland Revenue Board of Malaysia – Special Program for Voluntary Disclosure

2. Frequently Asked Question – Special Program for Voluntary Disclosure

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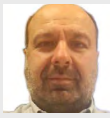
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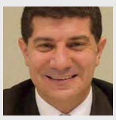
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