PRISM

Tax Newsletter

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REANDA

In this issue:

Australia

Recent and proposed changes to taxation of Australian assets owned by foreign residents

There have been a number of recent changes to state laws in Australia and proposed changes to Australian federal tax laws that impact foreign residents who own assets in Australia. This article summarizes the 2024 changes to Victorian state land tax and New South Wales (NSW) state land tax for foreign residents owning real estate property in those respective states, as well as the proposed strengthening of the integrity of the foreign resident capital gains tax (CGT) regime announced by the Australian federal government as part of the 2023-24 Mid-Year Economic and Fiscal Outlook and the 2024-25 Budget.

外籍居民在澳大利亚拥有资产的最新及拟议税收变化

澳大利亚的州法律近期发生多项变更，并提出影响外籍居民在澳大利亚拥有资产的联邦税法变更。本文总结2024年维多利亚州和新南威尔士州对在这些州拥有房地产的外籍居民征收的土地税变更，以及澳大利亚联邦政府在2023-24年中经济和财政展望以及2024-25预算中宣布的加强外籍居民资本利得税(CGT)制度的提案。

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Bangladesh

Income Tax Return for Individuals: Overview and Requirements

A tax return in Bangladesh is a mandatory declaration of income, assets, and expenses, submitted annually to the National Board of Revenue (NBR). Individuals earning above specific thresholds, such as BDT 350,000 for individual taxpayers, must file returns, with different slabs for senior citizens, females, third-gender individuals, and freedom fighters. Filing is also compulsory for professionals, business license holders, and those seeking various government services. The deadline is 30 November each year, with penalties for late submission or non-filing. Returns can be submitted at tax offices or online, and failure to file may result in service denials and fines.

个人所得税报税表：概述和要求

在孟加拉国，纳税申报表是每年必须向国家税务局(NBR)提交的收入、资产和支出申报单。收入超过特定限额(如收入达350,000孟加拉塔卡的个人纳税人)的个人必须申报，老年人、女性、第三性别者和维权人士的限额则有所不同。专业人士、营业执照持有者和寻求各种政府服务的人也必须申报。提交申报表的截止日期为每年11月30日，逾期提交或不提交将受到处罚。申报可在税务局或网上提交，未能申报的人士可能会遭拒绝服务和罚款。

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Cameroon

The reform of personal income tax in Cameroon

The reform of personal income tax in Cameroon has been a significant topic of discussion in recent years. Before January 2024, resident natural persons were only taxed on all revenues they generated within the national territory except for capital gains from foreign securities earned by natural persons or corporate bodies, domiciled and based in Cameroon that were taxed.

In 2024, the legislator restored the obligation of the taxpayer to declare and pay taxes on all revenues obtained worldwide. The following article explains the tax concept, scope and modalities relating to the application of this reform.

喀麦隆个人所得税改革

喀麦隆个人所得税改革是近年来的重要话题。在2024年1月之前，居住在喀麦隆的个人只对其境内的收入征税，居住在喀麦隆的个人或法人团体的外国证券资本收益亦会被征税。

2024年，喀麦隆立法恢复纳税人对其在全球获得的所有收入进行申报和纳税的义务。下文将解释相关改革的税收概念、范围和方式。

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China

New stamp duty policy, pilot tax policy for temporary inbound repairs in Shanghai Free Trade Zone and continuation of personal tax policy on dividends and bonuses for SMEs

The Ministry of Finance and the State Administration of Taxation have issued new announcements extending the scope of stamp duty exemption and reduction to areas such as enterprise restructuring and reorganization. The Shanghai Pilot Free Trade Zone has implemented a bonded policy for temporary inbound repair goods. The differentiated individual income tax policy on dividends and bonuses for companies listed on the National Small and Medium Enterprises Stock Transfer System will be continued.

印花税新政策、上海自贸区暂时进境修理税收政策试点及中小企业股息红利个税政策延续

财政部、税务总局发布新公告，将印花税的减免范围扩展至企业改制、重组等领域；上海自贸试验区实施针对暂时进境修理货物的保税政策；全国中小企业股份转让系统挂牌公司股息红利差别化的个人所得税政策将继续执行。

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Greece

Resilience of the Greek economy in difficult international conditions

The forecasts of the leading rating agencies and banks insist that the growth of the Greek economy will reach 2.4% in 2024 despite the difficult geopolitical conditions that prevail. Greece's economic performance remained strong in 2024 as GDP grew by 2.1% year-on-year in Q1 and 2.3% in Q2 2024. Also positive is that the Greek economy has returned to a trajectory of primary surpluses. The economy recorded a surplus of 0.9% of GDP in the first five months of 2024, slightly higher than 0.6% in the corresponding period last year, due to higher tax revenues.

希腊经济在困难的国际条件下复原

根据主要评级机构和银行的预测，尽管地缘政治形势依然严峻，2024年希腊经济增长率将达到2.4%。2024年希腊经济表现依然强劲，第一季度国内生产总值同比增长2.1%，第二季度同比增长2.3%，希腊经济已重新录得基本盈余。由于税收收入增加，2024年前五个月的经济盈余占国内生产总值的0.9%，略高于去年同期的0.6%。

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Hong Kong

Hong Kong's foreign-sourced income exemption (FSIE)

The Hong Kong Government introduced a refined Foreign-Sourced Income Exemption ("FSIE") regime which was effective from 1 January 2023. The move was a response from Hong Kong to the European Union, which expressed concerns about our current favorable tax treatment on certain offshore passive income. The new regime had a significant impact on Hong Kong's territorial-based principle of taxation, commonly referred as the "source of income".

香港外地收入豁免征税制度

香港政府优化外地收入豁免征税制度，并从2023年1月1日起生效。此举是回应欧盟对香港某些境外被动收入的优惠税收待遇的担忧。新制度对香港的地域性征税原则(通常称为"收入来源")产生重大影响。

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Malaysia

Malaysia National Budget 2025

On 18 October 2024, YAB Dato' Seri Anwar Bin Ibrahim, Prime Minister and Minister of Finance announced a record budget spending of RM421 billion, with RM335 billion allocated for operating expenditures and RM86 billion for development expenditures, excluding RM2 billion set aside for contingency reserves.

马来西亚国家财政预算案 2025

马来西亚首相兼财政部长安华依布拉欣于2024年10月18日宣布了高达4,210亿令吉拨款的国家财政预算案，创下历史新高，其中3,350亿令吉用于运营支出，860 亿令吉用于发展支出，但不包括作为应急储备的20亿令吉。

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Nepal

FDI in Nepal – Two Major Tax Implications

Nepal has conducted the third Nepal Investment Summit in April 2024 with the objective to promote Nepal as emerging global investment destination. An Ordinance has been passed by the Government of Nepal for amending some legislations including Foreign Investment and Technology Transfer Act, Industrial Enterprises Act among others to streamline the foreign investment procedures.

In Nepal, FDI is approved by the Department of Industries, and in case of project loans, the approval from the Central Bank is also required.

