



REANDA



TAX YEAR BOOK 2020/21



PREFACE

The Reanda International Tax Year Book 2020/2021 (Tax Year Book) is a bi-yearly publication that provides an overview of the important taxation and general business information of the countries and territories where Reanda International has established its presence.

The publication of the Tax Year Book is a team work and we appreciate the contribution from all tax experts within Reanda International. The Tax Year Book contains tax information for 22 countries and territories, chapter by chapter, contributed by Reanda International experts in the countries and territories concerned. Due to impacts of Covid-19, the compilation of tax information in some countries and territories is still underway and will be included in the next publication.

The tax information outlined include:

1. Corporate income tax
2. Personal tax
3. Statutory requirement on social security and retirement contribution
4. GST/VAT
5. Double tax relief
6. Other significant taxes

The Tax Year Book is a brief summary of the tax information in each country and territory for the broad guidance of readers only. It is NOT intended to offer specific and universal explanation or advice. Should readers require assistance on information and advice in respect of a specific situation, please contact Reanda International network firm. You may find information on point of contact at the end of each chapter.

The electronic version can be downloaded from the Reanda International website at www.reanda-international.com.

L. L. Koong
Chairman, International Tax Panel
REANDA INTERNATIONAL
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CONTENTS

Bangladesh	4
Brazil	12
Cambodia	19
China	25
Cyprus	33
Egypt	39
Germany	44
Greece	48
Hong Kong	53
India	61
Indonesia	71
Italy	79
Macau	88
Malaysia	92
Mauritius	100
Nepal	110
Netherlands	115
Pakistan	119
Poland	126
Singapore	131
UAE	141
United Kingdom	144



BANGLADESH

GENERAL INFORMATION

1.1 Country/Region

Bangladesh

1.2 Currency

Bangladesh Taka (BDT)

1.3 Principal business entities

- Public company
- Private company
- Foreign Company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

Bangladesh Bank, Central Bank of Bangladesh

1.5 Current economy climate (Industry overview/ encouraged business development)

In the present Budget for 2020-2021 financial year the Government offered reduced tax rate for both foreign and local tax payers with attractive packages of tax relief. Reduced tax rates for property acquisition, land, cash, and investment in stock market are introduced to attract people to inject undisclosed fund in national economy to achieve the economic sustainability and vibrant economic growth and to achieve GDP rate around 7.5%. The GDP growth rate for the current fiscal year is 5.24% and the annual inflation rate in Bangladesh is 5.53%.

1.6 National tax authority

Name: National Board of Revenue (NBR)

Website: www.nbr.gov.bd

CORPORATE INCOME TAX

2.1 Basis of taxation

Bangladesh Government levies tax on corporate bodies, both local & foreign, based on principles of progressive taxation which means 'the more you earn the more you pay'. As per domestic law of income tax every corporate body resident and non-resident Bangladeshis are liable to pay tax on their world income or total income from different sources such as business or professional income, capital gains and profits and income from any other sources.

Foreign source of income of companies resident in Bangladesh is included in taxable income but credit is given for tax paid outside

Bangladesh. Foreign source of income of a non-resident company is not taxed in Bangladesh if tax is paid in home country.

2.2 Rates of tax

Publicly traded companies – 25%

Non-listed companies – 32.5%

Banks, insurance and other financial institutions (listed) – 37.5%

Banks, insurance and other financial institutions (non-listed) – 40%

Merchant banks – 37.5%

Tobacco manufacturing companies – 45%

Mobile phone operator companies – 45%

Mobile phone operator companies (if listed) – 40%

Reduced rates of Corporate Tax applicable to certain companies

Textile industries (time extended up to 30 June 2022) - 15%

Knit wear and woven garments manufacturer and exporter (time extended up to assessment year 2021-2022) - 12%

Knit wear and woven garments manufacturer and exporter with internationally recognized factory with 'green building certification' (time extended up to assessment year 2021-2022) – 10%

Research institutes at national level, registered under the Trust Act, 1882 or Societies Registration Act, 1860 – 15%

Private universities, private medical college, private dental college, private engineering college or private college engaged in imparting education on information technology – 15%

Co-operative society registered under Co-operative Society Act 2001 other than income from agricultural or cottage sector – 15%

Production of pelleted poultry feed, production of pelleted feed for fish, shrimp and cattle, production of seeds marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, sericulture, mushroom farming and floriculture:

- Income up to Tk. 1,000,000 – 3%
- Next Tk. 2,000,000 – 10%
- On the balance amount – 15%

Jute industries – 10%

Asset Management Company (AMC) – 15%

2.3 Year of assessment

'Assessment year' means the period of twelve months commencing on the first day of July every year; and includes any such period which is deemed, under the provisions of the Ordinance, to be assessment year in respect of any income for any period.

2.4 Profits deemed to be taxable

Profits deemed to be taxable are profits of:

- i. any permanent establishment in Bangladesh;
- ii. any property, asset, right or other source of income, including intangible property, in Bangladesh;
- iii. arising from the transfer of any assets situated in Bangladesh;
- iv. the sale of any goods or services by any electronic means to purchasers in Bangladesh; and
- v. any intangible property used in Bangladesh.

2.5 Taxation of dividends

Tax shall be at the rate of 20% on dividend payable by a company.

2.6 Taxation of capital gains

Income from capital gains will be separated from total income and tax at 15% is payable on such capital gains regardless of the period of holding of the asset from the date of its acquisition.

Capital gain from transaction of securities – 10%

2.7 Taxation of interest income

Interest income is taxable. Taxation on interest on Government securities is limited as per decision of the Government.

a) interest receivable by the assessee on any security of the Government or any security approved by Government and

b) interest receivable on debentures or other securities of money issued by or on behalf of a local authority or a company are taxable.

2.8 Utilization of tax losses

Tax losses are set off with tax on other income of the year and carried forward to next six years for set off with income of the same source as per section 37 and section 38 of the Income Tax Ordinance.

2.9 Key Tax incentives

Some newly established industrial undertakings are enjoying tax holiday. There are some conditions to get the tax holiday facility. The purpose of tax holiday is to encourage industrial and other development of the country in many sectors like physical infrastructure, textile, hospital, exporting industries etc. The rates of tax holiday are differing for companies place, time and duration of business operation.

2.10 Withholding tax

There are many classes of income from which tax are deducted or collected at source (TDS). TDS shall be paid to the credit of the Government normally within 2 weeks from the end of the month of deduction or collection except in the month of June and also in case of salary. Rate of TDS are different for different class of income. Chapter VII of the ordinance from section 48 to 56 is devoted to withholding tax. The Government collects major bulk of tax revenue from withholding tax every year.

2.11 Transfer Pricing

Transfer pricing is the setting of prices of goods and services sold between controlled legal entities.

The expression “transfer pricing” thus refers to prices of transaction between associated enterprises which may take place under different condition from those between two independent enterprises. The effect of transfer pricing is that the parent company or a subsidiary tends to declare insufficient taxable income or excessive loss in transaction because corporate tax rate varies between countries. Multinational companies tend to reduce their tax burden by shifting profit of countries where tax rate is higher to country where tax rate is lower.

Transfer pricing may occur in transaction of (a) goods (b) service (c) use of property (including intangible property). This may occur:

- i. Between two related enterprises.
- ii. Through transaction in foreign currency.

Most countries including Bangladesh have taken policy of ‘arm’s length price’ to combat transfer pricing.

Every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed.

Every person fails to submit transfer pricing return along with corporate income tax return may result in a penalty of maximum 2% on the value of international transactions.

2.12 Filing requirements of tax return

<p>Filing due dates</p>	<p>Income Tax Return</p> <p>Companies are required to submit the returns to the DCT – before the fifteenth day of the seventh month following the end of income year or the day fifteenth day of September following the end of income year where the said fifteenth day falls before the fifteenth day of September.</p> <p>The next working day following the Tax Day if the day mentioned above is a public holiday.</p> <p>Withholding Tax Return</p> <p>Filed half-yearly by the following dates –</p> <p>First return: by Thirty-first January of the year in which the deduction or collection was made;</p> <p>Second return: by Thirty-first July of the next year following the year in which the deduction or collection was made.</p>
<p>Penalties</p>	<p>Penalty for failure to file return</p> <p>Where any person has, without reasonable cause, failed to file a return of income required by, the Deputy Commissioner of Taxes may impose upon such person a penalty amounting to 10% of tax imposed on last assessed income subject to a minimum of Tk. 1,000, and in case of a continuing default a further penalty of Tk. 50 for every day during which the default continues.</p> <p>Penalty for failure to file withholding return</p> <p>Where the return has not been filed or furnished, a penalty amounting to 10% of tax imposed on last assessed income or Tk.5,000, whichever is higher, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues.</p>

Payment of profit tax and application of holdover	<p>An assessee is liable to, pay a delay interest at the rate of 2% per month on the difference between the tax assessed on total income for the assessment year and the tax paid in advance for the assessment year including the tax deducted or collected at source.</p> <p>Provided that the periods for calculating delay interest under this section shall not exceed one year.</p>
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PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

In general, Bangladesh residents are taxed on their world income or total income. Non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made.

Individuals may file returns under universal self-assessment scheme or under normal procedure. Every person (Male or Female) is liable to pay tax on his/her total income if the income amount exceeds tax exemption limit.

An individual is treated as a resident of Bangladesh if that person stays in Bangladesh for –

182 days or more in any income year; or

90 days or more in an income year and that person has also previously resided in Bangladesh for a period of more than 365 days during the four preceding years.

Residence status is determined in Bangladesh purely on the period of presence in Bangladesh irrespective of residency in other countries. Short-term visitors and dependents of foreign nationals not earning any income in Bangladesh are not taxed in Bangladesh and are not required to file tax return.

3.2 Rates of tax

Tax is payable by residents (male) having total income exceeding Tk. 300,000. The following tax rates are applicable to resident individual, Hindu undivided family, partnership firm, non- resident Bangladeshi, association of persons and any other taxpayers including artificial juridical person created as prescribed by the Ordinance.

Residents including non-resident Bangladeshi (Male)

Total income	Tax rate
First Tk. 300,000	Nil
Next Tk. 100,000	5%
Next Tk. 300,000	10%
Next Tk. 400,000	15%
Next Tk. 500,000	20%
On the balance	25%

*Initial exemption limit for:

- women and senior citizens aged 65 years or above it is Tk. 350,000
- physically challenged persons it is Tk. 450,000 and
- gazetted war-wounded freedom fighters it is Tk. 475,000.

In case of parent/legal guardian of a physically challenged person, he/she (only one assessee if father and mother both are taxpayer) will get a further initial exemption of Tk. 50,000 in addition to above limit.

All taxpayers who will file their tax return first time through online will enjoy tax rebate of Tk. 2,000.

3.3 Year of assessment

Mentioned above in 2.3

3.4 Allowances and Deductions

Salaried employees enjoy following allowances and deductions: House rent allowance receivable in cash, Rent free accommodation, Cash conveyance allowance with no transport facility, Car facility provided partly/exclusively for personal use, Additional conveyance allowance, Free or concessional passage for travel abroad/within Bangladesh, Entertainment allowance, Medical allowance.

There are some conditions to get the allowances. Details in Income Tax Rule 33.

3.5 Taxation of dividends

Tax rate on dividend for – Resident and non-resident Bangladeshi individual, firm etc. – Normal slab rate. [as mentioned in serial number 3.2]

3.6 Taxation of capital gain

Capital gain (signing money received from developers) – 15%.

Land sale or flat sale – 4%.

Capital gain of sales of stock shares – 0%.

3.7 Taxation of interest income

Mentioned above in 2.7

3.8 Personal assessment and utilization of losses

Where, in respect of any assessment year, the net result of computation of income under any head is a loss, the assessee shall, subject to the other provisions of the Ordinance, be entitled to have the amount of such loss set off against his income, if any, assessable for that assessment year under any other head:

Provided that any loss in respect of any speculation business or any loss under the head “Capital gains” or any loss from any other source, income of which is exempted from tax shall not be so set off but shall, excluding any loss from any other source, income of which is exempted from tax, in accordance with the provisions of this Ordinance, be set off, or be carried forward to succeeding assessment year or years for set off, against any income in respect of speculation business or any income under the head “Capital gains”

3.9 Withholding tax

Mentioned above in 2.10

3.10 Statutory obligation of employers

Information regarding payment of salary – Every person responsible for making any payment constituting income classifiable under the head “Salaries” not being payment made by the Government, and the prescribed officer in cases where such payments are made by the Government, shall, before the first day of September each year, furnish to the Deputy Commissioner of Taxes, a statement prepared in the prescribed form and verified in the prescribed manner so as to give the following information, namely:

- the name and address of every person to whom such payment has been made, or was due, during the preceding financial year if the payment exceeds such amount as may be prescribed;
- the amount of payment so made, or due;
- the amount deducted as tax from such payment; and
- such other particulars as may be prescribed.

Provided that the Deputy Commissioner of Taxes may extend the date for the delivery of the statement.

3.11 Filing requirement of tax return

Filing due dates	A person other than a company is required to submit tax return – before 30 November every year.
Penalties	Mentioned above in 2.12 (See Penalties Portion)
Application of holdover	Mentioned above in 2.12 (See Application of holdover Portion)

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Ministry of Finance of the government of Bangladesh regulates all benefits to employees of different government and non-government organizations.

- Retirement benefit provided to both government and non-government employees after retirement from services.
- Gratuity provided by the government to its employees on retirement.
- Provident fund contribution by both the employee and the employer is a social security measure provided to employees for his rainy days of post-employment period. There are three types of provident fund:
 - Statutory Provident Fund
 - General Provident Fund (GPF)
 - Contributory Provident Fund
 - Recognized Provident Fund
 - Unrecognized Provident Fund

4.2 Basis of contribution

In recognized provident fund both employees and employer contribute the same amount.

4.3 Contribution rate

The contributions of an employee in any year shall be 8% to 10% portion of his basic salary for that year, shall be deducted by the employer from the employee's salary on monthly basis and credited to the employee's individual account in the fund.

The contributions of an employer to the individual account of an employee in any year shall not exceed the amount of the contributions of the employee in that year, and shall be credited to the employee's individual account at intervals not exceeding one year.

4.4 Exemption from tax

Tax Exemption:

- Any income derived from house property held under trust or other legal obligation wholly for religious or charitable purposes.
- Any voluntary contributions received by a religious or charitable institution and applicable solely to religious or charitable purposes.
- The income of local government.
- Any income accruing to, or derived by, a provident fund to which the Provident Fund Act, 1925 (XIX of 1925).
- Any special allowance, benefits or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.
- Any income received by the trustees on behalf of a recognized provident fund, an approved superannuation fund.
- Any sum or aggregate of sum received as dividend by a person being an individual from a company or companies listed to any stock exchange in Bangladesh up to taka fifty thousand.
- Any sum received by an assessee as a member of a Hindu undivided family where such sum has been paid out of the income of the family.
- Any income up to Taka two crore fifty lac received by an assessee as gratuity from the Government or an approved gratuity fund.
- Any sum or aggregate of sums received as interest from pensioners' savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed taka five lac.
- Any income derived from the export of handicrafts for the period from the first day of July, 2008 to the thirtieth day of June, 2024.
- Any amount paid by the Government as tax on behalf of a petroleum exploration company engaged in exploration of petroleum products in Bangladesh under Production Sharing Contract (PSC) with the Government of Bangladesh.
- Income of any private Agriculture College or private Agriculture University derived from Agricultural educational activities.

GST/VAT

5.1 Basis of tax

Value Added Tax (commonly known as VAT) is the tax on the value added amount by a tax payer. In an economy where value addition is significant and value is added at different levels, Government has sufficient rationality to impose such taxes.

The ultimate burden of VAT falls on final consumers as different persons have the mechanism to shift the burden onto the shoulders of others.

5.2 Rates of tax

A comprehensive list of services for withholding VAT is set by the National Board of Revenue (NBR).

Most of the services are under 15% rate except the following items –

- Under 10% rate: Motor car garage and workshop, Dockyard, Printing press, Auction firm, Repair and maintenance service firm, Security service, Others Transport contractor, Cleaning and maintenance services of floors, compounds etc., Seller of lottery ticket.
- Under 7.5% rate: Hotel (Non-AC), Restaurant (Non-AC), Construction firm, Furniture distributors, Procurement provider, Buyer of auctioned goods, Credit rating agency.
- Under 5% rate: Indenting agency, Transportation of petroleum products.
- Under 4.5% rate: Building construction firm - Above 1,600 square feet.
- Under 2% rate: Building construction firm - Up to 1,600 square feet, Re-registration irrespective of size.

5.3 Registration

Business entities having turnover within a 12-month period exceeding Tk. 5,000,000 will be required to enlist for Turnover Tax and entities having turnover within a 12-month period exceeding Tk. 30,000,000 will be required to register for VAT.

5.4 Filing requirements

VAT Returns are required to be filed within 15 days following the end of the month or tax period (for Turnover Tax—following the end of quarter).

DOUBLE TAX RELIEF

6.1 Foreign tax credit

A foreign tax credit is available to a Bangladesh resident in respect of any taxes paid in a foreign jurisdiction on the same income brought in Bangladesh.

6.2 List of double tax treaties signed

There are agreements on avoidance of double taxation between Bangladesh and 36 countries which are:

Belgium	Oman (air traffic only)
Bhutan	Pakistan
Canada	Philippines
China	Poland
Denmark	Republic of Belarus
France	Republic of Korea
Germany	Romania
India	Singapore
Indonesia	Sri Lanka
Italy	Sweden
Japan	Switzerland
Kingdom of Bahrain	Thailand
Kingdom of Saudi Arabia	Netherlands
Malaysia	Turkey
Mauritius	UK
Myanmar	United Arab Emirates
Nepal	USA
Norway	Vietnam

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Sl. No.	Description of Instruments		Proper Stamp-duty	
1	AGREEMENT or MEMORANDUM OF AN AGREEMENT-			
	(a) If relating to the sale of a bill of ex- change;		Fifty Taka	
	(b) (i) If relating to the sale of Government Security;		Subject to a minimum of 200 Taka; Two Taka for every Taka 5,000 or part thereof or the value of the security.	
	(ii) If relating to the sale of a share in an incorporated company or other body corporate; or		Two Taka for every Taka 1,000 or part thereof, of the value of the share.	
	(c) If not otherwise provided for.		Three hundred Taka	
2	ARTICLES OF ASSOCIATION of a Company-			
	(a) Where the nominal share capital does not exceed Twenty lac Taka;		Three thousand Taka	
	(b) Where the nominal share capital exceeds Twenty lac Taka but not exceeding Six crore Taka;		Eight thousand Taka	
	(c) Where the nominal share capital exceeds Six crore Taka;		Twenty thousand Taka	
	(d) Articles of any Association not formed for profit.		Two thousand Taka	
3	BILL OF EXCHANGE, as defined by section 2(2) not being a Bond, Bank note or Currency note.	If drawn singly	If drawn in set of two for each part of the set	If drawn in set of three for each part of the set
	(a) Where payable otherwise than on demand but not more than one year after date or sight;	0.2% of the value of the consideration	0.1% of the value of the consideration	0.07% of the value of the consideration
	(b) Where payable at more than one year after date or sight.		1% of the value of the consideration	
4	BILL OF LADING (including a through bill of lading).			
	(a) When the value of the consideration does not		Fifty Taka	
	(b) When it exceeds Taka 10,000 but not exceeding		One hundred Taka	
	(c) When it exceeds 100,000 Taka.		Five hundred Taka	

Sl. No.	Description of Instruments	Proper Stamp-duty
4	N.B- If a bill of lading is drawn in parts, the proper stamp therefore must be borne by each of the set.	
5	BOND not being a DEBENTURE	Fifty Taka
6	CERTIFICATE OF SALE (in respect of each property put up as a separate lot and sold) granted to the purchase of any property sold by public auction by a Civil or Revenue Court or Collector or other Revenue Officer-	
	(a) Where the purchase money does not exceed Taka 5,000; and	One hundred Taka
	(b) In any other case.	3% of the value of the consideration
7	CUSTOMS BOND-	
	(a) Where the amount does not exceed Taka Twenty lac; and	One thousand Taka
	(b) In any other case exceeding Taka Twenty lac.	Two thousand Taka
8	DEBENTURE (whether a mortgagee debenture or not) being a marketable security transferable-	
	(a) By endorsement or by a separate instrument of transfer; and	2% of the value of the consideration
	(b) By delivery.	3% of the value of the consideration (for a consideration equal to the face amount of the debenture)
9	LEASE, including an under-lease or sub-lease and any agreement to let or sublet-	
	(a) Where by such lease the rent is fixed no premium is paid or delivered-	
	(i) Where the lease purports to be for a term of less than one year;	2% of the value of the consideration, for the whole amount payable or deliverable under such lease
	(ii) Where the lease purports to be for a term exceeding one year but not exceeding five years;	2% of the value of the consideration, for a consideration equal to the amount or value of the average annual rent reserved
	(iii) Where the lease purports to for term exceeding five years but not exceeding ten years;	3% of the value of the consideration, for a consideration equal to the amount or value of the average annual rent reserved
	(iv) Where the lease purports to be for a term exceeding twenty years;	3% of the value of the consideration, for a consideration equal to twice the amount or value of the average annual rent reserved

Sl. No.	Description of Instruments	Proper Stamp-duty
	(v) Where the lease purports to be for a term exceeding twenty years but not exceeding thirty years;	3% of the value of the consideration, for a consideration equal to three times the amount or value of the average annual rent reserved
	(vi) Where the lease purports to be for a term exceeding thirty years but not exceeding one hundred years;	3% of the value of the consideration, for a consideration equal to four times the amount or value of the average annual rent reserved
	(vii) Where the lease purports to be for a term exceeding one hundred years or in perpetuity;	3% of the value of the consideration, for a consideration equal to the case of a lease granted solely for agricultural purposes to one-tenth and in any other case to one-sixth of the whole amount of rents which would be paid or delivered in respect of the first fifty years of the lease
	(viii) Where the lease does not purport to be for any definite term;	3% of the value of the consideration, for a consideration equal to three times the amount or value of the average annual rent which would be paid or delivered for the first ten years, if the lease continued so long
9	(viii) Where the lease does not purport to be for any definite term;	3% of the value of the consideration, for a consideration equal to three times the amount or value of the average annual rent which would be paid or delivered for the first ten years, if the lease continued so long
	(b) Where the lease is granted for a fine or premium or for money advanced and where no rent is reserved;	3% of the value of the consideration, for a consideration equal to the amount or value of such fine or premium, or advanced as set forth in the lease
	(c) Where the lease is granted for fine or premium or for money advanced in addition to rent reserved.	3% of the value of the consideration, for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered, provided that, in any case when an agreement to lease in stamped with the ad Valero stamp required for a lease and a lease in pursuance of such agreement is subsequently excited the duly on such lease shall not exceed Four hundred Taka.

Sl. No.	Description of Instruments	Proper Stamp-duty
10	LETTER OF ALLOTMENT OF SHARES, in any company or proposed company or in respect of any loan to be raised by any company or proposed company	Twenty Taka
11	LETTER OF CREDIT, that is to say, any instrument by which one person authorizes another to give credit to the persons in whose favor it is drawn.	Three hundred Taka
12	MEMORANDUM OF ASSOCIATION OF A COMPANY-	
	(a) If accompanied by Articles of Association under section 17 of the Companies Act, 1994.	One thousand Taka
	(b) If not as accompanied-	Two thousand Taka
	(i) Where the nominal share capital does not exceed Taka five lac; and (ii.) Where the nominal share capital exceeds Taka five lac.	Three thousand Taka
13	TRANSFER OF LEASE by way of assignment and not by way of under lease.	3% of the value of the Consideration, for a consideration equal to the amount of the consideration for the transfer

7.2 Real property tax

Collection of tax on transfer, etc. of property

Any registering officer responsible for registering any document of a person under the provisions of clause (b), (c) or (e) of sub-section (1) of section 17 of the Registration Act, 1908 (XVI of 1908), shall not register any document unless tax is paid at such rate as may be prescribed in relation to the property to which the document relates and on which stamp-duty is chargeable under the Stamp Act, 1899 (II of 1899) by the person whose right, title or interest sought to be transferred of assigned, limited or extinguished thereby, at the time of registration of such document:

Provided that the rate of tax shall not exceed Tk. 1,080,000 per Katha (1.65 decimal) for land, Tk. 600 per square metre for any structure, building, flat, apartment or floor space on the land, if any, or 4% of the deed value, whichever is higher.

Collection of tax from lease of property –

Any registering officer responsible for registering under the Registration Act, 1908 (XVI of 1908) any document in relation to any lease of immovable property for not less than ten years from any authority formed or established under any law or from any other person shall not register such document unless tax is paid at 4% by the lessor on the lease amount of such property.

Authority refers to Rajdhani Unnayan Kartipakkha (RAJUK), Chattogram Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) or National Housing Authority.

7.3 Estate duty

Real estate or land development business

Taxes are to be collected at the following rates at the time of registering any document for transfer of any land or building or apartment by the transferor who is engaged in real estate or land development business:

In case of building or apartment situated –

Area	For residential purpose	Not for residential purpose
Gulshan Model Town, Banani, Baridhara, Motijheel Commercial Area, Dilkusha Commercial Area	Tk. 1,600 per square metre	Tk. 6,500 per square metre
Dhanmondi Residential Area, Defence Officers Housing Society (DOHS), Mohakhali, Lalmatia Housing Society, Uttara Model Town, Bashundhara Residential Area, Dhaka Cantonment, Kawran Bazar of Dhaka, Panchlaish Residential area, Khulshi Residential area, Agrabad and Nasirabad of Chattogram	Tk. 1,600 per square metre	Tk. 5,000 per square metre
Other areas of Dhaka South City Corporation, Dhaka North City Corporation and Chattogram City Corporation	Tk. 1,000 per square metre	Tk. 3,500 per square metre
Any other city corporation	Tk. 700 per square metre	Tk. 2,500 per square metre
Other areas	Tk. 300 per square metre	Tk. 1,200 per square metre

However, tax in respect of a residential apartment shall be 20% and 40% lower if the size of the apartment including common space is not more than 70 and 60 square metre respectively.

- (i) 5% of deed value in case of property situated in Dhaka, Gazipur, Narayanganj, Munshiganj, Narsingdi and Chattogram districts.
- (ii) 3% of deed value in case of property situated in places in districts other than above districts.

7.4 Net wealth/net worth tax

Surcharge is payable by an individual assessee on total tax payable if the total net worth of the assessee exceeds Tk. 30 million in the following manner:

Total net worth	Rate
Over Tk. 30 million to Tk. 50 million or owner of more than 1 motor car or owner of a flat of 8,000 square feet size within City Corporation area	10%
Over Tk. 50 million to Tk. 100 million	15%
Over Tk. 100 million to Tk. 150 million	20%
Over Tk. 150 million to Tk. 200 million	25%
Over Tk. 200 million	30%

However, the minimum surcharge will be Tk. 3,000 for net worth up to Tk. 100 million, and Tk. 5,000 if net worth exceeds Tk. 100 million.

Furthermore, if the total net wealth is Tk. 500 million or more, surcharge will be higher of the following:

- a) 0.1% of net wealth; and
- b) 30% of surcharge on total tax.

7.5 Others

- Business tax Mentioned above in 2.2
- Consumption tax, etc. Mentioned above in 5.2

COVID-19 STIMULUS PACKAGES INTRODUCED

The government has so far announced a set of stimulus packages worth around \$11.90 billion (Taka 1.011 trillion which is 3.6 per cent of total GDP) to offset the COVID-19 shock on various sectors of the country and minimize the sufferings of the people hit hard by the nationwide shutdown enforced to fend off the deadly virus.

It said a total of 18 economic sectors, including export-oriented industries; small, medium and cottage industries, agriculture, fish farming, poultry and livestock have been brought under these incentive packages.

Among the packages, the highest amount of Tk. 300.00 billion has been allocated for providing working capital facility to the affected industries and services sector organizations followed by Tk. 200.00 billion stimulus package for supplying working capital to the small (including cottage industries) and medium industrial enterprises.

The other stimulus packages announced by the government are special fund for the export-oriented industries with Taka 50.00 billion and expanding the facilities of Export Development Fund (EDF) introduced by Bangladesh Bank with Taka 127.50 billion.

Besides, incentive packages like Pre-Shipment Credit Refinance Scheme with Taka 50.00 billion, special honorarium for the doctors, nurses and health workers with Taka 1.0 billion, health insurance and life insurance with Taka 7.50 billion and free distribution of food materials with Taka 25.03 billion were announced by the government.

The other stimulus packages announced so far by the government are agriculture subsidy with Taka 95.00 billion, agriculture refinancing scheme with Taka 50.00 billion, refinancing scheme for the low-income professional farmers and small businessmen with Taka 30.00 billion, selling rice at Taka 10 per kg with Taka 2.51 billion, and distributing cash among the target-based communities with Taka 12.58 billion.

Moreover, incentive packages for expanding the coverage of allowance programme with Taka 8.15 billion, building houses for the homeless people with Taka 21.30 billion, Boro rice/paddy purchase operation (additional 200,000 metric tons) with Taka 8.60 billion, and mechanization of agriculture works with Taka 2.00 billion were declared since the outbreak of the corona virus.

The government launched the disbursement of Taka 12.50 billion cash assistance among 5.0 million poor families hit hard amid the COVID-19 pandemic. Under the programme, each of the 5.0 million destitute families, affected badly due to COVID-19 outbreak, every family will get Tk. 2,500 cash incentive for once.

The government is providing food assistance apart from cash aid, adding 162,867 metric tons of rice and Taka 914.772 million have so far been allocated. The government given an allocation of 80,000 MT rice for selling it at Taka 10 per kilogram and issued additional 5.0 million cards this month for the destitute families through which they can buy this rice.

More than Taka 170.0 million was given to the qaumi madrasa students and teachers in two phases, while Tk. 1.22 billion was provided to imams and muazzin of the mosques as financial assistance. The government has also made special arrangements for the marginalized community of society

and these programmes will continue until the situation becomes normal. A total of Tk. 25.00 billion was allocated to Palli Sanchay Bank, Probsahi Kalyan Bank and Palli Karma Sahayak Foundation to help the youths and expatriates who lost jobs for the pandemic.

The government has started procurement of paddy and rice so that the farmers get fair prices. "In the current season, 2.23 million MT food grains, 200,000 MT more than the previous year, will be procured. Besides, the government has made arrangements for supplying combined harvesters and reapers at subsidized prices and for this Tk. 2.00 billion was allocated.

Another Tk. 50.00 billion was allocated for the farmers at only 4 per cent interest to offset the agriculture fallout of the COVID-19. Loan facilities of Tk. 50.00 billion against special fund for export-oriented industries have been made effective and those who could not join the work are also getting 60 per cent salary. Payment of salary and allowances from this incentive package has already started. The government made an announcement that all the programmes launched to help the people affected badly in the wake of the COVID-19 outbreak will continue until the present crisis is over.

POINT OF CONTACT

Name of contact: Babul Rabbani

Telephone with country code: +880 1715260585

Email address: Pinaki_co@yahoo.com



BRAZIL

GENERAL INFORMATION

1.1 Country/Region

Brazil

1.2 Currency

Brazilian Real (BRL)

1.3 Principal business entities

- Private companies
- Public companies
- Branches of foreign companies
- Sole proprietorships
- Partnerships

1.4 Foreign exchange control

Brazilian Central Bank

1.5 Current economy climate (Industry overview/ encouraged business development)

The economic climate in Brazil has improved since the last presidential change. The approach of the current government is to stimulate businesses, including from foreign investors. Brazil has lack of capital to supply the needs of the country and its population. Therefore, foreign investment usually is welcomed.

The objectives of the Government include encouraging consumption, aiming to achieve economic growth with the increase of internal market.

From an historic perspective, nationally, in 1994 the Federal Government implemented the "Plano Real", an economic reform plan which reduced inflation rates based on the strength of the Federal Government's foreign currency reserves coupled with credit restrictions which raised interest rates. Initially, a certain redistribution of income to the lower class occurred, generating a consumption boom. In order to control inflation caused by this consumption, in the following year the interest rates were increased and the credit was restricted. These procedures had as consequence the reduction of the levels of the economy, which has been growing slowly since then. Since the new government new measures have started to take place, including the approval of the Social Security Reform.

Advantages for doing businesses in Brazil include:

- Brazil is the fifth largest country in the world in area, has the seventh largest economy and a population of almost 200 million people. Many local companies are still demanding restructuring, capital and technology.
- Enormous growth potential and consumer market.
- Broad industrial base and infrastructure, and a diversified economy.
- Creativity and flexibility of labour force, coupled with a competitive cost basis.

- Abundant agricultural, mineral and energy resources and potential.
- Transportation networks in development (railways, highways, ports) and distribution channels in most industrialized areas.
- Inflation under control.
- Foreign investors are eligible for most available fiscal incentives.
- Abundance of semi-skilled and unskilled labour.
- Goodwill generally tax deductible.
- New regulations favouring minority shareholders.

1.6 National tax authority

Name

Receita Federal do Brasil – RFB

Website

www.receita.economia.gov.br

CORPORATE INCOME TAX

2.1 Basis of taxation

Brazil has two basic corporate income taxes: IRPJ (Corporate Income Tax) and CSLL (Social Tax on Net Profit). Additionally, the IRRF (Immediate Income Tax at Source).

Brazil has different income taxation methods:

NATIONAL SIMPLE ("SIMPLES NACIONAL"): This system benefits small and medium-sized entities with annual turnover of up to R\$ 4,800,000.00. This percentage includes taxes: IRPJ, CSLL, PIS, COFINS, INSS, ICMS, IPI, ISSQN.

PRESUMED PROFIT: In the method of Presumed Profit, taxation of IRPJ and CSLL is carried out through a presumed calculation basis, calculated on the revenue of the company's activity, without considering the costs and expenses of such activity.

REAL PROFIT: In the method of Actual (or Taxable) Profit, the taxation of IRPJ and CSLL levied on the income from the activities of the company (sales) are deducted from the cost of the activity and of those considered as operating expenses by the Brazilian tax authorities.

2.2 Rates of tax

NATIONAL SIMPLE: Effective tax rate that varies between 4% to 30.50% of the total turnover (revenue) according to the activity developed and the turnover range.

PRESUMED PROFIT: The rates are 25% for IRPJ (15% + Additional of 10%) and 9% for CSLL, applied on a calculation basis resulting from an assumed percentage that varies from 8% to 32%, according to the activity developed by company. Thus, taxation varies between 3.08% to 10.88%.

REAL PROFIT: Rates of 25% for IRPJ (15% + Additional of 10%) on the adjusted net result, and of 9% for CSLL, applied over the net result before taxes.

2.3 Year of assessment

Calendar Year - January 1st to December 31st, mandatorily

2.4 Profits deemed to be taxable

NATIONAL SIMPLE: Taxation on Turnover

PRESUMED PROFIT: Taxation on presumed turnover percentage. In relation to the income that is not characterized as turnover (sales of property, plant and equipment, monetary and exchange variation, financial income, etc.) there is the incidence of full rates taxation.

REAL PROFIT: Taxation on the adjusted net accounting result, before taxes. Expenses considered as non-deductible shall be added to the tax result: bonus and gratifications to administrators, expenses with management's alimentary expenses, gifts and donations, passive exchange variations not yet realized (cash basis regimen), adjustments resulting from the application of the Transfer Pricing methods, arising from accounting adjustments from valuation at present (current) and fair value, among others. The income to be excluded from the tax result (non-taxable income) includes: income from investment subventions, active exchange rate variations not yet realized (cash basis regimen), accounting adjustments arising from the evaluation at present (current) value and fair value.

2.5 Taxation of dividends

To date, there is no taxation on the distribution of dividends to partners / shareholders.

However, if the Brazilian company has investments in companies located abroad, being its controller(parent), there will be taxation of the result obtained, according to universal income taxation, in which the tax paid abroad may be offset in Brazil, according to current rules.

2.6 Taxation of capital gains

Capital gains are taxed according to the income taxation method, chosen by the company (Real Profit or Presumed Profit). In the case of National Simple the tax on capital gains applies to the same rules as individuals.

2.7 Taxation of interest income

Interests over own capital paid are subject to a 15% rate of IRRF (Immediate Income Tax at Source), regardless of whether it is paid to individuals or legal entities. In the case of legal entities, the retained amount may be offset against the IRPJ (Corporate Income Tax) to be paid by the company. In the case of individuals, retention is considered exclusive at source.

The other interests are taxed according to the method chosen by the company (Real profit, Presumed profit or National Simple).

2.8 Utilization of tax losses

Tax losses may be used to offset taxable income for the next years, limited to 30% of taxable income. There is no limitation period for the use of balances.

2.9 Key Tax incentives

Regarding the IRPJ (Corporate Income Tax), there are tax incentives with an exemption or reduction of 75% of the tax due, for the North and Northeast regions of Brazil (SUDAM, SUDENE) through the determination of what is called PROFIT OF THE EXPLORATION. Churches and temples of any cult, philanthropic, recreational, cultural and scientific institutions and civil associations that provide the services for which they have been established and make them available to the group of people for whom they are intended, without to profit, are immune-exempt from IRPJ and CSLL.

2.10 Withholding tax

The rates of IRRF (Immediate Income Tax at Source) vary from 1% to 22,5%. IRRF is considered as an anticipation of IRPJ, and applies in the rendering of services, income from salaries and income from financial investments.

2.11 Transfer Pricing

The calculation of transfer pricing was established in Brazil by Act n° 9.430/96, and is regulated by the Brazilian IRS ("Receita Federal do Brasil – RFB") - through Normative Instruction n° 1.312/12.

In 04/04/2012, Provisional Act n° 563 was published in Official Press and, subsequently, it was converted into Law n° 12.711/12, which brought significant modifications to Act n° 9.430/96.

Transfer Pricing Rules apply on import and export operations of goods, services and rights, carried out with persons linked to or located in countries considered as tax havens (which tax income at a rate lower than 17%).

2.12 Filing requirements of tax return

Filing due dates	There are 2 main tax returns in Brazil: ECD ("Digital Accounting Register") and ECF ("Tax Accounting Register"). The first includes the basic accounting information, and the second includes the references to the links between accounting and tax aspects, and respective tax calculations and impacts. Both shall be presented through detailed electronic files. ECD – The deadline is usually established as the last working day of May of the following year. ECF – The deadline is usually established as the last working day of July of the following year.
Penalties	R\$ 500.00 (Presumed Profit, National Simple, Exempt) or R\$ 1,500.00 (Real Profit) per calendar-month or fraction, due to lack of delivery; and up to 10% of the verified Profit, in the event of inaccuracy or error in filing, not less than R\$ 100.00.
Payment of profit tax and application of holdover	The payment period (maturity) for IRPJ and CSLL may occur monthly (maturity until the last business day of the following month) or quarterly (maturity until the last business day of the month following the reference quarter)

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

According to Law No. 9.718/1998, article 12; Provisional Measure No. 621/2013, converted into Law No. 12.871/2013, and Normative Instructions SRF No. 208/2002, article 2, RFB No. 1.008/2010 and RFB No. 1.383/2013, a resident in Brazil is considered to be an individual:

- I. who lives in Brazil permanently;
- II. who is absent to provide services as a salaried employee to branches of the Brazilian Government located abroad;
- III. entering Brazil:
 - a) with permanent visa on the date of arrival;
 - b) with temporary visa:
 1. to work as an employee or to act as a medical doctor under the "Mais Médicos" Program, which is dealt with by Law No. 12.871/2013 on the date of arrival.
 2. on the date that it completes 184 days, consecutive or not, of stay in Brazil, within a period of up to twelve months;
 3. on the date of obtaining a permanent visa or employment relationship, if it occurred before completing 184 days, consecutive or not, of permanence in Brazil, within a period of up to twelve months;
- IV. Brazilian who acquired the status of non-resident in Brazil and returns to the country permanently, on the date of arrival;
- V. that is absent from Brazil temporarily, or who leaves the national territory permanently without delivering the Definitive Country Exiting Statement during the first twelve consecutive months of absence.

Taxable income means all the proceeds of capital, labor or a combination of both, food and pensions received in cash and income of any kind, as well as equity increases not corresponding to the declared income.

Taxation is independent of the denomination of income, titles or rights, of location, legal condition or nationality of the source, of the origin of the goods that produce income and the form of perception of income or earnings for tax purposes, the taxpayer's benefit in any form whatsoever.

The income received on assets is valued in cash at market value as of the date of receipt.

Without prejudice to the annual adjustment, if any, the income shall be taxed in the month, in which it is received considered as such the delivery of resources by the paying source, even upon depositing with a financial institution in favor of the beneficiary.

Common income produced by property or rights, which the property is in a condominium or arising from the property regime in marriage, are taxed as follows:

- a) in the condominium property, including in the case of a stable union with contractual agreement between the partners, the taxation is proportional to the share of each owner; and
- b) in shared property arising from a marital society, even in the case of a separate taxpayer or a stable union without

a contractual agreement between partners, the taxation on behalf of each spouse is levied on fifty percent (50%) of total common income.

3.2 Rates of tax

Rates vary from 0% to 27.5%.

The following are income subject to taxation by the Progressive Table of Individual Income Tax - IRPF:

- a) Salaried income and bonuses paid by individuals or legal entities;
- b) vacation and 13th salary;
- c) Pro-labore (managing partner remuneration)
- d) employee participation in the company's profits;
- e) services rendered (self-employed), paid by individuals or companies;
- f) rental income and/or royalties paid by individuals or legal entities;
- g) income paid by private pension entities and social security benefit plans;
- h) income from survivor coverage on life insurance policies;
- i) income of beneficiary parties; and
- j) other income not taxed as exclusively at source.

The above incomes are subject to the following monthly taxation:

MONTHLY PROGRESSIVE TABLE		
CALCULATION BASIS (R\$)	RATE (%)	SHARE TO DEDUCT FROM TAX (R\$)
Up to 1,903.98 (exempt)	-	-
From 1,903.99 to 2,826.65	7.5	142.80
From 2,826.66 to 3,751.05	15	354.80
From 3,751.06 to 4,664.68	22.5	636.13
Over 4,664.68	27.5	869.36

When it comes to income paid by individuals, the taxpayer must offer taxation through advance, known as monthly installments of the income tax. The income received in these cases is gross.

If income is paid by a corporation, the tax is advanced through withholding tax (IRRF). The income received in this situation is net.

The following are income subject to exclusive/ definitive taxation:

- a) capital gains on the disposal of assets and/or rights: the incident rates range from 15% to 22.5% according to the gain obtained;
- b) capital gains on the disposal of assets, rights and investments acquired in foreign currency: rates of 15% to 22.5% according to the gain obtained, translated into Reais (BRL);
- c) capital gains on disposal of foreign currency in kind: same rates as items "a" and "b";
- d) net gains on variable income (exchange stock, commodities exchange, futures and similar exchanges and real estate investment funds): rate of 15%;

- e) Income from financial investments: rates vary from 15% to 22.5% according to the term of the investment;
- f) interest on equity: rate of 15%;
- g) other: variable rate according to income. On prizes received in drawings and lotteries, the rate of 30%, for example.

3.3 Year of assessment

Calendar year (January 1 to December 31), mandatorily

3.4 Allowances and Deductions

In the annual adjustment, for calculation basis it is allowed the deduction of amounts spent with dependents (annual limit of R\$ 2,275.08 per dependent), medical expenses, contributions to the Social Security of the Union, the States, the Federal District and Local Governments, the expenses paid for education of the taxpayer and/or their dependents, among others, when the taxpayer chooses to submit the full statement.

In the simplified mode, a discount of 20% is given on the total income earned in the period.

In this declaration, the IR - Income Tax paid in advance either via withholding or separate payments (monthly tax payment on extra personal income ("carnê-leão") or capital gain), is also informed for the purpose of reducing the tax payable, which may result in amounts to be returned by the Brazilian tax authorities to the taxpayer (Individual Income Tax refund).