尼泊尔的外国直接投资 - 两大税收影响

尼泊尔于2024年4月举办第三届尼泊尔投资峰会，目的是促进尼泊尔成为新兴的全球投资目的地。尼泊尔政府通过了一项法令，对《外国投资和技术转让法》、《工业企业法》等立法进行修订，以简化外国投资程序。

在尼泊尔，外国直接投资由工业部批准，如果是项目贷款，则需要中央银行的批准。

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Nigeria

Nigeria's Withholding Tax Reforms: Key Changes and Sectoral Impacts

Nigeria's recent reforms to the withholding tax (WHT) system mark a significant shift aimed at improving tax compliance and boosting government revenue. These changes, introduced under the Companies Income Tax Act (CITA) and the Personal Income Tax Act (PITA), cover a range of sectors and activities.

尼日利亚的预提税改革： 主要变化和行业影响

尼日利亚最近对预扣税 (WHT) 制度进行改革，旨在改善税收遵从度和增加政府收入。这些变化是根据《公司所得税法》(CITA) 和《个人所得税法》(PITA) 引入的，并涵盖一系列行业和活动。

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Pakistan

Opinion on Advance Income Tax on Cash Withdrawal

Section 231AB describes a tax collection mechanism on cash withdrawals from individuals not appearing in the Active Taxpayers' List (non-ATL persons) through the insertion of section 231AB, mandating banking companies to deduct advance income tax at a rate of 0.6% on aggregate daily cash withdrawals exceeding Rs. 50,000. This provision bears a close resemblance to the repealed section 231A, which historically applied to both filers and non-filers at varying rates before being limited to non-filers at a uniform rate of 0.6% until its removal in the Finance Act, 2021. Over its 16-year span, section 231A underwent various amendments, providing exemptions for certain transactions, including Foreign Currency Accounts, Non-Resident Rupee Account Repatriable, interbank transactions, home remittances, and Roshan Digital Accounts (RDA). While section 231AB is legislatively described as a "reintroduction," the industry expects the previously granted exemptions under section 231A to apply to the new provision, though legal prudence suggests awaiting formal confirmation from tax authorities through notifications or clarifications, as reintroductions do not automatically extend prior exemptions unless explicitly stated.

关于提取现金预缴所得税的意见

第231AB条规定银行公司对未出现在活跃纳税人名单中的个人（非活跃纳税人名单人员）的现金提取按0.6%的税率预扣所得税，订立一种征税机制。该条款与已废止的第231A条非常相似，在《2021年财政法》中被取消之前，该条款历来以不同的税率适用于申报者和非申报者，但仅限于非申报者，统一税率为0.6%。在长达16年里，第231A条经历各种修订，为某些交易提供豁免，包括外币账户、可汇回的非居民卢比账户、银行交易、家庭汇款和 Roshan 数字账户 (RDA)。虽然第231AB条在立法上被描述为“重新引入”，但业界预计之前根据第231A条给予的豁免将适用于新条款。出于对法律的谨慎考虑，建议等待税务机关通过或澄清有关通知。除非明确说明，否则重新引入的条款不会自动延长之前的豁免。

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Singapore

Overview of IRAS Annual Report FY2023/24

The Inland Revenue Authority of Singapore (IRAS) collected a total of $80.3 billion in tax revenue for Financial Year (FY) 2023/24, 17% higher than in FY2022/23. This increase reflects the strong economic growth and nominal wage growth in Singapore in 2023. The total revenue collection represents about 77.6% of the Singapore Government's Operating Revenue and 11.9% of Singapore's Gross Domestic Product. The taxes collected are used to fund essential services for the community, grow the country's economy, enhance the people's living environment, as well as support social development programmes to improve the lives of Singaporeans.

IRAS 2023/24 财年年度报告概览

新加坡税务局(IRAS)在2023/24 财政年度的税收总额为803亿新元，比2022/23财政年度增加17%，反映新加坡在2023年的经济和名义工资增长。税收总额约占新加坡政府收入的77.6%，占新加坡国内生产总值的11.9%。所得税用于为社区提供基本服务、发展国家经济、改善人民的生活环境以及支持社会发展项目，以改善新加坡人的生活。

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Tajikistan

Taxation in Tajikistan: Insights and Implications for Businesses

The Tax Committee, in collaboration with the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) Secretariat, examined the tax system, policy, and administration of the Republic of Tajikistan. The initiative aims to create a favorable tax environment to promote business development among partner countries through cooperation and best practice sharing. Key discussions highlighted Tajikistan's efforts in digitalizing tax authorities, transforming customs administration, and improving risk management systems.

塔吉克斯坦的税收：对企业的启示和影响

塔吉克斯坦税务委员会与"一带一路" 税收征管合作机制 (BRITACOM) 秘书处合作，研究塔吉克斯坦的税收制度、政策和管理。该倡议旨在通过合作和经验分享，创造有利的税收环境，促进合作伙伴国家之间的商业发展。当中主要讨论塔吉克斯坦在税务机关数字化、海关管理转型和改善风险管理系统方面所做的努力。

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Turkey

Changes in Tax Legislation in Turkey

The article summarizes the changes in tax legislation in Turkey, including local minimum corporate income tax, OECD's Global Minimum Taxation, Multilateral Agreement for implementing STTR under OECD's Pillar 2 rules, taxation of Companies manufacturing in Turkish Free Trade Zones, Green Transformation Support Programme, and the Corporate Tax Rate Increase on the Built Operate Transfer Models.

土耳其税收立法的变化

文章概述土耳其税收立法的变化，包括当地最低企业所得税、经合组织全球最低税率、根据经合组织第二支柱规则实施STTR的多边协议、对在土耳其自由贸易区生产的公司征税、绿色转型支持计划以及提高建造、运营和转让模式的企业税率。

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UAE

UAE Corporate Tax: Key Aspects to determine taxable income

The UAE's corporate tax system aligns with international standards and focuses on transparency. Taxable income is calculated by starting with accounting income, then adjusting for exempt income, such as dividends, and unrealized gains if the realization basis is adopted. Only expenses that are "wholly and exclusively" for business purposes are deductible, while interest deductions are limited by specific rules. Tax losses can be carried forward to offset up to 75% of future taxable income, ensuring compliance. Foreign tax credits can be claimed to avoid double taxation. By following these rules, businesses can optimize their tax position and avoid potential penalties.

阿联酋企业税: 确定应纳税收入的主要方面

阿联酋的企业税制与国际标准接轨，并注重透明度。应税收入的计算方式是，首先计算会计收入，然后根据免税收入(如股息)和未实现收益(如采用变现基础)进行调整。只有"完全且专门"用于商业目的的支出才可扣除，而利息扣除则受到特定规则的限制。税收损失可以结转，最多可抵消未来应税收入的75%，确保合规。企业可以申请外国税收抵免，以避免双重征税。通过遵守这些规则，企业可以优化其税务状况，避免潜在处罚。

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UK

Death and Taxes on UK Assets

UK Inheritance Tax (IHT) at death is chargeable at up to 40%. Significant savings can be achieved when enacting planning over 7 years before death.

Non-domiciled individuals are only liable to IHT on UK assets unless they are deemed domiciled.

Trusts will typically remain non-domiciled if set up when the settlor was not UK domiciled, preventing IHT. However, this will likely change per the upcoming budget.

Non-domiciled spouses of UK domiciled individuals may save IHT by electing to be treated as UK domiciled.

Residential property sales are reportable within 60 days.

Estates meeting conditions may have simplified tax reporting requirements.

英国遗产税

英国遗产税 (IHT) 的税率高达40%。如在去世前7 年以上制定相应计划， 可大幅节省开支。

非定居英国的个人只需缴纳英国资产的遗产税，被视为定居英国的人士则除外。

倘若信托设立时，委托人非定居英国，则信托一般视为非在英国状态，从而免缴遗产税。然而，根据即将发布的政府预算案，这种情况可能有变。

定居英国的个人的非定居英国配偶可以通过选择被视为定居英国者来节省遗产税 。

出售住宅物业应在60天内申报。

符合条件的遗产可望简化报税要求。

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Australia

Recent and proposed changes to taxation of Australian assets owned by foreign residents

In 2024, foreign resident landowners have already seen changes made by two Australian states, New South Wales (NSW) and Victoria, that have had impact on them:

- In Victoria, the absentee owner land tax surcharge (which is applicable to foreign residents owning land or property in Victoria) increased from 2% to 4% from the 2024 land tax year.
- In New South Wales, the NSW government has increased the foreign owner surcharge land tax from 4% to 5% from the 2025 land tax year onwards. In addition, the federal Parliament passed the Treasury Laws Amendment (Foreign Investment) Act 2024 on 8 April 2024 which adopted a position that the double tax agreements entered by the federal government with other countries did not affect state duties and taxes. This effectively reverses the previous position taken by Revenue NSW in 2023 that citizens of New Zealand, South Africa, Germany, Finland, Japan, Norway, India and Switzerland were exempt from paying the foreign owner surcharge land tax (which is applicable to foreign residents owning residential land or residential property in NSW) because of inconsistencies with the Non-Discrimination Article in the double tax agreement signed between Australia and those countries.

On top of the abovementioned changes which have happened at the state level, the Australian federal government announced several measures in improving the integrity of the foreign resident capital gains withholding (FRCGW) as part of its 2023-24 Mid-Year Economic and Fiscal Outlook and the 2024-25 Budget. The following proposed measures are not passed yet:

1. Increasing the FRCGW rate for relevant capital gains tax (CGT) assets from 12.5% to 15% and removing the current A$750,000 threshold before which withholding applies for transactions involving either taxable Australian real property or an indirect Australian real property interest that provides company title interests. These changes if passed will apply to acquisitions of relevant CGT assets made on or after the later of 1 January 2025 and the commencement of this measure.
2. Clarifying and broadening the types of assets on which foreign residents are subject to CGT by:
   a. extending the CGT regime to asset types with a close economic connection to Australian land and/or natural resources including the following which are not currently covered:
      i. agreements to use land giving rise to emission permits;
      ii. Australian water entitlements;
      iii. Infrastructure and machinery installed on Australian land including:
         - energy infrastructure assets such as wind turbines, solar panel arrays, batteries, transmission lines and sub-stations;
         - telecommunications infrastructure, particularly transmission towers;
         - water infrastructure assets, particularly pipelines;
         - transport infrastructure such as rail networks, ports and airports; and
         - mining infrastructure such as heavy machinery (eg, mining drills and ore crushers) installed on land use in mining operations

   The Australian government believes that the proposed change will bring foreign residents' CGT outcomes with respect to Australia's unique land and natural resources into closer alignment with the tax treatment for Australian residents, and with international tax best practice.

   b. amend the point-in-time principal asset test to a 365-day testing period for the purposes of determining whether a company or trust is 'land rich'. The Australian government believes that this will improve the reliability of the test and bring into line with the current OECD Model Tax Convention.
3. Requiring foreign residents disposing of shares and other membership interests exceeding A$20 million in value to notify the Australian Taxation Office, prior to the transaction being executed.

Reference/ Citation

Absentee owner surcharge | State Revenue Office (sro.vic.gov.au) (https://www.sro.vic.gov.au/land-tax/absentee-owner-surcharge)

Foreign owner surcharge | Revenue NSW (https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/land-tax/surcharge-land-tax)

Explanatory Memorandum to Treasury Laws Amendment (Foreign Investment) Bill 2024

Explanatory Memorandum to Treasury Laws Amendment Bill 2024: Foreign Resident Capital Gains Withholding Payments

Australian Treasury, Strengthening the foreign resident capital gains tax regime Consultation Paper, July 2024

Bangladesh

Income Tax Return for Individuals: Overview and Requirements

A tax return is a formal way for a taxpayer to report their annual income, expenses, and assets to tax authorities. In Bangladesh, the return must be filed in a prescribed form as specified by the National Board of Revenue (NBR). This document includes statements about all types of income and assets both within and outside Bangladesh, and details of living expenses.

Who Must File a Tax Return?

Individuals required to file tax returns can be classified into two categories:

1. Those with taxable income
2. Those who are required to file returns compulsorily

Based on Taxable Income

1. Individuals earning more than BDT 3,50,000 annually.
2. Female taxpayers or those aged 65 and above, earning more than BDT 4,00,000.
3. Third-gender and disabled individuals earning over BDT 4,75,000.
4. Gazetted war-wounded freedom fighters with income exceeding BDT 5,00,000.

Compulsory Filers

Individuals are also required to file tax returns in the following cases:

1. When their total income exceeds the tax-free threshold.
2. If their income was taxable in any of the last three years.
3. Partners of any firm.
4. Directors or shareholders of a company.
5. Public servants.
6. Employees holding executive or managerial positions.
7. Individuals with income subject to reduced or exempted tax rates.
8. Those receiving loans of over BDT 20 lakh.
9. Individuals with various registrations (e.g., import/export, trade licenses, etc.).

A comprehensive list of 51 specific scenarios where filing a tax return is compulsory includes obtaining and renewing professional memberships, licenses, and utilities such as gas, electricity, and internet connections.

Where to Obtain and File Return Forms

Return forms can be collected from any income tax office or downloaded from the NBR's website (nbr.gov.bd). Taxpayers may also submit photocopies of the return form.

Tax Return Filing Deadline

For individual taxpayers, the tax return must be filed by 30 November every year, which is considered "Tax Day." However, certain categories of taxpayers, such as those residing abroad, may have different deadlines.

Filing Returns After Tax Day

It is possible to file returns after Tax Day, but additional taxes may apply under Section 174 of the Income Tax Act. Returns can be filed in self-assessment mode only after the deadline.

Consequences of Not Filing Returns

Failure to file returns can lead to a variety of penalties and limitations, including denial of essential services like gas and electricity connections, difficulties in receiving salaries, and possible penalties imposed by tax authorities. Additionally, unilateral tax assessments may be imposed by the Commissioner of Excise.

Reference/ Citation

Income Tax Paripatra 2024-2025

Cameroon

The reform of personal income tax in Cameroon

In order to have a good understanding of the subject, it is necessary to have an understanding of the taxable income, taxable persons, territoriality, taxable event, tax liability, and tax liability payment dates.

1. Taxable income

This refers to all income that is subject to personal income tax in Cameroon. This includes:

- Salaries, wages, pensions and life annuities;
- Income from stocks and shares;
- Income from real estate;
- Profits from handicraft, industrial and commercial activities;
- Profits from farming business;
- Profits from non-commercial and related professions.