Exempt and non-taxable income are:

- a) related to scholarships and researches, characterized as donations;
- b) capital of the insurance policies or savings paid out by the insured's death of insurance refunded in any case and the savings received from private pension entities as a result of death or permanent disability;
- c) compensation for termination of employment contract, work accident and FGTS (Unemployment Social Funds);
- d) capital gain on the sale of assets, rights or bundles of assets or rights of the same nature, sold in the same month, of total sale value up to R\$ 20,000.00, for shares sold over-the-counter market, and R\$ 35,000.00, in other cases;
- e) capital gain on the sale of a single property for an amount equal to or less than R\$ 440,000.00 and which, in the last 05 years, has not made any other sale of property;
- f) capital gain on the sale of residential real estate for acquisition of residential real estate located in Brazil, within 180 days, and reduction of the capital gain;
- g) capital gain on the disposition of foreign currency held in cash whose total disposals in the calendar year are equal to or less than the equivalent of US\$ 5,000.00;
- h) profits and dividends received;
- i) exempt installment of retirement, wage reserve, declarant's pension of 65 years or older.
- j) pension, retirement income or retirement due to serious illness or due to an accident in service;
- k) income from savings accounts, collateral mortgage notes, agribusiness and real estate notes, (LCA and LCI) and

agribusiness and real estate receivables certificates (CRA and CRI);

- l) income from partner or holder of very small or small business opting for Simples Nacional, except for pro labore, rents and services rendered;
- m) property transfers - donations and inheritances;
- n) non-taxable portion corresponding to rural activity;
- o) Individual Income Tax on income from previous calendar years offset in court in the calendar year;
- p) 75% of salaried labor income received in foreign currency by local government agencies employees or branches of the Brazilian Government abroad, converted into reais;
- q) Incorporation of capital reserves/share bonuses;
- r) estate transfers - sharing and dissolution of the marital society and the family unit;
- s) net gains on market transactions of shares traded on the Stock Exchange up to R\$ 20,000.00 each month for the set of shares;
- t) net gains on operations with gold, financial assets, on dispositions made up to R\$ 20,000.00 each month;
- u) recovery of losses and variable income (stock exchange, commodities, futures and similar exchanges and real estate investment funds);
- v) gross income, up to a maximum of 90%, of the provision of services arising from the cargo with tractor transport, landscaping machinery, harvester and the like;
- w) gross income up to a maximum of 40% from the provision of services resulting from passenger transport;
- x) Individual Income Tax refund from previous calendar years; and
- y) others, such as unrealized exchange variation, on income held abroad resulting from the balances update of these assets, in the "Assets and Rights" Sheet.

3.5 Taxation of dividends

Dividends received in Brazil are not taxed. Dividends received for participation in companies located abroad are taxed by the "carnê-Leão" system (described above).

3.6 Taxation of capital gain

Capital gains are taxed according to the following percentage range:

- a) 15% on the portion of the gains that do not exceed R\$ 5,000,000.00 in the month;
- b) 17.5% on the portion of the gains that exceeds R\$ 5,000,000.00 and does not exceed R\$ 10,000,000.00, in the month;
- c) 20% of the portion of the gains that exceeds R\$ 10,000,000.00 and does not exceed R\$ 30,000,000.00; and
- d) 22.5% on the portion of the gains that exceed R\$ 30,000,000.00.

3.7 Taxation of interest income

Interests on own capital are taxed at the rate of 15%, and for individuals it is considered as exclusive income.

3.8 Personal assessment and utilization of losses

There is no “tax loss” situation for Individuals. In the annual adjustment, if it is found that there was an overpayment of tax during the year (via withholding of IRPF, payment of “carnê-Leão”, etc.), the positive difference is refunded to the taxpayer.

3.9 Withholding tax

The income in general, of all different natures and origins, are usually subject to IRRF. The tax resulting from the capital gain obtained shall be paid to the tax authorities by the taxpayer. The IRRF arising from financial investments, controlled by financial institutions, is responsibility of the financial institution, which makes the net income available to the taxpayer.

3.10 Statutory obligation of employers

The obligations of employers refer to deliver an annual statement to the employee with the position of income and deductions.

3.11 Filing requirement of tax return

Filing due dates	Until the last working day of April of the year following the reference year. Specifically, for 2020, due to the COVID 19 situation, this was postponed to the last working day of June.
Penalties	1% per calendar month or fraction of delay, with a minimum of R\$ 165.74 and a maximum of 20% of the tax due.
Application of holdover	<p>“DIRPF” – individual Income Tax Declaration</p> <p>Once resident in Brazil, the individual is subject to the filing of the Individual Income Tax Return - DIRPF, in the following situations:</p> <ol style="list-style-type: none">1. received taxable income, subject to adjustment in the statement, whose sum was more than R\$ 28,559.70;2. received exempt income, not taxable or exclusively taxed at source, whose sum was over R\$ 40,000.00;3. obtained, in any month, a capital gain on the disposal of assets or rights, subject to the levy of the tax, or carried out operations on the stock, commodities, futures and similar exchanges;4. regarding rural activities:<ol style="list-style-type: none">a) obtained gross revenue in an amount exceeding R\$ 142,798.50;b) intends to compensate, in the calendar-year 2019 or later, losses from previous calendar-years or the calendar-year 2019 itself;5. had, on December 31st, the possession or ownership of assets or rights, including bare land, with a total value of more than R\$ 300,000.00;6. became resident in Brazil at any month and was in this condition on December 31st; or7. opted for exemption from income tax on capital gains on the sale of residential properties, whose proceeds of sale are intended for investment in the acquisition of residential properties located in the country, within 180 (one hundred and eighty) days from the execution of the sale agreement, pursuant to article 39 of Law No. 11.196/2005.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The regulatory organizations related to the social security and retirement contributions collection are:

Social Security (INSS) – Brazilian Federal Revenue Service (IRS)

Time of Service Guarantee Fund (FGTS) Fund - Caixa Econômica Federal

4.2 Basis of contribution

Main social security (INSS) collection aspects:

- For the entities, percentage on the payroll that can vary between 26.8% to 28.80%;
- For the entities, percentage of non-employee compensation (for example Director with pro labore or individual hired without employment relationship) – 20.00% over the remuneration paid.
- In some cases, according to the law and at the company's choice, the form of taxation is replaced, with a percentage variation between 6.8% to 8.80%. In this case, the replacement of the 20% turns to a percentage of the company's monthly revenue, which can vary between 2.00% to 4.00%.

Main FGTS collection aspects (monthly deposit):

Every company is obliged to deposit the equivalent of 8.0% of the employee's remuneration in the “Time of Service Guarantee Fund – FGTS” Fund. Remuneration comprises the sum of salary, overtime, bonuses, vacation and other benefits.

The FGTS balance updated by the Government will serve as a reserve in which the employee, when dismissed by the company, may make the total withdrawal. In the case of “unfair dismissal”, the company has an obligation to pay the employee a fine equivalent to 40% of the balance deposited with the FGTS.

4.3 Contribution rate

Social security contribution (INSS) for the individual, employed or non-employed. In March 2020, a new contribution table became effective:

Contribution Salaries (R\$)		Rates (%)
Up to 1,039.00		7.50%
From 1,039.01	Up to 2,089.60	9.00%
From 2,089.61	Up to 3,134.40	12.00%
From 3,134.41	Up to 6,101.06	14.00%

4.4 Exemption from tax

No exemptions apply on Social contributions (INSS or FGTS).

4.5 Main ancillary obligations

Main ancillary obligations required to be presented by entities to the Authorities:

Monthly:

- Transmission of monthly information to the “e-Social” platform of the Brazilian IRS and the Secretary of Labor, such as:

Registration of hired employees;

Contract termination of employees dismissed;

Financial data of the payroll, vacations and other movements;

Registration changes for employees such as salary, vacation, leave, among others.

- Social Security and Land Information Statement – “GFIP” statement

Yearly:

- Individual Income Tax Return for the Brazilian IRS
- Annual List of Social Information – “RAIS statement” for small entities that are not obliged to “e-Social” (temporary obligation due to system migration)

GST/VAT

5.1 Basis of tax

In Brazil, there are four main Value Added Tax (VAT) taxes – PIS, COFINS, IPI (federal taxes) and ICMS (state tax).

The PIS is a federal tax, calculated on the income of the corporation, except for some hypotheses, which have a rate between 0.65% and 1.65%, differing due to a cumulative or non-cumulative option for calculation of income by the taxpayer.

This tax, as part of the production chain, is already considered by the supplier of goods and services when presenting the price for its activity, and thus it is a component of the cost.

Just as PIS, COFINS is a federal tax, also calculated on the income of the legal entity, with the exception of some hypotheses, which have a rate of 3% in the Presumed Profit Calculation method with cumulative and lower tax rates, or 7.6% in the Real Profit Calculation method with non-cumulative calculation and higher tax rates, varying according to the form of income calculation.

This tax is also part of the production chain and therefore it is considered by the supplier of goods and services when presenting the price of its activity, and thus it is a component of the cost.

IPI – Brazilian Federal Value-Added Tax on Manufactured Products: federal tax, levied on the manufacturing of products and import of goods and merchandise. It has different rates based on the product's classification (MCN). A company that imports goods from abroad is classified as an industrial company, pursuant to Decree no. 7.212/10. The calculation is performed monthly and in the non-cumulative systematics.

ICMS – State Governmental Value-Added Tax register circulation of merchandises and services: state tax, levied on the circulation of merchandises in general, what includes products from diverse segments, and over interstate and intermunicipal transport and communication services.

5.2 Rates of tax

PIS and COFINS:

In the cumulative regimen – 0.65% for PIS and 3% for COFINS

In the non-cumulative regimen – 1.65% for PIS and 7.6% for COFINS

IPI - The rates levied on the products that the Company intends to resell are the same as those calculated in the import of the goods. There is a table with the applicable rates for IPI, which vary by products (“TIPI”).

ICMS – the rates are different depending on the state. They vary usually between 17% and 18% (intrastate rate). In case of operations between states, there's an additional interstate rate, calculated based on the differences of rates between the states involved in the operation.

5.3 Registration

Calculation and accounting record monthly.

5.4 Filing requirements

“EFD-Contribuições” electronic file – delivery until the 10th working day of the 2nd subsequent month after the register.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Taxes paid abroad may be compensated in Brazil in case anti double taxation treaties exist.

6.2 List of double tax treaties signed

South Africa, Germany (denounced by Germany, but still accepted in Brazil), Argentina, Austria, Belgium, Canada, Chile, China, South Korea, Denmark, Ecuador, Slovakia, Spain, Philippines, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Norway, Netherlands, Peru, Portugal, Czech Republic, Russia, Sweden, Trinidad and Tobago, Turkey, Ukraine and Venezuela

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Not applicable in Brazil

7.2 Real property tax

“IPTU” tax.

The tax, under the jurisdiction of the Municipalities, on urban property and land has as a taxable event the property, the useful domain or the possession of immovable property by nature or by physical accession, as defined in civil law, located in the urban area of the City. The City establishes the venal value of the m2 and applies it to the total area of the built area for the property.

7.3 Estate duty

ICMS – State Government Value-Added Tax: state tax levied on the circulation of goods and some services (transport of interstate freight, electric energy, telephone). The calculation of this tax is performed monthly.

The rates for domestic operations in the States vary between 18% and 30%. In interstate transactions, rates of 4% to 12% are applied.

ICMS is also considered a value added tax (besides PIS, COFINS and IPI), but at state level.

7.4 Net wealth/net worth tax

Not applicable in Brazil

7.5 Others

Taxes on Imports	<p>ISSQN, IPI, II, IE, PIS-Imports and COFINS-Imports</p> <p>Import Tax - II: The tax on the import of foreign products is levied on the import of foreign goods and on the luggage of travelers from abroad. In the case of foreign goods, the calculation basis is the customs value and the rate is indicated in the Common External Tariff (TEC) - The rates vary from 0% to 60%. In the case of baggage, the calculation basis is the value of the goods that exceed the exemption quota and the rate is 50%.</p> <p>Export Tax - IE: The tax, under the competence of the Union, on the export, abroad, of national or nationalized products has as a taxable event the departure of these from the national territory. The rate is 30%.</p> <p>PIS-Import: contribution levied on the import of goods and services. The rate varies between 1.65% to 3.52%.</p> <p>COFINS-Imports: taxpayer levied on the import of goods and services. The rate ranges from 7.6% to 16.48%.</p>
Tax on Services (ISSQN)	<p>The Service Tax (ISS) is a municipal tax on gross sales of services. The Federal Law defines the services subject to ISS, which include services of technical consultancy, technical assistance, processing, etc.</p> <p>The tax rate is set by Federal Law, ranging from a minimum of 2% to a maximum of 5%. Each municipality in the Brazilian territory is responsible for setting the rate of the tax within the guidelines established by Federal Law.</p>

POINT OF CONTACT

Name of contact:

Gerd Foerster

Monica Foerster

Fernanda Souza

Telephone with country code:

Gerd Foerster: +55 11 99327 7890

Monica Foerster: +55 11 99327 0568

Email address:

Gerd Foerster : gfoerster@confidor.net

Monica Foerster: monica@confidor.net

Fernanda Souza : Fernanda.confidor@gmail.com



CAMBODIA

GENERAL INFORMATION

1.1 Country/Region

Cambodia

1.2 Currency

Riel (KHR) (Appr. USD1: KHR4000)

1.3 Principal business entities

In accordance with the Law on Commercial Enterprise, LCE, the following types of business entities are available in Cambodia.

- Sole Proprietorship
- Partnerships
- Limited Company and Public Limited Company
- Subsidiary
- Branch
- Commercial Representative Office or Commercial Relations Office

All business entities operating in Cambodia are required to register at Ministry of Commerce (MOC), General Department of Taxation (GDT) and Ministry of Labour and Vocational Training where the Certificate of Incorporation and Certificate of Tax Registration and other registration documents are granted respectively.

1.4 Foreign exchange control

There is currently no restriction on the repatriation of profits or capital derived from investments made in Cambodia. The Law on the Amendment to the Law on Investment guarantees the rights of foreign investors to remit foreign currencies abroad for:

1. the payment of imports and repayment of principal and interest on foreign loans
2. the payment of royalties and management fees
3. the remittance of profits and
4. the repatriation of invested capital on dissolution of an investment project.

1.5 Current economy climate (Industry overview/ encouraged business development)

Cambodia shifted to a free markets economy and welcomed FDI in 1989. While Cambodia has adopted a competitive investment strategy, it still lags behind Asia-Pacific countries in terms of investment facilities and other factors such as roads, ports and other infrastructure developments.

Cambodia joined ASEAN in 1999 and WTO in 2004 and has experienced an economic boom over the last decade with an

average annual growth of 8%. Affected by the COVID-19, Cambodia's economic is contracted by 1.7% in 2020, However, it is expected to rebound by 4.6% in 2021, thanks to the relatively successful prevention and control of the pandemic.

1.6 National tax authority

Name

General Department of Taxation Cambodia (GDT)

Website

www.tax.gov.kh/en

CORPORATE INCOME TAX

2.1 Basis of taxation

For business entity registered in Cambodia, corporate incomes are taxed on worldwide basis. For company registered outside Cambodia, the corporate incomes are taxed on source basis, which means only the income derived from Cambodia will be taxed.

2.2 Rates of tax

The following table shows the applicable corporation income tax rate:

Standard rate	20%
Oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones	30%
Profit of Qualified Investment Project (QIP) during the tax exemption period as determined by Council for the Development of Cambodia (CDC).	0%
Insurance companies insuring Cambodian risk (non-life insurance)	5% (on gross premium)

2.3 Year of assessment

The default year of assessment is fiscal year (i.e. year ended 31st Dec). However, company can apply for change of year of assessment and subject to approval from the GDT.

2.4 Profits deemed to be taxable

All companies, except those enjoying exemption from tax on income, have the obligation to pay 1% of self-assessed monthly turnover as a monthly prepayment of tax on profit (PPT). The deadlines of PPT payments are on or before the 25th day of the following month and the prepayments are offset against the annual tax on income.

Taxable income is the income earned by the taxable person during the year according to the general rule of accounting. The income includes the profit earned from the main business activities and the subsidiary income which includes but not limited to income from immovable property, donation, grants, dividend from the investment on subsidiary, insurance compensation, sales and disposal of company asset, and other income stated in the Cambodia Law on Taxation.

2.5 Taxation of dividends

Dividends received from resident companies are exempted from income tax. However, dividends received from non-resident companies are subject to income tax in Cambodia. A credit is allowed for tax paid overseas on foreign source income, subject to certain conditions.

Dividends paid to non-resident companies will be subject to withholding tax of 14%.

2.6 Taxation of capital gains

Cambodia commences to implement the capital gain tax ("CGT") from 01 January 2022. The CGT is imposed on the gain realized from the sales or transfer of the following defined transactions in relation to immovable property, lease, investment asset, goodwill, intellectual properties and foreign currency.

CGT is computed at rate of 20% of the gain from the TRANSACTIONS which is the difference between the sales and the expense associate with the TRANSACTIONS. For sales and transfer of immovable property, other than adopting the actual base method, taxpayer can also opt to adopt the determined base method. The CGT under determined based method will be equaled to 4% of the sales or transferred value.

2.7 Taxation of interest income

The interests below are subjected to withholding tax:

- I. Interest paid by a domestic bank or savings institution to a resident taxpayer:
 1. having a fixed deposit account is 6%
 2. having a saving account is 4%
- II. Interest paid to non-resident is 14%

2.8 Utilization of tax losses

Losses can be carried forward for a maximum of 5 years. Losses cannot be carried back.

However, unutilized losses carried forward will be forfeited if there is

1. a change in business activity occurs, or
2. a change in business ownership, or
3. unilateral tax reassessment imposed by the tax auditor.

2.9 Key Tax incentives

Investors can apply for Qualified Investment Project (QIP) status from Council for the Development of Cambodia (CDC) or the Provincial- Municipalities Investment Sub-committees to enjoy tax incentives.

The tax incentives (generally) applicable for QIPs are:

- I. Exemption on tax on profit and prepayment for profit tax with minimum of three years and maximum of nine years
- II. Accelerated depreciation on manufacturing assets
- III. Exemption from import VAT and import custom duty on production equipment, construction materials and manufacturing inputs.

Tax incentives would be available to all sectors that are not under the negative list. All QIPs are required to apply for a Certificate of Compliance (CoC) annually to continue to enjoy the investment incentives granted under the investment license.

2.10 Withholding tax

A. Resident Taxpayer

1,	- Payment for the performance of services including management, consulting, and similar service without a valid VAT invoice with an amount more than USD 12.50; - Royalties for intangibles and interests in minerals, oil or natural gas; - Interest payments to a physical person or enterprise other than interest paid to a domestic bank or saving institution.	15%
2.	Payment for rental of movable and immovable property to the non-registered company	10%
3.	Interest paid by a domestic bank or savings institution to a resident taxpayer: 1. having a fixed deposit account. 2. having a saving account.	6% 4%

B. Non-Resident Taxpayer

Any resident taxpayer carrying on business and who makes any of the following payments to a non-resident taxpayer shall withhold, and pay as tax, an amount equal to 14% of the amount paid.

1. Interest
2. Royalties, rent, and other income connected with the use of property
3. Management or technical services
4. Dividends

2.11 Transfer Pricing

Transaction with related party should be made in arm's length in principals. Related party is defined as member of the immediate family, direct or indirectly hold 20% control. Methodology applied for the determination of whether the transaction is made in arm's length or not include:

Comparable Uncontrolled Price, Resales Price, Cost Plus method, transaction net margin method and profit splitting method.

2.12 Filing requirements of tax return

Filing due dates	The annual tax return must be filed within 3 months following the tax balance sheet date.
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	Type	Additional Tax rate
Interest & Penalties	1. If the taxpayer is considered negligent, being underpayment by less than 10%, or if the taxpayer fails to file a tax declaration or to pay tax by the due date	10% of the underpaid tax
	2. If the taxpayer is considered seriously negligent, being underpayment by more than 10% or taxpayer has failed to settle for liabilities by the due date	25% of the underpaid tax
	3. Where the taxpayer receives a unilateral tax assessment	40% of the underpaid tax
	3. Late payment of taxes and late submission of returns	1.5% of underpaid tax per month
	4. Additional tax for the obstruction of the implementation of tax law	USD 500.00 per case
Payment of income tax, minimum tax and application of withholding	Real regime taxpayers are subject to a separate Minimum Tax of 1% of the annual turnover. Minimum Tax is due if it is greater than the Tax on income payable or taxpayers report a taxable loss where there is no income tax to be paid for the year. The Minimum Tax can be reduced by PPT and other withholding tax credits. Minimum Tax is exempt for taxpayers who maintain proper accounting records which fall under certain conditions upon the approval from GDT	

PERSONAL INCOME TAX (TAX on Salary)

3.1 Basis of taxation (Residence, Personal assessment)

According to Law on Taxation, Article 42, the term “salary” means remunerations, wages, bonuses, and overtime, compensations and fringe benefits which are paid to an employee, or which are paid for direct or indirect advantage of the employee for the fulfillment of employment activities.

The salary of a physical person resident is subject to Cambodia income tax (i.e. tax on salary) on worldwide basis. For non-resident, only the salary received in Cambodia is subject to the tax on salary in Cambodia.

3.2 Rates of tax

- Any physical person who has a principal place of abode in Cambodia or present in Cambodia for more than 182 days in a calendar year will be classified as residents, tax on salary rates are as follows:

Taxable Income for the Month (KHR)	Progressive Tax (%)
Up to 1,300,000 (~USD325)	0
From 1,300,001 – 2,000,000 (~USD326-500)	5
From 2,000,001 – 8,500,000 (~USD501-2,125)	10
From 8,500,001 – 12,500,000 (~USD2,126-3,125)	15
Over 12,500,000 (~USD3,126)	20

- Non-residents:** Flat rate of 20% on salaries received from Cambodia.

3.3 Year of assessment

There is no annual Tax on salary declaration nor annual personal income tax declaration. Tax on salary is taxes on a monthly basis.

3.4 Allowances and Deductions

An individual resident can entitle for the following deduction:

- KHR 150,000 or USD 37.50 for each minor
- KHR 150,000 or USD 37.50 for dependent spouse (who is not being employed)

3.5 Taxation of dividends

14% withholding tax on dividend paid to non-residents from Cambodia entities. Dividends paid to residents from Cambodia entities are tax free.

3.6 Taxation of capital gain

Please refer to the Taxation of capital gain mentioned under item 2.6.

3.7 Taxation of interest income

Please refer to the Taxation of interest income mentioned under item 2.7.

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

Please refer to the withholding tax rate mentioned under item 2.10.

3.10 Statutory obligation of employers

Employers have the obligation to file monthly tax on salary declarations and payments for the employees on or before the 25th day of the following month.

3.11 Filing requirement of tax return

Filing due dates	Employers have to file the salary and fringe tax returns together with the payments of tax on salaries to GDT before 25th of the following month
Penalties	10% plus monthly interest of 1.5% on the unpaid tax
Application of withholding	Employer has the obligation to withhold from the employee and pay the tax to the tax administration.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Social Securities Fund (NSSF) is a fund established for well-being and protection of employees and workers.

4.2 Basis of contribution

All business entities with 8 employees or more are obliged to register with NSSF.

4.3 Contribution rate

The contribution is a uniform rate applied to all risk class or

industry. All employers pay 0.8% of the assumed wage based on the employee's monthly wage before taxation.

4.4 Exemption from tax

NSSF is borne by employer and it is not subject to fringe benefit tax.

GST/VAT

5.1 GST

N/A

5.2 Basis of VAT

VAT is levied on a wide range of importation of goods and almost all supply of goods and services in Cambodia and on each stage of production. VAT is imposed allowing each supplier credit for the tax paid, hence VAT eventually impacts on the end consumer only.

5.3 Rates of VAT

The following specific supplies are subject to VAT at zero rate

- i. Exported goods and services, and certain charges in relation to international transportation
- ii. Supply of unprocessed agricultural products and basic food products
- iii. Solid and liquid waste collection service
- iv. Hospital, clinic, dental services, medical products incidental for performance of service
- v. Supply of education services and goods or other services related to student education
- vi. Public postal services
- vii. A wholly stated owned public passenger transportation
- viii. Import goods for personal use
- ix. Electricity and clean water
- x. Insurance and primary financial services
- xi. Supply of qualifying goods & services by qualifying persons to qualifying industries shall be eligible to charge VAT at the preferential 0% rate

Except the above specific supplies, all other supplies of goods and services are subject to standard VAT rate of 10%.

5.4 Registration

Any business entities having businesses with providing taxable supplies of goods and services are required to be registered under VAT if they meet the criteria below:

a	Corporations, importers, exporters and investment companies
b	Taxpayers with taxable turnover in any period of 3 consecutive months that exceeds or expect to exceed in the coming period of 3 consecutive months of: <ol style="list-style-type: none"> i. goods sold exceeding KHR125 million; or ii. services provided exceeding KHR60 million
c	Taxpayers undertaking government contracts with a total taxable turnover exceeding KHR30 million.

Entities are required to register for VAT within 15 days upon commencement of business operations or receiving the business registration from the relevant authorities.

5.5 Filing requirements

Please refer to 3.11

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Tax paid overseas on foreign source income can be classified as a tax credit with proper and sufficient evidence to substantiate the foreign tax paid. The tax credit is calculated separately for each foreign country and only the lower of the foreign tax paid or Cambodian tax payable on foreign source income will be recognized.

6.2 List of double tax treaties signed

Currently, Cambodian government have signed a total of 8 tax treaties, namely with Singapore, China, Brunei, Thailand, Hong Kong, Vietnam, Indonesia and South Korea. Meanwhile, the tax treaties with Malaysia will be effective after obtain approval from both company legislative institution.

OTHER SIGNIFICANT TAXES

7.1 Stamp Tax

Stamp Tax is levied on administration documents, court documents, non-court document. Ministry of Economy and Finance shall determine the scope of implementation and stamp tax table in the sub-decree. All unpaid documents which are subject to stamp tax will not be received or issued by the competent authority. Each stamp has value of KHR100, KHR200, KHR500, KHR1,000, KHR2,000. Ministry of Economy and Finance is the only competent authority to print the stamp.

7.2 Immovable property tax

Property tax shall be imposed on the properties located in the municipality and provinces of Cambodia. This tax shall be collected annually at a rate of 0.1% on the value of the property. It is applied to immovable properties valued in excess of KHR100 million (approximately USD25,000). The term "Property" is referred to lands, houses, buildings and other constructions that are built on the land, and the value of property shall be determined based on the market price by the property evaluation committee which is established by the Prakas of the Minister of Economy and Finance. The deadline for Property tax payment is on 30th September each year.

7.3 Unused land tax

The unused land tax is levied on unused land which are located in the cities and areas which are levied by Unused Land Appraisal Committee (ULAC). The unused land tax is paid by owners. Tax on unused land is based on 2% of the market price per square meter as determined by ULAC.

7.4 Patent tax

All entities carrying on business activities in Cambodia must register annually a standard patent tax rate as follow:

- Small Taxpayer: KHR 400,000 (approximately USD100.00)
- Medium Taxpayer: KHR1,200,000 (approximately USD300.00)
- Large Taxpayer: Minimum KHR3,000,000 (approximately USD750.00) and Maximum: KHR5,000,000 (approximately USD1,250.00)

Patent payment deadline is 31st March of the current fiscal year.

7.5 Accommodation tax (AT)

AT is a tax imposed on the provision of hotel accommodation service. AT is levied at a rate of 2% on hotel accommodation services charge, inclusive of other services charge and all kind of taxes, but excluding of the AT itself and VAT.

7.6 Property transfer tax (Stamp Duty Tax)

Except the inheritance of property among direct relative, other transfers of ownership of immovable property and certain vehicles are subjected to 4% property transfer tax of the transferred value. It is the obligation of transferee to pay the tax.

7.7 Registration Tax (Stamp Duty Tax)

Registration tax of 0.1 % applies to transfer of company's shares. 0.1% registration tax also applies on the government contract value related to the supply of goods/ services that are used under the state budget.

The following legal documents are subject to a registration tax (stamp duty) of KHR 1 million (approximately USD250.00)

1. Document on establishing company
2. Document on merging the companies
3. Document on resolving the company

7.8 Others

Business tax: N/A

Consumption tax, etc.: N/A

OTHERS

8.1 Types of Taxpayers

GDT now has classified taxpayers in Cambodia into 3 types of categories:

- i. Large Taxpayers: Annual Taxable Turnover > KHR4,000 million
- ii. Medium Taxpayer: Annual Taxable Turnover between KHR700 million and KHR4,000 million
- iii. Small Taxpayers: Annual Taxable Turnover between KHR250 million and KHR700 million
 - Small Taxpayer will be entitled to simplified accounting system.

8.2 Types of Tax Audit

Three types of corporate tax audits are commonly carried out in Cambodia.

1. Desk Audit,
2. Limited Audit,
3. Comprehensive Audit

It is very normal for GDT to perform at least one of the audits during a financial year and the notification of tax re-assessment will be completed with a comprehensive audit.

8.3 Official Licensing of Tax Service Agent

To improve the level of compliance, official licensing of tax agent system has been implemented in Cambodia. Licensed tax services agents must be recognized and approved by the GDT through renewing their license valid for two years. Client outsourcing tax related services to unlicensed tax agent shall be liable for a fine of KHR 5 million.

8.4 Tax Incentive under the course of COVID-19

Under COVID-19 situation, GDT have offered some incentives to various industries such as:

1. Tourism Industries including hotel, guesthouse, restaurants, and travel agencies registered GDT with location based in Phnom Penh, Kompot, Preah Sihanouk, Kep, Bavet town, Poipet town and Siem Reap.
 - An exemption on Monthly Tax Payment starting from March 2020 to March 2021 but still need filing monthly tax declaration
 - Filing 2020 Annual Tax on Income on or before 31 March 2021 but not subject to pay any tax
 - Exempt on patent and signboard tax for travel agencies and other travel operator and require to update their patent
2. Civil Aviation Industries
 - Airline company registered in Cambodia, exemption of minimum tax until 31 March 2021

8.5 Tax Incentive for industries affected by the suspension of Everything But Arms (EBA) Scheme

Cambodia have been suspended on EBA which affected many industries with huge impact of export.

Under Prakas 319 MoEF. Br.K on Tax Measures to Mitigate Effects of Challenges on Textile and Garment Enterprises, GDT provide Income Tax Exemption to textile and garment enterprises affected by the suspension of Everything but Arms (EBA).

The incentive is for Tax on Income 2020 based on the size of effecting figures as below:

1. Effecting size from 20% to 39% will receive a tax incentive for 6 months by 50% of the total amount tax on income.
2. Effecting size from 40% to 100% will receive tax incentives for 1 year by 100% of the total amount tax on income.

8.6 Tax Incentives for SME

Tax incentive to SME include:

- 3 years profit tax, minimum tax and PPT exemption for newly registered company of overall industry, and can enjoy up to 5 years income tax exemption if
 - the raw material used in the production is at least 60% locally purchase i.e. Cambodia), or
 - increase more than 20% of their employee over current number of employees, or

- Located in SME cluster zone
- Deductible expense of 200% for the expense on Usage on accounting software and accounting training, 150% for the R&D of the machine aim for increase of the productivity.
- Custom duty exemption of the imported Raw material and machinery
- The following industries will be able to enjoy the SME tax incentive
 - Agriculture
 - Food processing
 - Production of consumable supplies, and production for tourism
 - Waste recycling
 - R&D of the IT, supplies of IT innovative related service
 - SME located in the SME cluster zone

POINT OF CONTACT

Name of contact: Larry Ng

Telephone with country code: +855 (0) 92 109 199

Email address: info@reandallkg.com



CHINA

GENERAL INFORMATION

1.1 Country/Region

Chinese mainland

1.2 Currency

Renminbi (RMB)

1.3 Principal business entities

Resident enterprise

- State-owned enterprise
- Collective enterprise

Private enterprise

- Joint ownership enterprise
- Joint-stock enterprise
- Foreign-funded enterprise
- Foreign enterprise
- Other organizations

Non-resident enterprise

1.4 Foreign exchange control

The "State Administration of Foreign Exchange" is the authority in charge of foreign exchange management in China and is responsible for foreign exchange administration under the current account and the capital account and the administration on foreign exchange operations of financial institutions, etc.

1.5 Current economy climate (Industry overview/ encouraged business development)

In recent years, China has become a major economic and trade power around the globe. It is the world's second largest economy, No. 1 commodity exporter and No. 2 commodity importer, second biggest destination for Foreign Direct Investment (FDI), biggest manufacturer, top holder of foreign exchange reserves, and biggest creditor country as well.

Catalogue of Encouraged Industries for Foreign Investment (2019 edition) and *Special Management Measures for the Market Entry of Foreign Investment (Negative List)* (2019 edition) went into effect on 30 July 2019, supporting more foreign investment in high-end manufacturing, smart manufacturing and green manufacturing sectors, and advancing even wider opening up to the outside world in all areas.

1.6 National tax authority

Name

State Taxation Administration

Website

www.chinatax.gov.cn/

CORPORATE INCOME TAX

2.1 Basis of taxation

The enterprises and other organizations (hereinafter referred to as the enterprises) which have incomes within the territory of the People's Republic of China shall be the corporate income tax payers and shall pay their corporate income taxes according to the Corporate Income Tax Law of the People's Republic of China.

Sole proprietorship and partnership enterprises are not applicable to the Corporate Income Tax Law of the People's Republic of China.

"Resident enterprise" refers to an enterprise which is legally incorporated within the territory of China, or which is incorporated under the law of a foreign country (region) but whose actual management organ is within the territory of China. A resident enterprise shall pay the corporate income tax for its incomes derived from inside and outside the territory of China.

"Non-resident enterprise" refers to an enterprise which is incorporated under the law of a foreign country (region) and whose actual management organs are not within the territory of China but who has venues or establishments within the territory of China; or who does not have any venue or establishment within the territory of China but has incomes derived from China. The duty to pay taxes of non-resident enterprises shall be identified accordingly.

"Non-resident enterprise" refers to an enterprise which is incorporated under the law of a foreign country (region) and whose actual management organs are not within the territory of China but who has venues or establishments within the territory of China; or who does not have any venue or establishment within the territory of China but has incomes derived from China. The duty to pay taxes of non-resident enterprises shall be identified accordingly.

2.2 Rates of tax

The corporate income tax shall be levied at the statutory rate of 25%. For qualified non-resident enterprises, the tax rate shall be 20%, but in actual taxation, the tax rate shall be 10%. (Please refer to "Key Tax incentives" below.)

2.3 Year of assessment

Corporate income tax shall be levied annually, paid in advance on a monthly or quarterly basis, and the payable or refundable amount of taxes shall be settled at the end of the year, with a refund for over payment or a supplemental payment for deficiency. The year of assessment shall commence on 1 January 1 and end on 31 December of the Gregorian calendar year. In case an enterprise's business operations are started or terminated in the middle of the

year of assessment for reasons such as merger and shutdown, which leads to its actual business operation period in this year of assessment shorter than 12 months, its actual business operation period shall constitute the year of assessment. Where an enterprise is liquidated according to law, the liquidation period shall be deemed as the year of assessment.

An enterprise shall file a corporate income tax return to the tax authority within 15 days after the ending of a quarter; and file an annual corporate income tax return for the settlement of tax payments within 5 months after the ending of the year of assessment. In case an enterprise terminates its business operation, it shall file a corporate income tax return within 60 days after the actual termination of its business operations.

2.4 Chargeable gains

The chargeable gains are the basis for taxation of corporate income tax and they shall be the balance after deducting the non-taxable income, tax-exempt income, deduction items as well as the permitted remedies for losses of the previous year(s).

An enterprise's total gains refer to the monetary and non-monetary incomes from various sources and includes:

- (1) income from selling goods;
- (2) income from providing labor services;
- (3) income from transferring property;
- (4) equity investment gains, such as dividend, bonus;
- (5) interest incomes;
- (6) rental income;
- (7) royalty income;
- (8) income from accepting donations; and
- (9) other incomes.

The following incomes in the total gains shall be tax-free:

- (1) treasury appropriations;
- (2) the administrative fees and governmental funds which are levied in accordance with the law and fall under the scope of the treasury administration;
- (3) other tax-free incomes.

An enterprise's following incomes in its total income amount shall be tax-free:

- (1) the interest incomes from treasury bonds;
- (2) dividends, bonuses and other equity investment gains generated between qualified resident enterprises;
- (3) dividends, bonuses and other equity investment gains which are obtained by qualified non-resident enterprises;
- (4) incomes of qualified not-for-profit organizations.

When calculating the chargeable gains, the reasonable expenditures actually incurred by an enterprise in connection with the acquisition of income, including costs, expenditures, taxes, losses, etc. may be deducted.

In relation to an enterprise's expenditures for public welfare donations, the portion falling within 12% of the total annual profits is permitted to be deducted when such enterprise's chargeable gains are calculated; the portion beyond 12% of its total annual profits is permitted to be deducted from its chargeable gains within three years after it is carried forward.

When calculating the chargeable gains, none of the following expenditures shall be deducted:

- (1) such equity investment gains as dividends, bonuses paid to the investors;
- (2) payment for corporate income tax;
- (3) overdue payment for taxes;
- (4) pecuniary punishment, fines and losses of confiscated properties;
- (5) expenditures for donations exceeding the required standards;
- (6) sponsorship expenditures;
- (7) unverified reserve expenditures;
- (8) expenditures for payment of management fee among enterprises, rentals and royalties among business establishments within the enterprise, and interests paid among business establishments within the non-bank enterprises;
- (9) other expenditures irrelevant to the obtaining of incomes.

2.5 Utilization of tax losses

The losses suffered by an enterprise during the year of assessment may be made up by its income generated within the next 5 years. An enterprise may not offset the losses of its overseas business establishments against the profits of its domestic business establishments in the consolidated calculation of its corporate income tax.

Since 1 January 2018, for enterprises which become eligible hi-tech or science and technology-oriented small & medium-sized enterprises in the current year, their losses suffered within the 5 years before the year in which they gain eligibility and have not been fully made up may be carried forward and made up by their incomes in the subsequent years, and the carry-forward period extends from 5 years to 10 years at most.

2.6 Key Tax incentives

1. Tax exemption and reduction

In relation to the following incomes of an enterprise, the corporate income tax may be exempted or reduced:

- Income from the projects in the fields of agriculture, forestry, husbandry and fishery;
 - Income generated from the investment in the important public infrastructure projects supported by the state;
 - Income generated from the qualified projects of environmental protection, energy and water saving;
 - Income generated from qualified transfer of technologies.
2. Preferential tax rate for hi-tech enterprises: The corporate income tax on qualified high-tech enterprises which have the priority to be supported by the state shall be levied at the reduced tax rate of 15%.
 3. Preferential tax rate for service enterprises with advanced technology: Since 1 January 2017, the corporate income tax on enterprises which are identified as service enterprises with advanced technology shall be levied at the reduced tax rate of 15%.
 4. Preferential tax rates for small meagre-profit enterprises: For a small meagre-profit enterprise whose taxable income is no more than 1 million yuan, 25% of it shall be counted in the taxable income and a corporate income tax rate of 20% shall

be apply; for the portion of the taxable income that is beyond 1 million yuan and less than 3 million yuan, 50% of it shall be counted in the taxable income and an corporate income tax rate of 20% shall apply.

The aforesaid "small meagre-profit enterprises" refer to enterprises engaging in industries not restricted or prohibited by the state and meeting the following conditions at the same time: with an annual taxable income not exceeding 3 million yuan, with no more than 300 employees, and with a total asset of not more than 50 million yuan.

5. Additional deduction

Additional deduction means further deduction of enterprise expenditures at a specified rate on the basis of pretax deduction, of which

- (1) For the research and development expenses incurred by general enterprises from 2018 to 31 December 2020, if they do not form intangible assets but are charged to the profits and losses for the current period, an additional deduction of 75% of the research and development expenses may be made on top of the actual deduction; where intangible assets are formed, they shall be amortized at 175% of the costs of the intangible assets.
- (2) An additional deduction of 100% of the salaries paid to the handicapped staff shall be made on top of the actual deduction of the salaries paid by enterprises to such handicapped staff.

6. Preferential treatments for venture capital enterprises

For venture capital enterprises which are engaged in venture capital investment and need to be supported and encouraged by the state with priority, a certain percentage of their investment amount may be deducted from their taxable income.

7. Preferences for accelerated depreciation

- (1) In case an enterprise definitely needs to accelerate the depreciation of any fixed asset by virtue of technological progress or for any other reason, it may curtail the term of depreciation or adopt a method for accelerated depreciation;

Depreciation of the fixed assets newly purchased by enterprises in six industries including biotech drugs manufacturing and special equipment manufacturing after 1 January 2014 may be accelerated;

Depreciation of key industries in four sectors including light industry, textile, machinery and automobile may be accelerated.

For equipment and devices newly purchased by all enterprises from 1 January 2018 to 31 December 2020, as long as their unit price doesn't exceed 5 million yuan, it may be included in costs of the current period and deducted before tax.

8. Income deduction preference

In relation to the incomes earned by an enterprise from producing products complying with the industrial policies of the state by comprehensively utilizing resources, they may be downsized in the calculation of the amount of taxable incomes.

9. Credit against tax payable

In case an enterprise purchases and actually uses the required special equipment for environment protection, energy and water saving, work safety, etc., 10% of the investment in such special equipment may be deducted from the enterprise's tax payable in the current year. In case the amount is not sufficient to offset such deduction, it may be carried forward and deducted in the subsequent five years.

10. Tax preferences for special industries

For software enterprises and integrated circuit industry, the corporate income tax is preferentially reduced or exempted.

11. Preferential treatments for non-resident enterprises (withholding tax)

For non-resident enterprises, the corporate income tax shall be levied at the reduced tax rate of 10%. The following incomes obtained by such non-resident enterprises shall be exempted from the corporate income tax:

- (1) Interest income from loans which are provided by a foreign government for the Chinese government;
- (2) Interest income from preferential loans which are provided by an international financial organization for the Chinese government and resident enterprises;
- (3) Other incomes.

2.7 Withholding tax

For incomes gained by a non-resident enterprise which has no venue or establishment within the territory of China, or which has a venue or establishment within the territory of China, but whose incomes have no actual connection to its venue or establishment inside the territory of China, the following methods shall be adopted in calculation of its chargeable gains:

- (1) In relation to dividends, bonuses and other equity investment gains, interests, rentals and royalties, the chargeable gains shall be the total gains;
- (2) In relation to incomes from property transfer, the chargeable gains shall be the balance after the total gains less the net value of the property; and
- (3) In relation to other incomes, the chargeable gains shall be calculated by reference to the methods as mentioned in the preceding two paragraphs.

For payable income taxes on the incomes obtained by a non-resident enterprise which has no venue or establishment within the territory of China, or which has a venue or establishment within the territory of China, but whose incomes have no actual connection to its venue or establishment in the territory of China, they shall be withheld by sources, with the payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident taxpayer: A resident individual is an individual who has domicile in China or who has no domicile in China but has stayed for 183 days or more accumulatively in the year of assessment in China. A resident individual shall bear unlimited tax liability, and

pay personal tax on his/her income obtained inside and outside China in accordance with the law.

Non-resident individual: is a taxpayer who does not meet the resident individual judgment standard. A non-resident individual shall bear limited tax liability and pay personal tax on his/her income obtained inside China in accordance with the law.

Scope of taxation

- (1) income from wages and salaries;
- (2) income from remuneration for labor services;
- (3) income from author's remuneration;
- (4) income from royalties;
- (5) business income;
- (6) income from interests, dividends and bonuses;
- (7) income from the lease of property;
- (8) income from property transfer;
- (9) contingent income.

Resident individuals shall calculate by the year of assessment on a consolidated basis the personal tax, and non-resident individuals shall calculate by itemization on a monthly or transaction-by-transaction basis the personal tax, on the income obtained as set forth in the above subparagraphs (1) to (4) (hereinafter referred to as the 'comprehensive income'). The personal tax on the income set forth in the above subparagraphs (5) to (9) obtained by a taxpayer shall be calculated respectively.

3.2 Rates of tax

1. The 7-bracket progressive tax rate ranging from 3% to 45% shall apply to comprehensive income in excess of specific amount, and the pretax annual deduction amount increases from 42,000 yuan to 60,000 yuan. Besides, there are special deductions of expenses for basic endowment insurance, basic medical insurance, unemployment insurance and housing provident fund, which are paid according to the state-stipulated scope and standard of payment, and six types of additional special deductions of expenses for children's education, continuing education, medical expenses for serious diseases, housing mortgage interest, house rent, and care for the elderly.