2. Taxable persons

Subject to the stipulations of international conventions, Personal Income Tax is payable by any individual whose tax domicile is in Cameroon (persons who have their main place of residence, who carry on a permanent professional activity, who have their main center of interest in Cameroon) in respect of all their worldwide income.

3. **Territoriality**

Taxable persons are taxed on their worldwide income. At the place where they are reputed to have their principal residence.

4. **Taxable event and tax liability**

All taxpayers are liable for personal income tax on their personal earned income. For taxpayers falling under the simplified tax regime, personal income tax is due and payable at the time the income is made available. For taxpayers subject to the real income tax regime, when the taxable event occurs. The tax liabilities must be paid to the State treasury by the 15th of the following month at the latest.

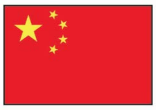
Reference/ Citation

Section 25 of the General Tax Code Edited on the 1st of January 2024

Section 74 of the General Tax Code Edited on the 1st of January 2024

Section 86 of the General Tax Code Edited on the 1st of January 2021

China



New stamp duty policy, pilot tax policy for temporary inbound repairs in Shanghai Free Trade Zone and continuation of personal tax policy on dividends and bonuses for SMEs

The Ministry of Finance and the State Administration of Taxation have issued new announcements, extending the scope of stamp duty exemption and reduction to areas such as the restructuring and reorganization of enterprises; the Shanghai Pilot Free Trade Zone has implemented a bonded policy for temporary entry of goods for repair; and the differentiated individual income tax policy on dividends and bonuses for companies listed on the National Small and Medium Enterprises Stock Transfer System will continue to be enforced.

1. **New developments in stamp duty**

The Ministry of Finance and the State Administration of Taxation jointly issued a new announcement on the stamp duty policy relating to the restructuring and reorganization of enterprises and the reorganization of public institutions, expanding the scope of stamp duty reduction and exemption to include the restructuring and reorganization of enterprises, bankruptcy and liquidation, and the reorganization of public institutions.

The main contents are: the stamp duty on business books of newly established enterprises is partially exempted, while the part of debt-to-equity conversion and appraisal of value-added is subject to stamp duty according to the regulations; taxable contracts and property transfer documents are exempted from stamp duty under certain conditions.

The policy applies from October 1, 2024 to December 31, 2027.

2. **China (Shanghai) Pilot Free Trade Zone Pilot Temporary Inbound Repair Relevant Tax Policies**

In China (Shanghai) Pilot Free Trade Zone (including Lingang New Area) Customs Special Supervision Zone, enterprises from abroad temporarily enter the pilot zone to repair goods enjoy bonded policy. The goods, when re-exported will be exempted from customs duties, import VAT and consumption tax. When the goods are not re-exported but instead converted for domestic sales, custom duties, import VAT and consumption tax will be levied in accordance with regulations.

This Circular shall come into effect on 27 June 2024 onwards.

3. **Continuation of the Implementation of Differentiated Individual Income Tax Policy on Dividends and Dividends of Listed Companies in the National Small and Medium-sized Enterprise Stock Transfer System**

Individuals holding shares of listed companies for a period of more than one year are temporarily exempted from individual income tax on dividends and bonuses; if the period of holding shares is less than one month (including one month), the full amount of dividends and bonuses is included in the taxable income; if the period of holding shares is more than one month and up to and including one year (including one year), the income from dividends and bonuses is temporarily reduced by 50% and included in the taxable income; and the above income is subject to the unified 20% tax rate for individual income tax.

This policy applies from 1 July 2024 to 31 December 2027.

Reference/ Citation

Referred Policies:

1. Announcement on Stamp Duty Policies Relating to Restructuring and Reorganisation of Enterprises and Restructuring of Institutions (Announcement of the

Ministry of Finance and the State Administration of Taxation No. 14 of 2024)

2. Circular on Relevant Tax Policies on Pilot Temporary Inbound Repairs in China (Shanghai) Free Trade Pilot Zone (Caixa Tariff [2024] No. 18)
3. Announcement on the Renewal of the Implementation of the Differential Individual Income Tax Policy on Dividends and Dividends of Companies Listed on the National Small and Medium Enterprise Stock Transfer System (Ministry of Finance Sate Administration of Taxation Announcement No. 8 of 2024)

Greece

Resilience of the Greek economy in difficult international conditions

The forecasts of the leading rating agencies and banks insist that the growth of the Greek economy will reach 2.4% in 2024 despite the difficult geopolitical conditions that prevail. Greece's economic performance remained strong in 2024 as GDP grew by 2.1% year-on-year in Q1 and 2.3% in Q2 2024. Also positive is that the Greek economy has returned to a trajectory of primary surpluses. The economy recorded a surplus of 0.9% of GDP in the first five months of 2024, slightly higher than 0.6% in the corresponding period last year, due to higher tax revenues. Good progress in the implementation of projects financed by the Recovery and Resilience Fund (RESF) has made a huge contribution to growth, mitigating downside risks arising from global and regional turbulence, weaknesses in key export markets, as well as disasters due to climate change. By July 2024, Greece had received 14.9 billion. EUR 100 million from the Recovery and Resilience Fund (41% of the total amount available of EUR 36 billion), which is higher than the EU average in terms of absorption.

The big thorn in 2024 remains inflation, which, although reduced compared to 2023, reaches 3% for the period so far in 2024. The main sectors showing a rise in prices are energy, housing and food.

In the field of tourism now the messages are very positive. All indications are that 2024 could be another record year. Tourist arrivals for the first half of 2024 alone increased by 15.5% compared to last year's period. Significantly, even road tourist arrivals have returned to pre-pandemic levels. Regarding the total arrivals, it is estimated that they will reach 38 million. The implementation of major infrastructure projects that are in progress is also crucial in boosting tourism. The completion of road axes in mainland Greece as well as in the island country, the metro of Thessaloniki, the connection of railway networks with ports and airports boosting trade, transport and tourism.

In the unemployment sector, the index again fluctuates at single-digit levels between 9.5 and 9.9%. Of course, the increase in seasonal work in tourism contributed to this. Although estimates see a slight improvement in the last quarter of the year, the unemployment rate for 2024 will hardly fall below 10%. It is encouraging, however, that the Bank of Greece's forecast for wages shows an increase of up to 5% at the end of 2024. As the report states, the increase in the minimum wage, the tightness of the labor market and staff shortages play a decisive role in this. If the forecasts are confirmed, this increase will compensate for the first time the inflation that remains at 3% as mentioned above.

Everything indicates that the last quarter of 2024 will close positively despite the difficult conditions prevailing at the geopolitical and international level.

Reference/ Citation

https://www.cnn.gr/

https://www.capital.gr/

https://www.ot.gr/

https://www.amna.gr/

https://www.bbc.com/

Hong Kong

Hong Kong's foreign-sourced income exemption (FSIE)

Covered income and covered taxpayers

The covered income under the new regime includes foreign-sourced dividend, interest, income derived from the use of intellectual property (IP income) and disposal gain accrued to and received in Hong Kong by a member of a multinational enterprise ("MNE") group.

An MNE group is a group that includes at least one entity or permanent establishment that is not located or established in the jurisdiction of the ultimate parent entity of the group.

A foreign-sourced income is regarded as received in Hong Kong when:

- the income is remitted to Hong Kong (e.g., remitted to a Hong Kong bank account);

- the income is used to settle debt incurred in respect of a business carried on in Hong Kong; or the income is used to buy movable property, and the property is brought into Hong Kong.