During 1 January 2019 and 31 December 2021, where a foreign individual complies with the requirements for resident individual, he/she may choose additional special deductions for personal tax, or choose to continue to enjoy the existing tax exemption provided to him/her for housing subsidies, language training expenses and children's education expenses, but may not enjoy both the deduction and the tax exemption for the same item of expenses at the same time. After making a choice, the foreign individual shall not change it in the year of assessment. Since 1 January 2022, foreign individuals will no longer enjoy tax exemption for housing subsidies, language training expenses and children's education expenses, and shall enjoy special additional deductions as stipulated.

The balance after 20% of the income from labor remuneration, author's remuneration and gains from royalties is deducted shall be the amount of income. Income from author's remuneration shall be counted in taxable individual income at a rate of 70%.

2. A 7-bracket progressive tax rate ranging from 3% to 45% shall apply to comprehensive income in excess of specific amount.

Personal Tax Rates for Comprehensive Income

Bracket	Annual taxable income	Rate of tax (%)	Quick deduction
1	Up to 36,000 yuan	3	0
2	36,001 yuan–144,000 yuan	10	2520
3	144,001 yuan–300,000 yuan	20	16920
4	300,001 yuan–420,000 yuan	25	31920
5	420,001 yuan–660,000 yuan	30	52920
6	660,001 yuan–960,000 yuan	35	85920
7	960,001 yuan and above	45	181920

3. A 5-bracket progressive tax rate ranging from 5% to 35% shall apply to business income in excess of specific amount.

Personal Tax Rates for Business Income

Bracket	Annual taxable income	Rate of tax (%)	Quick deduction
1	Up to 30,000 yuan	5	0
2	30,001 yuan–90,000 yuan	10	1500
3	90,001 yuan–300,000 yuan	20	10500
4	300,001 yuan–500,000 yuan	30	40500
5	500,001 yuan and above	35	65500

The balance after the total income amount less the amount of costs, expenses and losses in the year of assessment shall be the taxable amount of business income.

4. A proportional tax rate of 20% shall apply to income from interests, dividends and bonuses, income from royalties, income from the lease of property, income from the conveyance of property, and individual contingent income.

For income from the lease of property, a deduction of 800 yuan shall be allowed for a single income less than 4,000 yuan; for a single income of 4,000 yuan or more, a deduction of 20% of the amount shall apply. For income from property transfer, the balance after the income from property transfer less the original value of the property and a reasonable amount of expenses shall be the taxable income. The income from interests, dividends, bonuses and contingent income shall be taxed on the amount received for each payment.

5. In case an individual donates his/her income to educational, poverty alleviation and other public welfare undertakings, the part of the donation which does not exceed 30% of the amount of his/her taxable income declared by him/her may be deducted from his/her taxable income. In case there is a provision on full deduction of the donated amount, such provision shall apply.
6. For a resident individual's income which is obtained from outside China, the personal tax already paid by such resident individual outside China shall be deducted from his/her tax payable, but the deducted amount shall not exceed the tax payable, calculated according to the Chinese law, on such taxpayer's income which is obtained from outside China.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

- (1) social insurance agencies
- (2) the Ministry of Human Resources and Social Security of the People's Republic of China

4.2 Basis of contribution

In China, Chinese citizens who are employees of Chinese economic entities enjoy the right to social security. On 1 July 2011, *Social Insurance Law of the People's Republic of China* came into effect; and on October 15, 2011, *Interim Measures for Social Insurance System Coverage of Foreigners Working within the Territory of China* came into effect, too. Foreigners who are employed in China and their Chinese employers are required to pay social insurance fund, including endowment insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

4.3 Contribution rate

The social insurance contribution base varies in different places. Employers pay social insurances for their employees according to the latter's gross income and the contribution rate determined by the organ handling social insurance matters, and the contribution base shall not be lower than the local minimum wage.

4.4 Exemption from tax

When personal tax and corporate income tax are calculated, the social insurance expenditures may be deducted from the taxable income.

GST/VAT

5.1 Basis of tax

Entities and individuals engaged in the sales of goods and import of goods within the territory of the People's Republic of China are VAT taxpayers.

The scope of VAT taxation shall cover taxable sales of goods and import of goods within the territory of the People's Republic of China. Specifically, it includes:

- (1) selling or importing goods;
- (2) selling labor;
- (3) selling services;
- (4) selling intangible assets;
- (5) selling immovable property.

In case an entity or individual does not have any establishment within the territory of the People's Republic of China, but sells labor services within the territory of the People's Republic of China, its agent within the territory of the People's Republic of China shall be the obligatory withholder. In case it does not have an agent within the People's Republic of China, its buyer shall be the obligatory withholder.

5.2 Rates of tax

The VAT taxpayers can be divided into general taxpayers and small-scale taxpayers:

General taxpayers: for production-oriented taxpayers, the annual taxable sales volume shall exceed 500,000 yuan; for non-production-oriented taxpayers engaged in wholesales and retailing, the annual taxable sales volume shall exceed 800,000 yuan; and the annual taxable sales volume of services shall be over 5 million yuan.

1. A VAT rate of 3% is applied to small-scale taxpayers, unless otherwise stipulated by the Ministry of Treasury and State Taxation Administration;
2. VAT rates for general taxpayers:
 - (1) Standard VAT rate: Taxpayers selling goods, labor services, rental services of tangible movable property or importing goods are taxed at a rate of 13%, except specially provided for;
 - (2) Taxpayers selling transportation, postal, basic telecommunications, construction and real estate rental services, real estate, transfer of the land use right, or selling or importing specific products are taxed at a rate of 9%;
 - (3) Taxpayers selling services and intangible assets are taxed at a rate of 6%, except specially provided for;
 - (4) For cross-border sales of services and intangible assets within the specified scope by units and individuals within the territory of China, a zero tax rate shall apply.
3. Tax rate: 1.5%--5%.

5.3 Registration

A VAT general taxpayers qualification registration system is applied and taxpayers shall handle the registration formalities with its competent tax authority.

5.4 Filing requirements

The term of VAT payment shall be 1 day, 3 days, 5 days, 10 days, 15 days, a month or a quarter.

Taxpayers who take a month or a quarter as a tax period shall report their income to the tax authority within 15 days from the expiry date. Taxpayers who take 1 day, 3 days, 5 days, 10 days or 15 days as a tax period shall pay the tax in advance within 5 days from the expiry date, and report their income to the tax authority and settle the tax payable in the previous month within 15 days from the first day of the subsequent month.

The term of settlement of tax by the obligatory withholder shall be subject to the provision in the preceding paragraph.

INTERNATIONAL TAXATION MANAGEMENT

6.1 International taxation agreements

As of December 2018, China had officially signed 110 double tax relief agreements with foreign countries and regions, of which 103 have come into effect, and had signed tax arrangements with Hong Kong Special Administration Region and Macao Special Administrative Region, and a tax agreement with Taiwan region.

6.2 Taxation management of non-resident enterprises

- (1) resident representative offices of foreign enterprises;
- (2) contracting projects and providing labor service;
- (3) Dividends, interests, rentals, royalties and income from property transfer: from January 1, 2018, for profits which are obtained by overseas investors from resident enterprises within the territory of China and are invested directly in such projects and sectors that are not prohibited for foreign investment, if they are eligible, a deferred tax payment policy shall apply, and no withholding tax shall be levied temporarily.
- (4) Circumstances under which foreign exchange payments need to be recorded at the tax authority: When making a single payment of the following foreign exchange funds, which is equivalent to over 50,000 US dollars (excluding 50,000 US dollars, the same below), to overseas, an establishment or individual within the territory of the People's Republic of China shall handle the tax recordation formalities at the competent tax authority at its locality, except when tax recordation is unnecessary;

Incomes which are obtained by an overseas establishment or individual from service trade including transportation, tourism, communications, construction installations and labor contracting, insurance services and financial services within the territory of China;

Remuneration for their work which is earned by overseas individuals from within the territory of China, incomes gained by overseas establishments or individuals from within the territory of China, including dividends, bonuses, profits, interests on direct debts, and guarantee fee, and incomes from current transfers;

Rentals of financial lease, and incomes from transfer of real estate and transfer of equity which are obtained by overseas establishments or individuals from within the territory of China, as well as other legal gains of foreign investors.

6.3 Tax credit

In case a resident enterprise or a non-resident enterprise has already paid, outside China, the income tax for the taxable incomes that are obtained overseas by its venue or establishment within the territory of China, it may deduct it from the tax payable of the current period. The limit of tax credit shall be the amount of tax payable on such incomes calculated in accordance with *Corporate Income Tax Law of the People's Republic of China*. The portion exceeding the limit of tax credit may, during the subsequent 5 years, be offset from the balance of the limit of tax credit of each year minus the tax amount which ought to be offset in the current year.

6.4 International anti-avoidance

- (1) General anti-avoidance: the tax authority has the right to review and assessment, investigation and adjustment of an enterprise in case the enterprise makes any other arrangement not for any reasonable commercial purpose and causes the decrease of its taxable revenue or income. The "not for any reasonable commercial purpose" means that the main purpose is to reduce, exempt or defer the payment of taxes.

- (2) Indirect transfer of assets: Where a non-resident enterprise indirectly transfers equities and other assets of a Chinese resident enterprise to avoid its corporate income tax payment obligation by making an arrangement not for any reasonable commercial purpose, such indirect transfer shall be redefined in nature and recognized as the direct transfer of equities and other assets of the Chinese resident enterprise in accordance with relevant provisions of the "Corporate Income Tax Law".
- (3) Special adjustments to tax payments

Transfer pricing: the tax authority may review, assess and investigate whether a transaction between an enterprise and its affiliates conforms to the arms length principle.

Cost amortization agreement: When an enterprise and its affiliates sign a cost amortization agreement for jointly developing or accepting intangible assets, or jointly providing or accepting labor services, they shall follow legal provisions.

Controlled foreign enterprise: refers to a foreign enterprise which is set up in a country (region) where the actual tax burden is lower than 50% of the corporate income tax rate of 25%; controlled by a resident enterprise or by an resident enterprise and a resident individual (hereinafter collectively referred to as Chinese resident shareholder, including Chinese resident enterprise shareholder and Chinese resident individual shareholder); and which fails to distribute the profits or decreases the distribution not by virtue of reasonable business operations. The portion of the aforesaid profits attributable to such resident enterprise shareholder shall be included in its incomes of the current period.

Thin capitalization: In relation to an enterprise's interest expenditures for any credit investments and equity investments accepted from its affiliates, in excess of the prescribed criterion, the enterprise may not deduct them when calculating the chargeable gains. For the enterprise's actual interest expenditures paid to its affiliates, unless meeting the required conditions, the ratio of credit investments to equity investments accepted from its affiliates shall be:

For financial enterprises: 5:1

For other enterprises: 2:1

6.5 Transfer pricing tax administration

The tax authority may review, assess and investigate whether a transaction between an enterprise and its affiliates conforms to the arms length principle. In case the taxable revenue or income of the enterprise or its affiliates reduces by virtue of the failure to conform to the arms length principle, the tax authority may apply a reasonable method to make a tax payment adjustment of transfer pricing. A resident enterprise which pays the corporate income tax according to its financial records or a non-tax resident enterprise that has an establishment or a venue in China and declares and pays the corporate income tax on an actual basis shall, at the time of filing its annual corporate income tax return, report affiliated transactions between it and its affiliates, which may include:

- (1) A country-by-country report;
- (2) Contemporaneous transfer pricing documentation (including master files, local files and special files)

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is payable on instruments created in the course of economic activities and exchanges or on the licensee and certificates granted by the administrative authority.

Taxable items and rates of tax:

Taxable Items and Rates of Stamp Duty				
Taxable item	Scope	Rates of tax	Taxpayer	Remarks
1. Purchase and sales contracts	Including contracts on supplies, advance purchase, purchase, purchase and sales combination and collaboration, regulation, compensation, and barter	0.3‰ of the purchase and selling price	Parties to the contract	
2. Processing contracts	Including processing, customizing, maintaining, repairing, printing, advertising, surveying and mapping and testing contracts	0.5‰ of the income from processing or contracting	Parties to the contract	
3. Construction exploitation and design contracts	Including exploitation and design contracts	0.5‰ of the fee collected	Parties to the contract	
4. Installation and construction contracts	Including construction installation contracts	0.3‰ of the contracted price	Parties to the contract	
5. Contracts for lease of property	Including leases of houses, vessels, aircraft, automobiles, machinery, devices, and equipment	1‰ of the lease amount; where the tax is less than 1 yuan, it shall be calculated as 1 yuan	Parties to the contract	
6. Contracts for transportation of goods	Including contracts on civil aviation, railway transportation, sea transportation, inland water transportation, highway transportation or combined mode of transport	0.5‰ of the transportation fee collected	Parties to the contract	Where the documents are used as contracts, the tax shall be levied according to the contract
7. Contracts for storage of goods	Including storage and depository contracts	1‰ of the storage fee collected by the warehouse	Parties to the contract	Where the warehouse receipt or warrant is used as a contract, the tax shall be collected according to the contract
8. Contracts for borrowing money	Contracts for borrowing money that are signed by the bank with other financial organizations and borrowers (excluding contracts on interbank loans)	0.05‰ of the amount borrowed	Parties to the contract	Where the bill are used as contract, the tax shall be levied according to the contract
9. Property insurance contracts	Including insurance contracts on property, liability, guarantee and credit	1‰ of the income of the premium	Parties to the contract	Where the bill is used as contract, the tax shall be levied according to the contract
10. Technology contracts	Including technology development, transfer, consultation, and service contracts	0.3‰ of the contracted price	Parties to the contract	

Taxable item	Scope	Rates of tax	Taxpayer	Remarks
11. Transfer of property title	Including use and transfer of property ownership and copy right, exclusive right to use a trademark, patent rights, and right to use proprietary technology	0.5‰ of the contracted price	Parties to the contract	
12. Business books and records	Production and business records	For books and records recording capital, the rate is at 0.5‰ of the total paid-in capital and capital reserves; for other books and records, 5 yuan is for each document	Party creating the books and records	
13. Licenses or rights certificates	Including housing ownership right, business license, trademark, patent, and land use certificates	5 yuan per document	Grantee	

7.2 Real property tax

The real estate tax is charged on a property owner over his/her property according to the taxable residual value or rental income of the property. Where the property has been mortgaged, the tax shall be paid by the mortgagee. Where neither the owner nor the mortgagee lives in the locality, or the ownership of the property is yet to be established or the disputes concerning the rental or mortgage of the property are yet to be settled, the tax shall be paid by the custodian or the user of the property.

Rates of tax:

- (1) In relation to property for private use, the tax shall be calculated on the residual value following the subtraction of between 10% and 30% of the original value of the property. The tax rate is 1.2%.
- (2) For rental property, the tax shall be calculated on rental income, and the tax rate is 12%.

The real estate tax shall be levied on an annual basis and paid in monthly installments.

7.3 Others

Deed tax

Deed tax, a tax on property, is levied from the property right holder on transfers of land and housing ownership within the territory of the People's Republic of China. The rates of deed tax vary from 3% to 5%.

Land appreciation tax

Land appreciation tax is levied from units and individuals on their gains of value-added incomes from paid transfer of state-owned land use right, the property right to buildings that are constructed on the land, and the property right to other attachments to the land. A 4-bracket extra progressive tax rate is applied to land appreciation tax.

Four-bracket Extra Progressive Tax Rates for Land Appreciation Tax

Bracket	Appreciated value as a percentage of the deductible amount	Tax rate (%)	Quick deduction coefficient (%)
1	Not exceeding 50%	30	0
2	Exceeding 50% but not exceeding 100%	40	5
3	Exceeding 100% but not exceeding 200%	50	15
4	Exceeding 200%	60	35

Excise tax

Excise tax is a commodity tax levied on the turnover of specific consumer goods and consuming behavior. The excise tax covers 15 taxable items, namely tobacco, alcoholic drinks and alcohol, top grade cosmetics, jewellery and precious stones, fireworks, refined oil, autos, motorcycles, golf and golf clubs, premium watches, yachts, disposable wooden chopsticks, solid wood flooring, batteries and coating materials. It applies either proportional tax rate or quota tax rate, and the former ranges from 1% to 40%.

POINT OF CONTACT

Name of contact: Chen Lan

Telephone with country code: +86 10 8588 6680

Email address: ho@reanda.com



CYPRUS

GENERAL INFORMATION

1.1 Country/Region

Cyprus

1.2 Currency

Euro (EUR)

1.3 Principal business entities

- Public Companies – unlimited number of shareholders and no restrictions on transfer of shares
- Private Companies – limited number of shareholders and possible restrictions on transfer of shares
- Partnerships
- Branches of foreign companies
- Trusts
- Funds
- Investment Firms
- SE Companies – Societas Europaea

1.4 Foreign exchange control

No foreign exchange controls

1.5 Current economy climate (Industry overview/ encouraged business development)

Cyprus is an island lying at the south-eastern corner of the Mediterranean. It is the third largest island in the Mediterranean. The geographical position of the island played a significant role in rendering it into an international business centre, as it is in the crossroads of three continents (Europe, Asia, Africa) and the Middle East.

The Cyprus economy is based mainly on professional services and tourism.

There are more than 265,000 business entities registered in Cyprus, evidence of the attractiveness of Cyprus' taxation system benefits and international investors' confidence in Cyprus economy.

The banking system in Cyprus is capable of providing fast and effective services worldwide. The system is under the supervision of the Central Bank of Cyprus (www.centralbank.gov.cy) which controls all businesses carried out by commercial banks and other financial institutions.

All financial institutions provide a wide range of services and they are all subscribers to the SWIFT system (Society for World Interbank Financial Telecommunications).

Operating through a company registered in Cyprus can

significantly reduce the tax liability of the business and the ultimate shareholders, thus increasing the net return on the investment.

Cyprus has been a full member of the European Union since 2004 and adopted the Euro as its official currency since the beginning of 2008.

The strategic position and time-zone of Cyprus, enables comfortable connections between Europe, Middle East, Africa and Asia and make the island a natural hub for business and trade.

Cyprus is an established and reputable business and financial center supported by an advanced legal, accounting and banking system, highly skilled and multilingual workforce, excellent telecommunication systems and convenient year round flight connections.

In addition, due to the great numbers of international businesses already situated in Cyprus, there are outstanding networking possibilities for all of new entrants.

The local governments have traditionally been promoting Cyprus as an international business center, through the enactment of favorable tax laws and incentives, which are in full compliance with EU directives and the reduced paperwork and costs necessary to register a Cyprus company.

1.6 National tax authority

Name

Cyprus Tax Office

Website

www.mof.gov.cy/mof/tax/taxdep.nsf/index_en/index_en?opendocument

CORPORATE INCOME TAX

2.1 Basis of taxation

Trading profits of a Cyprus tax resident company are taxed on their income accrued or derived out of sources in Cyprus and abroad. A unilateral tax credit is given for income taxed abroad. A company is considered to be tax resident in Cyprus, if its management and control is exercised in Cyprus.

2.2 Rates of tax

The corporation tax for all companies is the flat rate of 12.5%, among the lowest tax rate within Europe. Income from dividends, gains on trading and valuation of securities and gain on disposal of shares in subsidiaries and associates is tax exempt. 80% of income generated out of Intellectual Property registered in Cyprus is also exempt. Special incentives in terms of reduced taxes are offered for audio-visual and innovative companies.

2.3 Year of assessment

The tax year of each company covers the year from 1st of January to 31st of December.

2.4 Profits deemed to be taxable

- Business profits
- Interest income
- Income from intangible assets (e.g. royalties)
- Rental income
- Grants and subsidies
- Income from disposal of immovable property situated in Cyprus

2.5 Taxation of dividends

Dividends received by Cyprus entities are generally tax exempt when the beneficial owner/shareholder is not a Cyprus tax resident.

A tax credit will be afforded according to the Double Taxation Agreements concluded by Cyprus. In the absence of a Double Taxation Agreement, Cyprus unilaterally affords a credit for the foreign tax paid on such income. For dividends received from EU Member States, Cyprus adopts the EU Parent-Subsidiary Directive.

2.6 Taxation of capital gains

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

2.7 Taxation of interest income

There are two types of taxes that may apply to interest income earned by a Cypriot company: income tax at 12.5% levied on interest derived, less any allowable expenses or Special Defence Contribution (SDC) at 30% applied to gross interest income. Interest earned by a Cypriot tax resident company derived in the ordinary course of business or closely connected thereto is only subject to income tax. Interest income by all other companies is subject to SDC.

2.8 Utilization of tax losses

Income tax losses are carried forward for five years. Capital gains tax losses are carried forward indefinitely.

Group relief is allowed for at least seventy-five percent (75%) group structures and is applicable only on yearly results, if claimants are Cyprus tax resident companies and are members of the same group for the whole tax year. Losses incurred from business carried outside Cyprus through a Permanent Establishment (PE) are allowed as a deduction against other taxable profits generated by the Cyprus Company.

2.9 Key Tax incentives

Royalties

There is an 80% exemption on the net income generated from the utilization of patent, trademark or any other intellectual property (IP) rights. This exemption results in an effective tax rate of 2.5% from the utilization of Cyprus registered IP.

Gross amounts of royalties from sources within Cyprus by a company which is not a tax resident of Cyprus are liable to 10% (unless a Double Tax Treaty exists, where tax credit might be available) withholding tax at source. If the intangible property right, however, is granted to a Cyprus company for use outside Cyprus, then there is no withholding tax and the corporate rate is applied only on the profit margin left in the Cyprus company.

Trading In Titles

Gains from trading and disposal of securities are tax free. The term 'Titles' includes:

- ordinary and preference shares;
- founder's shares;
- options on titles;
- debentures;
- bonds;
- short positions on titles;
- futures / forwards on titles;
- swaps on titles;
- depositary receipts on titles;
- rights of claims on bonds and debentures;
- index participations (if they result in titles);
- repurchase agreements or Repos on titles;
- participations in companies; and
- units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

Cyprus Holding Company

Cyprus companies have been traditionally used by experienced and sophisticated investors as holding companies for international investments (subsidiaries, associates and other), since Cyprus provides an extensive range of tangible and intangible advantages in comparison with other international investment hubs and financial centers.

Cyprus is not considered to be an offshore, but rather onshore European Union jurisdiction and companies registered in the island enjoy the same status as any other E.U. companies. Cyprus has adopted the E.U. Parent-Subsidiary Directive, which prohibits withholding taxes on dividends flowing between E.U. companies when the shareholding is greater than 10%. In addition, Cyprus has in place more than 65 Double Taxation Avoidance Agreements (DTAA) with countries covering more than 80% of the global GDP like China, Russia, United States, U.K., India, Canada, Germany, Ukraine and United Arab Emirates. On the other hand, Cyprus has in effect DTAA's with a number of offshore jurisdictions like Mauritius and Seychelles, which may facilitate the flow of funds for investments between onshore and offshore jurisdictions.

Furthermore, Cyprus unilaterally does not withhold taxes on outbound dividends and dividends coming from abroad are exempted from tax irrespective of the county of origin, unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 20%:

- (1) The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and
- (2) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

As a result, an investor from any country in the world can make an investment within E.U. or any other country and receive the return (dividend) suffering only the withholding tax on the outbound dividend towards the Cyprus company from the end investment, if any. And in that case, a tax credit will be allowed by Cyprus tax authorities according to the DTAA in force. In the absence of a DTAA, Cyprus unilaterally grants a credit for the foreign tax paid on such income.

Besides the tax advantages in relation to the annual return/dividend stream, the Cyprus holding company offers a great investment exit route as well, since the gain on disposal of shares is exempt from taxation, unless the company of which shares are disposed maintains immovable property in Cyprus. Therefore, disposing any type of international investment held under a Cyprus company is virtually tax free.

Given the fact that Cyprus holding companies are used to facilitate international investments, the tax residency status of those companies becomes of crucial importance. The company needs to be a tax resident of Cyprus in order to enjoy the rights of the local taxation system, but most importantly the rights derived under DTAA's. The main determining factor for establishing management and control in Cyprus is to ensure local physical presence and that all board of directors meetings take place in Cyprus. Minutes of such meetings should be prepared and maintained at the company's registered office in Cyprus. In addition, the majority of the board members should be Cyprus tax residents. If the local tax authorities is satisfied by the evidence provided by the company then a tax residency certificate is issued.

Audio-visual companies

Cyprus has recently introduced a tax incentive package to attract companies that produce 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 Scheme consists of a combination of grants and tax incentives as follows:

- 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.
- 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.

- 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.
- Return of Value Added Tax (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

Shipping Companies

The new tonnage tax system for Cyprus merchant shipping was approved by the European Commission on 24th March 2010 (case N. 37/2010), as **compatible with the requirements of the EU acquis**, in accordance with the relevant guidelines on State Aid to Maritime Transport. This simplified tonnage tax system is approved for the first time for an EU Member State, a state with an open registry. It extends the favorable benefits applicable to owners of Cyprus flag vessels and ship managers to owners of foreign flag vessels and charterers. It also extends the tax benefits that previously covered only profits from the operation of vessels in shipping activities, to cover profits on the sale of vessels, interest earned on funds used other than for investment purposes and dividends paid directly or indirectly from shipping related profits.

The Merchant Shipping (Fees & Taxing Provisions) Law was enacted in May 2010 and introduces a new tonnage tax system in Cyprus, applicable as from the fiscal year 2010.

The new tonnage tax system contains most of the favorable features found in tonnage tax systems in other EU countries, and more. The system, therefore, provides Cyprus with a competitive advantage and is expected to significantly contribute to the improvement of the already strong position of the country in the shipping world.

Beneficiaries

The tonnage tax system is available to any owner, charterer or ship manager who owns, charters or manages a qualifying ship in a qualifying shipping activity. The tonnage tax is calculated on the net tonnage of the ship according to a broad range of bands and rates prescribed in the legislation. The rates applicable to ship managers are 25% of those applied for ship owners and charterers.

Tonnage Tax Rates

The following table summarizes the applicable rates for the tonnage tax calculation:

Net Tonnage				
0 - 1,000	1,001-10,000	10,001-25,000	25,000-40,000	> 40,000
€36.50	€31.03	€20.06	€12.78	€ 7.30

Note: The rates applicable to ship managers are 25% of the above.

2.10 Withholding tax

There are no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends and interest.

2.11 Transfer Pricing

Transactions between 'related parties' must be in accordance with the 'arm's length principle'. The Cyprus tax legislation adopted the OECD model and guidelines to determine whether a transaction is at arm's length.

2.12 Filing requirements of tax return

Filing due dates	15 months after the year end
Penalties	€100 for late submission
Payment of profit tax and application of holdover	Income tax is paid provisionally based on estimated income in 2 installments (by 31 July and 31 December of the current year). If the final assessment is lower than 75% of the estimated taxable profits, a 1.25% additional tax is paid on the balance. The final balancing payment is due by August of the following year. Application of holdover: Not applicable under Cyprus tax.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Cyprus tax residents are taxed on their chargeable income as derived or being accrued from all sources in Cyprus and abroad. On the other hand, individuals that are not tax residents are taxed on their income accrued or derived only in Cyprus.

An individual is considered to be Cyprus tax resident if he/she resides more than 183 days in the Republic within one calendar year. The following rules are applied for calculating the exact number of days in the Republic:

- The day of the departure from the Republic is considered to be a day outside of Cyprus.
- The day of the arrival to the Republic is considered to be a day in Cyprus.
- Arrival and departure on the same day is considered to be a day in Cyprus.
- Departure and arrival on the same day is considered to be a day outside Cyprus.

Any foreign taxes paid can be credited against income tax liability. In addition, in cases of individuals that are not tax residents in any other country (less than 183 days in each country), Cyprus can grant residency if the individual is at least 60 days in Cyprus per year.

3.2 Rates of tax

Chargeable Income (€)	Tax Rate (%)	Accumulated Tax
0 - 19,500	Nil	Nil
19,501 - 28,000	20	1,700
28,001 - 36,300	25	3,775
36,301 - 60,000	30	10,885
over 60,000	35	

3.3 Year of assessment

The tax year of each individual covers the year from 1st of January to 31st of December.

3.4 Allowances and Deductions

The following types of income are exempted from Income Tax:

- Interest, except for interest derived out of ordinary business activities – it is subject to Special Defence Contribution.
- Dividends – subject to Special Defence Contribution
- 50% of income/remuneration of an individual is exempted, if and only if, the individual was not a Cyprus tax resident for a period of 5 years prior to his/her employment commencing on 1st of January 2012 in relation to income/remuneration exceeding €100,000.
- 20% of income/remuneration of an individual is exempted (with a maximum amount of €8,550 annually), if and only if, the individual was not a Cyprus tax resident for a period of 3 years prior to his/her employment starting on 1st of January following the year of the commencement of his employment.
- Profits from a permanent establishment.
- Profits as derived out of the sale of securities.
- Capital/lump sum as derived out of approved provident funds, retiring gratuity and/or compensation for death or injuries.

The following deductions are permissible:

- Contributions to trade unions and/or other professional bodies.
- Loss of current and previous years.
- 20% of annual rental income.
- Donations to approved institutions.
- Expenditure incurred for the maintenance of preserved buildings – up to €1,200, €1,100 or €700 depending on the size of the building.
- Social Insurance, provident fund and pension fund contributions – up to 1/6 of the annual chargeable income.
- Medical fund contributions with maximum of 1.5% of remuneration and up to 1/5 of the annual chargeable income.
- Life insurance premiums with maximum of 7% of the insured amount and up to 1/5 of the annual chargeable income.
- Special Contribution, which is payable according to monthly income.

3.5 Taxation of dividends

Physical persons, tax residents of Cyprus suffer a 17% dividend tax.

Physical persons, tax residents of Cyprus but not domiciled (new tax residents/investors) are exempt from dividend tax.

3.6 Taxation of capital gain

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying

asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

Individuals are entitled to a general life time exemption of €17,086 (€85,430 for principal private residence and €25,629 for agricultural land).

3.7 Taxation of interest income

Special Defence Contribution (SDC) at 30% applied to gross interest income.

3.8 Personal assessment and utilization of losses

Allowable expenses and deductions can never exceed 1/5 of income, therefore there are no taxable losses created for physical persons, hence no utilization of losses.

3.9 Withholding tax

It is the responsibility of the banking institutions to withhold SDC on behalf of their clients receiving interest income. The same applies to companies distributing dividends.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates	31 July of the year following the year of assessment
Penalties	€100 for late submission
Application of holdover	Not applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Department of Social Insurance Services under the Ministry of Labor and Social Insurance.

4.2 Basis of contribution

Social insurance contributions (SICs) are mandatory requirement and comprise of savings for retirement scheme introduced by the Republic. The SICs are contributed equally by the employer and the employee and are deductible from the taxable income of the employee/employer accordingly.

SICs are restricted to a maximum amount of €54,860 (weekly €1,055, monthly €4,572) and might be reviewed and adjusted annually depending on inflation rates.

Other than the above, the employer makes the following additional contributions as a percentage of employee's remuneration:

- Social Cohesion Fund
- Redundancy Fund
- Industrial Training Fund
- Holiday Fund
- General Health Care Plan

Special Contributions is another type of social security contribution, calculated based on the monthly income of each individual.

The contributions of self-employed depend on the type of profession or trade of each individual.

4.3 Contribution rate

- Social Insurance – 8.3% by the employer and 8.3% by the employee
- Social Cohesion Fund – 2% by the employer
- Redundancy Fund – 1.2% by the employer
- Industrial Training Fund – 0.5% - by the employer
- Holiday Fund – 8% (if not exempted)
- General Health Care Plan– 2.9% by the employer and 2.65% by the employee

4.4 Exemption from tax

All of the abovementioned contributions are tax allowable for a Cyprus Company.

GST/VAT

5.1 Basis of tax

In accordance with the Cyprus legislation every corporation must be registered in the Value Added Tax (VAT) Register provided that they have an annual turnover exceeding €15,600. Voluntary registration is also possible.

Where the exclusive purpose of a holding company is the acquisition and holding of interest in shares in other companies, with the intention of deriving dividend income, such a company is not considered to be performing an economic activity for VAT purposes and consequently it does not have the status of a taxable person.

Companies which are not performing economic activities have neither the liability nor the right to register for VAT purposes and consequently they cannot claim input VAT. However, holding companies may be liable to register for VAT where, in addition to the holding of investments, they also have taxable or exempt activities such as:

- Supply management services at a consideration to subsidiaries;
- Supply finance to subsidiaries;
- Trade in shares i.e. purchase and sell shares on a frequent basis with the intention to profit from the fluctuations of the share price.

Where a holding company is registered for VAT purposes, it may claim input VAT on goods and services acquired in Cyprus and other EU Member States. The right to claim input VAT depends on which type of the holding company's activities the acquired goods or services, directly or indirectly relate.

5.2 Rates of tax

The following VAT rates are currently applicable:

- Zero rated – 0%

- Reduced rate of 5% – 5%
- Reduced rate - 9%
- Standard rate – 19%

Supply of certain goods and services is exempted from VAT as follows:

- Letting of immovable property
- Banking, financial and insurance services
- Medical care services
- Betting

5.3 Registration

Registration is compulsory when the turnover (subject to VAT) of the business exceeded €15,600 the prior 12 months or expected to exceed this threshold within the next 30 days. Voluntary registration is also available.

5.4 Filing requirements

VAT returns must be submitted quarterly and the payment for the VAT must be made 40 days after the end of the particular quarter.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Unilateral tax credit is granted for taxes suffered abroad or according to the Double Tax Treaty in place.

6.2 List of double tax treaties signed

- | | | |
|--------------------|------------------------|----------------------------|
| 1. Andorra | 25. Iceland | 48. Saudi Arabia |
| 2. Armenia | 26. Iran | 49. Serbia |
| 3. Austria | 27. Italy | 50. Seychelles |
| 4. Azerbaijan | 28. Jersey | 51. Singapore |
| 5. Barbados | 29. Kazakhstan | 52. Slovakia |
| 6. Belarus | 30. Kingdom of Bahrain | 53. Slovenia |
| 7. Belgium | 31. Kuwait | 54. South Africa |
| 8. Bosnia | 32. Kyrgyzstan | 55. Spain |
| 9. Bulgaria | 33. Latvia | 56. Sweden |
| 10. Canada | 34. Lebanon | 57. Swiss Confederation |
| 11. China | 35. Lithuania | 58. Syria |
| 12. Czech Republic | 36. Luxembourg | 59. Thailand |
| 13. Denmark | 37. Malta | 60. The States of Guernsey |
| 14. Egypt | 38. Mauritius | 61. Ukraine |
| 15. Estonia | 39. Moldova | 62. United Kingdom |
| 16. Ethiopia | 40. Montenegro | 63. United States |
| 17. Finland | 41. Norway | 64. United Arab Emirates |
| 18. France | 42. Poland | 65. Uzbekistan |
| 19. Georgia | 43. Portugal | |
| 20. Germany | 44. Qatar | |
| 21. Greece | 45. Romania | |
| 22. Hungary | 46. Russia | |
| 23. India | 47. San Marino | |
| 24. Ireland | | |

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

To be abolished

7.2 Real property tax

Abolished in 2018

7.3 Estate duty

There are no inheritance or estate taxes on shares held in a Cyprus company.

7.4 Net wealth/net worth tax

Cyprus imposes no tax on wealth.

7.5 Others

Business tax: All companies are liable for paying a €350 annual levy fee to the Cyprus government.

Consumption tax, etc.: Not Applicable

POINT OF CONTACT

Name of contact:

Adonis Theocharides - Director

Phivos Theocharides - Director

Charilaos Hadjiioannou - Director

Telephone with country code: +357 22 670680

Email address:

Adonis Theocharides: atheocharides@reandacyprus.com

Phivos Theocharides: ptheocharides@reandacyprus.com

Charilaos Hadjiioannou: chadjioannou@reandacyprus.com



EGYPT

GENERAL INFORMATION

1.1 Country/Region

Egypt

1.2 Currency

Egyptian pound (EGP)

1.3 Principal business entities

- Joint stock company.
- Limited liability company
- Representative office
- Branch
- Sole shareholder company

1.4 Foreign exchange control

Due to the flotation of the Egyptian pound that took place in November 2016, the Central Bank of Egypt has relaxed the restrictions and limitations on the transfer of foreign currencies.

1.5 Current economy climate (Industry overview/ encouraged business development)

Over the past few years, there have been several changes made to the laws in Egypt that have aimed to reshape the tax system. This is important in light of the vital changes that have been witnessed in the field of taxation on a global level due to the dramatic, yet persistent fluctuations, in the world economy.

Today, Egypt offers investors competitive tax rates, with many projects even qualifying for tax breaks for their equipment and land. Furthermore, Egypt has signed non-double taxation treaties with a large number of countries, making the country all the more appealing as a destination for commercial activity. Although the country does still tax personal income, unlike some of its neighbours, new laws have decreased taxation for the top band of income from 25% to 22.5%, which is significantly lower than countries such as the UK (can reach 45%) and Sweden (can reach 36%).

1.6 National tax authority

Name

Egyptian Tax authority

Website

www.incometax.gov.eg

CORPORATE INCOME TAX

2.1 Basis of taxation

The annual net taxable income is primarily based on the financial

statements of the concerned entity, which should be prepared in accordance with the Egyptian Accounting Standards, which are similar to the International Financial Reporting Standards, with a few exceptions.

Egyptian corporations are subject to corporate profits tax on their profits derived from Egypt, as well as on profits derived from abroad, unless the foreign activities are performed through a permanent establishment located abroad.

2.2 Rates of tax

22.5%

2.3 Year of assessment

The tax year is the financial year of the taxpayer.

2.4 Profits deemed to be taxable

Profits derived from Egypt, as well as on profits derived from outside of Egypt, unless the foreign activities are performed via a permanent establishment outside of Egypt. Foreign tax paid by a resident entity outside of Egypt for activities subject to tax in Egypt can be deducted from Egyptian tax provided that supporting documents are available. Additionally, foreign branches are subject to tax on their profits derived from Egypt only. Foreign tax paid by a resident entity outside of Egypt for activities subject to tax in Egypt can be deducted from Egyptian tax provided that supporting documents are available. Additionally, foreign branches are subject to tax on their profits derived from Egypt only.

2.5 Taxation of dividends

In 2014 a tax on dividend payments was introduced in Egypt for the first time and was subsequently amended in August 2015.

Dividends distributed by resident companies to resident or non-resident companies, or individuals are subject to a 10% withholding tax (WHT), however, such rates could be reduced to 5% if the following conditions were met together:

- The shareholder holds more than 25% of the share capital or the voting rights of the subsidiary company; and
- The shares are held for at least two years.

At the recipient's level (in case it is a resident company), the dividend income would not be subject to Corporate Income Tax (CIT), provided that the associated costs are non-deductible. It is worth noting that the law includes a participation exemption for holding companies, where 90% of the amount of dividends would not be subject to CIT and only 10% would be. This means that the dividends would be taxed at a rate of 2.25% ($10\% \times 22.5\%$). However, availing the participation exemption is subject to fulfilling the below two conditions collectively:

- The shareholder holds more than 25% of the share capital or the voting rights of the subsidiary company; and

- The shares are held for at least two years.

Dividends received by resident individuals whose annual investment portfolio exceeds more than LE10,000 (\$659) would be subject to WHT at a rate of 10% that could be reduced to 5% if the following conditions were met together:

- The shareholder holds more than 25% of the share capital or the voting rights of the subsidiary company; and
- The shares are held for at least two years. In this case, the dividends would not be subject to personal income tax, provided that the associated costs are non-deductible. However, dividends received by resident individuals whose annual investment portfolio does not exceed LE10,000 (\$659) are not subject to tax. It is worth noting that dividends received by resident individuals from shares invested abroad, in case Egypt is the centre of their professional, commercial or industrial activity, are subject to the normal personal income tax rates, with a foreign tax credit allowed for any foreign taxes paid to the extent of the local tax payable. However, shareholders receiving dividends in the form of shares (stock dividends) should not be subject to dividend WHT.

Profits of foreign companies operating in Egypt through a PE should be deemed to have been distributed as dividends if the profits were not repatriated within 60 days following the PE's fiscal year end. In such case, the dividends deemed to be distributed would be subject to 5% WHT.

2.6 Taxation of capital gains

Capital gains realized from the sale of listed Egyptian shares by both resident and non-resident shareholders are subject to 10% WHT. The application of this tax had been suspended for two years as of May 17, 2015. However, such suspension was extended for a period of three additional years, ending on May 16, 2020. Accordingly, no capital gains tax shall be collected or withheld before May 17, 2020 with respect to shares listed on the Egyptian Stock Exchange (EGX). However, capital gains realized from the sale of unlisted Egyptian shares by both resident and non-resident shareholders are subject to capital gains tax at the rate of 22.5% and in case of individual shareholders, the capital gains would be included in their income and thus subject to the progressive tax brackets up to 22.5%.

2.7 Taxation of interest income

N/A

2.8 Utilization of tax losses

Tax losses can be carried forward for up to 5 years. Losses incurred in long term contracts may be carried back for an unlimited number of years to offset profits for the same contracts. It should also be noted that losses incurred outside Egypt cannot be offset against taxable profits generated in Egypt.

2.9 Key Tax incentives

The New Investment Law which was introduced in 2017 also provides a number of incentives and tax deductions particularly for greenfield investments. The new Law is now in force and include notable amendments such as returning back the private free zone which was previously abolished, moreover it provides several incentives such as tax exemptions, unified customs rate and free lands. It also focuses on simplifying the incorporation process and all corporate procedures through electronic systems.

The Law also sets out certain activities under which a company can be established and benefit from the law incentives, the list is not exclusive and can include additional activities by virtue of a ministerial decree. The executive regulations has stipulated upon the investment activities as follows:

- Industrial activities: (including product lines, architecture designs, utilities, cinema production, and industrial development except for tobacco & wine industry);
- Agriculture and animal, poultry and fish production;
- Trade sector (projects targeting to develop the internal investment);
- Education sector;
- Health sector;
- Transportation sector;
- Tourism;
- Housing, construction & building;
- Sports;
- Electricity & Power;
- Petroleum;
- Water Sector;
- Communication & information technology.

2.10 Withholding tax

Any Egyptian entity has a liability for withholding tax ("WHT") against any payments in excess of EGP 300 made to any local supplier of goods or services at the time of payment. The rates of WHT applicable to local payments for local services and supplies have recently been updated as follows:

- Contracting and supplying 1%
- All types of services 3.0%
- Commissions 5.0%

These payments of WHT are prepayments of the provider's/ supplier's liability to Income Tax. The amounts received are included in the individual or corporate person's income and subject to income tax under the prescribed rates. However, a credit is given for the WHT already paid against the total tax liability.

Payments made to Non-Residents: Any Egyptian entity which makes payments of interest, royalties or for services to non-residents (whether individual or corporate) must apply 20% WHT at the time of payment. Based upon a relevant double tax treaty signed between Egypt and the country of the payment recipient, the above rate may be reduced or eliminated.

Losses: Prior year losses can be used to reduce the taxable profit of a company in a subsequent year. If there is a remaining portion of the loss, it can be transferred annually to the following years. Losses can be carried forward for up to 5 years. In the case of change of ownership in a company which has carried forward losses from prior years, the company is not able to bring forward losses if the following three conditions are all met:

- If the percentage of change of ownership exceeds 50% of shares, quotes, or voting rights of the company, and
- The company's activities are changed, and

- The company is either a Joint Stock Company or a Company Limited by Shares whose shares are not listed on the Egyptian Stock Exchange. If any of the above conditions are not met, the company has the right to carry forward its losses.

2.11 Transfer Pricing

Egyptian tax law contains specific tax provisions relating to transfer pricing based on the arm's length principle starting from the issuance of the income tax law No. 91 of 2005. The tax authorities may adjust the income of an enterprise if its taxable income in Egypt is reduced as a result of contractual provisions that differ from those that would be agreed upon by unrelated parties. However, according to Egyptian tax law, it is possible to enter into arrangements in advance with the tax department regarding a transfer pricing policy (advance pricing agreement (APA)). An APA ensures that transfer prices will not be challenged after the tax return is submitted and, accordingly, eliminates exposure to penalties and interest on the late payment of taxes resulting from adjustments of transfer prices. The Egyptian Tax Association (ETA), in association with the OECD, has issued Transfer Pricing Guidelines. These guidelines advise the taxpayers on the application of the arm's length principle in pricing their intragroup transactions, as well as outlining the documentation taxpayers should maintain as evidence to demonstrate their compliance with the arm's length principle. On October 2018 the ETA issued the new updated TP guidelines which replaced the old guidelines issued in 2010. In May 2019, the ETA issued practical manual for Country by Country reporting (CbCr), the new manual provides overview about common questions related to (CbCr).

2.12 Filing requirements of tax return

Filing due dates	All companies are required to have audited financial statements and must submit a tax return within four months of the end of their financial year.
Penalties	Penalty of EGP 5k up to EGP 200k applicable in the following cases: Non- submission of tax returns for a period exceeding 60 days following their due date. The above-mentioned penalty could be doubled or tripled in case of recurrence within a three-year period.
Payment of profit tax and application of holdover	N/A

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

This tax is withheld at source from payments to Egyptians and foreign nationals working in Egypt. A tax is imposed on the total net income of the resident individuals for income earned in Egypt as well as the income earned outside Egypt for resident individuals whose center of commercial, industrial or professional activities is in Egypt. Investment income (i.e. dividends and capital gains) realized by Egyptian tax residents from sources outside Egypt (i.e. from their investments abroad) is taxable in Egypt, as it's defined, under the Egyptian income tax law, as a commercial income. Tax is also imposed on the income of non-resident individuals for their income earned in Egypt.

3.2 Rates of tax

After exempting a personal allowance of LE7000 (\$461), personal income tax is calculated based on progressive rates that have been updated as follows:

- 0% for income up to LE7,200 (\$474) with no tax credit;
- 10% for income more than LE7,201 (\$475) up to LE30,000 (\$1,980) with 80% tax credit;
- 15% for income more than LE30,001 (\$1,981) up to LE45,000 (\$3,000) with 40% tax credit;
- 20% for income more than LE45,001 (\$3,001) up to LE200,000 (\$13,200) with 5% tax credit; and
- 22.5% for income more than LE200,001 (\$13,201) with no tax credit. The tax due is to be calculated at the rate noted for each bracket.

3.3 Year of assessment

The tax year is the financial year of the taxpayer.

3.4 Allowances and Deductions

(a) a personal allowance of LE7,000 (\$461)

3.5 Taxation of dividends

N/A

3.6 Taxation of capital gain

N/A

3.7 Taxation of interest income

N/A

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

N/A

3.10 Statutory obligation of employers

N/A

3.11 Filing requirement of tax return

Filing due dates	N/A
Penalties	N/A
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Social insurance authority

4.2 Basis of contribution

The New Law allocated the payment of the monthly contributions between the employer and the employee in the private sector according to below percentages which will be calculated based on the social insurance salary of the employee:

4.3 Contribution rate

Employers and employees are required to contribute 12% and 9% respectively, calculated on the employee's total salary excluding exempted allowances. Each contribution rate will increase by 0.5% every seven years to reach a maximum combined rate of 26%.

4.4 Exemption from tax

N/A

GST/VAT

5.1 Basis of tax

On September 7th 2016 the Egyptian government implemented a full-fledged VAT scheme which took over the general sales tax regime previously in place. The Law has become effective as of September 8th 2016.

5.2 Rates of tax

Standard VAT rate of 14% applies to most of goods and services. Machinery and equipment used in producing taxable or non-taxable goods or rendering services are subject to a 5% VAT. Exported goods and services are subject to a 0% VAT. Certain products are subject to different rates/ amount per unit (excise tax), and certain products and services are subject to both excise tax and the VAT.

5.3 Registration

Any individual or juridical person who sold taxable goods or services during the 12 months prior to the 7th September 2016 with a turnover of at least EGP 500,000 (equivalent to US\$ 31,250) must register for the VAT within 30 days. Voluntary registration is allowed for individual/ juridical persons who have not yet reached this threshold.

5.4 Filing requirements

A monthly return should be filed for the VAT and/or the excise (table) tax due within two months following the tax accounting month, except for April which should be filed no later than 15 June each year. Taxpayers are obliged to submit the monthly VAT returns electronically through the ETA portal starting from January 2019. The return must be filed even if no sales are made within the tax period. If the tax return is not filed before the deadline, the Egyptian Tax Authority has the right to make their own assessment

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The Egyptian government has concluded nearly 60 tax treaties with different countries. Such treaties have created a system of sharing the taxing rights with other countries in an aim to facilitate cross-border investment and trade. For payments made to non-residents for services performed in or outside the country, a standard rate of tax is charged at 20%.

6.2 List of double tax treaties signed

Treaties signed: Albania, Algeria, Austria, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Finland, France, Georgia, Germany, Greece, Holland,

Hungary, India, Indonesia, Iraq, Ireland, Italy, Japan, Jordan, Korea, Kuwait, Lebanon, Libya, Macedonia, Malaysia, Malta, Mauritius, Morocco, Netherlands, Norway, Pakistan, Palestinian Territories, Poland, Romania, Russia, Serbia & Montenegro, Singapore, South Africa, Spain, Sweden, Switzerland, Syria, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States and Yemen

Please note that, the treaty with Oman and Sudan is still pending and has not been enforced yet.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty tax was issued by law number 111 of 1980 and its amendment, and as of August 2006, the major stamp taxable amounts are as follows: 0.4% on loans and credit facilities by Egyptian Banks. It is calculated as 0.1% on the highest credit balance per quarter to be calculated (50% on the bank and the other 50% on the customer).

20% on advertising; 15%, 20% and 60% on profits from bets, lotteries and the like; 2.4% on local payments by a governmental authority/unit; different rates for the supply and consumption of water, electricity and gas. A proportional stamp duty will also be imposed on the purchase or sale of all securities, regardless of whether such securities are Egyptian or foreign, listed or unlisted, without deducting any costs as follows: 2.5 per thousand to be borne by both seller and buyer and divided between both equally as of 20th June 2017 until 31st May 2018; 3 per thousand to be borne by seller and buyer and divided between both equally as of 1st June 2018 until the 16th May 2020; In case there will be acquisition (meaning to acquire or to sell more than (33%), there will be stamp tax at a rate of 3 per thousand to be borne by the seller and 3 per thousand to be borne by the buyer.

7.2 Real property tax

Real estate tax is an annual tax that is applied on all constructed real estate units and the like all over the country. The tax should apply starting from July 2013 and then in January of each year. The tax due should be collected over two equal instalments. The first should be collected until the end of June, while the second should be collected until the end of December of the same year. A taxpayer may pay the tax in full on the date of paying the first instalment. Committees, called assessment committees, should be formed in every governorate, to be responsible for assessing the market value of the constructed real estate units. The assessment shall be based on a qualitative classification of these real estate units, according to the building standard, the geographical position and the annexed utilities. Then the capital value of the real estate is calculated as 60% of the market value. Lastly, 3% of the capital value is considered the annual rental value of the real estate. The assessment will be applicable for a five-year term. It should not result in raising the rental value of the constructed real estate units used for residential purposes by more than 30% of the value of the previous reassessment, or more than 45% of the value of the previous reassessment for those real estate used for non-residential purposes. The tax rate is 10% of the annual rental value of the taxable real estate units.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A

POINT OF CONTACT

Name of contact: Amr Rabea

Telephone with country code: +20 1222461555

Email address: a.safwat@reanda-smc.com



GERMANY

GENERAL INFORMATION

1.1 Country/Region

Federal Republic of Germany

1.2 Currency

Euro (EUR)

1.3 Principal business entities

Civil Law Partnership

Registered Commercial Businesses

General Partnership

Limited Partnership

Limited Liability Company

Joint-Stock Company

Limited Partnership on Shares

Sole Proprietorship

Entrepreneurial Company at Limited Liability

1.4 Foreign exchange control

No foreign exchange control, however a customs declaration must be filed for transfers of more than Euro 10,000.

1.5 Current economy climate (Industry overview/ encouraged business development)

Germany has experienced a prospering economic development for the last decades.

Traditionally, the manufacturing sector and its related services are the most important catalyst for economic growth. Germany is not only home of global players but also to a large number of small and medium sized companies being world market leaders in their respective field.

Furthermore, the economic environment is characterised by export-orientation, legal security and constant growth rates.

1.6 National tax authority

Name

Federal Central Tax Office (Bundeszentralamt für Steuern) and local Tax Administrations in each state

Website

www.bzst.de/EN/Home/home_node.html

CORPORATE INCOME TAX

2.1 Basis of taxation

Basis of taxation is the firm's net profit, as shown in the financial statements produced according to German Commercial Law

(accrual basis of accounting). However, taxable income differs from the profit under commercial law.

Tax deductible expenses are specified by Income Tax Law and Corporate Income Tax Law.

Generally, normal and reasonable business expenses are tax-deductible from the corporation's gross income. Personal taxes, fines and half of the supervisory board compensation are not deductible.

All types of limited companies, joint-stock companies and other corporations such as cooperatives, associations and foundations are subject to corporate income tax. Corporation tax is not charged on partnerships and sole proprietorships. These companies have to pay Income Taxes with tax rates similar to those for individuals and are subject to a trade tax (trade tax reduces the Income Tax payment as the paid trade tax is credited).

Resident corporations having either their management or registered office within the country have full tax liability.

2.2 Rates of tax

At corporate level a flat tax rate of 15% on retained and distributed profits is charged.

A deferment of payment is possible because of the current situation (Corona) until 31.12.2020.

On top of that, a Solidarity Surcharge of 5.5% of corporate tax payable is levied.

Furthermore, there is a municipal trade tax of 7% to 17.5%. Hence, effective corporation tax rate amounts to approximately 30%.

2.3 Year of assessment

Period of assessment is the calendar year, a financial year differing from the calendar year might be adopted.

2.4 Profits deemed to be taxable

Resident corporations who are subject to unlimited taxation are taxed on their globally generated income.

Non-resident corporations who neither have their management nor registered office in Germany are subject to taxation of their German-source income only.

2.5 Taxation of dividends

Dividends received by resident corporations are 95% tax exempt, the remaining 5% qualify as non-deductible business expenses leading to an approximate tax rate of 1.5% including municipal trade tax.

2.6 Taxation of capital gains

There is no explicit capital gains tax since capital gains are included in taxable business income.

Capital gains generated from the selling shares, however, are 95% tax exempt. The remaining 5% qualifies as non-deductible business expenses.

2.7 Taxation of interest income

See under "Withholding Tax".

2.8 Utilization of tax losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of EUR 1 million. Losses can be carried forward up to EUR 1 Million without restriction, 60% of income exceeding 1 Million can be offset against remaining loss carry forward. A direct or indirect change in ownership of a corporation might lead to a complete or partial loss of future loss carry forwards.

2.9 Key Tax incentives

Various incentive programmes have been introduced, mainly in favour of the economic promotion of Eastern Germany, the foundation of new business and the spread of new energies.

2.10 Withholding tax

Withholding tax is charged on dividends, interests on deposits from German financial institutions and royalties paid to non-resident recipients.

For dividends and interest income, the tax rate amounts to 26.675% including solidarity surcharge. Deducting a possible 40% refund on tax withheld on dividends for non-resident companies, the effective tax rate is 15.825% (not considering a further possible reduction on basis of a Double Taxation Agreement).

On royalties, a statutory tax rate of 25% is applied.

Dividends paid are not subject to a withholding tax within the European Union (substance requirement for foreign Holding companies have to be met). Furthermore, no withholding tax will be levied, if foreign recipients are from countries with Double Taxation Agreements.

2.11 Transfer Pricing

Transactions between related entities must satisfy the arm's length principle: An independent third party would have agreed on the exact same transaction. Administrative instructions provide standard transfer pricing methodologies which are accepted by German tax authorities. Affected taxpayers have a duty to cooperate and document all important information.

Cross-border transfers of functions among affiliates are taxed with an exit tax on "profit potential" that is transferred abroad.

Generally, a documentation has to be submitted within 60 days after a Tax Auditor has requested a submission during a Tax Audit.

2.12 Filing requirements of tax return

Filing due dates	The final corporate tax return must be filed by 31st July of the following year (this deadline can be extended, if the company consults a tax advisor: in this case the tax return must be filed by 29th February of the year after next. Corporate income tax and municipal trade tax must be filed electronically.
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Penalties	For late filing: up to 10% of the tax payable, maximum EUR 25,000 For late payment: 1% of the overdue tax per month Taxes assessed in succession of an audit: no penalty, but interest of 0.5% per month, beginning 15 months after the calendar year in which the assessment became effective Transfer pricing documentation: No or insufficient documentation: punitive fine of 5 to 10% of any transfer pricing adjustment, minimum EUR 5,000 Late submission of documentation: charge of at least EUR 100 per day, up EUR 1 million
Payment of profit tax and application of holdover	Corporate tax is assessed yearly but quarterly advance payments must be made in March, June, September and December Municipal trade tax is due in February, May, August and November.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual is resident if he/she is domiciled in Germany or has his/her habitual residence within the country. Any individual having spent at least six months inland has a habitual residence in Germany. A domicile can be any permanent accommodation that is at the individual's disposal.

Residents are taxable on their worldwide income whereas non-residents are taxed on basis of their German-source income.

Taxable income is the sum of income from employment, from trade or business, from agriculture and forestry, from independent work, from rent or leasing, from capital and other income.

3.2 Rates of tax

Tax rates are progressive from 14% for income exceeding 9,408 Euro in 2020 to 45% for income exceeding 250,731 Euro. Up to 31.12.2020, the income tax can be deferred.

A solidarity surcharge of 5.5% on income tax payable is levied as well as a church tax of 9%.

3.3 Year of assessment

Tax year is the calendar year.

3.4 Allowances and Deductions

Any taxpayer is granted a personal exemption of currently 9,408 Euro (tax year 2020) as well as a deduction for children. Additionally, within the range of further restrictions, one may deduct contributions to certain insurances, costs of professional training, donations, alimony paid and church tax.

Due to the Corona crisis, the short-time allowance was introduced until 31.12.2020.

Generally, expenses related to the generation of income are deductible.

3.5 Taxation of dividends

Income from private capital investment is taxed by means of a withholding tax at the source (25% / 26.275% including solidarity

surcharge). Dividends are taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

Gains from the sale of minor shareholdings (<1% of share capital) also fall within the scope of this withholding tax.

3.6 Taxation of capital gain

Sales of private property rights and real estate is taxable if the seller has owned the property for less than ten years, all other assets must be held for at least one year before resale.

3.7 Taxation of interest income

See under withholding tax. Also Interest Income is taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

3.8 Personal assessment and utilization of losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of Euro 1 million (2 Million for spouses with joint assessment). Losses can be carried forward up to EUR 1 Million (2 Million) without restriction, 60% of the income exceeding 1 Million can be offset against remaining loss carry forward.

3.9 Withholding tax

See under "Withholding tax" (2.10) above.

3.10 Statutory obligation of employers

Employers have the obligation to withhold salaries tax on a monthly basis. The salaries tax has to be declared and paid monthly.

3.11 Filing requirement of tax return

Filing due dates	Tax returns must be filed by 31st July of the following year (this deadline can be extended if a tax advisor files the individual's tax declaration; in this case the declaration has to be submitted by 29th February of the year after next. If a taxpayer receives income apart from income from employment, quarterly advance payments must be made)
Penalties	For late filing: up to 10% of the tax payable. As from 2019 you pay a default fine of 25€ per month if the tax return was submitted to late. For late payment: 1% of the overdue tax per month
Application of holdover	See under "Penalties"

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Federal Ministry of Health, Federal Ministry of Labour and Social Affairs

4.2 Basis of contribution

The German social security system is based on five branches:

Unemployment insurance, pension insurance, health insurance, accident insurance and long-term care insurance. Both, employer and employee are obliged to contribute with (mostly) an equal share.

The employee's contribution is deducted directly from the gross wage by the employer and together with the employer's contribution, is transferred to the insurance company responsible for the collection.

Employers bear 50% of their total contribution to pension, health and unemployment insurance.

4.3 Contribution rate

Employer's contribution:

Pension Insurance: 9.35%

Health Insurance: 7.3%

Unemployment insurance: 1.5%

Long-term care insurance: 1.275%

Accident insurance: 1.6%

Employee's contribution:

Pension Insurance: 9.35%

Health Insurance: 7.3%

Unemployment insurance: 1.5%

Long-term care insurance: 1.275%

Accident insurance: 0%

4.4 Exemption from tax

For the contributions made by an employee, tax deduction can be claimed. If the maximum lump-sum deduction amount of 1,900 Euro is not reached by the employee's health and long-term care insurance contribution, a deduction for other insurance payment can be applied.

GST/VAT

5.1 Basis of tax

Value Added Tax (VAT) is levied on all stages of the production of goods and services. Only the value-added on each production state is taxed (net-all phase principle).

More precisely, the supply of goods and services accomplished by a VAT entrepreneur as well as intra-Community acquisitions and imports of goods are taxable activities.

The VAT entrepreneur calculates the amount of output VAT charged to his/her customers and then deducts the total input VAT paid to suppliers; resulting in a sum of value added tax payable or a refund.

Hence, the final burden is passed to the consumers, who are not entitled to deduct VAT.

5.2 Rates of tax

19%, reduced rate of 7% for "necessities"; because of a special arrangement (Corona) the percentage is decreased to 16% and 5% and from an entrepreneurs perspective the payment can be defer until 31.12.2020.

Exempt transactions:

Export of goods, intra-community supplies, financial and insurance services, medical services, social welfare activities, cultural and educational activities

5.3 Registration

A registration is compulsory for resident and non-resident entrepreneurs with turnovers exceeding the 22,000 Euro threshold in the previous calendar year (as from 2020) and with an estimated turnover higher than 50,000 Euro in the current year.

5.4 Filing requirements

Entrepreneurs must file a quarterly turnover tax advance return and pay the respective amount of tax due. If VAT payable in the previous year exceeds Euro 7,500 the advance return must be filed monthly. Also, start-up entrepreneurs have to submit VAT declarations on a monthly basis. The preliminary returns are to be filed electronically within 10 days after the end of the reporting period. If a prepayment is made, this deadline can be extended; in this case the returns have to be submitted within 10 days after the end of the following month.

An annual VAT return must be filed by the 31st July of the following calendar year.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Double tax treaties ensure the relief of double taxations regarding taxes on all types of income and protect against discriminatory taxation in any of the involved countries.

Taxes paid abroad on foreign-source income might be credited against tax payable according to German law.

Generally, foreign withholding taxes might be offset.

Otherwise, the amount of tax paid abroad might be deducted as business expenses.

6.2 List of double tax treaties signed

Double Tax Treaties with respect to taxes on income:

Albania	Finland	Kyrgyzstan
Algeria	France	Latvia
Argentina	Georgia	Liberia
Armenia	Ghana	Liechtenstein
Australia	Greece	Lithuania
Austria	Hungary	Luxembourg
Azerbaijan	Iceland	Macedonia
Bangladesh	India	Malaysia
Belarus	Indonesia	Malta
Belgium	Iran	Mauritius
Bolivia	Ireland	Mexico
Bosnia-Herzegovina	Israel	Moldova
Bulgaria	Italy	Mongolia
Canada	Ivory Coast	Montenegro
China	Jamaica	Morocco
Croatia	Japa	Namibia
Cyprus	Jersey	Netherlands
Czech Republic	Kazakhstan	New Zealand
Denmark	Kenya	Norway
Ecuador	Kosovo	Pakistan
Egypt	Korea (ROK)	Philippines
Estonia	Kuwait	Poland

Portugal	Switzerland	United Kingdom
Romania	Syria	United States
Russia	Taiwan	Uruguay
Serbia	Tajikistan	Uzbekistan
Singapore	Thailand	Venezuela
Slovakia	Trinidad & Tobago	Vietnam
Slovenia	Tunisia	Zambia
South Africa	Turkey	Zimbabwe
Spain	Turkmenistan	
Sri Lanka	Ukraine	
Sweden	United Arab Emirates	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

None

7.2 Real property tax

Real property tax is charged on the owner of any land or buildings in Germany. The tax rate depends on the type of real property. This is sorted into two categories:

- Real property used for agriculture and forestry
- Constructible real property or real property with buildings.

The real property tax rate depends on the type of real property. The tax rate is e.g. 0.26% for property used for (semi-) detached houses with a value of up to EUR 60,000 and 0.35 % for all remaining types of real property (including commercially used real property).

The amount from multiplying the Value of the property and the tax rate has to be multiplied with an municipal multiplier. This municipal multiplies is stipulated by each municipality (e.g. 350%).

7.3 Estate duty

Gift and Inheritance Tax: tax rates vary according to degree of kinship between testator(donor) and heir (done), from 7% to 50%;

Numerous exemptions for businesses

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

Real estate transfer tax: Real estate transfer tax is levied by the municipality, total level of the tax varies (between 3.5% and 6.5% of the basis of assessment) on basis of the purchase price.

POINT OF CONTACT

Name of contact: Achim Siegmann

Telephone with country code: +49 7132 9680

Email address: siegmann@lehleiter.de
contact@weiweiliu.com



GREECE

GENERAL INFORMATION

1.1 Country/Region

Greece

1.2 Currency

Euro (EUR)

1.3 Principal business entities

Corporation (SA), limited liability company (EPE), private company (PC), general partnership (OE), and limited liability partnership (EE)

1.4 Foreign exchange control

The restrictions on cash withdrawal and fund transfers (capital controls) were lifted as from 1 September 2019.

1.5 Current economy climate (Industry overview/ encouraged business development)

In spite of the adoption of expansionary fiscal measures in mid-2019, the primary budget surplus will remain high in 2019 at 3.8% of GDP. The 2020 budget, which includes large tax cuts along with measures to broaden the tax base and, to a lesser extent, rationalize spending, will support growth and lower the primary surplus to 3.5% of GDP. Ambitious reforms need to continue to raise employment durably, especially of women and the young, as well as investment and productivity growth. Exports are driving the recovery, buoyed by tourism receipts. Reform-induced gains in price competitiveness are supporting exports of goods, despite sluggish external demand.

1.6 National tax authority

Name

Ministry of Finance, Public Revenue Independent Authority

Website

www.aade.gr/

CORPORATE INCOME TAX

2.1 Basis of taxation

Resident entities are taxed on worldwide income; nonresident entities are taxed only on Greek-source income. Profits of branches of foreign companies in Greece are computed in the same way as profits of legal entities and are taxed at the same rate.

2.2 Rates of tax

Rates

Corporate income tax rate:	24%
Branch tax rate:	24%
Capital gains tax rate:	24%

2.3 Year of assessment

The accounting year ends on 31 December or 30 June. Subsidiaries of foreign groups may use other year-end dates.

2.4 Profits deemed to be taxable

Corporate tax is imposed on a company's total annual profits before the distribution of dividends, fees paid to directors out of profits, etc. Normal business expenses are deductible for tax purposes, provided they are not included on a list of nondeductible expenses, are incurred for the benefit of the entity, and reflect real transactions that are recorded in the books in the year incurred.

2.5 Taxation of dividends

Dividends received from (domestic or EU-resident) subsidiaries qualifying for the participation exemption (i.e., where a 10% minimum participation is held for an uninterrupted period of at least 24 months, etc.) are exempt from corporate tax (see "Participation exemption"). Dividends received from non-qualifying participations are taxable as normal business income at the prevailing corporate income tax rate (24% for income earned as from tax year 2019), with certain credits available for taxes already paid.

2.6 Taxation of capital gains

Capital gains derived by corporations are, in principle, taxed as ordinary business profits at the prevailing corporate income tax rate (24% for income earned as from tax year 2019). An exemption is available for capital gains derived from the transfer of shares if certain requirements are met (see below under "Participation exemption").

2.7 Taxation of interest income

The withholding tax rate on interest payments to residents and nonresidents is 15%, unless in the latter case the rate is reduced under an applicable tax treaty or where the interest paid to corporations is exempt under the EU interest and royalties directive, as transposed into Greek tax legislation.

2.8 Utilization of tax losses

Tax losses may be carried forward for five consecutive tax years, to be set off against the taxable profits of those five tax years. Tax losses carried forward may be forfeited where there is a change in ownership of more than 33%, if the entity also changes its business activity within the same and/or the following fiscal year, and the new business activity represents more than 50% of the annual turnover compared to the fiscal year before the change in ownership took place. The carryback of losses is not permitted.

In principle, losses arising abroad from the business activities of a foreign permanent establishment (PE) may not be utilized in the calculation of the company's taxable profits (of the same fiscal year) or be set off against future profits, except in the case of losses arising from business activities of a PE in an EU or

European Economic Area (EEA) country with which Greece has entered into a tax treaty providing that the business profits of the PE are not exempt in Greece.

2.9 Key Tax incentives

Certain investments qualify for subsidies. A super deduction applies for certain R&D expenses, and tax deferral is available on income from the exploitation of qualifying patents. In addition, a new super deduction of 130% applies to certain categories of qualifying expenses for fiscal years starting on 1 January 2020.

2.10 Withholding tax

Rates

Type of payment	Residents	Non-residents
	Company	Company
Dividends	5%	5%
Interest	15%	15%
Royalties	0%	20%
Fees for technical services	0%	0%/20%

2.11 Transfer Pricing

Transactions between related parties (both domestic and foreign) must be carried out on arm's length terms. Greece allows the following transfer pricing methods: comparable uncontrolled price, cost plus, transactional net margin method, resale price, and profit split. Transfer pricing documentation must be prepared.

Country-by-country reporting and/or notification obligations apply to certain multinational enterprise groups that have consolidated group revenue exceeding EUR 750 million in the fiscal year preceding the fiscal year to which the CbC report relates.

2.12 Filing requirements of tax return

Filing due date	Greece operates a self-assessment regime. Corporate entities must file a tax return within six months of the tax year end.
Penalties	Penalties apply for late filing, inaccurate filing of returns or failure to file a return.
Payment of profit tax and application of holdover	An advance payment of corporate income tax equal to 100% of the tax due for the preceding year also is required.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are taxed on their worldwide income. Nonresidents are taxed only on Greek- source income. Taxable income includes employment income, business income, income from capital (dividends, interest, royalties, and rental income), and capital gains from the alienation of real estate and securities. Each category of income is taxed separately.

3.2 Rates of tax

Rates

	Taxable income	Rate
Individual income tax rate (Business and employment income)	Up to EUR 10,000	9%
	10,001 - 20,000	22%
	20,001 - 30,000	28%
	30,001 - 40,000	36%
	Over EUR 40,001	44%
Capital gains tax rate		15%

3.3 Year of assessment

Calendar year

3.4 Allowances and Deductions

Individuals may qualify for a specific tax reduction on employment income (with the amount depending on the total taxable income and the number of children).

Taxpayers are required to use a certain minimum amount of their income (pursuant to a progressive scale) to purchase goods or services (in Greece or in the EU/EEA) using an electronic means of payment (e.g., debit or credit card, etc.). Certain taxpayers are excluded from this obligation (e.g., elderly or disabled taxpayers). If a taxpayer fails to make the minimum payment, the income tax assessment will be increased by 22% of the difference between the minimum required payment and the actual payment.

3.5 Taxation of dividends

Dividends paid to nonresidents are subject to a 5% dividend withholding tax (reduced from 10%) for dividends received on or after 1 January 2020, unless the rate is reduced under an applicable tax treaty. No withholding tax applies on distributions to corporations if the requirements under the EU parent-subsidiary directive are met (i.e., broadly, a 10% minimum shareholding for an uninterrupted period of at least 24 months), subject to the provisions of the anti-abuse rule (see "Participation exemption").

3.6 Taxation of capital gain

Capital gains tax at a rate of 15% applies to gains arising from the sale of securities (listed and unlisted) and derivatives. Capital gains tax on the sale of real estate has been suspended until 31 December 2022.

3.7 Taxation of interest income

Interest income tax at a rate of 15%

3.8 Personal assessment and utilization of losses

Individuals are resident in Greece if they are present in Greece for more than 183 days within any 12-month period. Individuals are treated as a Greek tax resident for the calendar year during which that 12-month period ends. Exceptions apply to individuals who visit Greece exclusively for tourism, medical, therapeutic, or similar personal purposes. Individuals also are considered resident in Greece if their center of vital interests is in Greece.

3.9 Withholding tax

Rates

Type of payment	Residents	Non-residents
	Individual	Individual
Dividends	5%	5%
Interest	15%	15%
Royalties	20%	20%
Fees for technical services	20%	20%

3.10 Statutory obligation of employers

Statutory obligations of an employer to report remuneration paid to an employee

- need to notify the Inland Revenue Department (IRD) in 2 months from 1 January of the following year of assessment

3.11 Filing requirement of tax return

Filing due dates	Individuals must file a tax return by 30 June of the year following the relevant calendar year. Income tax is paid in three equal bimonthly installments, with the first installment due by the last business day of July and the others by the last business day of September and November.
Penalties	Penalties and interest apply for late filing, failure to file, or inaccurate filing of a return.
Application of holdover	Binding rulings are not available, but a taxpayer can submit a question to the Ministry of Finance for the administration's nonbinding view on the issue.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Social Security in Greece is mainly regulated by Law 4387/2016 regarding the Unified Social Security System – Reform of the social security and pension system as amended and currently in force.

4.2 Basis of contribution

The provisions of the law provide, among other issues, for the integration of all public main pension funds into one fund (the so-called “Unified Social Security Institution” – (Ε.Φ.Κ.Α.)) and of all auxiliary pension and lump sum benefits funds into one fund (the so-called “Unified Auxiliary Social Security and Lump Sum Benefits Fund” (Ε.Τ.Ε.Α.Ε.Π.)).

4.3 Contribution rate

The employer must contribute approximately 24.81% of the employee's gross salary to the social insurance fund. The majority of salaried employees must contribute approximately 15.75% to the fund.

4.4 Exemption from tax

The contributions made by an employer to the Unified Social Security are tax deductible.

GST/VAT

5.1 Basis of tax

VAT is imposed on the sale of goods, the provision of services and the supply of new buildings when Greece is the place of taxation, in accordance with the place of supply rules. VAT also is due on intracommunity acquisitions or imports of goods from non-EU countries, and on the receipt of services from EU or non-EU-based suppliers.

5.2 Rates of tax

Rates

Standard rate	24%
Reduced rate	6%/13%

5.3 Registration

Nonresidents making taxable supplies of goods or services in Greece are required to register for VAT purposes. A registration threshold of EUR 10,000 applies for Greek residents and a EUR 35,000 threshold applies for nonresidents carrying out distance sales.

5.4 Filing requirements

VAT returns are due on a quarterly or monthly basis, depending on the type of books kept by the VAT payer. The VAT payment may not necessarily follow the filing of the VAT return. In cases where the amount of VAT due does not exceed EUR 30, the liability is transferred to the next tax period; if the amount due exceeds EUR 100, it may be paid in two equal consecutive monthly installments, without any additional charges. The amount of the first installment must be paid by the last business day of the month in which the VAT return was submitted, and the second by the last business day of the next month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Greece is a signatory to a Treaty for the Prevention of Double Taxation with many countries all over the world.

6.2 List of double tax treaties signed

Double Taxation Agreements: List of Countries, as of December 2020

Albania	Finland	Malta
Armenia	France	Mexico
Austria	Georgia	Moldova
Azerbaijan	Germany	Morocco
Belgium	Hungary	Netherlands
Bosnia Herzegovina	Iceland	Norway
Bulgaria	India	Poland
Canada	Ireland	Portugal
China	Israel	Qatar
Croatia	Italy	Romania
Cyprus	Korea	Russia
Czech Republic	Kuwait	San Marino
Denmark	Latvia	Saudi Arabia
Egypt	Lithuania	Serbia
Estonia	Luxembourg	Slovakia

Slovenia	Switzerland	UK
South Africa	Tunisia	Ukraine
Spain	Turkey	USA
Sweden	UAE	Uzbekistan

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Rentals of non-residential properties are subject to 3.6% stamp duty (with the exception of shopping centers and logistics centers subject to VAT).

In general, loans and interest may be subject to a 2.4% stamp duty. However, there are a number of exemptions, the main one covering bank loans and bond issues.

Other stamp duties may apply in certain limited cases.

7.2 Real property tax

Real estate ownership tax is levied annually on property located in Greece. The tax consists of two elements: the main tax and an additional tax. The main tax is calculated according to the size, location, zone price, surface, age, use, and other characteristics of the property. For companies, the additional tax is calculated at a rate of 0.55% on the total tax value of all of the company's property. Property occupied by the company is subject to a 0.1% additional tax. For individuals, the additional tax is calculated on the total tax value of all the taxpayer's property if the total value exceeds EUR 250,000. The additional tax rate ranges from 0.15% to 1.15%, depending on the value of the property.

For companies, there also is an annual special tax of 15% of the tax value of property, subject to certain exemptions. The tax normally is not payable if the company discloses its shareholders up to the level of the individual or a qualifying investment firm/fund.

A special real estate duty is payable to the municipal authorities, at rates ranging from 0.025% to 0.035%.

7.3 Estate duty

For close relatives, inheritance tax at rates ranging from 1% to 10% is levied on the "tax value" of real estate after the deduction of a tax-free amount, which varies depending on the taxpayer's relationship with the deceased. For other heirs, the applicable rates range from 0% to 40%.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: Special tax regimes apply to shipping companies, coordination centers, real estate investment companies, and mutual funds.

Consumption tax, etc.: In addition to transfer taxes (e.g., on real estate), acquisitions can result in income tax if they cannot be justified by the taxpayer's declared revenue (deemed income). If there is a difference between the taxpayer's real income (declared in the tax return) and the deemed income, the difference is subject to income tax, depending on the type of income.

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8.1 Suspension of payment of tax and insurance obligations

Specifically:

- Extension of the deadline for payment of current insurance contributions for the months of February and March 2020, which can be paid until 30/9/2020 and until 31/10/2020, respectively.
- Three-month extension of the deadline for payment of installments of active employer-business arrangements, which were due on 31/3/2020, as well as all subsequent monthly installments of each arrangement.
- 25% discount on the certified debts of the Tax Office, the installments of the arrangements of certified debts (excluding VAT) in case the suspension is not utilized and they are paid within the initially foreseen time limits. on the certified debts of the Tax Office, the installments of the arrangements of certified debts (excluding VAT) in case the suspension is not utilized and they are paid within the initially foreseen time limits.
- Freelancers, self-employed and individual enterprises (employing up to five workers)
 - Suspension of payment of current contributions to social employment period insurers February and March 2020. The payment of the contributions of these months will be in four monthly installments, starting from September 1, 2020.
 - The reduction by 25% of the current insurance contributions to the social security institutions during the employment period of February and March 2020, if they are repaid on the scheduled date.

8.2 Employment measures

- Job retention clause in all companies whose operation has not been suspended as a condition for the suspension of insurance and tax liabilities and the use of extraordinary financial support tools.
- Explicit prohibition of dismissal of an employee in companies whose operation has been suspended following an order from a public authority, while in case this takes place it will be considered invalid.
- "Special purpose compensation " amounting to 800 euros, for a period of coverage from 15 March 2020 to 30 April 2020, as extraordinary financial support for all employees of companies whose operation has been suspended under KAD, which will be paid in the first 10 days of April 2020.
- Full insurance coverage of the above employees for the entire period of suspension of operations of the companies, calculated in their nominal salary.
- Allowance of 600 euros to six categories of scientists.
- Extension to the payment of the Easter allowance until 30.6.2020 for employers belonging to the affected categories.

8.3 Financing measures

- Financial support for companies in the form of a special loan with a long repayment period, low interest rate and one year without payment of installments.
- Suspension of the obligation to pay arrears until 30/9/2020 for loans that were updated until 31/12/2019.

8.4 Reduction of the VAT rate from 24% to 6% in personal hygiene products and antiseptics.

8.5 The deadline for submitting inheritance, donation and parental benefit tax returns, which expired in March, April and May 2020, has been extended until 30 June 2020.

8.6 Suspension of the issuance of preliminary and final notes of tax assessment of taxes, sanctions and fines until 30/4/2020.

8.7 The date of payment of business securities (checks, bills of exchange and promissory notes), which were payable in the period from 30.3.2020 to 31.5.2020 is suspended for 75 days.

8.8 Reduction by 40% of commercial real estate rents for the affected companies, as well as for rents of the main residence of the employees of the companies. The measure was mandatory until September 2020.

POINT OF CONTACT

Name of contact: Apostolopoulos Panagiotis

Telephone with country code: +30 211 182 54 51

Email address: contact@artiaporeia.gr



HONG KONG

GENERAL INFORMATION

1.1 Country/Region

Hong Kong

1.2 Currency

Hong Kong Dollar (HKD)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

In 2019, the external environment was exceptionally austere. Confronted by the slowdown in growth across most economies and US-China trade conflict, Hong Kong's total exports of goods fell by 4.7 per cent in real terms for the year as a whole. Hit by the social incidents, exports of travel services plunged and led to a fall of 10.4 per cent in exports of services for 2019 as a whole, the largest annual decline on record.

Entering 2020, the rapid spread of the novel coronavirus has dealt a severe blow to economic activities and sentiment in Hong Kong. The tourism- and consumption-related sectors are suffering from a more serious setback and entering a "harsh winter". The HKSAR Government has since August 2019 announced four rounds of support measures targeted at enterprises and individuals, involving a total of over \$30 billion Hong Kong dollars.

Meanwhile, the Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area announced in 2019 successively 24 key policy measures to benefit people from all walks of life and facilitate the development of our professional services sector in the Greater Bay Area. These measures would offer greater convenience to Hong Kong people developing their careers, working and living in the Greater Bay Area, and facilitate the flow of people, goods and capital within the area. The promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area on 18 February 2019 signified a new milestone in the development of the Greater Bay Area.

In particular, the Belt and Road Initiative marks its eighth year this year. So far, over 160 countries and international organisations

have become partners. There has been a growing interest in greening infrastructure, debt affordability and exchange rate risks among various parties. Moreover, RMB will be increasingly used. Hong Kong can provide diversified services for Belt and Road projects in the areas of infrastructure financing, green finance, RMB products and services, insurance as well as other professional services.

1.6 National tax authority

Name

The Inland Revenue Department ("IRD")

Website

www.ird.gov.hk

CORPORATE INCOME TAX

2.1 Basis of taxation

A person who carries on a trade, profession or business in Hong Kong is chargeable to profits tax on the profits from that trade, profession or business (excluding profits arising from the sale of capital asset) that arise in or are derived from Hong Kong. Foreign-sourced income is not taxed even if it is remitted to Hong Kong. The tax residence of a person is generally irrelevant for profits tax purposes.

Territorial concept is the fundamental concept on the taxation of profits in Hong Kong adopted by the Hong Kong IRD. In determining whether profits arise in or are derived from Hong Kong, one looks to see what the taxpayer has done to earn the profits in question and where he has done it. If the profits are generated from operations in Hong Kong, the profits are subject to Hong Kong profits tax. The IRD has issued Departmental Interpretation and Practice Notes ("DIPN") No. 21 "Locality of profits" stating the IRD's interpretation and practice in respect of this area.

2.2 Rates of tax

All entities with profits chargeable to Profits Tax in Hong Kong would qualify for the two-tiered profits tax rates, except those with a connected entity which is nominated to be chargeable at the two-tiered rates.

If, at the end of the basis period of the entity for the relevant year of assessment, the entity has one or more connected entities earning profits chargeable under Hong Kong profits tax, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. The others would not qualify for the two-tiered profits tax rates. Further, if an entity has made an election under Section 14B(2)(a), Section 14D(5)(b), Section 14H(4)(b) or Section 14J(5)(b) of the Inland Revenue Ordinance, the entity would not qualify for the two-tiered rates.

Two-tiered tax rate:

First \$2 million of assessable profits:

Corporations: 8.25% Unincorporated businesses: 7.5%

Remaining assessable profits:

Corporations: 16.5% Unincorporated businesses: 15%

Entity that is not entitled for the two-tiered profits tax rates:

Corporations: 16.5% Unincorporated businesses: 15%

2.3 Year of assessment

From 1 April to 31 March of the following year or where the annual accounts are made up to any day other than 31 March, the year ended on that day in the relevant year. Two-tiered tax rates are applicable from year 2018/19 onwards.

2.4 Profits deemed to be taxable

- The assessable profits or adjusted loss are the net profits or loss, except for the capital gain or loss, for the basis period, arising in or derived from Hong Kong.
- Particularly, certain sums received from the use of intellectual properties, such as royalty, trademarks, patent, are deemed as receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong. The effective profits tax rates are as follows:

	Entitled for two-tier tax rate		Not entitled for two-tier tax rate
	First HK\$2 million	Remaining balance	
Sums not from an associate	2.475%	4.95%	Whole income at 4.95%
Sums from an associate	8.25%	16.5%	Whole income at 16.5%

- Grants, subsidies or similar financial assistance in carrying on a trade, profession or business in Hong Kong;
- Consideration for the transfer of certain rights to receive income from property;
- Profits made by a financial institution through or from the carrying on of its business in Hong Kong from the sale or on the redemption on maturity or presentment of any certificate of deposit or bill of exchange;
- Hong Kong sourced profits from the sale or on the redemption on maturity or presentation of a certificate of deposit or bill of exchange except for individuals in a nonbusiness capacity.

2.5 Taxation of dividends

Generally not subject to Hong Kong profits tax and no withholding tax thereon.

2.6 Taxation of capital gains

Capital profits are not taxable.

2.7 Taxation of interest income

Interest income derived from any deposits placed in Hong Kong with a financial institution is exempted but not apply to:

- interest income received by financial institutions
- interest income from deposits pledged as collateral for financing facilities.

2.8 Utilization of tax losses

- Time limit – Tax loss can be carried forward indefinitely.
- Loss relief among group companies – Not allowed. The IRD restricts the use of tax losses by changing shareholding for the purpose of utilizing the losses to obtain a tax benefit.

2.9 Key Tax incentives

a) Capital allowance

Includes industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery and refurbishment allowance.

b) Offshore funds

Offshore funds with Hong Kong fund managers and investment advisors with full discretionary powers are exempted, whereas they are derived in Hong Kong from six categories of transactions which are carried out or arranged by “specified persons”.

c) Quality debit instrument (QDI)

With effect from 24 May 1996, interest income and trading profits derived from a QDI issued in Hong Kong with an original maturity of not less than 5 years are subject to a concessionary tax rate equivalent to 50% of the normal profits tax rate. Commencing from the year of assessment 2003/04, this concession is expanded to cover a “medium term debt instrument” issued in Hong Kong on or after 5 March 2003 having an original maturity of less than 7 years but not less than 3 years. In addition, interest income and trading profits derived from a “long term debt instrument” issued in Hong Kong on or after 5 March 2003 but before 1 April 2018 with an original maturity of not less than 7 years are exempt from profits tax.

From 25 March 2011 onwards, the 50% tax concession further extends to cover interest income and trading profits derived from a “short term debt instrument” issued on or after that date but before 1 April 2018 with a tenor of less than 3 years. Existing tax concession granted to “medium term debt instrument” and tax exemption granted to “long term debt instrument” issued before 25 March 2011 are not affected. However, the tax concession and exemption will not apply in relation to a QDI issued on or after 25 March 2011 if, at the time during which the interest income and trading profits is/are so received or accrued, the person is an associate of the issuer of the QDI.

The tax exemption available for QDI has been expanded. Interest income and trading profits derived from a QDI issued on or after 1 April 2018, regardless of its tenor, are all exempted from profits tax. However, the exemption is also subject to the same condition set out as above that it will not apply if at the time during which the interest income and trading profits are so received or accrued, the person is an associate of the issuer of the QDI.

d) Expenditure on research and development

Allowable deduction on expenditure on research and development is granted for payments to an approved research institute and development related to the taxpayer's trade, profession or business.

e) Environmental protection facilities

Expenditure on environmental protection machinery

A full deduction is allowed during the basis period in which the expenditure is incurred.

Expenditure on environmental protection installation

Before the year of assessment 2018/19, capital expenditure incurred in relation to any environmental protection installation is allowed as a deduction by five equal instalments that the first instalment is allowed in the basis period for the year of assessment in which the expenditure was incurred, and the remaining four instalments in the basis periods for the next succeeding four years of assessment.