Exceptions from the Deeming Provision

If the MNE entity satisfies the exception conditions for the specific types of incomes, then the specified foreign-sourced income received in Hong Kong will not be charged. The exception requirements are as follows:

Exception	Specified foreign-sourced income					
	interest	Dividend	Disposal gain			General IP income
			Non-IP assets		IP assets	
			Equity interest	Others		
Economic substance requirement	✓	✓	✓	✓		
Nexus requirement					✓	✓
Participation requirement		✓	✓			

Economic Substance Requirement

An MNE entity will continue to be exempt from profits tax on foreign-sourced interest, dividends, or non-IP disposal gains received in Hong Kong as long as the economic substance criteria is satisfied for the year of assessment in which the income is received. Economic substance requirement mainly looks into the adequate number of employees, premises, operating expenses for carrying out the specified economic activities in Hong Kong.

Nexus Requirement

Certain portion of the income derived from qualifying intellectual property (qualifying IP income) can be exempt from profits tax, and that portion is referred to as "excepted portion".

Under the nexus method, only income from a qualifying IP asset can be eligible for favorable tax treatment based on a nexus ratio which is defined as the qualifying expenditures as a proportion of the overall expenditures incurred by a taxpayer to develop an IP asset. The percentage of funds allocated to research and development (R&D) serves as a proxy for significant economic activity. This seeks to ensure that there is a direct nexus between the income receiving benefits and the expenditures contributing to that income.

Participation Requirement

An MNE entity which receives foreign-sourced dividend or equity interest disposal gain in Hong Kong can claim tax exemption using the participation requirement as an alternative to the economic substance requirement. The conditions mainly looks at whether there are any permanent establishment in Hong Kong and whether it holds not less than 5% equity interest in the investee entity for a period of not less than 12 months immediately before the foreign-sourced dividend or equity interest disposal gain accrues.

Advance Ruling on Compliance with the Economic Substance Requirement

MNE firms are encouraged to apply to the Commissioner for advance ruling on their compliance with the economic substance requirement in connection to foreign-sourced interest, dividends, and/or non-IP disposal gains in order to lessen the burden of compliance and acquire tax certainty.

Reference/ Citation

https://www.ird.gov.hk/chs/tax/bus_fsie.htm

Malaysia

Malaysia National Budget 2025

Malaysia's tax base is gradually expanded by introducing a 2% tax on dividend income exceeding RM100,000 for individual shareholders, with effect from year of assessment 2025. The scope of Sales Tax will be broadened to apply to non-essential goods, especially premium imported products; while the Services Tax will be expanded to cover commercial services, particularly businesses that operate on a fee-based model. In addition, "sugar tax" will be increased starting 1 January 2025. Other proposed tax measures take effect in 2026 include carbon taxes on the iron and steel industry and energy sector.

Foreign-sourced income received in Malaysia by a resident individual is exempted from tax from 1 January 2022 to 31 December 2026, subject to conditions. The exemption is extended for another 10 years until 31 December 2036.

Malaysia is committed to implement the Global Minimum Tax (GMT) as part of the Base Erosion and Profit Shifting 2.0 initiative, which introduces a global minimum tax rate of 15%. GMT may result in potential negative impacts to investment in Malaysia. To mitigate this, existing incentives may be streamlined, new non-tax incentives may be introduced, and the feasibility of Strategic Investment Tax Credits may be explored.

A New Investment Incentive Framework focusing on high-value activities will be introduced to replace the existing "products based" approach. The proposed New Investment Incentive Framework is expected to be implemented by the third quarter of 2025. Key proposals are:

- Supply chain resilience initiative
- Key economic cluster by states
- Special income tax incentive for investments in 21 economic sectors
- Carbon capture, utilisation and storage (CCUS)

Further to earlier announcement of the Forest City Special Financial Zone (SFZ) on 30 September 2024, the Budget 2025 has announced the Johor-Singapore Special Economic Zone (JSSEZ). Forest City SFZ is approved as a Duty-Free Island to support tourism and local economic activities. The Invest Malaysia Facilitation Centre – Johor (IMFC-J) is established to facilitate investment, reduce bureaucracy and expedite approval processes. Additional special incentives may be announced towards the end of 2025.

Self-assessment stamp duty system will be implemented in 3 phases, with commencement dates set for 1 January 2026, 1 January 2027 and 1 January 2028, based on the types of instruments involved.

Reference/ Citation

Official Portal of Ministry of Finance Malaysia www.mof.gov.my

Nepal

FDI in Nepal – Two Major Tax Implications

Foreign Direct Investment (FDI) in Nepal

Nepal has conducted the third Nepal Investment Summit in April 2024 with the objective to promote Nepal as emerging global investment destination. An Ordinance has been passed by the Government of Nepal for amending some legislations including Foreign Investment and Technology Transfer Act, Industrial Enterprises Act among others to streamline the foreign investment procedures.

In Nepal, FDI is approved by the Department of Industries, and in case of project loans, the approval from the Central Bank is also required.

Impact of Taxation to Investors

In case of additional of capital in an existing company, or investment via purchase of shares of a company, there are basically two implications under the Nepalese Income Tax Act 2002:

a) Capital Gain Tax (CGT) to the seller

As per Section 95A of the Act, the Capital Gain Tax (in the form of Advance Tax) shall be levied on the share transfer:

Seller	Tax Collected at source (TCS)		Annual tax rate
	Listed entity	Unlisted entity	
Resident - individual	Ownership of more than 365 days – 5% Ownership of 365 days or less – 7.5%	10%	Same as TCS rate
Resident - entity	10%	15%	Corporate tax rate (generally 25%)
Others	25%	25%	

An individual is considered to be resident in Nepal if he/she stays for more than 183 days during a financial year (mid-July to mid-June). A company incorporated under the law of Nepal or having effective management in Nepal is considered to be resident.

Calculation of CGT:

Selling price of shares (Incomings)	xxxx
Less: Cost price of shares (Outgoings)	(xxx)
Capital Gain	xxx
Capital Gain Tax @ respective rate	xx

b) Taxation due to Change in Control

As per Section 57 of the Act, where there is change of 50% or more in the ownership of an entity as compared with its ownership in last three years, the entity shall be treated as disposing off the assets and liabilities owned by it at the market price.

Any gain arising on such deemed disposal shall be taxed at the corporate rate applicable to such entity (generally 25%).

Calculation of Tax:

Market Value	xxxxx
Less: Book Value	(xxxx)
Gain	xxx
Tax @ corporate rate (e.g. 25%)	xx

The tax has to be paid by the entity whose shares are transferred (not the buyer, or the seller). After the change in control, the entity shall not be allowed to deduct the prior period losses.

For a company, change in shareholding pattern from the significant shareholders (1% or above) having direct or indirect holding shall be considered in the change in control. The provision of change in control shall be applicable in any type of transfers (sale, will, death, surrender and reissue, forfeiture and reissue, redemption, right issue, initial issue or further issue). However, it shall not be applicable in the case of startups, venture capital and private equity fund, where the number of shares and the capital of existing shareholders/partners remain unchanged, and the capital is increased by the addition of new shareholders/ partners.

Reference/ Citation

www.ird.gov.np

Nigeria

Nigeria's Withholding Tax Reforms: Key Changes and Sectoral Impacts

Highlights of the Key Changes

Decrease in WHT Rates:

Professional, Management, Technical, and Consultancy Services: WHT has been reduced from 10% to 5% for Nigerian companies providing these services. For non-resident companies, the rate stays at 10%, with no added tax obligations in Nigeria.

Other Services and Supply of Goods/Materials:

WHT has been reduced from 5% to 2% for payments to Nigerian residents for services other than professional, management, technical, and consultancy services, as well as for the supply of goods or materials. This excludes over-the-counter supplies made without prior agreements.

Construction Payments to Residents:

WHT has been reduced from 2.5% to 2% for payments made to Nigerian residents for construction projects such as roads, bridges, buildings, and power plants.

Co-Location and Telecommunication Tower Services:

WHT for these services to Nigerian residents has been reduced from 5% to 2%, while non-resident companies continue to attract a 5% rate.

New/Increased WHT Rates:

Non-Resident Entertainers and Sportspersons:

A new WHT rate of 15% applies to the earnings of non-resident entertainers and sportspersons, which is the final tax payable in Nigeria.

Winnings from Lotteries, Gaming, and Reality Shows:

From October 1, 2024, a 5% WHT applies to winnings for Nigerian residents, while non-residents face a 15% tax.

Construction Payments to Non-Residents:

WHT for payments to non-residents involved in the construction of roads, bridges, buildings, and power plants has increased from 2.5% to 5%.

Directors' Fees:

The WHT on directors' fees has been increased to 15% for Nigerian residents and 20% for non-residents. No other taxes are payable by non-resident directors.

Administrative Changes:

Exemption for Small Businesses: Companies with a turnover of 25 million Naira or less are exempt from WHT deductions on individual transactions up to 2 million Naira, provided the supplier has a Tax Identification Number (TIN).

Double WHT Rate for Unregistered Recipients:

Recipients of non-passive income without registration with the Federal Inland Revenue Service (FIRS) will face double the standard WHT rate.

Extension of WHT Liability to Payment Agents:

Agents responsible for making payments liable to WHT must now deduct and remit taxes.

Timing of WHT Deduction:

The timing for WHT deductions now arises on the earlier of payment or settlement, as opposed to the earlier system of payment or accrual.

Requirement to Issue Receipts:

Entities that deduct WHT are now mandated to issue receipts, entitling recipients to claim a tax credit, even if the WHT has not been remitted to the relevant authorities.

Exemptions - WHT exemptions now apply to:

Goods manufactured or materials produced by the supplier.

Winnings from reality shows or games of chance that promote entrepreneurship, academics, or innovation.

Insurance premiums, and payments made to Nigerian banks for direct debit transactions; Supply of liquefied petroleum gas (LPG), compressed natural gas (CNG), premium motor spirits, and other fuel types.

Sector-Specific Implications

Financial Services:

WHT applies to dividend payments, interest, and other financial transactions. The new rules around the timing of WHT deductions will affect cash flow management, particularly in terms of dividend distributions.

Telecommunications:

Telecommunications companies face a reduced WHT rate of 2% for co-location and tower services paid to Nigerian residents.

Construction and Real Estate:

The reduced WHT of 2% for Nigerian residents engaged in construction of roads, bridges, and power plants offers slight relief in an industry burdened by high operational costs.

Entertainment and Sports:

The 15% WHT on the earnings of non-resident entertainers and sportspersons could have a cooling effect on international engagements. Event organizers may need to factor in higher costs for hiring foreign talent, while the entertainment sector will face added tax burdens.

Manufacturing and Supply Chain:

The reduction in WHT to 2% for the supply of goods or materials to Nigerian residents will ease the burden on manufacturers and suppliers. This is particularly beneficial in sectors reliant on local suppliers.

Conclusion

Nigeria's withholding tax reforms aim to improve the efficiency of tax collection and compliance, while providing relief for specific industries through reduced WHT rates.

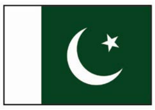
Reference/ Citation

Federal Inland Revenue Service (FIRS) official circulars on WHT reforms

Nigerian Companies Income Tax Act (CITA)

Nigerian Personal Income Tax Act (PITA)

Pakistan



Opinion on Advance Income Tax on Cash Withdrawal

Background:

Section 231A of the Income Tax Ordinance, 2001 (the Ordinance) was omitted by the Finance Act 2021 and the exemptions related to section 231A were also omitted by the Finance Act 2021. The omitted exemptions from Part IV, Second Schedule of Income Tax Ordinance, 2001 are reproduced below:

Clause (61) The provisions of section 231A shall not apply in respect of any cash withdrawal, from a bank, made by an earthquake victim compensation from the government, including Earthquake Reconstruction & Rehabilitation Authority (ERRA) payments

Clause (61A) The provisions of section 231A shall not apply in respect of any cash withdrawal by:

a) Exchange companies withdrawing from accounts dedicated to authorized business transactions, subject to an exemption certificate from the Commissioner; and

   Clause (101) The provisions of section 231A shall not apply on withdrawals from Branchless Banking (BB) Agent Accounts used for branchless banking services.

   Clause (101A) The provisions of section 231A shall not apply to a Pak Rupee account if the deposits are made solely from foreign remittances credited.

   Clause (101AA) The provisions of sections 231A, 231AA and 236P shall not apply to a Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year.

   Clause (112A) The provisions of section 231A, 231AA and 236P shall not apply to the holders of Foreign Currency Value Account (FCVA) or Non-resident PKR Account (NRPRVA) in respect of these accounts only.

All the above exemptions were omitted by the Finance Act, 2021. The Finance Act, 2023 has reintroduced tax collection on cash withdrawals from non-ATL persons by Banks and a new section 231AB has been introduced, requiring every banking company to deduct tax @ 0.6% from a person whose name is not appearing in ATL, at the time of making payment for sum total of cash withdrawal (aggregate cash withdrawal) in a single day exceeding Rs. 50,000/-.

However, the exemptions related to the reintroduced section have not been restored therefore in our opinion, the exemptions (omitted) related to omitted section 231A of the Ordinance cannot be extended to the section 231AB of the ordinance as the exemptions do not exist now.

Moreover, following persons have been excluded from section 231AB through Circular No. 02 of 2023, Islamabad, 26 July 2023:

a) The Federal Government or a Provincial Government;

b) A foreign diplomat or a diplomatic mission in Pakistan; or

c) A person who produces certificate from the commissioner that his income during the tax year is exempt.

Disclaimer:

This Tax update provides a broad overview and should not replace detailed analysis or professional judgment.

Reference/ Citation

https://download1.fbr.gov.pk/Docs/20236261762031274FinanceAct,2023.pdf

Singapore

Overview of IRAS Annual Report FY2023/24

The Corporate Income Tax collection increased by 25.6% from $23.1 billion in FY2022 to $29.0 billion due to strong corporate earnings which contributed the largest share of IRAS' revenue collection at 36.1%. This was followed by Individual Income Tax at 21.8% ($17.5 billion), an increase of $2 billion on account of higher wages and an increase in the number of taxpayers. Meanwhile, the Goods & Services Tax (GST) accounted for the third largest share of IRAS' revenue collection at 20.7% ($16.6 billion), rising by $2.6 billion due to higher consumer spending and the increase in the GST rate. Property Tax contributed 7.4% ($5.9 billion) of the revenue collection, while Stamp Duty collection, which fell by $0.1 billion due to lower property transaction volume accounted for 7.2% ($5.8 billion) of the revenue collection.