For the year of assessment 2018/19 and thereafter, the capital expenditure in relation to such installations is deducted in full in the basis period for the year of assessment in which it was incurred. Any part of expenditure carried forward from past years that remains to be deducted for the year of assessment 2018/19 is fully deducted in that year.

Expenditure on environment-friendly vehicle

A full deduction is allowed during the basis period in which the expenditure is incurred.

2.10 Withholding tax

Dividends	No withholding tax
Interests	No withholding tax
Royalties	Effective tax rates as below
Technical service fee	No withholding tax

Royalties entitled for two-tier tax rate

Tax rate of sums not from an associate:

First HK\$2 million of royalty income – 2.475%; Remaining balance – 4.95%

Tax rate of sums from an associate:

First HK\$2 million of royalty income – 8.25%; Remaining balance – 16.5%

Royalties not entitled for two-tier tax rate

Tax rate of sums not from an associate: gross royalty income – 4.95%

Tax rate of sums from an associate: gross royalty income – 16.5%

2.11 Transfer Pricing

Transfer Pricing Policy

Inland Revenue (Amendment) (No. 6) Ordinance 2018 (IRO) became effective in July 2018, which codified the Hong Kong's transfer pricing ("TP") rules and documentation requirements as recommended under OECD BEPS project. The Hong Kong Inland Revenue Department further released three departmental Interpretation and Practice Notes (DIPNs) in July 2019, which provided guidance to taxpayers on issues contained in IRO, as follows:

1. DIPN 58: Transfer Pricing Documentation and Country-by-Country Reports
2. DIPN 59: Transfer Pricing between Associated Persons
3. DIPN 60: Attribution of Profits to Permanent Establishments in Hong Kong.

Transactions between associated persons or non-Hong Kong resident persons' permanent establishments in Hong Kong, to which the transfer pricing-related provisions in the IRO do not apply, should be dealt with in accordance with DIPNs 45 "Relief from double taxation due to transfer pricing or profit reallocation adjustments" and 46 "Transfer pricing guidelines - Methodologies and related issues".

Taxpayer may reach an agreement with the Inland Revenue Department in an Advance Pricing Arrangement (APA) on the application of the arm's length principle to controlled transactions with overseas associated enterprises.

Transfer Pricing Documentation

The three-tiered structure of transfer pricing documentation includes:

- (a) Country-by-country (CbC) report containing information relating to the global allocation of income and taxes paid together with certain indicators of the location of economic activities of a multinational enterprise (MNE) group;
- (b) Master file containing standardized information relevant for all constituent entities of the group; and
- (c) Local file referring to material transactions of a specific constituent entity of the group.

Overview of Requirements for Master File and Local File

Effective period	An accounting period beginning on or after 1 April 2018
Person obligated	A Hong Kong entity with two or more of the thresholds provided in Part 2 of Schedule 171 exceeded
Documentation required	A master file and a local file prescribed in Part 3 of Schedule 171
Exemption provided	<p>Based on the size of business:</p> <ul style="list-style-type: none">• the total amount of annual revenue for the accounting period does not exceed \$400 million• the total value of assets at the end of the accounting period does not exceed \$300 million• the average number of the entity's employees during the accounting period does not exceed 100 <p>Based on the amounts of controlled transactions:</p> <ul style="list-style-type: none">• transfers of properties (whether movable or immovable but excluding financial assets and intangibles) do not exceed \$220 million• transactions in respect of financial assets do not exceed \$110 million• transfers of intangibles do not exceed \$110 million• Other transactions do not exceed \$44 million <p>A Hong Kong entity that is fully exempted from preparing a local file is not required to prepare a master file</p>

Language used	English or Chinese
Timing	Within 9 months after the end of the accounting period
Submission	Upon request by assessor
Updating	Annually; roll-forward of 3 years will be allowed for certain documents if there are no substantial changes in the documents
Retention period	Not less than 7 years after the end of the accounting period
Penalty for non-compliance	A fine at level 5 and court order for compliance; a further fine at level 6 for non-compliance with the court order

Transfer Pricing and its filing documents may refer to Division 2 to Division 6 of Inland Revenue (Amendment) (No.6) Ordinance 2018 (https://www.ird.gov.hk/eng/pdf/2018/ira_no6b_e.pdf) for details.

2.12 Filing requirements of tax return

Filing due dates	Normal profits tax return issue date: 1 April Normal due date: 2 May	
	If the taxpayer appointed a tax representative, the due dates can be extended as follows:	
	For accounting year end dates	Normal filing date for cases with tax representative
	1 April to 30 November	2 May
	1 December to 31 December	15 August
Penalties	1 January to 31 March	
	15 November	
Penalties	Penalties may be imposed for failure to submit tax return to the IRD on time. The Commissioner of IRD has authority to institute prosecution, to compound or to assess additional tax (in a form of penalty) in respect of an offense.	
Payment of profit tax and application of holdover	<p>Surcharges of 5% or 10% will be imposed for overdue payment of tax, depending on the length of time of late payment. Provisional profits tax for the following year of assessment has to be charged and estimated by the assessable profits of the preceding year. If the estimated profits are less than 90% of that previously assessed, an application for holdover of provisional tax can be lodged to the IRD in writing. The application should be lodged not later than:</p> <ul style="list-style-type: none"> • 28 days before the due date for payment of the provisional tax, or • 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later. 	

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Salaries tax shall be charged on every person in respect of his income arising in or derived from Hong Kong from any office or

employment of profit; and any pension. Income from any office or employment includes

- wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite, or allowance
- certain pension or provident fund
- the rental value of any place of residence provided rent-free by the employer or an associated corporation or relevant rental subsidies
- rights to acquire shares or stock in a corporation

Directors' fee is subject to salaries tax if the company is managed and controlled in Hong Kong.

According to DIPN 10, the Inland Revenue Department (IRD) generally accepts that an employment is a non-Hong Kong employment if: (1) the contract of employment was negotiated and entered into, and is enforceable outside Hong Kong; (2) the employer is a resident outside Hong Kong; and (3) the employee's remuneration is paid outside Hong Kong. Only an employment with all three above factors will be treated as a non-Hong Kong employment.

If an employee paid tax outside Hong Kong on income from employment which is chargeable to Hong Kong salaries tax, he could apply exemption on payments of Hong Kong salaries tax on such income, provided that such income has been charged and the employee has paid salaries tax in the territory he rendered services and a double tax arrangement has been signed with that territory.

3.2 Rates of tax

Tax payable is calculated at progressive rates on the net chargeable income or at standard rate on the net income (before deducting allowances), whichever is lower. Net chargeable income refers to the income less deduction and allowance.

Y/A 2019/2020

First HK\$50,000 at	2%
Next HK\$50,000 at	6%
Next HK\$50,000 at	10%
Next HK\$50,000 at	14%
On the remainder at	17%
Standard rate of tax	15%

The maximum tax payable is limited to tax at the standard rate of 15% on the person's income from employment less allowable deductions and charitable donations, but without deducting personal allowances. A married couple may opt for joint or separate assessment.

3.3 Year of assessment

From 1 April to 31 March of the following year.

3.4 Allowances and Deductions

a) Allowances

Y/A 2019/2020
(HK\$)

Basic allowance	\$132,000
Married person's allowance	\$264,000

Child allowances

- 1st to 9th child (each)
 - In the year of birth \$240,000
 - In the following years \$120,000

Dependent parent and grandparent allowance

- Aged 60 or above
 - not living with taxpayer \$ 50,000
 - living with taxpayer throughout the year \$100,000
- Aged 55 to 59
 - not living with taxpayer \$ 25,000
 - living with taxpayer throughout the year \$ 50,000

Dependent brother or sister allowance \$ 37,500

Single parent allowance \$132,000

Personal Disability allowance \$ 75,000

Disabled dependent allowance \$ 75,000

(b) Deductions

Allowable deduction includes expenses that must be wholly, exclusively and necessarily incurred in the production of the assessable income.

For the year of assessment 2018/19 and thereafter, HKIRD further provides tax deductions for people who (1) subscribe qualifying annuity premiums or (2) purchase eligible health insurance products for themselves or their dependents under the Government's Voluntary Health Insurance Scheme.

3.5 Taxation of dividends

N/A

3.6 Taxation of capital gain

N/A

3.7 Taxation of interest income

N/A

3.8 Personal assessment and utilization of losses

A Hong Kong resident may elect for personal assessment if himself is a sole proprietor, a partner in a business or a property owner. By aggregating the assessable income under salaries tax, profits tax and property tax, adjusting by certain deductions, the overall tax assessment may be reduced. The balance after deducting allowances and deductions are taxed at the same rates as salaries tax. Personal assessment allows a taxpayer to deduct loan interest incurred for rental properties or/ and off-set loss from the business of sole proprietor or partnership.

3.9 Withholding tax

Employer does not have the obligation to withhold salaries tax for its employee except:

- For payments made to a non-resident, an employer has an obligation to withhold an amount from that is sufficient to produce the amount of tax due
- For employee about to leave Hong Kong more than 1 month,

an employer should withhold all amounts due to be paid to him until such time the employee has made tax clearance.

3.10 Statutory obligation of employers

Statutory obligations of an employer to report remuneration paid to an employee

- For commencement of employment, need to notify the IRD in 3 months
- For continuance employment as at 31 March, need to notify the IRD in 1 month from 1 April of the following year of assessment
- For cessation of employment, need to notify the IRD not later than 1 month before cessation
- For departure from Hong Kong, need to notify the IRD not later than 1 month before departure and withhold money for tax clearance

3.11 Filing requirement of tax return

Filing due dates	Employer's return
	Due date 1 April
	Filing deadline 2 May
	Individual return
	Date of issue 2 May
	Normal due date 2 Jun
	With sole-proprietors due date businesses 2 August
Penalties	An extension of one month will be granted automatically if the return is filed electronically. If the tax payer has appointed a tax representative, a further extension of one month is granted.
	Penalties may be imposed for failure to submit tax return to the IRD on time.
Application of holdover	Surcharges of 5% or 10% will be imposed for overdue payment, depending on the length of time of late payment.
	Provisional salaries tax for the following year of assessment has to be charged and estimated by net chargeable income of the preceding year. If the net chargeable income for the year of assessment for which provisional tax was charged is likely to be less than 90% of the net chargeable income for the preceding year, or the tax payer becomes entitled to an allowance, an application for holdover of provisional tax can be applied to the IRD in writing not later than: <ul style="list-style-type: none"> • 28 days before the due date for payment of the provisional tax, or • 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Mandatory Provident Fund Schemes Authority

- To regulate and supervise the operations of Mandatory Provident Fund ("MPF") schemes and occupational retirement schemes.

4.2 Basis of contribution

The MPF System is a saving for retirement scheme introduced by Hong Kong government. It is designed as an employment-based system. MPF contributions are invested in MPF funds, which are managed by trustee and their service providers. Employee and self-employed persons who are aged between 18 and 65 are covered by MPF.

MPF contribution can be withdrawn only until the employees reach the age of 65. Early withdrawal is allowed if the person who is early retirement at the age of 60; or permanent departure from Hong Kong; or total incapacity; or terminal illness; or death; or having the balance amount of HK\$5,000 or less, and no contributions made for 12 months.

4.3 Contribution rate

Employees and employers each are required to make mandatory contributions to a MPF scheme. It is 5% of the employee's relevant income. For monthly-paid employees, the minimum and maximum relevant income levels are HK\$7,100 and HK\$30,000 respectively. For employee's monthly relevant income which is less than HK\$7,100, the employee is not required to make the contribution but the employer is still required to pay.

4.4 Exemption from tax

For the mandatory contributions made by an employee to a MPF scheme, a maximum tax deduction of HK\$18,000 can be claimed. Voluntary contributions made by an employee are not deductible.

The severance payments or long service payments made in accordance with the provisions of the Employment Ordinance are not subject to salaries tax.

GST/VAT

5.1 Basis of tax

N/A

5.2 Rates of tax

N/A

5.3 Registration

N/A

5.4 Filing requirements

N/A

DOUBLE TAX RELIEF

6.1 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 Hong Kong tax payable on the same income.

6.2 List of double tax treaties signed

As of the date, Hong Kong has signed comprehensive double tax agreements/arrangement on income with the following jurisdictions:

- Austria
- Belgium
- Belarus
- Brunei
- Cambodia
- Canada
- Czech Republic
- Estonia
- Finland
- France
- Guernsey
- Hungary
- India
- Indonesia
- Ireland
- Italy
- Japan
- Jersey
- Korea
- Kuwait
- Latvia
- Liechtenstein
- Luxembourg
- Macau (not yet effective)
- Mainland China
- Malaysia
- Malta
- Mexico
- Netherlands
- New Zealand
- Pakistan
- Portugal
- Qatar
- Romania
- Russia
- Saudi Arabia
- South Africa
- Spain
- Switzerland
- Thailand
- United Arab Emirates
- United Kingdom
- Vietnam

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

a) Basis of tax

The Stamp Duty Ordinance imposes duty on certain types of documents, which include

- Transfer of immovable property in Hong Kong
- Lease of immovable property in Hong Kong
- Transfer of Hong Kong stock

For immovable property in Hong Kong, or Hong Kong stock, is transferred at less than its market value, stamp duty may be imposed based on the market value at the date of transfer.

b) Rates of tax

Immovable property

(i) Ad Valorem Stamp Duty

Property consideration

HK\$	Scale 1 rates	Scale 2 rates
Up to \$2,000,000	1.50%	\$100
\$2,000,001 – \$3,000,000	3.00%	1.50%
\$3,000,001 – \$4,000,000	4.50%	2.25%
\$4,000,001 – \$6,000,000	6.00%	3.00%
\$6,000,001 – \$20,000,000	7.50%	3.75%
\$20,000,001 and above	8.50%	4.25%

Notes:

1. Marginal relief is available upon entry into each higher value band.
 2. The Scale 2 rates apply to residential property acquired by a Hong Kong permanent resident (HKPR) who does not own any other residential property in Hong Kong at the time of acquisition. The Scale 1 rates apply to all other cases.
- (ii) Special Stamp Duty ("SSD") on disposal of residential properties

For residential property acquired by an individual or a company, but resold within 36 months, the transfer will be subject to SSD unless they are exempted. The SSD is imposed on top of the ad valorem stamp duty payable on the sale of residential property with a few exemptions. The SSD is calculated at the purchase consideration or at the market value (whichever is higher) of the resold property at the rates stated below.

Holding period	Duty rate
Held for six months or less	20%
Held for more than six months but for 12 months or less	15%
Held for more than 12 months but for 36 months or less Years	10%

(iii) Buyer's Stamp Duty ("BSD") on acquisition of residential properties

BSD is payable on an agreement for sale or a conveyance on sale for the acquisition of any residential property if the residential property is acquired by any person (including limited company) on or after 27 October 2012, except a Hong Kong permanent resident acquiring the property on his/her own behalf. BSD is charged at a flat rate of 15% on all residential property in addition to the ad valorem stamp duty and SSD, if applicable.

Lease of immovable property in Hong Kong

For leases, stamp duty is calculated at a specified rate of the annual rental that varies with the term of the lease as indicated in following table:

Lease period	
Where the lease term is not defined or is uncertain	0.25%
Not more than one year	0.25%
More than one year but does not exceed three years	0.50%
More than three years	1.00%

Hong Kong stock

The rate of stamp duty on stock transactions is 0.2% of the consideration (\$2 per \$1,000) per transaction.

c) Payment of property tax and application of holdover of provisional property tax

Surcharges of 5% or 10% will be imposed from overdue property tax payment, depending on the length of time of late payment.

The provisional property tax payable is estimated by the assessable value of the preceding year of assessment.

If the estimated assessable value is less than 90% of that previously assessed, an application of holdover of provisional tax can be applied to the IRD in writing. The application should be lodged not later than:

- 28 days before the due date for payment of provisional tax; or
- 14 days after the date of the notice for payment of the provisional tax, whichever is later.

7.3 Estate duty

With effect from 11 February 2006, estate duty was abolished. No estate duty will be imposed on the value of an individual's Hong Kong property passing on death.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A

COVID-19 STIMULUS PACKAGES INTRODUCED

8.1 General

In view of the unprecedented challenges arising from the coronavirus disease 2019 epidemic, the Government has established the Anti-epidemic Fund ("AEF") and three rounds of relief measures have been rolled out. As the Government considered that the AEF provided more instant financial assistance to businesses and individuals, there was no relief of tax liability specific to COVID-19 epidemic.

Instead, certain other relief measures have been introduced alongside the AEF:

- Automatic extension of 2018/19 tax payment deadlines for 3 months
- Conditional waiver of surcharges for instalment settlements of tax demand notes
- Tax exemption in respect of relief measures under the AEF

8.2 Applicable tax scopes

- Salaries Tax
- Profits Tax
- Personal Assessment

7.2 Real property tax

a) Basis and rate of tax

Property tax is charged on the owner of any land or buildings in Hong Kong at the standard rate (15%) on the net assessable value of such land or buildings. The assessable value of a property is the consideration, in money or money's worth, payable in that year of assessment to the owner for the right to use the land or buildings. Net assessable value is the assessable value less rates paid by the owner and a 20% statutory allowance for repairs and outgoings.

A corporation is allowed to apply in writing for an exemption from property tax provided that the rental income from the property will be assessable under profits tax.

b) Filing due date

The normal tax filing date is 2 May.

8.3 Relief measure - automatic extension of 2018/19 tax payment deadlines for 3 months

To ease the financial burden and cash flow of businesses and individuals arising from COVID-19, the Chief Executive announced on April 8 a series of relief measures, including the automatic extension of deadlines by three months for payment of Salaries Tax, tax under Personal Assessment and Profits Tax for the year of assessment 2018/19 that fell due in April to June 2020. No application by taxpayers is required for the relief.

The relief measure was not applicable to taxpayers who have to settle their tax liabilities before departing Hong Kong and taxpayers paying Property Tax.

- Applicable Year of Assessment: **2018/19**

8.4 Relief measure - conditional waiver of surcharges for instalment settlement of demand notes

Taxpayers who encounter financial difficulties in settling their tax bills on time may apply to the IRD for payment of tax by instalments before the due date of the tax demand notes. Generally, IRD may impose a surcharge of not exceeding 5% on the amount of tax outstanding after the due date and a further surcharge of not exceeding 10% on the amount remaining unpaid (including tax and 5% surcharge already imposed) after 6 months from the due date.

To assist company and individual taxpayers in making tax payments for the years of assessment 2018/19 and 2019/20, for instalment plans approved by the IRD allowing taxpayers in financial difficulties for settlement of Salaries Tax, Profits Tax and Personal Assessment demand notes issued between December 2019 and December 2020 (applicable for Y/A 2018/19), or between August 2020 and August 2021 (applicable for Y/A 2019/20), provided that the instalment plans are duly adhered to, no surcharge will be imposed for a maximum period of one year counting from the respective due dates of the demand notes.

If payments are not made according to the approved instalment plan, the instalment arrangement will be cancelled and a surcharge of not exceeding 5% on the amount then outstanding will be imposed.

- Applicable Year of Assessment: **2018/19 and 2019/20**

8.5 Relief measure - tax exemptions in respect of relief measures under the anti-epidemic Fund

While the AEF provided financial assistance to businesses and individuals, apart from certain measures that have no tax consequences in respect of the sums received under the AEF, other measures might entail tax liabilities under the Inland Revenue Ordinance.

To enable businesses and individuals to fully benefit from the assistance under the AEF, the Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order was gazetted and took effect on 29 May 2020. The Exemption Order exempts, subject to certain conditions, individuals and businesses from the payment of Salaries Tax and Profits Tax in respect of financial assistance or relief provided under the AEF.

Proposed tax treatments for the three rounds of measures under the AEF are summarized in an Annex to the Exemption Order. The Government will adopt the same principles to provide tax exemption as and when further relief measures are rolled out under the AEF.

- Applicable Year of Assessment: **2019/20 and for all subsequent years of assessment**

POINT OF CONTACT

Name of contact: Franklin Lau
Ellis Au Yeung
Tanny Yu
LS Chan
Kenny Choi
May Ko
Janet Chik
Nelson Tsang

Telephone with country code: +852 2541 4188

Email address: franklin@hkreanda.com
ellisay@hkreanda.com
tanny@hkreanda.com
lschan@hkreanda.com
kennychoi@hkreanda.com
mayko@hkreanda.com
janet@hkreanda.com
nelsontsang@hkreanda.com



INDIA

GENERAL INFORMATION

1.1 Country/Region

India

1.2 Currency

Indian Rupees (INR)

1.3 Principal business entities

- I. An Individual
- II. A Hindu Undivided Family (HUF)
- III. A Company
- IV. A Firm
- V. An Association of Person or body of individual, whether incorporated or not
- VI. A Local Authority
- VII. Every artificial juridical person not falling within any of the preceding sub-clauses.
- VIII. Association of Persons or Body of Individuals or a Local authority or Artificial Juridical Persons shall be deemed to be a person whether or not, such persons are formed or established or incorporated with the object of deriving profits or gains or income.

1.4 Foreign exchange control

These regulations in India are governed by the Foreign Exchange Management Act ("FEMA") and the Regulations thereunder. The apex exchange control authority in India is the Reserve Bank of India (RBI) which regulates the law and is responsible for all key approvals.

FEMA is not only applicable to all parts of India but is also applicable to all branches, offices and agencies outside India which are owned or controlled by a person resident in India. It regulates all aspects of foreign exchange and has direct implications on external trade and payments.

FEMA is an important legislation which impacts foreign nationals who are working in India and also Indians who have gone outside India. It is important to be compliant with the exchange control regulations.

1.5 Current economy climate (Industry overview/ encouraged business development)

The economy of India is characterised as a developing market economy. It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the International Monetary Fund (IMF), on a per capita income basis.

Economic growth is projected to remain strong and India will remain the fastest-growing G20 economy. The Survey posits that India's aspiration to become a \$5 trillion economy depends critically on strengthening the invisible hand of markets together with the hand of trust that can support markets. The invisible hand needs to be strengthened by promoting pro-business policies to (i) provide equal opportunities for new entrants, enable fair competition and ease doing business, (ii) eliminate policies that undermine markets through government intervention even where it is not necessary, (iii) enable trade for job creation, and (iv) efficiently scale up the banking sector to be proportionate to the size of the Indian economy. Introducing the idea of "trust as a public good that gets enhanced with greater use", the Survey suggests that policies must empower transparency and effective enforcement using data and technology to enhance this public good.

1.6 National tax authority

Name

Central Board of Direct Taxation

Website

www.incometaxindia.gov.in

CORPORATE INCOME TAX

2.1 Basis of taxation

Source Based Taxation

2.2 Rates of tax

Domestic Company

The Taxation Laws (Amendment) Ordinance, 2019 has introduced new tax regimes for the domestic companies by inserted two new sections - Section 115BAA and 115BAB. Besides existing basic tax rates for domestic companies of 25% and 30%, two new tax rates have been introduced of 15% or 22%. The reduced tax rates can be opted by the companies on fulfilment of certain conditions. Here is a comparison of different corporate tax regimes for the Assessment Year (AY) 2020-21.

	Normal Tax Regime		Concessional Tax Regim	
	Section 115BA	Others	Section 115BAA	Section 115BAB
Applicability	Setup and registered on or after 01st March 2016 engaged in manufacturing/ productions	Any Domestic co.	AY2020-21 onwards for all existing domestic companies	Setup and registered on or after 01st October 2019 and commencement of manufacturing by 31st March,2023 engaged in manufacturing/ productions
Basic Rate	25%	25%-if Turnover is below 4 Billion in FY 2017-18. 30%- If Turnover is more than 4 Billion in FY2017-18	22%	15%

	Normal Tax Regime		Concessional Tax Regim	
	Section 115BA	Others	Section 115BAA	Section 115BAB
Surcharge	Note 1	Note 1	10%	10%
Cess	4%	4%	4%	4%
Effective tax Rate	Note 2	Note 2	25.17%	17.16%

Note No.		Income below 10 million	Income between 10 million to 100 million	Income more than 100 Million
1	Surcharge	0%	7%	12%
2	Effective Tax			
	If Turnover below 4 Billion in FY 2017-18	26%	27.82%	29.12%
	If Turnover more than 4 Billion in FY2017-18	31.2%	33.38%	34.94%

Foreign Company

Corporate Tax rate is 40%

Additionally:

- Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds ten million rupees but not exceeding one hundred million rupees and at the rate of 5% of such tax, where total income exceeds one hundred million rupees.
- Health Cess: The amount of income-tax and the applicable surcharge, shall be further increased by Health cess calculated at the rate of four per cent of such income-tax and surcharge.

Classification of assets into short term and long term

A. Short Term Capital Asset

Capital asset held for not more than 36 months immediately prior to the date of transfer shall be deemed as short-term capital asset. However, following assets held for not more than 12 months shall be treated as short-term capital assets:

- Equity or preference shares in a company which are listed in any recognized stock exchange in India;
- Other listed securities;
- Units of Unit Trust of India (UTI);
- Units of equity oriented funds; or
- Zero Coupon Bonds.

Note: Unlisted shares and immovable property being land or building or both held for not more than 24 months immediately prior to the date of transfer shall be treated as short-term capital asset.

B. Long Term Capital Asset

Capital Asset that held for more than 36 months, 24 months or 12 months, as the case may be, immediately preceding the date of transfer is treated as long-term capital asset.

Under section 47 of the act some transactions are not regarded as transfer for capital gains and accordingly the gains from these are not regarded as capital gains.

Computation of capital gain depends upon the nature of the capital asset transferred during the previous year, vis-à-vis, short-term capital asset, long-term capital asset or depreciable asset. Capital gain arising on transfer of short-term capital asset or depreciable asset is considered as short-term capital gain, whereas transfer of long-term capital asset gives rise to long-term capital gain.

The tax treatment depends on whether gains are long term or short term. Generally, the tax rates vary from 10% to 20%.

2.3 Year of assessment

Tax year of each company covers from 1st of April to 31st of March.

2.4 Profits deemed to be taxable

A resident company is taxed on its worldwide income. A non-resident company is taxed only on income that is received in or that accrues or arises, or is deemed to accrue or arise, in India.

2.5 Taxation of dividends

Dividend distribution tax is the tax imposed by the Indian Government on companies according to the dividend paid to a company's investors. At present the dividend distribution tax is 15% (plus surcharge and cess). As per proposed finance bill 2020 In order to promote investments in India, it is proposed to remove the burden of tax on income distributed by the domestic companies. Further the dividend income made taxable in the hands of the recipient which was earlier exempt from tax under section 10.

2.6 Taxation of capital gains

Meaning of Capital Asset [Sec 2(14)]

Capital Asset is defined to include:

- Any kind of property held by an assessee, whether or not connected with business or profession of the assessee.
- Any securities held by a Foreign Institutional Investor (FII) which has invested in such securities in accordance with regulations made under the Securities and Exchange Board of India (SEBI) Act, 1992.

2.7 Taxation of interest income

Interest income is treated as part of the total income and taxed accordingly.

2.8 Utilization of tax losses

- If income from a particular source is exempt from tax, then loss from such source cannot be set off against any other income which is chargeable to tax.
- If in any year the taxpayer has incurred loss from any source under a particular head of income, then he is allowed to adjust such loss against income from any other source falling under the same head.
- The process of adjustment of loss from a source under a particular head of income against income from other source under the same head of income is called intra-head adjustment.
- After making intra-head adjustment (if any) the next step is to make inter-head adjustment. If in any year, the taxpayer has incurred loss under one head of income and is having income under other head of income, then he can adjust the loss from one head against income from other head, E.g., Loss under the head of house property to be adjusted against

salary income.

- The following restrictions should be kept in mind before making intra-head/inter-head adjustment of loss:
 - o Loss from speculative business cannot be set off against any income other than income from speculative business. However, non-speculative business loss can be set off against income from speculative business.
 - o Long-term capital loss cannot be set off against any income other than income from long-term capital gain. However, short-term capital loss can be set off against long-term or short-term capital gain.
 - o No loss can be set off against income from winnings from lotteries, crossword puzzles, race including horse race, card game, and any other game of any sort or from gambling or betting of any form or nature.
 - o Loss from the business of owning and maintaining race horses cannot be set off against any income other than income from the business of owning and maintaining race horses.
 - o Loss from business specified under section 35AD cannot be set off against any other income except income from specified business (section 35AD is applicable in respect of certain specified businesses like setting up a cold chain facility, setting up and operating warehousing facility for storage of agricultural produce, developing and building a housing projects, etc.).
 - o Loss from business and profession cannot be set off against income chargeable to tax under the head "Salaries".
- Loss under the head "Income from house property" can be carried forward even if the return of income/loss of the year in which loss is incurred is not furnished on or before the due date of furnishing the return, as prescribed under section 139(1). The set-off of loss from house property against income from any other source is restricted to Rs. 200,000 per annum. [w.e.f. assessment year 2018-19]
- If loss under the head "Capital gains" incurred during a year cannot be adjusted in the same year, then unadjusted capital loss can be carried forward to next year. In the subsequent year(s), such loss can be adjusted only against income chargeable to tax under the head "Capital gains", however, long-term capital loss can be adjusted only against long-term capital gains. Short-term capital loss can be adjusted against long-term capital gains as well as short-term capital gains. Such loss can be carried forward for eight years immediately succeeding the year in which the loss is incurred.

Such loss can be carried forward only if the return of income/loss of the year in which loss is incurred is furnished on or before the due date of furnishing the return, as prescribed under section 139(1).

- Depreciation is first deducted from the income chargeable to tax under the head "Profits and gains of business or profession". If such depreciation could not be fully adjusted against such income chargeable to tax in that previous year, the unabsorbed portion shall be added to the amount of depreciation for the following year and shall be deemed to be the part of depreciation for that year (similar treatment would be given to other allowances as mentioned above).

However, in the case of set off, following order of priority is to be followed:

- a) First adjustments are to be made for current scientific research expenditure, family planning expenditure and current depreciation.
 - b) Second adjustment is to be made for brought forward business loss.
 - c) Third adjustments are to be made for unabsorbed depreciation, unabsorbed capital expenditure on scientific research or on family planning.
- As per section 79 of the Income-tax Act, where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless-

On the last day of the previous year the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by person who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year or years in which the loss was incurred.

However, where a change in shareholding has taken place in a previous year in a company being an eligible startup's, loss can be carried forward and set off against the income of the previous year, may optionally satisfy either of the two conditions i.e. all shareholders of such company (who held shares carrying voting power on the last day of the year or years in which loss was incurred) continue to hold the shares on last day of such previous year or continuity of 51% of beneficial shareholding. [Inserted by the Finance Act, 2019]

Restriction of section 79 is applicable only in case of loss and is not applicable in case of adjustment of unabsorbed depreciation, unabsorbed capital expenditure on scientific research or family planning expenditure.

Further, the provisions of section 79 are not applicable in case of change in shareholding on account of death of shareholder or on account of transfer of shares by way of gift to any relative of the shareholder or change in shareholding in case of an Indian company which is a subsidiary of foreign company, when such foreign company is amalgamated/ demerged with another foreign company and 51% or more shareholders of the amalgamating/ demerged foreign company continues to be the shareholders of the amalgamated/ resulting foreign company.

2.9 Key Tax incentives

Overview of tax incentives

- In order to attract new investments, develop infrastructure and promote export/ industries, India offers various incentives such as tax holidays, investment allowances, tax credits, rebates and so on
- Prior to expansion/ new investments, companies should evaluate and avail of available incentives to obtain tax synergies. Some of the incentives could be available to existing as well as new businesses.

Investment Allowance

- Deduction for expenditure incurred on agricultural extension project notified by the CBDT in accordance with the prescribed guidelines. The project must be undertaken by an assessee for training, education and guidance of farmers and the same shall have prior approval of the Ministry of Agriculture. Further, the expected expenditure (excluding cost of any land or building) of the project must be exceeding Rs. 2.5 million.

Deduction @ 150% of the expenditure incurred till AY 2021-22 (100% thereafter).

Expenditure on Skill Development

Skill development to be undertaken by an eligible company in separate facilities in a training institute

- CBDT to notify the project, in consultation with the National Skill Development Agency (NSDA) for three years (subject to further extension)
- Skill development for existing employees, i.e., not eligible for employees within six months of recruitment
- Company to maintain separate books of accounts for the notified project and get them audited

Deduction @ 150% of the expenditure incurred till AY 2020-21 (100% thereafter).

2.10 Withholding tax

Person who is making payment to a non-resident or a foreign company is required to withhold tax. The tax is deducted at the rate prescribed under the Act or relevant Double Taxation Avoidance Agreement (DTAA). It is the obligation of the payer to withhold tax at the time of paying rent, commission, salary, professional services, contract etc. at the rates specified in the tax rule.

The current rate for withholding tax in India for making payments to non-residents are:

- Interest – 20%
- Dividends paid by domestic companies – Nil**
- Royalties – 10%
- Technical services – 10%
- Individuals – 30% of the income
- Companies – 40% of the net income

In case DTAA exists between the country of residence of non-resident and India, the withholding taxes will be as specified in the DTAA.

** With effect from 01-04-2020, the Finance Bill, 2020 proposed to abolish the Dividend Distribution Tax (DDT) and move to the traditional system of taxation wherein companies do not pay DDT on dividend and, the shareholders are liable to pay tax on such income. As dividend shall be taxable in the hands of shareholders, the domestic companies are also required to deduct tax while distributing the dividend income to shareholders. The taxability of dividend income in the hands of a non-resident or foreign company is governed by the provisions of the domestic law or provisions of double taxation avoidance agreements (DTAA), whichever is more beneficial to the assessee. In accordance with the Income-tax Act, the dividend received by a non-resident

person or a foreign company is taxable at the special rate of 20%.

2.11 Transfer Pricing

The Indian Transfer Pricing (TP) Regulations are largely influenced by the OECD TP Guidelines, but are modified to specifically suit the Indian tax regime. Similar to the OECD TP Guidelines and TP Regulations of several other countries, Indian TP Regulations prescribe methods to compute 'Arm's Length Price' for an 'International Transaction' or a 'Specified Domestic Transaction' entered into by a taxpayer with its 'Associated Enterprise'. Any adjustment in transfer price would then be considered for determining taxable income of the said taxpayer. Due to India's commitment to the OECD/ G20 BEPS Project, the Indian TP Regulations are being amended to align the same with the BEPS Action Plans. The principles laid down by the BEPS Action Plan are also finding their way into judicial pronouncements made by Indian Courts and Tribunals.

Associated Enterprise

The term 'Associated Enterprise' generally means any entity that participates directly or indirectly or through one or more intermediaries in the management or control or capital of another entity. Further, where two entities are commonly controlled by one or more controlling entities, such entities are also considered as 'Associated Enterprises'. The Regulations further provide specific conditions and circumstances under which two entities are deemed to be Associated Enterprises. Some of these basic conditions include, ownership in the voting power of an enterprise exceeding the stipulated limit and right to appoint more than half of the directors on the governing Board of an entity. Other specific relationships applicable to firms and family businesses are also prescribed. In the context of Specified Domestic Transactions, a related party (also referred to as Associated Enterprise) includes, amongst others, a director of a Company, a relative of such director, an entity having substantial interest (i.e., holding more than 20% of the voting power) in the other entity, subsidiaries, fellow subsidiaries, etc.

International Transaction

'International Transaction' is defined to mean a 'transaction' entered into between two or more Associated Enterprises, either or both of whom are non-residents, which has a bearing on the profits, income, losses or assets of an entity. The 'transactions' covered, inter alia, include:

- Purchase, sale, transfer, lease or use of tangible or intangible property;
- Capital financing;
- Provision of services;
- Business restructuring or reorganisation.

International Transactions also include transactions pertaining to cost allocations, cost contribution agreements, reimbursements, etc. The definition of 'International Transaction' also includes a deeming fiction wherein transaction between two non-associated entities is deemed to be an International transaction between Associated Enterprises and consequently subject to TP. These provisions are attracted in case where transactions between unrelated parties are influenced by a prior agreement/ arrangement existing between unrelated enterprise and Associated Enterprise.

Specified Domestic Transaction

With effect from Fiscal Year 2012-13, specified domestic

transactions between two related parties or Associated Enterprises are subject to TP Regulations, where the aggregate of all such transactions exceeds a sum of INR 200 mn. The following transactions have been covered under the ambit of Specified Domestic Transactions:

- Transfer of goods or services between a tax holiday and non-tax holiday unit of an entity.
- Any business transacted between an enterprise claiming tax holiday with another closely-linked enterprise.

Arm's Length Price (ALP)

ALP has been defined to be the price which is applied or is proposed to be applied in a transaction between persons other than Associated Enterprises, in uncontrolled conditions.

Computation of ALP

The Indian TP Regulations require computation of ALP based on the prescribed TP methods. The Regulations have prescribed the following five methods for determination of ALP — Comparable Uncontrolled Price Method (CUP), Cost Plus Method (CPM), Resale Price Method (RPM), Profit Split Method (PSM) and Transactional Net Margin Method (TNMM). The TP Regulations also provide for use of any other method which takes into consideration a price charged in a similar transaction between unrelated parties in uncontrolled circumstances.

Compliance Requirements

Reporting

Taxpayers entering into International and/ or Specified Domestic Transactions with their Associated Enterprises, need to report the same to the Indian tax authorities on or before the due date of filing of tax return, by furnishing a certificate obtained from an Accountant. The Accountant needs to certify the following in the said certificate (in a specified Form):

- That the ALP computed by the taxpayer is correct and in accordance with the Regulations; and
- That the taxpayer has maintained appropriate TP documentation as required by the Regulations.
- The said certificate requires the Accountant to report specific details of the International and/or Specified Domestic Transactions, the value of transaction, the method used to determine ALP.

Three-Tiered Documentation

Taxpayers are required to maintain comprehensive and contemporaneous documentation to substantiate the ALP determined for the transactions exceeding INR 10 mn, entered into with Associated Enterprises. However, even in case where the value of International Transactions does not exceed INR 10 mn, the taxpayer is required to maintain basic documentation demonstrating that the transactions were at ALP.

To align with OECD recommendations on TP documentation under the BEPS project, the Union Budget of 2016 introduced changes to the TP Regulations. The changes are in line with the 3-tier approach recommended in Action Plan 13 of the BEPS Project and calls for the taxpayer to maintain:

- A Master File;
- A Local File; and
- A Country by Country Report ('CbCR').

This 3-tier documentation approach is effective from 1 April 2016 (i.e., fiscal year 2016-17).

Penalties

The Indian tax law has prescribed the following penalties for various defaults in TP compliances:

Default	Penalty (from fiscal year 2016-17)
Failure to keep or maintain required documentation, failure to report required transactions and furnishing incorrect information or documentation	2% of Value of International Transactions and/ or Specified Domestic Transactions
Failure to furnish TP documentation when called for by the Indian tax authorities	2% of Value of International Transactions and/ or Specified Domestic Transactions
Failure to furnish Form 3CEB before the due date of furnishing the tax return	INR 100,000
Failure to furnish Master file when called for by the Indian tax authorities	INR 500,000
Failure to furnish CbCR or further information (called for) in respect of CbCR	INR 5,000 – 50,000 per day, depending upon period of delay
Providing inaccurate information in CbCR	INR 500,000
In case of TP adjustment during the course of audit by Indian tax authorities	<ul style="list-style-type: none"> • 50% of tax on TP adjustment where TP documentation not maintained. • 200% of tax on TP adjustment where transaction or material facts not disclosed.

2.12 Filing requirements of tax return

Filing due dates	30th September in general. 30th Nov, in case (a) of a person who is required to submit a report pertaining to international or specified domestic transactions under section 92E and (b) Due date for report to be furnished in Form 3CEB in respect of international and specified domestic transactions.
Penalties	<p>If an assessee does not file his return within the due date and files his return subsequently,</p> <ul style="list-style-type: none"> • One cannot carry forward the following losses in case of delayed filing: <ul style="list-style-type: none"> a) Speculation loss, b) business loss excluding loss due to unabsorbed depreciation and capital expenditure on scientific research, c) short term capital loss, d) long term capital loss, e) loss due to owning and maintenance of horse races • the taxpayer has to pay interest if any, on tax liability existing beyond tax deducted at source (TDS) or tax collected at source (TCS) or the advance tax paid. • Apart from interest and penal interest, there are other implications. If the return is filed after March 31, 2019 but before March 31, 2020 levy a late filing Fee of Rs 10,000 under section 234F. Even when there is no further tax payable on the income admitted, penalty under section 234F is leviable for the delay. If the return is filed after March 31, 2020 then such return would become an invalid return.
Payment of profit tax and application of holdover	Payment of profit tax and application of holdover are not applicable in India.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A person is Resident in India if:

- He has stayed in India in that year for a period of at least one hundred eighty-two days. OR
- He has stayed in India in that year for a period of sixty days and three hundred sixty-five days over a period of four years prior to that year.

The passport will be the final and conclusive proof of the person's entry into and exit from India to calculate the period.

A person is Not-Ordinarily Resident if: a. He has been non-resident in India in nine out of ten years prior to the year in which the status is being determined. b. He has been in India during the seven years prior to the year, for a total period of less than seven hundred twenty-nine days.

Note: The Finance Bill, 2020 has proposed to rationalize these conditions by providing just one condition that an Individual/HUF shall be deemed to be Not Ordinarily Resident if he/Karta of HUF has been a non-resident in any 7 out of the 10 immediately preceding years. The second condition has been proposed to be removed.

If a person does not fit in the conditions mentioned above for determining status of Resident or Not-Ordinarily Resident then he is automatically deemed to be a Non-Resident.

Tax Incidence

- In case of a Resident & Ordinarily Resident, his income earned anywhere around the globe is taxable in India, subject to provisions of Double Taxation Avoidance Agreement if applicable to the countries in which such income is earned.
- In the case of a Resident but Not Ordinarily Resident – income is taxable in India if income is earned or received in India, or income is deemed to be earned in India or income arises out of business controlled in India
- In case of a Non-resident, only income actually earned in India or which is deemed to be earned in India is taxable.

3.2 Rates of tax

- In case of an Individual (resident or non-resident) or HUF or Association of Person or Body of Individual or any other artificial juridical person

Taxable income	Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

- In case of a resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

Taxable income	Tax Rate
Up to Rs. 3,00,000	Nil
Rs. 3,00,001 - Rs. 5,00,000	5%
Rs. 5,00,001 - Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

- In case of a resident super senior citizen (who is 80 years or more at any time during the previous year)

Taxable income	Tax Rate
Up to Rs. 5,00,000	Nil
Rs. 5,00,001 - Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

- Surcharge:

- The amount of income-tax shall be increased by a surcharge at the rate of 10% of such tax, where total income exceeds fifty lakh rupees but does not exceed one crore rupees.
- The amount of income-tax shall be increased by a surcharge at the rate of 15% of such tax, where total income exceeds one crore rupees but does not exceed two crore rupees.
- The amount of income-tax shall be increased by a surcharge at the rate of 25% of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds two crore rupees but does not exceed five crore rupees.
- The amount of income-tax shall be increased by a surcharge at the rate of 37% of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds five crore rupees.

- Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four per cent of such income-tax and surcharge.
- Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs. 5,00,000. The amount of rebate shall be 100% of income-tax or Rs.12,500, whichever is less. This rebate is applied to the total tax before adding the education cess.

3.3 Year of assessment

April 1 of a year to March 31, of the following year

3.4 Allowances and Deductions

Deductions available are contributions to the provident fund, pension funds, medical insurance or life insurance policies and some savings schemes. However, Finance Bill 2020 Introduced new scheme for Individuals and HUFs with lower rates for those foregoing certain exemptions / deductions. The following table gives the comparison of tax under old scheme and new scheme.

Taxable income	Tax rate (under new scheme)	Tax rate (under the old scheme)
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 7,50,000	10%	20%
Rs.7,50,001 to Rs. 10,00,000	15%	20%
Rs.10,00,001 to Rs. 12,50,000	20%	30%
Rs. 12,50,001 to Rs. 15,00,000	25%	30%
Above Rs. 15,00,000	30%	30%

Note: The above new scheme is optional for the individual and individual has to opt for every year along with the filing of return of income.

3.5 Taxation of dividends

Dividends are taxable in the hands of individuals only if they exceed a sum of Rs 1 million at a rate of 10 %. In accordance with proposed finance bill 2020 In order to promote investments in India, it is proposed to remove the burden of tax on income distributed by the domestic companies. Further the dividend income made taxable in the hands of the recipient which was earlier exempt from tax under section 10.