In FY2023/24, IRAS processed about $2.3 billion of disbursements to more than 131,000 businesses, supporting businesses, workers and jobs. The grants processed come under various schemes – the major ones being the Progressive Wage Credit Scheme (PWCS), Senior Employment Credit (SEC) and Jobs Growth Incentive (JGI).

IRAS continues to work with solution providers and stakeholders to develop and enhance the Application Programming Interfaces (APIs), so that more businesses can seamlessly perform their tax transactions directly from their accounting and payroll software. This saves time and effort for businesses. The latest initiatives include InvoiceNow and One-Stop Payroll (OSP).

InvoiceNow will help businesses reap the benefits of e-invoicing, as well as ease their GST compliance. IRAS will be requiring GST-registered businesses to adopt InvoiceNow which will seamlessly transmit invoice data to IRAS for tax administration. This will be done in phases, starting with newly incorporated companies that voluntarily register for GST from November 2025 and all new voluntary GST registrants from April 2026.

For One-Stop Payroll (OSP), IRAS has partnered the Central Provident Fund Board, the Ministry of Manpower and GovTech on the OSP initiative. With OSP, businesses can file employers' employment and wage-related information to IRAS and these agencies easily, all through the same payroll software. These expanded functionalities and benefits are built on IRAS' existing Submission of Employment Income API.

While tax compliance remains high in Singapore, IRAS remains vigilant to take firm action act against the small minority of taxpayers who refuse to comply and pay their fair share of taxes. The authority audited and investigated 9,590 cases in FY2023/24, recovering about $857 million in taxes and penalties.

Reference/ Citation

https://www.iras.gov.sg/news-events/newsroom/iras-annual-report-fy2023-24

Tajikistan

Taxation in Tajikistan: Insights and Implications for Businesses

Introduction

The Tax Committee, in collaboration with the Secretariat of the Belt and Road Initiative Tax Administration Cooperation Mechanism, recently conducted a virtual seminar focused on the tax system of the Republic of Tajikistan. This event brought together over 160 representatives from tax authorities of BRITACOM member and observer countries, international organizations, and the private sector. The seminar aimed to foster a favorable tax environment, promote business development, and share best practices in tax policy and administration.

Key Points

Participation: The seminar attracted participants from diverse countries, including China, Serbia, Nigeria, Thailand, Italy, and the USA, highlighting the global interest in Tajikistan's tax policies.

Main Goals: The initiative seeks to enhance tax certainty, accelerate tax dispute resolution, improve taxpayer services, and build the capacity of tax authorities in partner countries.

Topics Discussed:

- Digitalization of Tax Authorities: Emphasizing the ongoing efforts to modernize tax administration in Tajikistan.

- Digital Transformation of Customs: Exploring advancements in customs administration to streamline processes.
- Tax System Development: Addressing the overall development of Tajikistan's tax framework.

Risk Management Improvements: Discussing strategies to enhance the risk management system within the tax authority.

Interactive Q&A: Participants engaged in a comprehensive question-and-answer session covering topics such as social tax for non-residents, income tax for legal entities, and the digitalization efforts of the Tax Committee.

Virtual Exhibition: A virtual exhibition showcased the achievements of Tajikistan's tax authorities in digitalizing tax administration, available for further exploration on the BRITACOM website.

Tax Services of Reanda Tajikistan

Reanda Tajikistan specializes in providing essential tax consulting services, including:

- Company Registration: Facilitating the establishment of businesses in Tajikistan.
- Tax Accounting Services: Ensuring compliance and optimizing financial performance through expert accounting solutions.
- Tax Due Diligence: Providing thorough assessments to identify tax obligations and potential risks.
- Tax Advisory Services: Offering strategic guidance to navigate the complexities of tax regulations.

These services support businesses in effectively navigating the evolving tax landscape in Tajikistan.

Reference/ Citation

https://www.andoz.tj/

Turkey

Changes in Tax Legislation in Turkey

Local minimum corporate income tax has been enacted in Turkish Tax Legislation

The Local Minimum Corporate Income Tax legislation has been enacted in Türkiye effective from August 2, 2024, which mandates a comparison between a 10% corporate income tax if the effective corporate income tax calculation is below 10% under routine declaration. Newly incorporated entities will be exempt for their first three fiscal years from local minimum tax calculation and this law will fully apply from 2025.

02 August 2024 / Official Gazette No. 32620

(https://www.resmigazete.gov.tr/02.08.2024)

28 September 2024 / Official Gazette No. 32676

(https://www.resmigazete.gov.tr/28.09.2024)

Türkiye introduced OECD's Global Minimum Taxation

Türkiye's Law No. 7524, effective January 1, 2024, introduces OECD's Pillar 2 global minimum tax rules, requiring multinational corporations (MNCs) with over €750 million in annual revenue to pay a minimum 15% tax per jurisdiction. This ensures MNCs with low effective tax rates (ETR) pay a "top-up" tax on under-taxed income. Türkiye's legislation aligns with OECD guidelines for calculating Global anti-Base Erosion (GloBE) income and ETR, including safe harbor rules and carve-outs based on asset values and payroll expenses. Compliance demands detailed ETR calculations and self-assessment, with declarations due by specific fiscal deadlines and an upcoming implementation guide.

Türkiye's Law No. 7524 (gib.gov.tr)

Türkiye signed the Multilateral Agreement for implementing STTR under OECD's Pillar 2 rules

On September 19, 2024, nine jurisdictions within the OECD's Inclusive Framework, including Türkiye, signed a multilateral treaty to implement the Subject-to-Tax Rule (STTR) under Pillar 2. STTR enables developing countries to impose up to a 9% tax on specified cross-border payments, such as interest, royalties, and service fees, when payments are made to entities in low-tax jurisdictions (under 9%). Unlike other Pillar 2 rules, STTR applies to all payments meeting its criteria, not just large multinationals. This treaty aids developing countries in reducing tax avoidance, and multinational corporations must review compliance for cross-border transactions under STTR.

New treaty advances Pillar Two global minimum tax Subject to Tax Rule designed to protect tax bases in developing countries | OECD

(https://www.oecd.org/en/about/news/press-releases/2024/09/new-treaty-advances-pillar-two-global-minimum-tax-subject-to-tax-rule-designed-to-protect-tax-bases-in-developing-countries.html)

Important change on taxation of Companies manufacturing in Turkish Free Trade Zones

Türkiye's Law No. 7524, effective August 8, 2024, modifies corporate tax exemptions for businesses in Turkish free trade zones. Amending Provisional Article 3 of the Free Zones Law (Law No. 3218), this law limits tax exemptions to income from foreign sales only. Earnings from domestic sales by companies manufacturing in these zones no longer qualify for exemption and are now subject to a 25% corporate tax rate. This change redefines the scope of tax relief for free zone businesses, distinguishing between foreign and domestic revenue sources and ensuring tax compliance on local sales profits.