3.6 Taxation of capital gain

Short term capital gains are taxed at a special rate of 15 % (plus surcharge and Health cess).

Long term capital gains are taxed at a special rate of 10% (plus surcharge and Health cess).

Long term capital gains on immoveable properties is taxed at the rate of 20%.

The basis for arriving at the capital gains is the same as that in the case of corporates mentioned in section 2.6.

3.7 Taxation of interest income

Interest income is taxable as part of regular income subject to a deduction of Rs 10,000

3.8 Personal assessment and utilization of losses

Under the Income-tax Law, there are four major assessments given below:

a) Summary assessment without calling the assessee. This can be made within a period of one year from the end of the financial year in which the return of income is filed.

b) Scrutiny assessment.

The objective of scrutiny assessment is to confirm that the taxpayer has not understated the income or computed excessive loss or has not underpaid the tax in any manner. To confirm this, the Assessing Officer carries out a detailed scrutiny of the return of income and will satisfy himself regarding various claims, deductions, etc., made by the taxpayer in the return of income.

c) Best judgment assessment.

The Assessing Officer is under an obligation to make an assessment to the best of his judgment in certain cases such as: -

i) The taxpayer fails to file the return required within the due date prescribed, or a belated return, or a revised return.

ii) The taxpayer fails to comply with all the terms of a notice issued.

iii) The taxpayer fails to comply with the directions issued.

d) Income escaping assessment

This assessment is carried out if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year.

The treatment of utilization of losses is similar to corporates mentioned in section 2.8.

3.9 Withholding tax

Rate of withholding tax is similar to corporate mentioned in section 2.10

3.10 Statutory obligation of employers

Individuals are exempt from the requirement of statutory obligations unless they have more than 20 employees.

3.11 Filing requirement of tax return

Filing due dates	Returns are due by 31 July of the assessment year.
Penalties	<p>a. Losses such as business loss (speculative or non-speculative), capital loss (long term or short term) and loss in race horse maintenance are not eligible to be carried forward as per section 80 of the IT Act.</p> <p>b. Apart from interest and penal interest, there are other implications. If the return is filed after March 31, 2019 but before March 31, 2020 levy a late filing Fee of Rs 10,000 under section 234F. Even when there is no further tax payable on the income admitted, penalty under section 234F is leviable for the delay. If the return is filed after March 31, 2020 then such return would become an invalid return.</p> <p>c. In extreme cases, where the taxpayer willfully fails to furnish the tax return in due time, the assessing officer may levy a penalty which may include imprisonment and fine.</p>
Application of holdover	Not Applicable in India

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Retirement contributions are of two types: Provident Fund and Gratuity

The Employee provident fund act provides collection of pension and deposit fund, deposit linked insurance for the employees at factories and other establishments. The Employee Provident Funds and Miscellaneous Provisions Act, 1952 came into effect on 4 March 1952, by the Government of India and is administered by Central Board of Trustees (CBT). This act is an important fragment of Labor Welfare legislation enacted by the Parliament to provide social security benefits to workers. At present, the Act and Schemes framed provide 3 types of benefits:

- Contributory Provident fund.
- Pension benefits to employees/family members.
- Insurance cover to the members of Provident Fund.

All establishments employing 20 or more persons (5(or) more for Cinema Theaters) are brought under preview of the Employee provident fund act from the very first date of setup subjected to fulfillment of other conditions. The provisions of the Act are applicable on its own force independently. If the establishments

do not have the prescribed number of employees and are willing to obtain the benefits of this act, then they can register voluntarily with regional Provident Fund office.

The Payment of Gratuity Act, 1972 (the Gratuity Act) is applicable to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments with ten or more employees.

4.2 Basis of contribution

Both are based on the wages/ salary paid

In the Employee and provident fund act, wages include the sum of basic and dearness allowances, cash value of food concession and retaining allowances, if any. An employee at the time of joining the employment and getting salary up to Rs 15,000/-, is eligible for membership of fund from very first date of joining a covered establishment.

In addition, the employer contributes 3.25 % of the wages a Employees' State Insurance Corporation (ESIC) contribution and Employee Contributes 0.75% out of his wages a ESIC Contribution.

To be eligible for gratuity under the Gratuity Act, an employee needs to have at least five full years of service with the current employer, except in the event that an employee passes away or is rendered disabled due to accident or illness, in which case gratuity must be paid.

4.3 Contribution rate

When one starts working, he and his employer both contribute 12% of the basic salary (plus dearness allowances, if any) into his EPF account. The entire 12% of contribution goes into the EPF account along with 3.67% (out of 12%) from the employer, while the balance 8.33% from the employer is diverted to his EPS (Employee's Pension Scheme). It is important to note that if basic pay is above Rs. 15,000 per month, employer can only contribute 8.33% of 15,000 to EPS and the balance goes into EPF account. The minimum gratuity payable is 15 days salary based on last drawn salary for every year of completed service. This is payable after the employee has completed a minimum 5 years of service with the company.

4.4 Exemption from tax

Provident fund benefits are exempt from tax.

The taxation process for gratuity depends upon the employee who is receiving the gratuity amount. Two standard cases arise for the calculation of tax on gratuity:

- Government Employee Receiving Gratuity Amount: In case any employee under the state government, central government or local authority receives gratuity amount then the amount is fully exempt from Income Tax.
- Any other Salaried Individual Receiving Gratuity Amount from an Employer who is Covered by Payment of Gratuity Act:

In such a case the least of the following three amounts is exempt from tax.

- 15 days of last drawn salaries for number years of completed services.
- Rs.20,00,000
- Gratuity actually received by employee

GST/VAT

5.1 Basis of tax

In India GST is implemented from 1 July 2017. GST shall be levied on supply of goods or services.

5.2 Rates of tax

India has taken into consideration many factors like necessity, standard of living, discouraging the use of certain items like tobacco etc. for adoption of multi layered rate structure.

India has adopted Harmonized System of Nomenclature (HSN) for commodities and Service Accounting Codes (SAC) for services.

Rate structure is tabulated below:

Rates	Applicable on goods & services in brief
0%	Goods Jute, fresh meat, fish, chicken, eggs, milk, etc. Services Hotels and lodges with tariff below INR 1,000/- etc.
5%	Goods Skimmed milk powder, branded paneer, frozen vegetables etc. Services Transport services (railways, air transport), small restaurants will be under the 5% category because their main input is petroleum, which is outside GST ambit. Textile job work etc.
12%	Goods Butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices etc. Services State-run lotteries, movie tickets under Rs.100, business class air ticket, fertilizers etc.
18%	Goods Most items are under this tax slab like electrical transformer, CCTV, optical fiber, bamboo furniture etc. Services Most of the services are under this tax slab like AC hotels that serve liquor, telecom services, IT services, branded garments and financial services etc.
28%	Goods Chewing gum, molasses, chocolate not containing cocoa, waffles etc. Services 5-star hotels, entertainment events-amusement facility, water parks, theme parks, joyrides, merry-go-round, race course, go-carting, casinos, ballet, sporting events etc.

5.3 Registration

States	Registration limits for Goods	Registration limits for Services
Normal category of states	Exceeds Rs.4 Million	Exceeds Rs.2 Million
Special Category of states	Exceeds Rs.2 Million	Exceeds Rs.1 Million

Note: Special category of states includes Puducherry, Meghalaya, Mizoram, Tripura, Manipur, Sikkim, Nagaland, Arunachal Pradesh, Uttarakhand etc.

5.4 Filing requirements

Return Form	Particulars	Interval	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Monthly/ Quarterly	11th of the next month/31st of the month succeeding quarter.
GSTR-3B	Simple Return in which summary of outward supplies along with Input Tax Credit is declared and payment of tax is affected by taxpayer	Monthly	20th of the next month

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The tax payer in India is taxed on any income earned abroad and is allowed to take credit for any taxes paid in foreign jurisdictions.

6.2 List of double tax treaties signed

List of countries with whom India has signed DTAA are: 1. Armenia 2. Australia 3. Austria 4. Bangladesh 5. Belarus 6. Belgium 7. Botswana 8. Brazil 9. Bulgaria 10. Canada 11. China 12. Cyprus 13. Czech Republic 14. Denmark 15. Egypt 16. Estonia 17. Ethiopia 18. Finland 19. France 20. Georgia 21. Germany 22. Greece 23. Hashemite kingdom of Jordan 24. Hungary 25. Iceland 26. Indonesia 27. Ireland 28. Israel 29. Italy 30. Japan 31. Kazakhstan 32. Kenya 33. Korea 34. Kuwait 35. Kyrgyz Republic 36. Libya 37. Lithuania 38. Luxembourg 39. Malaysia 40. Malta 41. Mauritius 42. Mongolia 43. Montenegro 44. Morocco 45. Mozambique 46. Myanmar 47. Namibia 48. Nepal 49. Netherlands 50. New Zealand 51. Norway 52. Oman 53. Philippines 54. Poland 55. Portuguese Republic 56. Qatar 57. Romania 58. Russia 59. Saudi Arabia 60. Serbia 61. Singapore 62. Slovenia 63. South Africa 64. Spain 65. Sri Lanka 66. Sudan 67. Sweden 68. Swiss Confederation 69. Syrian Arab Republic 70. Tajikistan 71. Tanzania 72. Thailand 73. Trinidad and Tobago 74. Turkey 75. Turkmenistan 76. UAE 77. UAR (Egypt) 78. UGANDA 79. UK 80. Ukraine 81. United Mexican States 82. USA 83. Uzbekistan 84. Vietnam 85. Zambia.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is a government tax, which is levied on all legal property transactions. Stamp duty is, therefore, a tax which is evidence, as it were, of any purchase or sale of a property between two or more parties. Stamp papers, which have to be bought either in the name of the seller or buyer is valid for 6 months, provided the stamp duty is paid without any delay.

It is important to note that stamp duty should be paid in full and without any delay, failing which, a penalty is levied. A stamp duty document is a legal instrument which has evidentiary value (admissible in a court of law as evidence). Stamp duty has to be paid prior to execution (signature by an individual's party) of a given document, the next day or on the day of document execution. Stamp duty is paid by a buyer in most cases. However, both the seller and the buyer have to bear the burden of stamp duty for

property exchange cases. As per Section 13 of Indian Stamp Act, 1899, an individual executing a given instrument has to cancel the stamp (adhesive) by writing his initials or name across it. If a stamp is not cancelled in the aforementioned method, the document is considered unstamped. In other words, the stamp should be visible on the face of an instrument and therefore, cannot be applied to another instrument.

Stamp Duty Charges:

Stamp duty rates differ in various states across the country as stamp duty in India, is a state subject. However, the central government fixes the stamp duty rates of specific instruments. As mentioned above, delay in the payment of stamp duty will attract a penalty of 2% on a monthly basis (up to 200% of remaining amount).

Stamp Duty on Property Registration:

Legal evidence of ownership or transfer of a property is mandatory. To the end, the buyer, in most cases, has to register his or her name in the municipal records. The buyer has to pay a stamp duty at the time of registration. The amount of stamp duty may vary from one state to another. Stamp duty also depends on whether a given property is new or old.

Some of the documents which require stamp duty are listed below:

- Transfer instruments
- Deed of partition
- Reconveyance of mortgaged property
- Mortgage deed
- Certificates of sale
- Gift deed
- Exchange deed
- Tenancy agreement
- Power of attorneys
- License agreement
- Lease deeds

7.2 Real property tax

Taxes are the primary source of income for a government, with the taxes earned dictating the resources available to citizens. Every property is an asset which is taxable and the property tax is an annual amount paid by a property/ land owner to the government. This tax could be paid either to the local state government or Municipal Corporation, depending on government policies. The word "property" in this context refers to all tangible real estate under the ownership of an individual and includes houses, office buildings and premises rented to third parties.

Property, in India is classified into four categories, which help the government estimate tax based on certain criteria. The different property divisions in the country are mentioned below.

- Land – in its most basic form, without any construction or improvement.
- Improvements made to land - this includes immovable manmade creations like buildings and godowns.
- Personal property – This includes movable man-made objects like cranes, cars or buses.
- Intangible property

Property tax in India is to be paid on “real property”, which includes land and improvements on land, with the government appraising the monetary value of each such property and assessing the tax in proportion to its value. It is the duty of the municipality of a particular area to do this assessment and determine the property tax, which can be paid either on an annual or semi-annual basis. This tax amount is used to develop local amenities including road repairs, maintenance of parks and public schools, etc. Property tax varies from location to location and can be different in different cities and municipalities.

An exemption is allowed to every taxpayer, where a sum equal to 30% of the net annual value does not come under the tax limit provided the house is let out. This is not applicable if you are occupying the only house you own. In addition, deduction is allowed in respect of the interest paid on loan taken in connection with the purchase or construction of the house subject to a limit of Rs 200,000 in case the house is self-occupied. In case of rented property there is no limit for claiming the interest paid of loans availed.

7.3 Estate duty

Estate duty is a tax on assets left behind by a person upon his death, while inheritance tax is a tax on assets inherited by a person. Many countries have or have had either estate duty or inheritance tax. In India, too, we have had estate duty from 1953 till it was done away with in March 1985.

7.4 Net wealth/net worth tax

Finance Minister in 2015 abolished the wealth tax.

7.5 Others

Business tax: N/A

Consumption tax, etc.: This is covered under GST Laws.

POINT OF CONTACT

Name of contact: Vaibhav Shah

Telephone with country code: +91 22 42215300

Email address: Vaibhav.shah@anbglobal.com



INDONESIA

GENERAL INFORMATION

1.1 Country/Region

Indonesia

1.2 Currency

Indonesian Rupiah (IDR)

1.3 Principal business entities

- Individual or Sole proprietorship
- *Commanditaire Vennotschap* (CV or “*Persekutuan Komanditer*”)
- Civil Partnership (“*Persekutuan Perdata*”)
- Fellowship Firm (“*Persekutuan Firma*”)
- Branch or Representative Office of foreign corporation
- Foundation (“*Yayasan*”)
- Cooperative (“*Koperasi*”)
- Limited Liability Company (Public or Private Company)

Note:

The limited liability company (Perseroan Terbatas or “PT”) is the most common form of legal business entity in Indonesia. Foreign companies are allowed to set up a PT or representative office. Branches of foreign corporations generally are not permitted except for constructions, oil and gas and banking services, unless the foreign corporations are using PT as their legal entities. Foreign companies should refer to the negative investment list for the list of sectors that is partially or fully closed for foreign investments.

1.4 Foreign exchange control

Foreign exchange rate operates on a managed-float regime against a market rate. The Central Bank (“Bank Indonesia”) supports the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position. Furthermore, the rupiah is freely convertible.

The Indonesian commercial banks are restricted from carrying out overseas transfers of Indonesian Rupiah (IDR), hence it must be converted into a foreign currency prior the transfer of funds. Furthermore, the Indonesian citizens, legal entities, and residents who purchases foreign currency in excess of USD 25,000 or its equivalent per month must provide information on the underlying transaction as required by the bank, which relates to trading goods and services; investments; and/or extension of credit of financing by a bank in foreign currencies or Rupiah.

All the transfers are controlled by the Bank Indonesia, so the transfer of foreign currencies from Indonesia requires the sender to provide the bank with the identity of both the sender and the recipient, as well as the purpose of such transfer, data and

supporting documents related to underlying transaction (for the amount more than USD 100,000).

Furthermore, the approval of Bank Indonesia (central bank) must be obtained before taking IDR 100 million (or its equivalent in foreign currency) or more out of the country. A person carrying IDR 100 million (or its equivalent in foreign currency) or more into the Indonesia customs territory must verify the authenticity of the funds with Indonesia customs upon arrival. Indonesia does not restrict the transfers of funds to or from foreign countries, but banks must report transfers of funds to foreign countries from Bank Indonesia. There is no set minimum transfer amount for reporting purposes.

Based on the Currency Law stipulated by the Indonesian government, IDR must be used in all transactions that have a purpose of payment, settlement of obligations that have to be satisfied with a cash payment and other financial transactions conducted in Indonesia. Exemptions are provided for the following transactions: certain transactions related to the implementations of the State budget; receipt or grant of offshore grant; international commercial transactions; bank deposits in foreign currency; or offshore loan transactions.

Pursuant to Indonesia Central Bank Regulation, exporters are required to receive all foreign exchange proceeds from exports [Export Proceeds – Devisa Hasil Ekspor (DHE)] through domestic foreign exchange banks in Indonesia no later than 90 (ninety) days subsequent to the export notice. The Central Bank could impose penalties when the income from exports is not transferred into domestic foreign exchange banks in Indonesia before the deadline.

1.5 Current economy climate (Industry overview/ encouraged business development)

From 2017 to 2019, Indonesia’s economic growth has been relatively stable. The highest level was in the level of 5.19% in fourth quarter of 2017 and the lowest was 4.96% in fourth quarter of 2019. Unfortunately, the corona virus pandemic in the beginning of 2020 has affected the growth. The economy was contracted by 2.19% from Q4-2019 to Q4-2020 although the contraction was less severe compared to Q3-2020, which reached 3.49%. The economy has started to show a sign of recovery since then.

1.6 National tax authority

Name

Directorate General of Taxation (DGT)

Website

www.pajak.go.id

CORPORATE INCOME TAX

2.1 Basis of taxation

Resident companies are taxed on worldwide income. Non resident companies are taxed only on income sourced in Indonesia including income attributable to a permanent establishment in the country.

Taxable net income is defined as assessable income less tax-deductible expenses.

Taxable business profits are adjusted by certain tax adjustment. Generally, a deduction is allowed for all expenditures incurred to obtain, collect, and maintain taxable business profits. A timing difference may arise if an expenditure recorded as an expense for accounting cannot be immediately claimed as a deduction for tax.

A company is treated as a resident of Indonesia for tax purposes by virtue of having its establishment or its place of management in Indonesia. A foreign company carrying out business activities through a permanent establishment in Indonesia will generally have to assume the same tax obligations as a resident taxpayer.

2.2 Rates of tax

Generally, a flat corporate tax at 25% rate applies for up to 2019 fiscal year.

Based on the new Government Regulation which released on June 2020, the rate is decreased to 22% for 2020 and 2021 fiscal year, and 20% rate will be applied starting from 2022 fiscal year. Variations apply as part of the incentives scheme (please see section 2.9)

Companies engaged in upstream oil and gas and geothermal industries typically have to calculate Corporate Income Tax (CIT) in accordance with their production sharing contracts (PSCs). Certain companies engaged in metal, mineral and coal mining are governed by a contract of work (CoW) for the CIT calculation. Different provisions may apply to them pertaining to corporate tax rates, deductible expenses and how to calculate taxable income.

2.3 Year of assessment

Generally, the year of tax assessment is January to December. However, a corporate tax payer can elect to file a corporate tax return based on the company's book year. The approval from Minister of Finance is required if tax payer intends to change the fiscal periods.

2.4 Profits deemed to be taxable

The following business have deemed profit margins for tax purposes:

	Deemed Profit on Gross Revenue	Effective Income Tax
Domestic shipping operations	4%	1.2%
Domestic airline operations	6%	1.8%
Foreign shipping and airline operations	6%	2.64%
Foreign oil and gas drilling operations	15%	3.75%
Foreign Trade Representative offices	1% of export value	0.44%

2.5 Taxation of dividends

Tax is withheld from dividends as follows:

a. Resident recipients

Dividends received from an Indonesian company by a limited liability company incorporated in Indonesia (Perseroan Terbatas/ PT), a corporate, or a state-owned company, are exempt from income tax if the following conditions are met:

- The dividends are paid out of retained earnings; and
- The company earning the dividends holds at least 25% of the paid-in capital in the company distributing the dividends.

If these conditions are not met, the dividends are assessable to the company earning the dividends at the ordinary corporate tax rate alongside the company's other income. Upon declaration, dividends are subject to withholding tax at 15%. The amount withheld constitutes a prepayment of the CIT liability for the company earning the dividends.

This rule is also applied to the stock dividends (bonus shares), and also dividends paid out of share premium.

b. Non-resident recipients

20% (or lower for treaty countries) final withholding tax is due on dividends paid to a non-resident recipient.

c. The Controlled Foreign Corporation (CFC) rules

Under the CFC rules, the Indonesian Company as a shareholder of the Foreign subsidiary/branch could be deemed to receive a dividend based on the overseas subsidiary profits incurred. The taxable deemed dividend is calculated based on the proportion of shares.

The deemed dividends will be applied for:

- The Indonesian Company who has Foreign Subsidiary/ Branch, and owning at least 50% of shares in that offshore company.
- This rule does not apply to the Company's shares listed on the stock exchange.

According to the amendment of MoF regulation launched in June 2019, hence starting from 2019 fiscal year, the deemed dividends related to overseas subsidiary profits will be applied only for passive income, such as dividend, interest, rental income, royalty, and capital gain.

d. The coming soon new regime on Dividend Tax (under the Omnibus Law 2020)

The Omnibus Law has been legitimated by the parliament in early October 2020. It will take into effect in the near future after the President of Republic of Indonesia signed the law. Under this law, the tax on dividend will be abolished and the dividend income is exempted from the income tax object on condition that the dividends must be reinvested in the form of domestic investment during the certain periods. The technical implementing regulations will be issued to regulate this matter later on.

2.6 Taxation of capital gains

Capital gains are taxable as ordinary income and capital losses are tax-deductible. Gains from certain transactions are taxed under a special regime (e.g. gains from the disposal of land and/

or building properties are subject to a final tax at 2.5% rate from the transaction value).

2.7 Taxation of interest income

Interest on time or saving deposits and on Bank Indonesia certificates (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

Interests and other benefits including premium or discount which is the interest between loans received or obtained by the Corporate Taxpayer are assessable to the company earning the interest at the ordinary corporate tax rate alongside the company's other income. Interests are subject to withholding tax at 15%. The amount withheld constitutes a prepayment of the CIT liability for the company earning the interest.

2.8 Utilization of tax losses

Losses may be carried forward for 5 years following the year the loss was incurred (this period may be extended on certain industries and for operations in remote areas who obtained the tax facilities). Losses are not allowed to be carried back.

2.9 Key Tax incentives

a. Tax cut for public companies

The public companies are granted tax cut, as follows:

For 2019 Fiscal Year: 5% tax cut, giving an effective rate of 20%

For 2020 and 2021 Fiscal Years: 3% tax cut, giving an effective rate of 19%

For 2022 Fiscal Year and onwards: 3% tax cut, giving an effective rate of 17%

It can be granted to public companies which satisfy the following conditions:

- At least 40% of their paid-in shares are publicly owned;
- The public should consist of at least 300 individuals, each holding less than 5% of the paid-in shares;
- Certain conditions are fulfilled, i.e. these two conditions are maintained for at least 6 months (183 days) in a tax year, etc.

b. Income Tax for medium enterprises

The Companies with an annual turnover of not more than Rp50 billion, are entitled a 50% discount of the standard tax rate (25%) which is imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion.

c. Income Tax for small enterprises

The tax scheme is applied for small enterprise:

- Effective 1 July 2013 up to 30 June 2018, companies (exclude permanent establishments) with an annual

turnover less than 4.8 billion are subject to 1% final income tax on the gross sales turnover. This final tax should be paid on monthly basis.

- Effective 1 July 2018 onwards, companies (exclude permanent establishments) with an annual turnover less than 4.8 billion are subject to 0.5% final income tax on the gross sales turnover. This final tax should be paid on monthly basis. It will be applied only for 3 fiscal years for Limited Liability Company ("Perseroan Terbatas"), and 4 fiscal years for cooperative, limited partnership ("CV"), or fellowship partnership ("firma").

The above Final Tax rate will not be applied for the certain Taxpayers, for examples the taxpayers who are subject to other Final Tax such as Construction Services, Land and Building Rental, and/or the taxpayer who choose the normal corporate tax calculation, and/or the taxpayers who have obtained certain Tax Facilities, and/or other taxpayer's type defined in the aforesaid Government Regulation.

d. Tax holiday

The corporate taxpayers who are engaged in certain 18 sectors of pioneer industries, and makes new investment at least IDR 100 billion, may enjoy a reduction of Corporate Income Tax ("CIT"):

1. 100% of CIT payable – for new investment value at least IDR 500 billion;

The period of Tax holiday are:

- 5 years – for new investment value at least IDR 500 billion to less than IDR 1,000 billion
- 7 years – for new investment value at least IDR 1,000 billion to less than IDR 5,000 billion
- 10 years – for new investment value at least IDR 5,000 billion to less than 15,000 billion
- 15 years – for new investment value at least IDR 15,000 billion to less than 30,000 billion
- 20 years – for new investment value at least IDR 30,000 billion

After the above period is ended, the taxpayer will be granted the reduction 50% of CIT payable for the following 2 fiscal years.

2. 50% of CIT payable – for new investment value at least IDR 100 billion.

The period of Tax holiday are: 5 years

After the above period is ended, the taxpayer will be granted the reduction 25% of CIT payable for the following 2 fiscal years.

e. Direct tax incentives for new enterprises

Under the Capital Investment Law and certain tax provisions, the new foreign and local direct investment Enterprises may apply for an exemption from the income tax payable on the importation of capital goods and raw materials. The exemption is granted for capital goods indicated in the Master List and the request must be applied for each importation. Furthermore, new Enterprises should secure an exemption certificate from the Directorate General of Taxes (DGT) where the new enterprise is registered.

f. Tax facilities on investment in certain business and/or certain regions

The tax facilities are available for the local corporate tax payers who make investment in main business activities, both new investment and expansion of existing business, or the expansion of the existing business which does not include replacement and/or addition of machines and/or equipment carried out in a production line that is already in commercial production.

The criterias are:

- high investment value of for export;
- labor intensive;
- high local content

The tax facilities are in the forms of:

1. 30% (thirty percent) net income reduction of the total investment value in the form of tangible fixed assets including land, which is used for Main Business Activities, is charged for 6 (six) years each 5% (five percent) per year;
2. Accelerated depreciation of tangible fixed assets and accelerated amortization of intangible assets acquired in the context of investment, with the useful life and depreciation/amortization rate, as follows:

Depreciation

Class of Assets	Useful Life (years)	Straight Line Method	Double Declining Method
I	2	50%	100%
II	4	25%	50%
III	8	12.5%	25%
IV	10	10%	20%
Building-Permanent	10	10%	
Building-Non Permanent	5	20%	

Amortization

Class of Assets	Useful Life (years)	Straight Line Method	Double Declining Method
I	2	50%	100%
II	4	25%	50%
III	8	12.5%	25%
IV	10	10%	20%

3. The imposition of Income Tax on dividends paid to foreign taxpayers other than a permanent establishment in Indonesia of 10% (ten percent), or a lower rate according to the applicable double tax avoidance agreement;
4. The tax loss carried forward that are longer than 5 (five) years but not more than 10 (ten) years, with the certain conditions applied.

The tax facilities request must be submitted before the start of commercial production. In addition, the implementation of the tax facilities will be evaluated no longer than 2 years after the Government Regulation is released.

g. Tax stimulus related to COVID-19 pandemic (for April 2020 up to December 2020 periods)

- Employee Income Tax borne by the Government

It is applied for the employee who receives income from the employer who has certain Business Field Classification ("KLU"), or KITE's company, or bonded zones. The employee also must has Tax ID Number ("NPWP"), and the annualized regular income less than IDR 200 million.

- Final Income Tax 0.5% for small enterprises ("UMKM") borne by the Government

It is applied for the taxpayer who eligible to implement Final income tax 0.5%.

- Final Income Tax for the certain labor intensive sectors borne by the Government

It is applied for the taxpayers who receives the Program of Acceleration of Improving Irrigation Water Use (P3-TGAI).

- Import Tax Art. 22 exempted

It is applied for the taxpayer who has certain Business Field Classification ("KLU"), or KITE's company, or bonded zones. The taxpayer must requests and obtains the Exemption Letter ("SKB") from the Tax Authority for this purpose.

- 50% reduction of Installment Income Tax Art. 25

It is applied for the taxpayer who has certain Business Field Classification ("KLU"), or KITE's company, or bonded zones. The taxpayer must requests and obtains the Tax reduction notification Letter from the Tax Authority for this purpose.

- Preliminary refund on VAT overpayment

It is applied for the Low Risk taxpayer who has certain Business Field Classification ("KLU"), or KITE's company, or bonded zones, and the VAT overpayment is less than IDR 5 billion.

- Income Tax and VAT Facility for the Goods and Services needed in order to handling of COVID 19

The government institutions, hospitals, and/or other parties who appointed in handling COVID 19 are eligible for this tax facility, in the form of:

VAT

1. The VAT Import by certain parties is exempted;
2. The VAT on delivery of Goods and Services is borne by Government;
3. The VAT self assessed on utilization of services from offshore is borne by Government;
4. On the import of Taxable Goods used for the utilization of Taxable Services from offshores is not subject to VAT as long as the "SKJLN" is available before the importation.

Income Tax

1. Import Tax art. 22 exemption

2.10 Withholding tax

Dividends - Dividends paid by a domestic corporate taxpayer to a non-resident are subject to a final 20% withholding tax (or a reduced treaty rate). A 10% final withholding tax is imposed on dividends paid to a resident individual.

Interests - Interest paid to a non-resident is subject to a 20% withholding tax (or a reduced treaty rate). Interest paid by a domestic taxpayer to a resident is subject to a 15% withholding tax, which represents an advance payment of tax liability.

Royalties - A 20% withholding tax is imposed on royalties remitted abroad (or a reduced treaty rate). For tax purposes, royalties refer to any charge for the use of property or know-how in Indonesia, as well as the transfer of a right to use property or know-how in Indonesia.

Royalties paid by a domestic taxpayer to a resident are subject to a 15% withholding tax, with the payment representing an advance payment of tax liability.

Technical service fees and rental - A 2% withholding tax applies on gross payments made by a domestic taxpayer to a resident taxpayer for technical, management and consulting services and rentals (except for land and building rentals). For the land and building rental is subject to 10% Final Income Tax.

Under the domestic tax law, a 20% withholding tax (or a reduced treaty rate) is imposed on technical service fees remitted abroad.

Branch Profit Tax - Permanent establishments are subject to a 20% branch profits tax (or a reduced treaty rate) on after-tax profits.

Payment of profit tax and application of holdover

The monthly tax instalment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filling the tax return.

2.11 Transfer Pricing

Transactions between parties that have a special relationship must be carried out in a "commercially justifiable may" and on an arm's length basis. Transfer Pricing Documentation is required by the Minister of Finance Regulation which consist of an overview of the taxpayer's business operation and structure, its transfer pricing policy, comparability analysis, selected comparable and an explanation of how the arm's length price or profit was determine (including the transfer pricing methodology), etc.

At the end of 2016, the Minister of Finance and Tax Authorities have issued detailed transfer pricing documentation guidelines, which, in principle, are in line with the OECD's approach. This new regulation is applied starting from 2016 fiscal year onwards. Under this provision, the Transfer Pricing Documentation is mandatory to be provided no later than fourth month of the following year. By the tax law, it is considered as a package that is inseparable from the Financial Statements.

2.12 Filing requirements of tax return

Filing due dates	The monthly income tax returns must be filed by the 20th of the following month. Annual corporate tax returns must be filed within 4 months from the end of the book year. For annual income tax returns, taxpayers may extend the filling deadline for up to 2 months.
Penalties	Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid. Late filings are subject to the following penalties: <ul style="list-style-type: none"> - Monthly income tax return: IDR 100,000 (for income taxes) - Monthly VAT return: IDR 500,000 - Annual corporate income tax return: IDR 1,000,000

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Individual residents in Indonesia are taxed on their worldwide gross income less allowable deductions and non-taxable income.

An individual is a tax resident if he/she fulfils the following conditions:

- He/she resides in Indonesia;
- He/she is present in Indonesia for more than 183 days in any 12-month period (the provisions of tax treaties may overwrite this rule);
- He/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

The taxable income of individuals includes profits from a business, employment income, capital gains, passive income such as royalty, interest, dividend, etc.

3.2 Rates of tax

For resident tax payers: most income is subject to the normal rates of 5% on the first IDR 50 million of annual taxable income; 15% on amounts exceeding IDR 50 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; and 30% on amounts exceeding IDR 500 million.

Effective 1 July 2013 to 30 June 2018, incentives applied for small individual tax payers (see also section 2.9 for the same incentives applied for corporate tax payers) with an annual gross turnover of no more than Rp4.8 billion of which their income is subject to 1% final income tax rate from their gross turnover. This threshold excludes income from independent personal services such as doctors, lawyers, consultants, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

Effective 1 July 2018 onwards, individual as Indonesian taxpayer with an annual turnover less than 4.8 billion are subject to **0.5%** final income tax on the gross sales turnover. This final tax should be paid on monthly basis. This threshold excludes income from independent personal services such as doctors, lawyers, consultants, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

For non-resident tax payers: 20% withholding tax rate on Indonesia-sourced income.

3.3 Year of assessment

The calendar year (January to December).

3.4 Allowances and Deductions

An individual who conducts a business may deduct expenses

from business income. Expenses generally are deductible if they are incurred for the purposes of generating income. The allowances are provided for the taxpayer, the taxpayer's spouse and up to 3 dependent children.

Starting from 2016 fiscal year, the non-taxable income threshold and allowable deduction for the individual are as follows:

	IDR
Taxpayer	54,000,000
Spouse	4,500,000
Each dependent (max of 3)	4,500,000
Occupational expenses (5% of gross income, max Rp 500,000/month)	6,000,000
Employee contribution to Jamsostek or "BPJS" for pension fund security savings (2% of gross income)	Full amount
Pension contributions (5% of gross income, max Rp 200,000/month)	2,400,000

3.5 Taxation of dividends

Dividends received by resident individual tax payers are subject to final income tax at a maximum rate of 10%. If received by nonresident recipients, they are subject to final withholding tax of 20% (or lower for treaty countries).

The coming soon new regime on Dividend Tax (under the Omnibus Law 2020)

The Omnibus Law has been legitimated by the parliament in early October 2020. It will take into effect in the near future after the President of Republic of Indonesia signed the law. Under this law, the tax on dividend will be abolished and the dividend income is exempted from the income tax object on condition that the dividends must be reinvested in the form of domestic investment during the certain periods. The technical implementing regulations will be issued to regulate this matter later on.

3.6 Taxation of capital gain

Capital gains derived by an individual are taxed as income at the normal rates; gains on shares listed in Indonesia stock exchange are taxed at 0.1% (final tax) of the transaction value (an additional tax of 0.5% applies to the share value of founder shares at the time of an initial public offering). Gains on the disposal of land and/ or buildings are taxed at 5% (final tax) of the transaction value.

3.7 Taxation of interest income

Interest income on time or saving deposits and on Bank Indonesia (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

Interests and other benefits including premium or discount which is the interest between loans received or obtained by the Individual

Taxpayers are assessable to the individual earning the interest at the ordinary tax rate alongside the other income. Interests are subject to withholding tax at 15% if it is paid by the Corporate. The amount withheld constitutes a prepayment of the Income tax liability for the individual earning the interest.

3.8 Personal assessment and utilization of losses

Personal tax is self-assessed. There are no utilization of losses for deemed income.

3.9 Withholding tax

Employers are required to withhold income tax from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable for other payments to non-employee individuals (e.g. fees payable to individual consultant or service providers). Resident individual taxpayers without a Personal Tax Number/Nomor Pendaftaran Wajib Pajak (NPWP) are subject to a surcharge of 20% in addition to the standard withholding tax.

Non-resident individuals are subject to withholding tax of 20% (unless treaties apply) in respect of the following payments:

The Corporate should withhold the payment to other parties with the various rate (i.e. 2%; 15%; 20%, 25%, etc.). This tax rates are stipulated by Minister of Finance, or Directorate General of Taxation Regulation for certain type of following transactions:

- a. On gross amounts:
 - Dividends;
 - Interest, including premiums, discounts and guarantee fees;
 - Royalties, rents and payment for the use of assets;
 - Fees for services, work, and activities;
 - Prizes and awards;
 - Pensions and any other periodic payments;
 - Swap premiums and other hedging transactions;
 - Gains from debt write-offs;
 - After-tax profits of a branch of PE.
- b. On Estimated Net Income (ENI), being a specified percentage of the gross amount:

	ENI	Effective tax rate
Insurance premiums paid to non-resident insurance companies:		
by the insured	50%	10%
by Indonesian insurance companies	10%	2%
by Indonesian reinsurance companies	5%	1%
Sale of non-listed Indonesian company shares by non-residents	25%	5%
Sale by non-resident of a conduit company where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25%	5%

3.10 Statutory obligation of employers

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

3.11 Filing requirement of tax return

Filing due dates	Monthly employee tax return must be filed by an employer by 20th of the following month. Individual must file his/her annual individual income tax return by the end of the third month after the year end.
Penalties	Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%. Late filings are subject to the penalties of IDR 100,000.
Application of holdover	For annual income tax returns, taxpayers may extend the filing deadline by up to 2 months.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Badan Penyelenggara Jaminan Sosial or "BPJS" (Formerly PT Jamsostek (Persero)):

- BPJS Employment ("BPJS Ketenagakerjaan"); and
- BPJS Health Insurance ("BPJS Kesehatan")

4.2 Basis of contribution

Indonesia does not have a comprehensive social security system; however, there is a worker's social security program (BPSJ or Jamsostek) which provides compensation in the event of working accidents, deaths, and old age (55 years) as well as sickness or hospitalization, both inpatient and outpatient. The program is maintained by a designated state-owned company, PT Jamsostek.

Employees contributions are collected by the employer through payroll deductions. These must be paid to BPJS or PT Jamsostek together with the contributions borne by the employers.

4.3 Contribution rate

Areas Covered	As a percentage of regular salaries/wages	
	Borne by employers	Borne by employees
Working accident protection	0.24% -1.74%	—
Death Insurance	0.3%	—
Pension Funds/Old age saving	3.7%	2%
Health Care Insurance	3%	1%

4.4 Exemption from tax

Working accident protection, death insurance and health care borne by employers are taxable in an employee's income

while the pension funds/old age saving borne by employers is exempted from tax. The pension funds/Old age savings borne by employees are tax deductible from an employee's income.

GST/VAT

5.1 Basis of tax

VAT is levied on the "delivery" of taxable goods and the provision of taxable services. In general, delivery means sale, but this is not always the case. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian business. VAT applies equally to all manufactured goods, whether produce locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good or increases its productivity. Certain goods and services are non-taxable for VAT purposes.

5.2 Rates of tax

The standard rate is 10%. VAT on exports of taxable goods and certain taxable services are zero rated. Zero-rate export services are limited to toll manufacturing services; repair and maintenance services attached to or for movable goods utilized outside the Indonesia customs area; and construction services attached to or for immovable goods located outside the Indonesia customs area.

5.3 Registration

Entrepreneurs exceeding a certain amount (i.e. IDR4.8million) in annual sales of taxable goods and/or taxable services are required to register for VAT purposes and issue a VAT invoice on the delivery of taxable goods and/or taxable services.

5.4 Filing requirements

A monthly VAT return must be filed by the end of the following month, while payment must be made prior to the tax return filing deadline.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Resident companies deriving income from foreign sources are entitled to a unilateral tax credit with respect to foreign tax paid on the income. The credit is limited to the amount of Indonesian tax.

6.2 List of double tax treaties signed

Country	Note	Dividend	Interest	Royalty	Branch Profit Tax
	Portfolio	Substantial Holdings			
Algeria	15%	15%	15%/0%	15%	10%
Australia	15%	15%	10%/0%	15%/10%	15%
Austria	15%	10%	10%/0%	10%	12%
Bangladesh	15%	10%	10%/0%	10%	10%
Belgium	15%	10%	10%/0%	10%	10%
Brunei	15%	15%	15%/0%	15%	10%
Bulgaria	15%	15%	10%/0%	10%	15%
Canada	15%	10%	10%/0%	10%	15%
China	10%	10%	10%/0%	10%	10%
Croatia	10%	10%	10%/0%	10%	10%
Czech Republic	15%	10%	12.5%/0%	12.5%	12.5%
Denmark	20%	10%	10%/0%	15%	15%
Egypt	15%	15%	15%/0%	15%	15%

Country	Note	Dividend	Interest	Royalty	Branch Profit Tax	
		Portfolio	Substantial Holdings			
Finland		15%	10%	10%/0%	15%/10%	15%
France		15%	10%	15%/10%/0%	10%	10%
Germany	1	15%	10%	10%/0%	15%/10%	10%
Hong Kong		10%	5%	10%/0%	5%	5%
Hungary	3	15%	15%	15%/0%	15%	20%
India		15%	10%	10%/0%	15%	10%
Iran		7%	7%	10%/0%	12%	7%
Italy		15%	10%	10%/0%	15%/10%	12%
Japan		15%	10%	10%/0%	10%	10%
Jordan	3	10%	10%	10%/0%	10%	20%
Korea (North)		10%	10%	10%/0%	10%	10%
Korea (South)	2	15%	10%	10%/0%	15%	10%/0%
Kuwait		10%	10%	5%/0%	20%	10%
Luxembourg	1	15%	10%	10%/0%	12.5%	12.5%
Malaysia	4	10%	10%	10%/0%	10%	10%
Mexico		10%	10%	10%/0%	10%	10%
Mongolia		10%	10%	10%/0%	10%	10%
Morocco		10%	10%	10%/0%	10%	10%
Netherlands		10%	10%	10%/0%	10%	10%
New Zealand	3	15%	15%	10%/0%	15%	20%
Norway		15%	15%	10%/0%	15%/10%	15%
Pakistan	1	15%	10%	15%/0%	15%	10%
Papua New Guinea	1	15%	15%	10%/0%	10%	15%
Philippines		20%	15%	15%/10%/0%	15%	20%
Poland		15%	10%	10%/0%	15%	10%
Portugal		10%	10%	10%/0%	10%	10%
Qatar		10%	10%	10%/0%	5%	10%
Romania		15%	12.5%	12.5%/0%	15%/12.5%	12.5%
Russia		15%	15%	15%/0%	15%	12.5%
Seychelles	3	10%	10%	10%/0%	10%	20%
Singapore	5	15%	10%	10%/0%	15%/10%/8%	15%/10%
Slovakia		10%	10%	10%/0%	15%/10%	10%
South Africa	3	15%	10%	10%/0%	10%	20%
Spain		15%	10%	10%/0%	10%	10%
Sri Lanka		15%	15%	15%/0%	15%	20%
Sudan		10%	10%	15%/0%	10%	10%
Suriname		15%	10%	10%/0%	15%	15%
Sweden		15%	10%	10%/0%	15%/10%	15%
Switzerland	1	15%	10%	10%/0%	10%	10%
Syria		10%	10%	10%/0%	20%/15%	10%
Taiwan		10%	10%	10%/0%	10%	5%
Thailand		20%	15%	15%/0%	15%	20%
Tunisia		12%	12%	12%/0%	15%	12%
Turkey		15%	10%	10%/0%	10%	10%
Ukraine		15%	10%	10%/0%	10%	10%
United Arab Emirates		10%	10%	5%/0%	5%	5%
United Kingdom		15%	10%	10%/0%	15%/10%	10%
United States of America		15%	10%	10%/0%	10%/0%	10%
Uzbekistan		10%	10%	10%/0%	10%	10%
Venezuela	1	15%	10%	10%/0%	20%	10%
Vietnam		15%	15%	15%/0%	15%	10%
Zimbabwe	1	20%	10%	10%/0%	15%	10%

Notes:

1. Service fees including for technical, management and consulting services rendered in Indonesia are subject to withholding tax at rates of 5% for Switzerland, 7.5% for Germany, 10% for Luxembourg, Papua New Guinea, Venezuela and Zimbabwe, and 15% for Pakistan.
2. VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.
3. The treaty is silent concerning the branch profit tax rate. The ITO interprets this to mean that the tax rate under Indonesia Tax Law (20%) should apply.

4. Labuan offshore companies (under the Labuan Offshore Business Activity Tax Act 1990) are not entitled to the tax treaty benefits.
5. The Minister of Finance of Republic Indonesia and Singapore have signed amendment of the Double Tax Avoidance Agreement between Indonesia and Singapore on 4 February 2020. The amendment **has not come into force** in 2020, and it will be applied after the ratification process completed in both countries. The new tax rates will be applied for:
 - Branch Profit Tax: from 15% decrease to 10%;
 - The royalty: from single rate 15% decrease to 10% for copyrights of literary works, arts and films; 8% for use of industrial, commercial, or scientific equipments.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Certain documents are subject to stamp duty at a nominal amount of IDR 3,000 or IDR 6,000.

Under new Stamp Duty Law which come into effect starting from 1 January 2021, the stamp duty will be increase to IDR 10,000

7.2 Real property tax

Land and building tax is payable annually on land, buildings and permanent structures. The rate is typically not more than 0.3% of the sale value of the property.

7.3 Estate duty

No estate duty will be imposed on the value of an individual's property passing on death. However, further distributions which require a change in certificates of ownership are subject to duty on the acquisition of land and building rights with 5% rate to the relevant tax object acquisition value, minus an allowable nontaxable threshold.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

Provincial tax is charged mostly at 10% e.g. hotel, restaurant, and place of recreation and entertainment, etc

POINT OF CONTACT

Name of contact: Michelle Bernardi
michelle.bernardi@reandabernardi.com

Heru Prasetyo
heru.prasetyo@reandabernardi.com

Aditiya Febriansyah
aditiya.febriansyah@reandabernardi.com

Telephone with: +62 21 2305569; +62 21 39899079-80
country code

Email address: enquiries@reandabernardi.com



ITALY

GENERAL INFORMATION

1.1 Country/Region

Italy

1.2 Currency

Euro (EUR)

1.3 Principal business entities

- Public Limited companies (S.p.A);
- Private limited company (S.R.L.)
- Partnership limited by shares (S.A.P.A.)
- Cooperatives companies (S.C.R.L., S.C.)
- Branch of foreign corporation
- Representative Office of a foreign corporation
- Partnership or Transparent entities: General partnership (S.N.C.), Limited partnership (– S.A.S.), sole proprietorship.

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

Italian GDP's fall in the second quarter of 2020 has caused by a of households and businesses' distrust due to COVID-19 pandemic. During the Italian lockdown, Non-EU trade was strongly influenced by the decline in exports to China, while retail sales showed a sharp increase driven by purchases of food.

Extensive signs of recovery has emerged from May for industrial production and from June for new orders from manufacturing; moreover that is strong increases both towards the EU markets and towards those non-EU, affecting all the main categories of goods.

In July, preliminary estimates on trade flows with non-EU countries indicate a continuation of the upsurge in sales abroad while in August the climate of business confidence confirmed the positive signs whose diffusion involves almost all sectors even if with different intensities. The first signs of recovery were recorded also for accompanied employment by an intensification of the recovery of hours worked per capita. In August, the downward trend in consumer price levels widened again conditioned by the fall in the prices of energy products.

1.6 National tax authority

Name

Ministry of Finance; Italian Revenue Agency

Website

www.mef.gov.it

www.agenziaentrate.gov.it

CORPORATE INCOME TAX

2.1 Basis of taxation

The corporate incomes produced by Italian companies are subject to a double taxation: the first is IRES or "imposta sul reddito delle società"; the second is a regional production tax knows as IRAP or "imposta regionale sulle attività produttive". It should be specified that IRES is applied only on resident and no-resident corporate entities; instead IRAP is calculated on any business activity, i.e. on taxpayers carry on entrepreneurial activity or entrepreneurs, corporate entities, partnership (excluded simple partnership) and similar ones.

The art. 72 of TUIR (Italian Tax Consolidated Text) lays down IRES tax assumption that is the possession of income, in cash or in kind, falling into one of these categories: land income, capital income, employment income, self-employment income, corporate income and others income produced by corporate entities resident or not in Italy.

For the firsts, the IRES taxable base will be the sum of the income produced in Italy and abroad; instead, foreign companies apply the IRES tax only on income produced in Italy.

IRAP was instituted under Italian Legislative Decree 446/97. It affects resident or not companies, business partnerships and individual enterprises that produce and/or exchange goods or services on an Italian regional territory.

2.2 Rates of tax

IRES: 24%

IRAP: 3,9% (Regions are allowed to increase or decrease the standard IRAP rate up to 0.92%).

2.3 Year of assessment

Financial year lasts 12 months, usually the calendar year

2.4 Profits deemed to be taxable

Taxable profits for IRES purposes are computed on the basis of accounting profits and on an accrual basis (there are certain exceptions such as dividends or directors' fees which are tax-relevant on a cash basis). Base value of this is the pre-tax profit: this item is integrated by downward and upward adjustments, based on specific rules provided for by the Italian tax law. Such of these include non-deductibility of no business activity expenses and other costs exceeding certain percentages.

The IRAP taxable base for resident subjects is the net production value given by the algebraic sum of A and B item of income statement; but provisions for liabilities and risks, as well as extraordinary item (knows as non-deductible items), interest income, expense and provisions for bad debts, cannot be taken into account when determining it.

Non-resident ones are subject to IRAP only on the value of production generated by permanent establishments in Italian territory, following the same rules mentioned for the first.

A different treatment is held to bank whose IRAP taxable base is calculated as follow:

- Intermediation margin reduced by 50% of dividends.
- 90% of amortization costs relating to fixed tangible and intangible assets.
- 90% of other administrative expenses.

Net value of adjustments and reassessments for bad debts.

2.5 Taxation of dividends

Dividends received by Italian resident companies from Italian ones or from companies resident in countries other than tax havens (i.e. not included in the 'black list') are excluded from the IRES taxable base for 95% of their amount. No exemption applies to dividends paid by entities that are resident in tax haven jurisdictions (unless those dividends derive from profits that were already taxed under the Italian controlled foreign company rules). There are specific rules for entities adopting IFRS for Italian statutory financial reporting purposes. For such entities, dividends from investments in shares and other financial instruments held for trading are fully taxable. Dividends generally are excluded from the IRAP taxable base.

2.6 Taxation of 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 "low-tax jurisdiction" (LTJ) 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 no-resident companies on the sale of participations ordinarily are taxed at a 26% flat rate. In some cases, capital gains from participations may be exempt, according to specific rules or a relevant tax treaty.

2.7 Taxation of interest income

Interest income is generally part of the IRES taxable base.

2.8 Utilization of tax losses

Tax losses can be carried forward for IRES purposes and used to offset income in the following tax periods without any time limitation.

Tax losses can only be offset with taxable income for an amount not exceeding 80% of the taxable income. Thus, corporations are required to pay IRES on at least 20% of taxable income.

Note that losses arising in the first three years of activity can be offset with 100% of taxable income.

For IRAP purposes, tax losses may not be carried forward.

Specific (tax anti-avoidance) rules limit the carry-forward of tax losses in the event of:

- change of control and an effective change of the main activity (performed by the company carrying forward the losses).

The mentioned changes must occur together in order for the limitations to be applicable. The change of the main activity is relevant for these purposes if it takes place in the tax period in which the change of control occurs or in the two subsequent or preceding periods.

Specific anti-abuse provisions are also applicable to net operating losses in cases of merger or de-merger. In Italy, tax losses may not be carried back.

2.9 Key Tax incentives

1. Tax credit for investments in new capital assets

The new regulation introduced a tax credit for investments in new capital assets instrumental to the exercise of the business activity, purchased from the 1st January to 31st December 2020, or by 30th June 2021, provided that by 31st December 2020 the purchasing order is accepted by the seller and the buyer has paid an installment of at least 20% of the whole purchasing price. All companies can benefit from this tax credit, regardless of the legal form, the economic sector in which they operate, the size and the regime applied for income determination, provided that such enterprises are compliant with the legislation on safety in the workplace and with the payment of the social security contributions. The percentages of this tax credit vary depending on the type of entities and their turnover: for example, for investments in new tangible assets, different from the "4.0" ones, the tax credit is equal to 6% of the eligible costs, as defined according to the criteria provided by art. 110 TUIR. For each taxpayer, the maximum amount of eligible investments is equal to 2M€. Investments made through financial leasing contract are also eligible for the tax credit, and in this case the benefit is calculated as 6% of the cost incurred by the lessor for the purchase of the assets.

2. Tax credit on investments in Research and Development (R&D), Technological innovation and Design and aesthetic ideation

New tax credits for R&D, technological innovation and ecological transition and design and aesthetic ideation apply to activities carried out and costs sustained from the tax period following the one in course on 31st December 2019. Tax credits are available to all enterprises that invest in eligible activities, regardless of the legal form, the economic sector in which they operate, the size and the regime applied for income determination, provided that they are tax resident in Italy. Also, Italian permanent establishment of companies based abroad can also benefit from the tax credits, provided that eligible activities are carried out in Italy and the costs are attributed to the PE. For eligible R&D activities, the tax credit is equal to 12% of the relevant cost basis, with a maximum annual amount of 3M€. Tax credit for design and aesthetic ideation activities is equal to 6% of the relevant cost basis, with a maximum annual amount of 1,5M€.

3. Tax credit on training expenses for Industry 4.0 plan

From the tax period following the one in course on 31 December 2019, the tax credit for training 4.0 is available to: small enterprises, for an amount equal to 50% of eligible expenses, up to a maximum of 300K€; medium-sized enterprises, for an amount equal to 40% of eligible expenses, up to a maximum of 250K€; large enterprises, for an amount equal to 30% of eligible expenses, up to a maximum of 250K€. Provided the maximum annual amount available for each type of enterprise, the tax credit is equal to 60% of the costs incurred whereas the training activities are addressed to disadvantaged or very disadvantaged workers.

4. Advertising campaign tax credit

This is a tax credit for taxpayers who increase their investments in advertising means, such as daily press, magazines, local television, or radio. The tax credit amounts to 75% of incremental investments.

5. Voucher manager

A non-refundable grant for expenses incurred in 2019 and 2020 is recognized for micro, small, and medium-sized enterprises and companies that are part of a network agreement. The grant for each period is equal to: 50% of the costs incurred, up to a maximum credit of EUR 80,000 for network or EUR 40,000 for micro and small enterprises; 30% of the costs incurred, up to a maximum credit of EUR 25,000 for medium-sized companies.

6. Foreign tax credit

Where foreign-source income definitively is taxed abroad, a tax credit can be claimed for use against a company's IRES liability. The amount of the tax credit that can be claimed is the lower of the foreign tax incurred and the proportion of the IRES liability related to the foreign-source income. For partially exempt income (e.g. dividends), the foreign tax credit is reduced in proportion to the amount of the income taxable in Italy.

If an Italian company receives foreign income from more than one country, this limitation is applied separately to each country. Foreign taxes borne by the foreign PE of an Italian resident company are allowed to be offset against the overall consolidated tax liability (IRES).

Any excess of foreign tax credit over the maximum amount allowed for recovery in the same tax period can be carried back or carried forward for eight years and recovered if specific conditions are met (e.g. same source country of the income, occurring because of an excess of the IRES liability related to the foreign-source income).

7. Other tax incentives

They are: access to financial credit for purchasing of new machinery, plants, and equipment, as well as digital technologies and software; purchase of recycled plastic products; energy requalification of buildings; donations to finance interventions on public buildings and lands investments in innovative start-ups.

to a 26% final 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.

Technical service fees

Fees paid to a nonresident company 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.

2.11 Transfer Pricing

The business income of a resident enterprise arising from transactions with non-residents 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.

2.12 Filing requirements of tax return

Filing due dates	A company must file the annual corporate income tax returns (IRES and IRAP) electronically within nine months following the end of the financial year. Companies with a calendar year end have until the end of September 2020 to file the tax return for the 2019 fiscal year.
Penalties	<p>Failure to file a tax return results in a penalty ranging from 120% to 240% of the taxes due. Minimum penalties (ranging from EUR 250 to EUR 1,000) are applicable if no tax liability emerged in the return.</p> <p>A tax return showing either a taxable income lower than the one assessed or a tax credit higher than those owed to the taxpayer (i.e. an untrue tax return) results in a penalty ranging from 90% to 180% of the higher taxes ultimately due.</p> <p>Omitted and/or late payments of taxes, of whichever kind and nature, result in a penalty equal to 30% of the unpaid/late paid tax. However, in cases where the delay is within 15 days, the penalty is equal to 1% per day; if the delay is between 15 and 90 days, the penalty is equal to 15%.</p>

2.10 Withholding tax

Dividends

Dividends paid to a nonresident corporation generally are subject

Payment of profit tax and application of holdover	IRES
	IRES 2020 amount is paid through a down payment and a balance. IRES 2020 down payment will be paid if his previous year's amount is greater than € 20,66 and it will be paid with two installments if the amount of first of it is greater or equal than € 103. The installments' amount will be: - 40% of the amount of IRES 2020 down payment year by June 30th, with IRES 2019 balance. - 60% of the IRES 2020 down payment by November 30th. IRES 2020 balance will be paid by June 30th 2021.
	IRAP IRAP will be paid following IRES rules.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

The PIT or Personal Income Tax, known as IRPEF (Imposta sul reddito delle persone fisiche) is applied on taxpayers, individual entities and every single type of partnership. These subjects will be tax on national, regional and municipal incomes.

According to the Italian tax law, both Italian residents and non-resident individuals are subject to taxation in Italy, but on a different basis.

For resident, IRPEF is applied on both domestic and foreign income; furthermore, they must disclose all their foreign investments (financial and not) for monitoring purposes through the Italian tax return.

For individuals who chose to change his fiscal resident from foreign to Italy, can opt to adopt the Italian law tax to foreign personal income, through the application of a flat substitutive tax, at a fixed amount of 100,000 euros. In order to be eligible for this tax regime it is necessary to opt through the Italian tax return and the subjects must meet several requirements, including previous non-Italian tax residency for at least nine years over ten fiscal years preceding the transfer.

Finally, non-resident will be subject to PIT only on Italian personal income.

3.2 Rates of tax

National PIT is calculated by a progressive tax rate on all income reported below.

Taxable Income (EUR)		Tax on excess (%)
Over	Not over	
0	15,000	23
15,001	28,000	27
28,001	55,000	38
55,001	75,000	41
75,001		43

Self-employed individuals may apply a national flat tax of 15% on up to EUR 65,000 of business and professional gross income.

Regional income tax depends on the region of residence: its tax

rate ranges from 1.23% to 3.33%. Municipal income tax depends on the municipality of residence: its tax rate ranges from 0% to 0.8% and municipalities can establish progressive tax rates applicable to the national income bracket.

3.3 Year of assessment

Calendar year

3.4 Allowances and Deductions

The Italian tax law allows for certain expenses to be deducted from a taxpayer's gross income, while tax credits can be used as an offset against a taxpayer's tax liability.

1. Employment expenses

The main deductions from employment taxable income are the following: employee's mandatory social security contributions are fully deductible; and contributions paid to the specific complementary pension funds are deductible, up to EUR 5,164.57.

2. Personal deductions

The main deductions from gross taxable income, if they have not been deducted from each kind of income, if properly documented, are: employee's mandatory social security contributions (100%); social security contributions paid for domestic employees and contributions paid to the specific complementary pension (both up to EUR 1,549.37); medical expenses.

3. Personal exemptions

Italy has adopted a system of tax credits: employment tax credits, family tax credits and other tax credits for expenses.

Employment tax credits vary depending on the income:

Employment income.

Employment income (EUR)	Tax credit amount (EUR)
Up to 8,000	1,880
8,001 to 28,000	EUR 1,880 is the maximum annual amount allowed, which decreases with the increase in taxable income, up to EUR 28,000 of taxable income
28,001-55,000	EUR 978 is the maximum annual amount allowed, which decrease with the increase in taxable income, up to EUR 55,000 of taxable income
Above 55,000	0

Pension income

Pension (EUR)	Tax credit amount (EUR)
Up to 8,000	The tax credit is equal to (EUR 1,880 x days)/365. The tax credit cannot be lower than EUR 713
8,001 to 15,000	The tax credit is equal to EUR 1,297 + (EUR 583 x ratio). Ratio = (EUR 15,000 - taxable income)/EUR 7,000
15,001 to 55,000	The tax credit is equal to EUR 1,297 x ratio. Ratio = (EUR 55,000 - taxable income)/EUR 40,000
Above 55,000	0

Non-employment income (EUR)	Tax credit amount (EUR)
Up to 4,800	1,104
4,801 to 55,000	EUR 1,104 is the maximum annual amount allowed, which decreases with the increase in taxable income, up to EUR 55,000 of taxable income
Above 55,000	0

Family tax credits are granted to resident taxpayers with a dependent spouse, children, and other relatives living with the taxpayer, provided that each dependent's annual income does not exceed EUR 2,840.51.

Dependents	Tax credit amount (EUR)
Dependent spouse	EUR 800 is the maximum annual amount allowed, which decreases with the increase in taxable income, up to EUR 80,000
Children below three years of age*	EUR 1,200 is the maximum annual amount allowed for each child, which decreases with the increase in taxable income, up to EUR 95,000
Children above three years of age*	EUR 950 is the maximum annual amount allowed for each child, which decreases with the increase in taxable income, up to EUR 95,000
Other dependents	EUR 750 is the maximum annual amount, which decreases with the increase of the taxable income, up to EUR 80,000

The taxpayer is entitled to a tax credit on some other expenses. The tax rate is 19% of the total amount paid, like in case of medical and education expenses.

3.5 Taxation of dividends

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 related to nonqualified participations and to capital gains related to qualified and nonqualified participations. 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.

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).

Nonresident individuals ordinarily are taxed at the 26% flat rate on dividends and, under certain conditions, who moving their tax residence to Italy may apply an EUR 100,000 lump-sum tax on their income earned abroad.

3.6 Taxation of capital gain

The capital gains earned by the sale of qualified shareholdings is taxed as follows:

- Capital gains made before 31 December 2017: 49.72% of capital gains is included in the individual annual gross income (income taxed applying progressive tax rates).
- Capital gains made between 1 January 2018 and 31 December 2018: 58.14% of capital gains is included in the individual annual gross (income taxed applying progressive tax rates).

- Capital gains made as of January 2019 will be taxed applying a flat tax rate of 26% on the whole capital gains amount. The 2018 Italian Financial Bill introduced a final WHT at 26% both to tax resident and non-tax resident individuals for capital gains deriving from a qualified and a non-qualified shareholding (starting from 1 January 2019).

The capital gains earned by the sale of non-qualified shareholdings is taxed applying a flat tax rate of 26%.

3.7 Taxation of interest income

Interests are subject to a flat tax rate of 26% to be applied at source. For specific interests stated by the tax law (e.g. government bonds and other bonds issued by public entities mentioned in Article 31 of D.P.R. 29 September 1973, no. 601 and similar financial instruments), the tax rate will remain at 12.5%.

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

26% on capital gain see section 3.6.

3.10 Statutory obligation of employers

Italian Constitution, law and National Collective Labour Agreements manage the employment relationship.

Trade Union represents the employee's interests through collective bargaining.

Many employer's obligations exist such as anti-discrimination duties, the employer's duty to perform the contract, sick leave, maternity and family Leave, paid leave, severance payment, avoid unfair dismissal, etc.

3.11 Filing requirement of tax return

Filing due dates	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 30 September 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 generally are subject to deduction of tax at source.
Penalties	Penalties and interest apply for late filing, failure to file and tax avoidance and evasion.
Application of holdover	IRPEF 2020 amount is paid through a down payment and a balance. IRPEF 2020 down payment will be paid if his previous year's amount is greater than € 51,65 and it will be paid with two installments if the amount of first of it is greater or equal than € 103. The installments' amount will be: <ul style="list-style-type: none"> - 40% of the amount of IRPEF 2020 down payment year by June 30th, with IRPEF 2019 balance. - 60% of the IRPEF 2020 down payment by November 30th. IRPEF 2020 balance will be paid by June 30th 2021.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Istituto Nazionale Previdenza Sociale (INPS) (www.inps.it)

4.2 Basis of contribution

Social security contributions are made by both the employee and the employer.

Mandatory social charges are payable by the employer and vary depending on the employee's job and the size of the workforce. Contributions are calculated on the total amount of employment income received if the contributions started before January 1st 1996; otherwise social security is calculated and paid up to a maximum amount of 103,055 euro for the year 2020.

4.3 Contribution rate

Rates depend on the sector and the employee's job title.

The total social security rate is around 40% of the employee's gross compensation and is shared as follows:

- Employer's charge is around 30%.
- Employee's charge is around 10%.

In general, only 33% of the total rate is paid into the National Pension Fund, the remainder is paid to the following Social Security funds:

- Unemployment fund
- Sickness fund (not applicable for executives)
- Maternity fund.
- Temporary unemployment compensation fund (ordinary and extraordinary, not applicable to executives)
- Social mobility fund (not applicable to executives)
- Other minor funds.

4.4 Exemption from tax

Specific exemptions apply, provided certain conditions are satisfied.

GST/VAT

5.1 Basis of tax

There are three conditions that must be met for a transaction to be subject to VAT:

1. objective condition: there must be a transfer of goods or provision of services;
2. subjective condition: the operations must be carried out in running business or in practicing arts and professions;
3. territorial condition: the operations must be carried out within Italy.

For VAT purposes, "Italy" is considered to be the territory of the Italian Republic, excluding the Communes of Livigno, Campione di Italia and the waters of Lake of Lugano on Italian territory.

VAT substantially applies to the following operations:

- transfer of goods made in Italy in running business or in practicing arts and professions;
- provision of services in Italy in running business or in practicing arts and professions;
- intra-EU purchases of goods from another EU member state in running businesses or in arts and professions;
- purchases made by foreign countries of some services carried out in Italy
- businesses or in practicing arts and professions;
- imports of goods from non-EU countries, made by anyone.

However, VAT does not apply to all the aforesaid operations conducted in the Italian territory. Some operations are, in fact, tax exempt, while others fall outside the scope of VAT. The former are operations that respect the three conditions but are excluded by express provision of law, such as the sale of postage stamps and stamp duties, financial expenses, medical services, insurance operations, etc. The latter, while physically carried out in Italy, are considered by law as if they were not carried out in Italy and therefore not subject to VAT.

5.2 Rates of tax

22%, Standard: All other taxable goods and services;

- 10%, Reduced: Some foodstuffs; water supplies; some pharmaceutical products; domestic passenger transport; admission to cultural events; some social housing; renovation and repair of private dwellings; some construction work on new buildings; some supplies of new buildings (non-luxurious); some agricultural supplies; hotel accommodation; restaurants; admission to certain sports events; energy products (excluding district heating); firewood; collection of domestic waste; some waste water treatment; alcoholic beverages in bars and cafes; take away food; cut flowers and plants for decorative use and food production;
- 5%, Reduced: Some foodstuffs; some social services; certain passenger transport;
- 4%, Reduced: Some food products; certain medical equipment for disabled persons; certain books; newspapers and some periodicals; e-books with an international standard book number (ISBN); online journals newspapers; TV licence; some social housing; some agricultural supplies; certain social services; motor vehicles for the disabled; construction work on new buildings (for first housing); supplies of new buildings (for first housing).

Specific supplies of goods and services expressly listed in Presidential Decree n. 633/72 are exempt from Vat, for example education, insurance services, specific financial services, supply, leasing of particular immovable property.

5.3 Registration

If a person (individual person, partnership, company with share capital or institution) intends to carry out an operation relevant for VAT purposes in running a business or in an art or profession, he/she/it is required to apply for an Italian VAT number before implementing the operation. VAT is applied through the reverse charge mechanism by the recipient of the goods or services.

If the foreign operator has a permanent establishment in Italy, he/she/it should apply for an Italian VAT number and comply to all

legally required provisions, as if he/she/it were a national person. If the foreign operator does not have a permanent establishment in Italy, he/she/it may also: appoint an Italian VAT tax representative, i.e. an individual person or institution resident in Italy, responsible for fulfilling the obligations and exercising the rights laid down by the regulations on VAT; or identify itself directly for VAT purposes in Italy, directly fulfilling the obligations and exercising the rights laid down by Italian regulations, if resident in one of the EU countries or in one of the non-EU countries with which Italy has reciprocal assistance agreements on indirect taxation.

The appointment of the tax representative or direct identification should follow a special procedure and should be notified to the other contracting party before making the first relevant operation for the purposes of Italian VAT. In the event goods or services are supplied directly from abroad, the transaction shall be taxable in Italy through the reverse charge mechanism by the recipient (purchaser) if it is a taxable person in Italy for VAT purposes (so called B2B transactions). However, notwithstanding the non-resident has been identified for VAT purposes, the Italian operator shall comply with all the obligations through the above-mentioned reverse charge mechanism. This scheme is applicable even if a foreign operator has a permanent establishment in Italy, when the goods or services have been provided by the non-resident entity. Where goods or services are supplied directly from abroad to a final consumer (so called B2C transactions) applying for a VAT identification through their Italian VAT number (VAT Rep, Permanent establishment or direct identification) will be necessary.

The VAT position of a person remains valid until the termination of all activities.

5.4 Filing requirements

All VAT registered businesses must submit VAT returns and VAT ledgers on a quarterly basis.

In addition, monthly or quarterly VAT payments must be made depending on the turnover of the company in Italy. This threshold is different for goods and for services. Where the annual turnover exceeds €700,000 for companies supplying goods and services; and €400,000 companies supplying services exclusively, monthly VAT payments are due. In case this threshold is not exceeded, quarterly VAT payments must be made. When the taxpayer is paying VAT quarterly, the amount due should be increased by 1% to pay for index price fluctuations.

Italian monthly VAT calculations must be paid by the 16th day of the month following the reporting period. Quarterly VAT calculations must be paid by the 16th day of the second month following the reporting period for the first three calendar quarters of the year. The fourth quarter VAT return is due by 16 March.

As a general rule, quarterly VAT calculations follow the calendar quarter (January to March, April to June, etc.). If the due date falls on a Saturday, Sunday or bank holiday, the date is shifted to the next working day.

In addition to monthly or quarterly VAT payments, an annual prepayment must be made by the 27 December.

VAT payments must reach the bank account of the tax authorities within the deadlines listed by law and mentioned above.

DOUBLE TAX RELIEF

6.1 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.

6.2 List of double tax treaties signed

Many states have concluded double tax treaties with Italy over the years. There are currently more than 70 agreements between Italy and other countries, including with: Albania, Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belgium, Belarus, Brazil, Bulgaria, Canada, China, Cyprus, Congo, Croatia, Czech Republic, Slovakia, Denmark, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Ghana, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Ivory Coast, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Mexico, Morocco, Mozambique, Netherlands, New Zealand, Norway, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, Serbia, Senegal, Singapore, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Syria, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uganda, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Venezuela, Vietnam, Zambia.

For double tax treaties concluded with states that no longer exist (for example the treaties signed with Yugoslavia, Czechoslovakia and USSR), the same regulations and provisions, with certain amendments and actualization, are applied with their predecessors.

Along with the double tax treaties in Italy, tax information exchange agreements are signed in order to regulate the exchange of information between the partner countries and also to maintain the good application of the treaties for foreign investors.

Each country applies different taxes on dividends, interests, and royalties. The rates of the withholding taxes levied on dividend, interest, and royalties payments are usually influenced by several factors, one of the most important being the recipient's shareholding ownership in the company paying them. However, the taxes applied through the double tax treaties in Italy are usually lower than the ones applicable otherwise.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

The percentage and exemption limits applicable to transfers of money or assets depend on the beneficiary's relation with the deceased person or the donor.

In summary, in case of transfers made in favour of:

- the spouse or relatives in a direct line, the inheritance or donations tax will be imposed at 4% on the value of the assets exceeding the tax-free threshold of EUR 1 million (per heir)
- a sister and brother, the inheritance or donations tax will be imposed at 6% on the value of the transfer exceeding EUR 100,000 (per heir)
- other family members up to the fourth generation, the inheritance or donations tax will be imposed at a 6% tax rate on the entire value of the transfer, and
- all other beneficiaries not previously mentioned will be subject

to an 8% tax rate to be applied on the entire value of the transfer.

Specific provisions apply to a handicapped person.

7.2 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.

7.3 Estate 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).

7.4 Net wealth/net worth tax

The Italian tax on financial investments (IVAFE) owned outside of Italy by an individual who qualifies as a resident for Italian tax purposes is proportionate to the percentage owned and the size of the property.

The taxable base is the value of the financial investments as of 31 December or the end of the holding period. The applicable tax rate is equal to 0.2% for FY 2020.

Only for bank accounts, the above-mentioned tax is a flat amount equal to EUR 34.20 for each bank account. This flat amount is not due if the average saving amount is lower than euro 5,000, taking into consideration all the bank accounts owned by the taxpayer.

If the financial investments are subject to a foreign wealth tax, the individual can deduct such amount from the Italian wealth tax.

The mentioned wealth taxes will be determined when the Italian tax return is filed.

7.5 Tax on real estate owned outside Italy

The Italian tax on real estate (IVIE) owned outside Italy by an individual who qualifies as a resident for Italian tax purposes is related to the percentage owned and to the value of the real estate. The IVIE applies on the value of the real estate (i.e. the purchase cost of the real estate property resulting from the purchase act or the market value in force where the real estate is located).

For real estate owned in a European Union (EU) member state and in a country which is a member of the European Economic Area (EEA) that has an exchange of information agreement with Italy, the wealth tax is based on the cadastral value in force in the foreign country. In instances where there is a lack of cadastral value, the wealth tax is based on the purchase cost of the

property resulting or the market value in force where the real estate is located.

The applicable tax rate is equal to 0.76%.

No IVIE is due if the tax is lower than EUR 200; otherwise, the entire IVIE amount is due.

If the real estate properties are subject to a foreign wealth or income tax, the individual can deduct said amount paid from the tax due in the Italian tax return.

The mentioned wealth taxes will be determined when the Italian tax return is filed.

COVID-19 STIMULUS PACKAGES INTRODUCED

8.1 "Nuova Sabatini" Law

It's the contribution provided for the purchase of plant and equipment for production purpose by small and medium enterprise. Its amount is determined to an extent equal to the value of the interest calculated, on a conventional basis, on a loan with a duration of five years and an amount equal to the investment.

The contribution is paid in six annual installments (10% in the first year, 20% from the second to the fifth year and 10% in the sixth year, of the amount allocated).

The refinancing follows the modification contained in the simplification decree which provides, for the applications submitted starting from July 17, 2020, that the contribution can be disbursed in a single solution if the value of the loan relating does not exceed € 200,000.

8.2 Development projects Law

It's the relief allowed as the non-repayable grant or the soft loan to promote the implementation of development projects.

The facilitating instrument of development contracts is the main national measure to support the realization of large productive investments and for the implementation of national industrial policies.

The total minimum investment required is 20 million euros, reduced to 7.5 million euros only for agricultural products. The investment projects of the proposing subject must not lower than:

- 10 million euros in the case of industrial development and environmental protection programs;
- 3 million euro in the case of programs for processing and marketing agricultural products;
- 5 million in the case of development programs for tourism activities.

On the other hand, the investments proposed by the adhering parties must not be for an amount less than 1.5 million euros.

8.3 Fund for safeguarding employment and for the continuation of business activities

This Fund, regardless of the number of employees of the enterprises in question:

1. is directed at saving and restructuring also enterprises holding assets and relationships of strategic relevance for the national interest;

- operates, in case of authorization of the six-month extension of the Ordinary Redundancy Scheme, for the costs to be borne in relation to the aforesaid extension.

8.4 Innovation Manager Voucher

The Voucher measure for consulting in innovation supports the technological and digital transformation processes of SMEs and business networks by the introduction of managerial figures capable of implementing the enabling technologies provided for by the National Business Plan 4.0, as well as to modernize the management and organizational structures of the company, including access to the financial and capital markets.

The facility consists of a contribution in the form of a voucher and the maximum grant that can be granted is differentiated according to the type of beneficiary:

- Micro and small: contribution equal to 50% of the costs incurred up to a maximum of 40 thousand euros;
- Medium-sized enterprises: contribution equal to 30% of the costs incurred up to a maximum of 25 thousand euros;
- Business networks: contribution equal to 50% of the costs incurred up to a maximum of 80 thousand euros.

8.5 “Nuova Marcora” Law

The aid scheme was adopted to support, throughout the national territory:

- the creation of cooperatives promoted and made up of workers from companies in crisis, in line with the aims of the Fund for sustainable growth;
- the creation of social cooperatives and cooperatives that manage companies confiscated from organized crime,
- as well as the development and consolidation of cooperatives located in the southern regions, in order to create stable and lasting development conditions, through the creation of new economic operators and the consequent increase in employment levels.

Loans granted:

- have a maximum duration, including any pre-amortization period, of 10 years;
- are repaid according to an amortization plan in constant deferred half-yearly installments, falling due on May 31 and November 30 of each year. The pre-amortization interest is paid at the same deadlines;
- are regulated at an interest rate equal to 20 per cent of the reference rate in force at the date of granting of the facilities;
- are granted for an amount not exceeding 4 times the value of the investment held by the financial company in the beneficiary cooperative society and, in any case, for an amount not exceeding one million euro;
- if granted against investments, they can cover up to 100 percent of the investment program amount.

The concession is equal to the difference between the installments calculated at the discounting and revaluation rate, in force at the date of granting of the subsidies and those to be paid at the aforementioned subsidized rate.

8.6 IPCEI Fund

It's a fund to support enterprises participating in the implementation of important projects of shared European interest.

8.7 Extension of grace period for SMEs

The duration of the moratorium on mortgages and lines of credit has been extended to 31 January 2021.

It is referred to revocable credit/loans issued in view of advances on receivables, to non-installment loans, to mortgages and other loans with repayment in instalments and to the guarantee to be applied on a dedicated special section of the Guarantee Fund for SMEs to cover the above transactions. For enterprises already eligible for these measures, this extension shall be applied automatically without formalities; the 18 month time interval for the initiation of execution procedures by the intermediaries shall start elapsing from the new deadline provided by the law.

8.8 Simplified procedures for company shareholders' meetings

Company shareholders' meetings can use electronic vote or meeting attendance through telecommunication means.

8.9 Additional division into instalments of suspended payments

- 50% of suspended amounts may be paid all at once no later than 16 September or divided into a maximum of four instalments of equal amounts starting from 16 September 2020.
- The remaining 50% may be paid, without penalties and interest, in up to twenty-four monthly instalments of equal amount, with the first instalment paid no later than 16 January 2021.

Any amounts already paid are not refundable.

8.10 Update tangible/intangible assets and shares book value

It allows enterprises to revalue, for accounting purposes only, tangible and intangible assets, excluding those which the enterprise is intended to produce and trade, as well as shares in subsidiaries and associates in accordance with Article 2359 of the Italian Civil Code constituting fixed assets, resulting from the financial statements for the current year as at 31 December 2019.

The purpose is to allow enterprises to adjust the accounting representation of the assets to their actual values.

The higher accounting value attributed to assets by effect of the revaluation may, however, also be recognized for tax purposes through the payment of a substitute tax in the measure of 3%.

Similarly, the positive balance resulting from the revaluation may be recognized - also only in part - through the payment of a substitute tax of income taxes, of the IRAP regional tax and of any surtaxes in the measure of 10%.

POINT OF CONTACT

Name of contact: Marco Rigobon; Alessandra Bitetti

Telephone with : +39 0276002388; +39 0276004040
country code

Email address: Info@studiorbd.pro



MACAU

GENERAL INFORMATION

1.1 Country/Region

Macau

1.2 Currency

Macau Pataca (MOP)

1.3 Principal business entities

- Limited company by share (SA)
- Private limited company by quotas
- Partnership
- Sole proprietorship
- Branch of a foreign corporation

1.4 Foreign exchange control

No control

1.5 Current economy climate (Industry overview/ encouraged business development)

Macau has shifted from a light industrial-based economy, which placed great emphasis on the garment sector, to a service and tourist economy that focuses on the gaming and tourism sectors. In 2019, gambling activities contributed to over half of Macau's Gross Domestic Product and gaming taxes accounted for over 90% of the government's revenue.

1.6 National tax authority

Name

Financial Services Bureau

Website

<http://www.dsf.gov.mo/>

CORPORATE INCOME TAX

2.1 Basis of taxation

Individuals and corporations, regardless of the residence or location of their domicile or head offices, once they carry on commercial or industrial activities in Macau, are subject to COMPLEMENTARY TAX on profits earned in or derived from Macau. Complementary tax is similar to the business profits tax as commonly seen in other places which is charged on the tax adjusted profits obtained from commercial or industrial activities.

Taxpayers liable to Complementary Tax are divided into two groups, A and B. Group A taxpayer is an individual or a collective body with complete and appropriate accounting records. Meanwhile, any collective body with capital not less

than MOP1,000,000 or on yearly average taxable profit for the last three years of over MOP500,000 will also be classified as a Group A taxpayer. All group A taxpayer has to submit annual tax compliance audit return certified by a Macao registered accountant. Any other taxpayers not fulfilling such criteria are regarded as Group B taxpayers.

Macao Offshore company is fully exempted from Complementary Tax, and Business Tax.

2.2 Rates of tax

Exemption allowance for Complementary Tax assessment in 2018/19 is MOP600,000. The taxable profit over MOP600,000 will be taxed at 12%.

2.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

2.4 Profits deemed to be taxable

In the case of Group A, annual financial statements are required to be compliance checked and signed by taxpayers and accountants or auditors registered with the Macao Finance Services Bureau while Group B filings are reported by taxpayers without accountant certification.

The reporting of Complementary Tax of Group A taxpayers' profits is similar to other places. Basically, a taxpayers' accounting profit should be calculated based on generally accepted accounting principles. Then this accounting profit is subject to adjustments due to the specific requirements or provisions as stated in the Regulation of Complementary Tax and other related statutes. Usually, the tax adjustments include deduction of the nontaxable income and adding back nondeductible expenses from the accounting profit. Since Macau is a Civil Law jurisdiction, all adjustments should follow strictly the statutes which set out in detail what items are taxable, nontaxable, deductible or nondeductible. This is different from the common law approach in which, for example, the deductibility of a certain expenses is often dependent on allowed percentages.

On the other hand, Group B taxpayers will be taxed on estimated profits deemed or adjusted by the Finance Services Bureau based on the type of industry that the particular taxpayer is in, the performance of the industry and taxpayer in recent years and other relevant factors. Well-documented procedures for re-assessment, objection, and appeal are available in case the taxpayer does not concur with the initial estimated assessment.

Macao offshore company can be exempted from all Macao profit tax providing a valid offshore operating permit can be granted from Macao authority. However, all such Macao offshore company has to be pre-approved by Macao Investment and Promotion Institution. Such company has to actually operating in Macao territory and file annual statutory audit report.

2.5 Taxation of dividends

It is no tax if the dividend was paid out of profit after taxation.

2.6 Taxation of capital gains

No special capital gain tax but it has to be included as income item except rental income generated from properties investment.

2.7 Taxation of interest income

It is treated as normal income item.

2.8 Utilization of tax losses

For Group A taxpayers, any net loss incurred in any year of assessment can be deducted from the taxable profit of the one or more subsequent years but limited to a maximum of three years. For other taxpayers, any net loss can only be deducted from the current year of operation, no carried forward is allowed.

2.9 Key Tax incentives

Macao government allow profit tax exemption for assessed profit under MOP600,000 for the year of 2019.

2.10 Withholding tax

Not applicable

2.11 Transfer Pricing

Not applicable

2.12 Filing requirements of tax return

Filing due dates	All taxpayers are required to submit complementary tax returns in respect of the preceding fiscal year within prescribed periods. The tax filing period for Group A taxpayers is between April and June while Group B taxpayers file between February and March each year
Penalties	<ol style="list-style-type: none">1. Absence of or inaccuracy in the declarations which the taxpayers are obliged to submit according to the terms of this regulation, as well as the verified omissions in them, will result in a fine of MOP100 to MOP10,000.2. If the absence, inaccuracy or omission is verified to be deliberate, a fine of MOP1,000 to MOP20,000 will result.
Payment of profit tax and application of holdover	Profit tax is payable in September and November of coming year. No hold over is allowed.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal tax in Macau is named as Professional Tax. It is applied to the income derived from services rendered for others or for individual professional.

According to the Regulations, taxpayers subject to professional tax are classified into two groups.

Group 1 taxpayers are those who render work for others. They are further classified into two types, namely employees and casual workers. The former perform intellectual work and are paid

monthly, while the latter perform physical and handicraft work and are paid on a daily basis.

Group 2 taxpayers are those who are self-employed and exercise professional activities. They are obliged to issue tax receipts on the date of collection for all amounts received from their clients under the titles of remuneration, provisions, prepayments or any others. Their respective tax numbers should also been mentioned in that receipt which was pre-printed by the Macau Finance Services Bureau.

3.2 Rates of tax

Sliding scale tax rates is shown as follows:

From	To	From
0.00	144,000.00	0%
144,000.01	164,000.00	7%
164,000.01	184,000.00	8%
184,000.01	224,000.00	9%
224,000.01	304,000.00	10%
304,000.01	424,000.00	11%
Above 424,000.00		12%

3.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

3.4 Allowances and Deductions

1/4 of the total gross amount of income can be allowed as deductibles.

3.5 Taxation of dividends

Not applicable

3.6 Taxation of capital gain

Not applicable

3.7 Taxation of interest income

Not applicable

3.8 Personal assessment and utilization of losses

As for Group 1 taxpayers, professional tax is collected on a Pay as You Earn ("PAYE") basis where employers are required to deduct the tax from their payments to employees at source. Professional tax collected is then payable to the tax authority by the employer on a quarterly basis. By the end of February each year, employers are also obliged to lodge the annual professional tax returns M3/M4 with the tax authority in respect of the preceding year for all of their employees.

Group 2 taxpayers are primarily self-employed professionals. Those with appropriate accounting books and records are required to submit their personal tax returns not later than 15 April each year. Taxpayers without appropriate accounting books and records are required to submit their personal tax returns annually by the end of February each year for tax calculation according to the official tax receipt pre-printed by Macau Government.

3.9 Withholding tax

All professional tax payable money shall be withheld by employer and submitted to Finance Services Bureau by seasons.

3.10 Statutory obligation of employers

All employees shall be registered under professional tax within 15 days of services commenced. Any withheld professional salary tax shall be reimbursed to the Finance Services Bureau tax each seasons due on Apr, Jul, Oct and Jan each year.

3.11 Filing requirement of tax return

Filing due dates	End of February
Penalties	1. The absence of or inaccuracy in the declaration of tax return, as well as omissions verified in them will result in a fine of MOP500 to MOP5,000. 2. In case such absences, inaccuracies or omissions are made deliberately, the fine will be from MOP1,000 to MOP10,000.
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Fundo de Segurança Social do Governo da RAEM (Social Security Funds)

4.2 Basis of contribution

After the employment relationship is established between employer and employee, the Social Security Fund System is mandated to set up within 15 days.

4.3 Contribution rate

MOP90 per month (MOP60 by employers, MOP30 by employees) for resident employees;

MOP200 per month (fully by employers) for non-resident employees

4.4 Exemption from tax

No exemption

GST/VAT

5.1 Basis of tax

Not applicable

5.2 Rates of tax

Not applicable

5.3 Registration

Not applicable

5.4 Filing requirements

Not applicable

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Not applicable

6.2 List of double tax treaties signed

1. China
2. Portugal
3. The Republic of Mozambique
4. Belgium
5. The Republic of Cape Verde

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Currently there are 43 items subject to stamp duty including transfers of property ownership, advertisements, private contracts, capital registration of companies and amusement entrance tickets. The rates of such duties vary from 0.1% to 10%.

However, the 2019 tax relief measures regarding stamp duty is shown as follows:

1. Exemption of stamp duty on insurance contracts and banking service charges;
2. Exemption of stamp duty on all admissions of performance, exhibition or any kind of entertainment.
3. Exemption of stamp duty on putting up or placement of advertisements, signboards and publicity materials.

7.2 Real property tax

Property tax is levied on revenues from urban properties through leasing or self-accommodation. Taxpayers may be the registered owners or tenants physically occupying the properties. Taxes are generally levied on two categories. The first category refers to leased properties from which the owner receives rental income and the tax rate is 10%. The second category covers those properties not rented to a third party, ie where the owner occupies the property for self-usage. The tax rate for this category is 6% on the deemed rental value of the property.

For the 2019 tax relief measures, a standard deduction of property tax for MOP 3,500 is levied on each unit.

7.3 Estate duty

Not applicable

7.4 Net wealth/net worth tax

Not applicable

7.5 Others

Business tax: Not applicable

Consumption tax, etc.: Charged on fuel and lubricants, tobacco, alcohol. The tax on some alcoholic drinks is levied

ad valorem according to the CIF/Macau value; the remainder is specified by the Government.