Türkiye's Law No. 7524 (gib.gov.tr)

Green Transformation Support Programme

Türkiye's Green Transformation Support Program, detailed in a communiqué on July 26, 2024, aims to foster climate-friendly, resource-efficient, and low-carbon production in the manufacturing sector. Turkish manufacturing companies are eligible and must submit a roadmap report to the Ministry of Industry and Technology outlining green transformation practices. The Ministry will open calls specifying application conditions and durations. Projects aligning with circular economy goals, including land acquisition, construction, equipment, technology, and consultancy, may receive support. Approved projects will receive an Investment Incentive Certificate from the General Directorate, streamlining state aid and incentive processes under the relevant legislation.

26 Temmuz 2024 CUMA (resmigazete.gov.tr)

(https://www.resmigazete.gov.tr/eskiler/2024/07/20240726-19.htm)

Important Corporate Tax Rate Increase on the Built Operate Transfer Models

Türkiye's Law No. 7524, effective August 8, 2024, introduces a 30% corporate tax rate rather than 25%, on Public-Private Partnership (PPP) projects under specific frameworks. This amendment modifies Article 32 of the Corporate Tax Law No. 5520, particularly targeting corporations engaged in Build-Operate-Transfer (BOT) models under laws related to specific public service and healthcare projects. Previously, pension companies were subject to adjusted rates, but the law now extends this to corporations constructing and operating projects under PPP models. This higher tax rate applies to construction companies' income from BOT or PPP model projects, ensuring increased revenue contribution from these partnerships.

Türkiye's Law No. 7524 (gib.gov.tr)

UAE

UAE Corporate Tax: Key Aspects to determine taxable income

The UAE's corporate tax system prioritizes transparency and alignment with international standards. Accurate taxable income calculation is crucial for compliance. This article explores these key considerations:

Accounting Income and Adjustments

The taxable income calculation begins with the accounting income, which reflects the net profit reported in a company's financial statements. Adjustments are made to this income based on tax regulations. One major adjustment involves unrealized gains or losses. If a company adopts a realization basis, it recognizes gains or losses only when an asset is sold or transferred, not when its value fluctuates. The decision to use the realization basis must be made during the first tax period and is generally fixed for future periods.

Exempt income, such as dividends and profit distributions, must also be considered. Foreign-sourced income can be exempt if certain conditions are met, such as ownership thresholds and minimum tax rates in foreign jurisdictions.

Deductible and Non-Deductible Expenditures

Only certain business expenses are deductible for tax purposes. To qualify, the expenses must be "wholly and exclusively" for business operations. Common deductible costs include employee salaries and wages, as well as business-related expenses such as marketing, advertising, and operational costs.

Non-deductible expenses include those related to generating exempt income, such as dividends, as well as fines, penalties, and illegal payments like bribes. Capital expenditures, which provide long-term benefits to the business, must be capitalized rather than deducted. Additionally, transactions with related parties must adhere to the arm's length principle to avoid tax adjustments that could increase taxable income.

Interest Deductibility Rules

The UAE corporate tax system includes specific limitations on interest expense deductions. General rules restrict the deduction of net interest expenses exceeding AED 12 million or 30% of adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), whichever is higher. This ensures that businesses do not disproportionately reduce taxable income.

Special rules apply to related-party loans to prevent tax avoidance. Interest on loans for purposes like dividend distributions faces restrictions unless a legitimate purpose is proven.

Tax Losses and Group Relief

When a business's deductible expenses exceed its taxable income, tax losses occur. These losses can be carried forward to offset up to 75% of future taxable income, subject to certain conditions. Ownership continuity is one such condition, ensuring that the business structure remains largely the same when the loss is utilized.

Within corporate groups, tax losses may be transferred between related entities, provided they meet specific ownership and financial criteria.

Foreign Tax Credits

To avoid double taxation, the UAE's corporate tax framework allows businesses to claim foreign tax credits for taxes paid in other jurisdictions. These credits can be applied against the UAE corporate tax due on the same income, up to the amount of the UAE tax. However, unused foreign tax credits cannot be carried forward or refunded, making tax planning crucial for businesses with international income streams.

In conclusion, carefully considering income exemptions, deductible expenses, and interest deduction limits helps businesses in the UAE calculate taxable income accurately, ensuring compliance and optimizing liabilities.

Reference/ Citation

Corporate Tax Guide | Determination of Taxable Income | CTGDTI1

UK

Death and Taxes on UK Assets

Domicile & IHT

IHT at death is chargeable at 40%, after allowances. Significant IHT savings can be achieved when enacting planning over 7 years before death.

UK domiciled/deemed domiciled individuals are subject to IHT on worldwide assets (non-domiciled individuals are liable on UK assets).

Individuals may be domiciled in the UK under general law or may be deemed domiciled for IHT purposes if they were either:

- UK domiciled under general law in the last three years.
- A formerly domiciled resident i.e. a UK resident born in the UK with a UK domicile of origin (if resident in the UK within the two prior tax years).
- Resident in the UK for at least 15 of the prior 20 tax years (and were UK resident within the prior four tax years).

A trust will be domiciled outside the UK if set up when the settlor was not UK domiciled (unless they become a formerly domiciled resident). This can prevent IHT, however, this will likely change per the upcoming government budget.

There is an IHT exemption for transfers between spouses, however this is limited to £325,000 for a transfer from a UK domiciled to a non-UK domiciled spouse. However, during lifetime (or within two years of death of the UK domiciled spouse) an election can be made to treat the non-UK domiciled spouse as domiciled. This could enable assets to be left to the non-domiciled survivor IHT-free, with the consequence that their foreign assets will be liable to UK IHT on death (election ceases if the electing spouse becomes non-UK resident for four tax years).

Loans taken out by non-domiciled individuals to acquire exempt foreign property will be deducted from it (rather than from IHT-liable UK assets).

Excepted Estates

Estates without IHT liabilities meeting conditions have simplified reporting requirements (requirements depend on domicile). Estates of individuals that were never domiciled/deemed domiciled in the UK can be treated as excepted (allowing simplified IHT207 form use) if the gross value of UK assets does not exceed £150,000, their UK assets consisted of only cash/ quoted securities, they did not indirectly have interests in UK residential property, and did not gift UK assets exceeding £3,000 in the 7 years preceding death.

If there is a foreign will, then when applying for grant of probate in England/Wales, details of whether the foreign equivalent of a grant of representation has been obtained are needed along with copies of foreign wills/wills with foreign assets (with English translations if needed).

Other Taxes

Tax liabilities, sale proceeds, and gross estate value determine whether Tax Returns and registration with HMRC's trust registration service are required.

The estate may incur Capital Gains Tax (CGT) liabilities on asset sales. CGT can be saved by transferring assets to beneficiaries for them to sell and timing sales to use Annual Exemptions available for initial years. Relief may be claimable when assets are sold for less than their death valuation.

UK residential property sales are reportable within 60 days if CGT is due or the deceased was non-resident.

Reference/ Citation

https://www.gov.uk/guidance/inheritance-tax-deemed-domicile-rules

https://www.gov.uk/hmrc-internal-manuals/inheritance-tax-manual/ihtm06021

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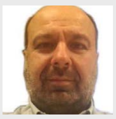

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