POINT OF CONTACT

Name of contact: Jackson Chan

Telephone withcountry code: +853 2856 2288

Email address: chanjacksn@hotmail.com



MALAYSIA

GENERAL INFORMATION

1.1 Country/Region

Malaysia

1.2 Currency

Ringgit Malaysia (RM) which is divided into 100 sen (cent).

1.3 Principal business entities

There are generally three types of business entities operating in Malaysia:

(i) Sole Proprietorship and Partnership

Sole proprietorships are basically one-owner businesses whereas partnerships are business concerns consisting of not less than 2 and not more than 20 partners that must register with the Companies Commission of Malaysia (CCM) to formalize their registration. Owner of sole proprietorship and partners in partnership business entities are bounded by unlimited liability. Sole proprietorship and partnership are regulated under the Registration of Business Act 1956 in Peninsular Malaysia; Trade Licensing Ordinance 1948 in Sabah; and, Business Name Ordinance and Businesses, Professions and Trades Ordinance in Sarawak. The Partnership Act 1961 applies to all partnerships unless a formal agreement has been drawn up setting out the rights or obligations of the partners.

(ii) Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is an alternative business vehicle to carry out business which combines the characteristics of a company and a conventional partnership. The minimum number of partners for LLP is 2 natural persons/entities/companies. LLP provides limited liability status to its partners and offers the flexibility of internal business regulation and arrangement through an agreement between the partners. LLP is governed by Limited Liability Partnership Act 2012. It provides the flexibility of controlling the business operation in accordance with the partnership agreement whilst enjoying the limited liability status as compared to a company which is subject to strict compliance requirements under the Companies Act 2016 in most of its affairs.

(iii) Company

A "Sdn Bhd" is an abbreviation for a private limited company which prohibits any invitation to the public to subscribe to any of its shares. Minimum member in a private limited company is 1 and maximum is 50. A "Bhd" is an abbreviation for a public limited company where its shares can be offered to the public for a fixed period. Both private limited company and public limited company are regulated under the Companies Act 2016.

1.4 Foreign exchange control

The ringgit exchange rate operates on a managed-float regime against a trade-weighted basket of currencies. Malaysia maintains a liberal foreign exchange administration (FEA) policy which are mainly prudential measures to support the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position.

1.5 Current economy climate (Industry overview/ encouraged business development)

The Global Competitiveness Report 2019-2020, released by the World Economic Forum (WEF), ranked Malaysia 25th out of 140 economies. With this ranking, the country remained the most competitive economies, and was the highest ranked among the developing Asian countries.

In the Doing Business Report 2020 published by the World Bank, Malaysia is ranked 15th worldwide for the ease of doing business, outranking countries such as Canada (22nd), Germany (24th), France (32nd), Switzerland (38th) and Japan (39th). Malaysia is also ranked second in ASEAN in the report after Singapore.

Malaysia performs strongly in Economic Performance improving by 5 places at 8th as well as improvements in Government Efficiency and Business Efficiency which improves by 2 positions at 23rd and 17th respectively. Among 30 countries with GDP per capita less than US\$20,000, Malaysia remains at 2nd position with a value of US\$9,828. In the category of populations greater than 20 million, Malaysia ranks 8th among 29 countries. Within the Asia-Pacific region, Malaysia ranks 6th and remains 2nd in the ASEAN region.

Malaysia is one of the most open economies in the world with a trade to GDP ratio averaging over 130% since 2010. Openness to trade and investment has been instrumental in employment creation and income growth, with about 40% of jobs in Malaysia linked to export activities. After the Asian financial crisis of 1997-1998, Malaysia's economy has been on an upward trajectory, averaging growth of 5.4% since 2010, and is expected to achieve its transition from an upper middle-income economy to a high-income economy by 2024.

However, the COVID-19 (coronavirus) pandemic has had a major economic impact on Malaysia, particularly on its vulnerable households. The COVID-19 pandemic has resulted in an unprecedented crisis that requires large-scale and unconventional policy responses by governments everywhere. With the crisis severely affecting private demand and causing supply shocks, the government is tasked with the responsibility of facilitating economic recovery in the near term. Malaysia's economy remains resilient and rests on strong fundamentals. Its diversified economic structure, sound financial system, effective public health response and proactive macroeconomic policy support suggest that Malaysia will be able to ride out the storm better than many other countries. As such, the World Bank expects Malaysia GDP growth to resume in 2021 at 6.9% as the outbreak eases.

In order to cushion the impact of the COVID-19 pandemic, Malaysian Government has launched several stimulus packages to protect its citizens, support businesses and to strengthen the economy with a total fund allocation of RM305 billion (USD75 billion).

- i) Economic Stimulus Package;
- ii) Prihatin Rakyat Economic Stimulus Package (People Caring Economic Stimulus Package);
- iii) Additional Prihatin SME Economic Stimulus Package 2020;
- iv) Short-Term Economic Recovery Plan (PENJANA)
- v) Kita Prihatin Package

Economic Stimulus Package – announced on 27th February 2020

This economic strategy package focuses on 3 main strategies, which aims to accelerate the economic activities through utilising strategic domestic resources in order to generate assured Malaysia, as follows:

- Strategy I: Mitigating Impact of COVID-19 (18 measures);
- Strategy II: Spurring Rakyat Centric Economic Growth (5 measures); and
- Strategy III: Promoting Quality Investments (9 measures)

Measures taken focus on improving the cash flow of affected business, stimulating demand for tourism and assisting affected individuals such as RM2 billion Special Relief Facility for SMEs, RM200 million Micro-Credit Scheme, deferment and revision of income tax estimation, RM300 million SME Automation and Digitalisation Facility, Accelerated Capital Allowance for Machinery and Equipment including ICT Equipment etc.

Prihatin Rakyat Economic Stimulus Package (PRIHATIN) – announced on 27th March 2020

An enhancement to the Economic Stimulus Package announced on 27th February 2020. Of the total amount of RM250 billion, almost RM128 billion is channelled to protecting the welfare of the citizens, RM100 billion for supporting businesses, including Small and Medium Enterprises (SMEs) and RM2 billion to strengthen the economy, while the remaining RM20 billion was announced in the previous stimulus package.

The packages included:

- a one-off cash assistance to citizens, Bantuan Prihatin Nasional (BPN) with an allocation of RM10 billion;
- Exemptions and Postponement on Housing and Business Premise Rental;
- Electricity Bill Discounts;
- Wage Subsidy Programme;
- allows the postponement of income tax instalment payments to all SMEs for three months beginning 1 April 2020;
- a 6-month auto moratorium for all loans;
- RM50 billion guarantee scheme up to 80% of the loan amount for financing working capital requirements; and etc.

Additional Prihatin SME Economic Stimulus Package 2020 – announced on 6th April 2020

This Additional Prihatin SME Economic Stimulus Package 2020,

valued at RM10 billion, includes:

- An additional RM7.9 billion for the Wage Subsidy Program; and
- The creation of a RM2.1 billion Special Prihatin Grant for all eligible SMEs and micro businesses.

To ensure that all the measures and initiatives under the Prihatin Economic Stimulus Package and this Additional Prihatin SME package are implemented quickly and smoothly, a taskforce has been established at the Ministry of Finance to oversee the deployment and progress of the initiatives.

The IMSME.com.my portal handled by the Credit Guarantee Corporation is ready to receive applications for SME reliefs, with the portal also offering financing advice for SMEs.

Short-Term Economic Recovery Plan (PENJANA) – announced on 5th June 2020

This is in addition to the three (3) Economic Stimulus Packages totaling RM260 billion announced earlier. PENJANA has 40 initiatives focusing on the following three (3) key thrusts:

- Empower People (11 initiatives);
- Propel Businesses (14 initiatives); and
- Stimulate the Economy (15 initiatives).

Kita Prihatin – announced on 23rd September 2020

Kita Prihatin valued at RM10 billion was announced and focused on the following key measures:

- Targeted wage subsidy programme;
- Extension of special grant for micro SMEs

Industry4WRD

The Industry4WRD is National Policy on Industry 4.0 launched on 31 October 2018 to drive digital transformation of the manufacturing and related services sectors in Malaysia. The Strategic Enablers:

- i. (F) Funding & Outcome-based Incentives
- ii. (I) Enabling Ecosystem & Efficient Digital Infrastructure
- iii. (R) Regulatory Framework & Industry Adoption
- iv. (S) Upskilling Existing & Producing Future Talent
- v. (T) Access to Smart Technologies & Standards

1.6 National tax authority

Name

Inland Revenue Board of Malaysia (IRB)

Website

www.hasil.gov.my

CORPORATE INCOME TAX

2.1 Basis of taxation

Income is taxable on modified territorial basis. Generally, any income accruing in or derived from Malaysia is taxable locally notwithstanding the fact that the income may not have been received in Malaysia. However, a foreign source income received will be exempted from income tax with the exception of resident

companies carrying out a business of sea/ air transport, banking or insurance which are assessable on a world income scope.

2.2 Rates of tax

	2020 onwards
Corporate income tax rates:	
<ul style="list-style-type: none"> Resident company with paid up capital of RM2.5 million or less and having gross income from business source or sources of not more than RM50 million <ul style="list-style-type: none"> On first RM600,000 Subsequent Balance 	17% 24%
<ul style="list-style-type: none"> Resident company with paid up capital more than RM2.5 million and having gross income from business source or sources of not more than RM50 million 	24%
<ul style="list-style-type: none"> Non-resident company/ branch 	24%

2.3 Year of assessment

Each tax year or year of assessment (YA) begins on 1 January and ends on 31 December. However, for companies, the basis period will be the financial year of the company which not necessary be the calendar year.

2.4 Profits deemed to be taxable

Certain Income deemed to be derived from Malaysia

Gross income in respect of :

- interest or royalty,
- special classes of income (e.g. technical assistance, rent of moveable property, etc) shall be deemed to be derived from Malaysia,
- Other income such as commission, guarantee fee, agency fees and etc:
 - if responsibility for payment lies with the government or state government; or
 - if responsibility for payment lies with a person who is resident for that basis year; or
 - if the payment of the above or other payments is charged as an outgoing or expense in the accounts of a business carried on in Malaysia.

2.5 Taxation of dividends

Malaysia adopted a single-tier tax system. Under this system, corporate income is taxed at corporate level and this is a final tax. Companies may declare single tier exempt dividend that would be exempt from tax in the hands of their shareholders.

2.6 Taxation of capital gains

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

2.7 Taxation of interest income

Generally, interest income is assessed under Section 4(c) of the Income Tax Act 1967 (ITA) as investment income.

Interest income may be assessed under Section 4 (a) of the ITA

as business income if the interest is receivable by a person in the course of carrying on a business of lending money licensed under any written law.

2.8 Utilization of tax losses

A company is entitled to carry forward business losses incurred in one assessment year for deduction against its statutory income in any of the following years. Unabsorbed business losses cannot be set off against future income from sources other than business sources.

With effect from YA2006, the utilization of unabsorbed business losses is subject for a dormant company is subject to the continuity of ownership test. From YA2019, a time frame is given for the carry forward of the unabsorbed losses to a maximum of 7 consecutive years of assessment, unlike the indefinite time frame that exists pre YA2019.

Group relief is available to all locally incorporated companies resident in Malaysia, having paid up capital in respect of ordinary shares of more than RM2.5million, both companies have same accounting period and both companies are related with at least 70% shareholding owned. The amount of relief is limited to 70% of current year adjusted loss from the surrendering company against aggregate income of claimant company.

2.9 Key tax incentives

A variety of tax incentives are available to various industries (i.e. manufacturing, IT services, biotechnology, Islamic finance, energy conservation, agriculture, tourism, research and development (R&D), education and health care, green technology, waste recycling and other sectors). Main incentives available include Pioneer Status of tax holidays up to 10 years; Investment Tax Allowances (i.e. 100% allowance on capital investments made up to 10 years); Accelerated Capital Allowances; Double Deductions; Reinvestment Allowances (i.e. 60% allowance on capital investments made in connection with approved projects); Automation Allowance and others.

2.10 Withholding tax

Payment Type	WT Rate %
Royalty	10
Rental of moveable property	10
Technical or management service fees *[note]	10
Interest	15
Contract Payment on:-	
- Account of contractor	10
- Account of employee	3
Other income such as commission, guarantee fee, agency fees and etc.	10

The ITA provides that where a person is liable to make payment as listed below to a non-resident person, he shall deduct withholding tax at the prescribed rate from such payment and pay that tax to the Director General of Inland Revenue within one month after such payment has been paid or credited.

Where the recipient is a resident of a country which has a double tax treaty with Malaysia, the above withholding tax rates may be reduced.

*[Note]: Income derived by non-resident shall be deemed to be

derived from Malaysia and subject to withholding tax where the services were performed in Malaysia.

2.11 Transfer pricing

The Income Tax (Transfer Pricing) Rules 2012 and the Transfer Pricing Guidelines 2012 were issued on 11 May 2012 and 20 July 2012 respectively but are deemed to be effective retrospectively from 1 Jan 2009. The Rules and Guideline cover the application of Section 140A and explain the administrative aspects of it.

Transfer Pricing (TP) is applicable to business with gross income exceeding RM25 million and the total amount of related party transactions exceeding RM15 million. As for persons providing financial assistance exceeding RM50 million, they would be required to comply with it too.

Failure to furnish contemporaneous TP documentation is subject to penalty as follows:

Prosecuted in court	<ul style="list-style-type: none"> Fine between RM20,000 to RM100,000 or imprisonment of up to 6 months, or both; and Court may order for the TP documentation to be submitted within 30 days or any other period deemed fit by the court
In lieu of prosecution	<ul style="list-style-type: none"> Penalty between RM20,000 to RM100,000

2.12 Filing requirement of tax return

Filing due dates	All companies must file the tax returns within 7 months from the end of the accounting period.
Penalties	<p>a. Failure to submit a tax return</p> <p>Upon conviction, the taxpayer will be liable to a fine ranging from RM200 to RM20,000 or imprisonment for a term not exceeding 6 months or both.</p> <p>The fine for failure to furnish tax return for 2 years of assessment or more shall upon conviction, be liable to a fine ranging from RM1,000 to RM20,000.</p> <p>If no prosecution is initiated, a penalty equal to treble the amount of tax payable (before any set-off, repayment or relief) may be imposed.</p> <p>b. Failure to remit tax payable</p> <p>A penalty equivalent to 10% on the balance of tax payable may be imposed.</p>
Payment of profit tax and application of holdover	<p>Under the Self-Assessment System (SAS), every company is required to determine and submit in a prescribed form (Form CP204) an estimate of its tax payable (ETP) for a YA, 30 days before the beginning of the basis period. However, when a company first commences operations, the ETP must be submitted within 3 months from the date of commencement of its business. The ETP submitted for a particular YA cannot be less than 85% of the estimate/revised estimate for the immediate preceding YA.</p> <p>When the estimate of tax payable has been submitted, the company is required to remit this amount in equal monthly instalments according to the number of months in its basis period.</p>

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income derived from Malaysia is subject to income tax whereas income derived from foreign sources outside Malaysia is exempt. Resident individuals are taxed at progressive rates ranging from 0% to 30% after deducting personal reliefs. Non-resident individuals are taxed at a flat rate of 30%. Generally, an individual is a tax resident if he/she stays in Malaysia for 182 days or more in a calendar year.

3.2 Rates of tax

Income tax rates for resident individuals.

Chargeable income (RM)		YA 2020 onwards	
		Tax Rate (%)	Tax Payable (RM)
On the first	2,500	0	0
On the next	2,500	0	0
	5,000		0
On the next	5,000	1	50
	10,000		50
On the next	10,000	1	100
	20,000		150
On the next	15,000	3	450
	35,000		600
On the next	15,000	8	1,200
	50,000		1,800
On the next	20,000	14	2,800
	70,000		4,600
On the next	30,000	21	6,300
	100,000		10,900
On the next	50,000	24	12,000
	150,000		22,900
On the next	100,000	24	24,000
	250,000		46,900
On the next	150,000	24.5	36,750
	400,000		83,650
On the next	200,000	25	50,000
	600,000		133,650
On the next	400,000	26	104,000
	1,000,000		237,650
On the next	1,000,000	28	280,000
	2,000,000		517,650
Exceeding	2,000,000	30	

3.3 Year of assessment

The tax year starts on 1 Jan and ends on 31 December of every year.

3.4 Allowances and deductions

In the case of an individual resident for the basis year for a year of assessment, there shall be allowed for that year of assessment personal reliefs.

3.5 Taxation of dividends

With effect from 1 January 2008, company is effectively placed on single tier dividend system. Any dividend paid out under single tier dividend system will be tax-exempt in the hand of shareholders.

3.6 Taxation of capital gain

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

3.7 Taxation of interest income

Generally, interest income is assessable to tax under Section 4(c) of the ITA as investment income. With effect from 30 August 2008, an individual resident in Malaysia is exempted from payment of income tax on gains or profit, interest or bonus received from money deposited in approved institutions.

3.8 Personal assessment and utilization of losses

Unabsorbed business losses carried forward can only offset against business income.

3.9 Withholding tax

The employer is responsible to deduct Monthly Tax Deduction (MTD) from the remuneration of employee in the relevant month and pay to the IRB not later than the 15th day of the following calendar month.

In certain circumstances, however, an employer may be required to withhold payments to an employee who is about to leave Malaysia.

Non-resident individuals are subject to withholding tax in respect of payments mentioned under the item 2.10 withholding tax above.

3.10 Statutory obligation of employers

An employer is responsible for the following:

1. Commencement of Employment

An employer is required to notify the IRB of the employment of an individual likely to be chargeable to tax within 1 month from date of commencement of employment. An individual who first arrives in Malaysia and is chargeable to tax have to notify the IRB within 2 months from date of arrival.

2. Cessation of Employment

An employer is required to notify the IRB of the cessation of employment of an individual who is or is likely to be chargeable to tax within 1 month from the expected date of cessation.

3. Departure from Malaysia for a Period Exceeding 3 months

An employer is required to notify the IRB of departure of an employee from Malaysia for a period exceeding 3 months who is or is likely to be chargeable to tax within 1 month before the expected date of departure.

4. Money to be withheld on Cessation of Employment and Departure from Malaysia

An employer is required to withhold money payable to employee who has ceased or about to cease to be employed, or who is about to leave Malaysia for a period of more than 3 months for 90 days or until tax clearance is received, whichever is earlier.

5. Filing of Return by Employer

Every employer is required to furnish the Return Form of Employer (Form E) no later than 31 March. In addition, every

employer is required to prepare and deliver to his employee the Employee's Statement of Remuneration (Form EA) on or before the last day of February.

6. Deductions from Remuneration

An employer is required to remit to the IRB the tax deducted from employees' remuneration:

- As directed by IRB
- Under the MTD Scheme

by the 15th day of the following calendar month.

3.11 Filing requirement of tax return

Filing due dates	Every individual who do not carry on business must file a tax return by 30 April of the following year. The tax filing deadline for individuals who carry on business is 30 June of the following year.
Penalties	Please refer to Item 2.12 Filing requirements of tax return above.
Application of holdover	The IRB may issue a prescribed form (Form CP500) setting out the ETP under an instalment scheme to individuals other than salaried individuals. The individual is required to pay the ETP in 6 bi-monthly instalments commencing from March. Income tax is deducted through MTD Scheme for salaried individuals.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

- Employees Provident Fund (EPF)
- Social Security Organization (SOCSO)
- Employment Insurance System (EIS)

4.2 Basis of contribution

a. Employees Provident Fund (EPF)

The EPF is a social security institution formed in helping members achieve a better future, includes aiding national infrastructural development while safeguarding and growing members' retirement savings. The age for withdrawing one's retirement savings is at 55 years.

b. Social Security Organization (SOCSO)

Under these schemes, employees are given coverage against job-related injury and disability, workplace accidents, occupational diseases and death. Among the many functions undertaken by SOCSO is registering employer/ employees, collection of employers/ employee contributions, processing and disbursing claims made by salaried employees and their dependents. In addition SOCSO also provides physical and vocational rehabilitation benefits to claimants and promotes occupational safety and health awareness.

c. Employment Insurance System (EIS)

The EIS provides protection to workers who have lost their employment through income replacement, reskilling and

up-skilling training to enhance their employability as well as employment services so that they can secure other suitable jobs faster.

4.3 Contribution Rate

a. Employees Provident Fund (EPF)

A contribution constitutes the amount of money credited to members' individual accounts in the EPF. The amount is calculated based on the monthly wages of an employee.

Employees contribute 11% of their salary to EPF, while employers must put in a minimum of 12% for salaries more than RM5,000 and 13% for salaries lower than RM5,000.

Contribution rate for employees above the age of 60 remains unchanged at 0% while the minimum employers' share of EPF statutory contribution rate is 4%.

b. Social Security Organization (SOC SO)

Employers and employees are required to make social security contributions to the SOC SO. Generally, an employer contributes 1.75% while employees will contribute 0.5% of an employee's remuneration.

c. Employment Insurance System (EIS)

The contribution rate for EIS is 0.2% for the employer and 0.2% for employee based on the employee's monthly salary.

4.4 Exemption from tax

a. Employees Provident Fund (EPF)

With effect from YA 2019, the relief of RM4,000 is applicable to contributions for approved scheme (EPF) other than a private retirement scheme.

b. Social Security Organization (SOC SO)

With effect from YA 2016, the relief of RM250 is applicable to contributions made to the Social Security Organization.

SALES AND SERVICES TAX (SST)

5.1 Basis of tax

On 1 September 2018, GST has been repealed and replaced with Sales Tax and Service Tax. Sales Tax and Service Tax become the two major types of consumption taxes levied and charged on certain taxable services and taxable goods in Malaysia.

Service Tax

Service Tax in Malaysia is a form of indirect single stage tax imposed on specified services termed as "taxable services" prescribed under First Schedule of the Service Tax Regulations 2018.

Service Tax is charged on:

- Any taxable services provided in Malaysia by a registered person in carrying on his business.
- Any imported taxable services.
- Digital service provided to any consumer in Malaysia.

Service Tax Act 2018 applies throughout Malaysia excluding designated areas, free zones, licensed warehouses, licensed manufacturing warehouses and Joint Development Area (JDA).

Sales Tax

Sales Tax is a single stage tax charged and levied on all taxable goods manufactured in or imported into Malaysia.

Sales Tax is charged on:

- Manufactured taxable goods in Malaysia by a registered manufacturer and sold, used or disposed of by him.
- Imported taxable goods into Malaysia by any person.

Sales Tax Act 2018 applies throughout Malaysia, excluding the Designated Areas and the Special Areas.

5.2 Rates of tax

Service Tax

The rate of Service Tax is fixed at 6% and a specific rate of MYR 25 is chargeable on the date of the issuance of the principal or supplementary credit card or charge card services.

Sales Tax

Sales Tax is an ad valorem tax and different rates apply based on group of taxable goods. The Sales Tax rate is at 5%, 10% or a specific rate, unless it is exempted.

5.3 Registration

Mandatory Registration

A person is required to be registered for Service Tax if he provides any taxable service where his total value of taxable services has exceeded the prescribed threshold in 12 months as below:

Category	Threshold
Accommodation	RM500,000
Food and beverage operator	RM1,500,000
Night-clubs, Dance Halls, Health and Wellness Centres, Massage Parlours, Public Houses and Beer Houses	RM500,000
Private Club	RM500,000
Golf club and golf driving range	RM500,000
Betting and gaming services	RM500,000
Professional services	RM500,000
Credit Card or Charge Card Services	No threshold specified
Other Service Providers	RM500,000 unless otherwise indicated

A person is required to be registered for Sales Tax if he is engaged in the manufacturing of taxable goods or carries out sub-contractor work with threshold exceeding RM500,000 in 12 months.

Voluntary Registration

Service Tax – A person can apply for voluntary registration if he is satisfied that the said person is providing taxable service but has not reached the threshold or is intending to carry on a business of providing taxable service.

Sales Tax – A person can apply for voluntary registration if his operation complies with the definition of 'manufacture' where the value of taxable goods is below the prescribed threshold or

persons who are exempted from registration.

'Manufacture' is defined as:

- In relation to goods other than petroleum, manufacture is defined as a conversion of organic or inorganic materials by manual or mechanical means into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into a piece of machinery or other products. However, manufacture does not include the installation of machinery or equipment for the purpose of construction.
- In relation to petroleum, any process of separation, purification, conversion, refining and blending.

5.4 Filing requirements

A taxable person must furnish a Form SST-02 every two months according to his taxable period which is defined as two calendar months. The submission should not be later than the last day of the month following the end of his taxable period.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The Double Taxation Agreement (DTA) provide for the avoidance of double taxation on the same income. Where there is no DTA, unilateral tax credit is allowed but it is limited to 50% of the foreign tax payable on the foreign income for the year.

6.2 List of double tax treaties signed

EFFECTIVE DOUBLE TAXATION AGREEMENT (DTA)

• Albania • Argentina • Australia • Austria • Bahrain • Bangladesh • Belgium • Bosnia and Herzegovina • Brunei • Canada • Chile • China • Croatia • Czech Republic • Denmark • Egypt • Fiji • Finland • France • Germany • Hong Kong • Hungary • India • Indonesia • Iran • Ireland • Italy • Japan • Jordan • Kazakhstan • Korea • Kyrgyz • Kuwait • Laos • Lebanon • Luxembourg • Malta • Mauritius • Mongolia • Morocco • Myanmar • Namibia • Netherlands • New Zealand • Norway • Pakistan • Papua New Guinea • Philippines • Poland • Qatar • Romania • Russia • San Marino • Saudi Arabia • Seychelles • Singapore • South Africa • Spain • Slovak Republic • Sri Lanka • Sudan • Sweden • Switzerland • Syria • Thailand • Turkey • Turkmenistan • United Arab Emirates (UAE) • United Kingdom • United States of America (USA) • Uzbekistan • Venezuela • Vietnam • Zimbabwe

INCOME TAX EXEMPTION ORDER

- Taiwan

EFFECTIVE TAX INFORMATION EXCHANGE AGREEMENT (TIEA)

- Bermuda

GAZETTED DTA (NOT YET ENTERED INTO FORCE)

1	Belgium (Protocol)	24 May 2010	4	Kuwait (EOI Protocol)	26 Aug 2010
2	Senegal	25 May 2010	5	Poland	8 Jul 2013
3	Seychelles (EOI Protocol)	26 Aug 2010	6	Indonesia	19 Jul 2012

DTAs UNDER NEGOTIATION

• Azerbaijan • Barbados • Belarus • Brazil • Cambodia • Canada (New Agreement) • China (New Agreement) • Cyprus • Denmark (New Agreement) • Fiji • Finland • Kenya • Lesotho • Mexico • Nepal • Norway • Oman • Portugal • Russia (New Agreement) • South Korea • Tajikistan • Tunisia • Ukraine • Uruguay • Yemen

TIEAs UNDER NEGOTIATION

- The Bahamas • Guernsey • Liberia

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is chargeable on certain instruments or documents. The rate of duty varies according to the nature of the instruments/ documents and transacted values. Exemption of stamp duty is given on certain instruments and documents. The following are rates of stamp duty for some more common instruments and documents.

Conveyance, assignment or transfer

	Value RM	Rate	Duty Payable RM
i. Properties			
On the first	100,000	RM1 per RM100 or part thereof	1,000
On the next	400,000	RM2 per RM100 or part thereof	8,000
On the next	500,000	RM3 per RM100 or part thereof	15,000
	1,000,000		24,000
In excess of 1,000,000		RM4 per RM100 or part thereof	
ii. stock, shares or marketable securities			
		RM3 per RM1,000 or part thereof	

Real Property Gains Tax (RPGT) is charged on gains arising from the disposal of real property, and any interest, option, or other right in or over such real property. RPGT is also charged on the disposal of shares in real property company (RPC). A RPC is a controlled company holding real property or shares in another RPC of which the defined value is not less than 75% of the value of its total tangible assets.

Rate of Real Property Gains Tax Table

	w.e.f 01.01.19 %
Disposal within 2 years after date of acquisition	30
Disposal in the 3rd year after date of acquisition	30
Disposal in the 4th year after date of acquisition	20/30#
Disposal in the 5th year after date of acquisition	15/30#
Disposal in the 6th year after date of acquisition or thereafter	10*/5

All RPGT rates are applicable to both companies and persons other than companies.

* is applicable to disposal by companies and individuals who are not Malaysia citizens or permanent resident.

is applicable to disposal by individuals who are not Malaysia citizens or permanent resident.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

Please refer to Item 5 GST/ VAT above

POINT OF CONTACT

Name of contact: Bigi Neoh

Telephone with country code: +603 2166 2303

Email address: bigi@lkg.com.my



MAURITIUS

GENERAL INFORMATION

1.1 Country/Region

Mauritius

1.2 Currency

Rupees (Rs)(MUR) which is divided into 100 cents

1.3 Principal business entities

- Public company
- Private company
- Partnership
- Limited liability partnership
- Foundation
- Trust
- Société

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

- Conducive to foreign investment
- No exchange controls
- Low tax jurisdiction
- Encourage clean global business

Mauritius is conveniently located allowing for the conduct of business in the Far East in the morning, Europe during the early afternoon and the USA, later in the day.

Well-regulated legislative framework, highly skilled professional, international standard banking sector and the continuous expansion of the double taxation treaty network have led to the success of the Mauritian global business sector.

The island offers great opportunities to plan investment through the use of the Mauritian global business vehicles.

The treaties provide attractive concessions for tax planning opportunities:

- Elimination of double taxation through tax credit
- Reduction in withholding taxes on dividends, interests and royalties
- Exemption from capital gains

African Perspective

Africa is becoming increasingly attractive as an investment destination. Of the 46 tax treaties Mauritius currently has with

several countries, 16 are with African countries - Botswana, Congo, Ghana, Lesotho, Madagascar, Mozambique, Namibia, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Tunisia, Uganda, Zambia and Zimbabwe. It is also in negotiation with several other African states.

There are special advantages for investment in Africa through Mauritius:

- Capital gains tax minimization and minimization of withholding tax on dividend through the use of DTA
- Free repatriation of investment capital and returns & guarantee against expropriation under the Investment Promotion and Protection Agreements (IPPAs)
- No exchange control restrictions
- Access to foreign currency loans and advances

IPPAs signed by Mauritius with 9 African member states offer the right incentive and guarantee to investors targeting investment into Africa. Some 13 IPPAs are currently awaiting ratification with other African member states.

Mauritius is a member of:

- the South African Development Community (SADC),
- the Common Market for Eastern and Southern Africa (COMESA) and
- the Indian Ocean Rim association for the regional Cooperation (IOR-ARC)
- Being a signatory to major African conventions Mauritius is the best offshore financial service centre for establishing any Fund or Investment Holding Company.

Asian Perspective

With DTAs in place with the 2 largest emerging countries namely India and China, the Mauritian global business platform is being widely used for

- Structured Trade Finance between Asia, Africa and Middle-East
- Investment into India

Mauritius-China Free Trade Agreement (FTA) – in force since 1 January 2021

Mauritius and China also signed a free trade agreement (FTA) on 17 October 2019 – China's first FTA with an African state. The agreement will give Mauritius duty-free access to about 8,547 products. The FTA also covers more than 40 service sectors, including financial services, telecommunications, ICT, professional services, construction and health services. The Mauritius-China Free Trade Agreement came into force on 1 January 2021 and gives duty free access on the Chinese market on some 7,504 tariff lines. Tariffs on an additional 723 tariff lines will be phased out over a 5 to 7 years period as from 1 January 2021.

Mauritius-India Comprehensive Economic Cooperation and Partnership Agreement (CECPA) – signed on 22 February 2021

Mauritius and India signed a CECPA on 22 February 2021. The CECPA represents an important milestone in the trade and economic relationship between the 2 countries, providing access to a market of more than 1.3 billion inhabitants to Mauritius. The Agreement has 3 key components to it: Trade in Goods, Trade in Services and Economic Cooperation. Mauritius will benefit from preferential market access on a list of 615 products amongst others.

Reforms in the Global Business Sector

As from 1 January 2019, amendments were brought to the fiscal laws to bring Mauritius in line with OECD and BEPS guidelines/practices. The concept of categories concerning global businesses (GBL1 and GBL2 licences) has been revoked and henceforth there exists only one type of licence for global businesses, i.e. Global Business Licence (GBL).

Under the new tax regime, the presumed tax credit previously granted to GBL1 companies has been abolished. A partial exemption regime has been introduced.

In order to avoid an abrupt change which would otherwise adversely impact existing GBL1 companies and offshore banks, certain transitional provisions have been introduced to cater for a smooth transition up to 30 June 2021.

As of 1 January 2019, existing GBL1 companies have been renamed GBL companies whilst GBL2 companies have been abolished. Companies conducting business with their place of central management outside of Mauritius are now required to apply to be registered as an Authorised Company with the Financial Services Commission. Similar to a GBL2 company, an Authorised Company will be treated as a non-resident for tax purposes in Mauritius and it will not avail of the network of Double Tax Treaties that Mauritius has with other countries. Authorised companies must however file tax returns with the Mauritius Revenue Authority (MRA) within 6 months of their year-end date.

1.6 National tax authority

Name

Mauritius Revenue Authority (MRA)

Website

www.mra.mu

CORPORATE INCOME TAX

2.1 Basis of taxation

Self-assessment system subject to review by the MRA.

Bodies of persons subject to corporate tax are

- Companies
- Trusts
- Trustees of Unit Trust Schemes
- Non-resident Sociétés (Partnerships)

Trusts, Trustees of Unit Trust Schemes and Non-resident Sociétés are treated as companies for tax purposes.

Companies resident in Mauritius are subject to income tax on

their worldwide income.

2.2 Rates of tax

Pre 1 January 2019

Corporate Tax

- Domestic companies are taxed at 15%.
- A GBL 1 company is tax at 15% but is entitled to a deemed foreign tax credit of 80%, bringing the effective tax rate to 3%.
- Companies engaged in the export of goods are taxed at the rate of 3% on that part of the chargeable income that relates to exports. The formula to determine chargeable income for the export of goods is

$$\frac{\text{Gross income from export of goods}}{\text{Gross income from all activities}} \times \text{Chargeable Income.}$$

- Freeport companies are exempted from tax up to 8 August 2018. Transition provisions are in place for companies with a freeport licence issued on or before 14 June 2018; whereby they will continue to benefit from the previous tax exemption until 30 June 2021.

Post 1 January 2019

Corporate Tax

- Domestic companies are taxed at 15%.
- A GBL company is tax at 15% and can avail of an 80% partial exemption on specified income streams, subject to enhanced substance requirements being met. Tax credit for actual foreign tax suffered is also available but cannot be claimed if partial exemption has been applied.
- Companies engaged in the export of goods are taxed at the rate of 3%. Calculation of chargeable income is same as before, where the company has other trades than export of goods.
- Freeport companies are taxed at 15% as from 9 August 2018 and can avail of the 80% partial exemption, if enhanced substance requirements are met.

As from 1 July 2020, freeport companies engaged in the manufacture of goods meant for the local market in whole or in part, will be liable to tax at 3% on the chargeable income from the sale on the local market, provided certain substance conditions are met.

Corporate social responsibility: -

- 2% on chargeable income of domestic companies of the preceding income year
- 2% of adjusted net profit for income tax (excluding exempt income) for societies of the preceding income year

To be noted that 50% (75% as from 01 Jan 2019) of the CSR liability is to be remitted through the MRA.

Where a company is required to submit an Advance Payment System (APS) statement, it should remit 75% of the CSR amount to be remitted to the MRA together with the APS statements, and the final 25% is to be remitted on the submission of the final return.

As from 1 July 2020, freeport operators will also be liable to CSR on chargeable income derived from local sales, as calculated by the prescribed formula.

Only the following are exempted from CSR:

- (a) A company holding a GBL Licence, excluding those holding an additional licence entitling it to a tax holiday;
- (b) A bank holding a banking licence under the Banking Act in respect of its income derived from its banking transactions with non-residents or corporations holding Global Business Licence;
- (c) An Integrated Resort Scheme (IRS) Company;
- (d) A non-resident société or a resident société holding a GBL Licence, a trust or a trustee of a unit trust scheme;
- (e) A company issued with a certificate as a freeport operator or private freeport developer, in respect of income derived from export activities; and
- (f) A REIT.

Controlled Foreign Companies (CFC)

As from 1 July 2020, CFC rules are in force. A CFC is defined as a company not resident in Mauritius; and in which more than 50% of its total participation rights are held directly or indirectly by a resident company in Mauritius or together with associated enterprises; and includes a permanent establishment of the resident company. A CFC also includes a permanent establishment of the resident company.

CFC rules will apply to a CFC where in an income year, it satisfies the following criteria:

- accounting profits are at least EUR 750,000 and non-trading income is at least EUR 75,000;
- accounting profits are at least 10% of its operating costs of the tax period, or
- the tax rate in the country of residence of the CFC is not more than 50% of the tax rate in Mauritius.

The CFC rules would apply where a resident company carries on business through a controlled foreign company and the MRA considers that the non-distributed income of the CFC arises from non-genuine arrangements designed for the purpose of obtaining tax benefits. Where this is deemed so, there is a risk that the MRA may include the non-distributed income of the CFC within the chargeable income of the Mauritian resident company and tax it.

The chargeable income of the CFC to be included in the resident company will be:

- limited to amounts generated through assets and risks which are linked to significant people functions carried out by the controlling company;
- calculated in accordance with the arm's length principle;
- determined in accordance with the Mauritian tax law, as if the CFC has been tax resident in Mauritius during the foreign tax year;
- translated to Mauritian rupees at the average conversion rate during the foreign tax year;
- pro-rated based on the resident company's holding (direct/indirect) in the CFC; and
- included in the tax return of the resident company in respect of the income year in which the tax year of the CFC ends.

Any distribution of profits from the CFC to the resident company

included in the chargeable income of the resident company, will be deducted from the chargeable income when calculating the amount of tax on the distributed profits.

The resident company should also be able to claim tax credit for any tax paid by the CFC.

2.3 Year of assessment

Each tax year or year of assessment begins on 1 July and ends on 30 June.

Statute of limitations

While there is no statutory time limit for recovering tax already assessed, the Director General is barred from making an assessment for a period beyond 3 years preceding the current tax year.

2.4 Profits deemed to be taxable

All income received except for gains on securities/disposal of assets.

2.5 Taxation of dividends

Dividends received from a domestic company is exempt from tax.

Foreign source dividends are taxable at 15%. Partial exemption at 80% may be available, subject to certain conditions being satisfied. Alternatively, tax credit is available for actual foreign tax suffered. Partial exemption cannot be applied if tax credit is taken, and vice versa.

Exempt dividends are as follows: -

- Dividends paid by a company resident in Mauritius
- Dividends paid by a co-operative society resident in Mauritius
- Dividends paid by a company holding a GBL licence.

2.6 Taxation of capital gains

No capital gains tax

2.7 Taxation of interest income

Before 1 January 2019:

Domestic company	15%
GBL 1 and GBL 2	Exempt

After 1 January 2019:

Domestic company	15%
GBL company	15%

An 80% partial exemption is available to both a domestic and GBL company on interest income derived by a company other than a bank; a non-bank deposit taking institution; a money changer; a foreign exchange dealer; an insurance company; a leasing company; or a company providing factoring, hire purchase facilities or credit sales facilities, subject to enhanced substance requirements being met. Resulting effective tax rate is 3%.

2.8 Utilization of tax losses

Losses are carried forward and set off against the income derived in the following 5 income years, provided there is continuity, i.e., that 50% in nominal value of the allotted shares and not less than 50% of the paid-up capital of the company was held by or on behalf of the same person.

Losses arising from annual allowance on capital expenditure incurred on or after 1 July 2006 can be carried forward indefinitely.

If a company engaged in manufacturing activities is taken over by another company or two or more companies engaged in manufacturing activities merge into one company, any unrelieved loss of the acquiree may be transferred to the acquirer in the income year in which the takeover or merger takes place on such conditions relating to safeguard of employment of the companies and meeting satisfying conditions.

Effective from 1 July 2018, companies facing financial difficulty can also carry forward unrelieved accumulated tax losses upon more than 50% change in ownership of the company, subject to meeting the conditions imposed by the Minister of Finance and Economic Development.

2.9 Key Tax incentives

Pre 1 January 2019

Freeport companies are tax exempt except for income derived from operations on local market which is taxed at 15%

GBL 2 are tax exempt

GBL 1 are taxed at 3% after foreign tax credit

Post 1 January 2019

- Both domestic and GBL companies including freeport companies are taxed at 15% and an 80% partial exemption is now available to both domestic and GBL companies on the specified income streams, subject to conditions being met.
 - i. foreign source dividends;
 - ii. interest income derived by a company other than a bank; a non-bank deposit taking institution; a money changer; a foreign exchange dealer; an insurance company; a leasing company; or a company providing factoring, hire purchase facilities or credit sales facilities;
 - iii. profits attributable to a permanent establishment of a resident company in a foreign country;
 - iv. interest derived from money lent through a peer-to-peer lending platform;
 - v. income derived by a CIS, closed end fund, CIS manager, CIS administrator, investment adviser or asset manager;
 - vi. income derived by companies engaged in ship and aircraft leasing;
 - vii. income derived by a company from reinsurance and reinsurance brokering activities;
 - viii. income derived by a company from leasing and provision of international fibre capacity; and
 - ix. income derived from the sale, financing, arrangement, asset management of aircraft and its spare parts and aviation advisory services related thereto.

Effective date for item iv is 1 July 2019 whilst for items vii, viii and ix, the effective is 1 July 2020. For all other income streams, the effective date is 1 January 2019.

Where partial exemption has been applied, the company cannot take a credit for the actual foreign tax suffered on its foreign source income.

- As from 1 July 2020, freeport companies engaged in the

manufacture of goods meant for the local market in whole or in part, are taxed at 3% on the chargeable income from the sale on the local market, provided certain substance conditions are met.

Real Estate Investment Trust (REIT)

- Effective since 1 July 2020, a REIT is collective investment scheme or a closed-end fund authorised as a REIT under the Financial Services Commission (FSC).

A REIT will not be liable to income tax and Corporate Social Responsibility (CSR) tax, subject to meeting certain prescribed conditions. Every beneficiary or participant to a REIT will be liable to tax on his share of distribution. The first MUR 50,000 of the amount receivable by an individual in an income year from a REIT is exempt from tax.

Exemptions from corporate tax

These exemptions are all subject to substance and/or specific conditions being met.

- Income derived by a company licensed under the Captive Insurance Act 2015 is exempt from corporate tax during a period not exceeding **10 years** as from 29 January 2016.
- The income of a corporation issued with a Global Headquarters Administration License on or after 1 September 2016, granted by the Mauritius Financial Services Commission ('FSC') is exempt subject to certain requirements and conditions being met throughout the exemption period. The exemption shall be for a period of **8 income years** as of the income year in which the corporation was granted its license.
- Similarly, the income of a corporation issued with the following licenses on or after 1 September 2016 by the Mauritius FSC is exempt for a period of **5 income years** as of the income year in which the corporation was granted its license. This is also subject to certain substance requirements and conditions being met throughout the 5-year period.
 - o a Global Treasury Activities License;
 - o a Global Legal Advisory Services License;
 - o an Overseas Family Office (single) License; or
 - o an Overseas Family Office (multiple) License.

Corporations holding an Investment Banking Licence are no longer exempt from tax with effect from 9 August 2018.

- Income derived by a company wholly owned by a non-citizen investing not less than USD 25 million in the company will be exempt from tax for a period of 5 successive income years from the income year in which the investment was made, provided that the terms and conditions as the Board of Investment may approve are complied with.
- Income derived from fishing activities by an industrial fishing company incorporated on or after 1 September 2016 and approved by the Board of Investment, for a period of 8 years starting as from the income year in which the company starts its operation.
- Companies, set up on or after 1 July 2017, involved in innovation-driven activities for intellectual property (IP) assets developed in Mauritius on or after 10 June 2019, may avail of an income tax exemption for a period of 8 tax years, starting from the year in which it starts its innovation-driven activities subject to prescribed conditions being met.

- Similar tax exemptions have been introduced for income derived from the manufacture of pharmaceutical products, medical devices and high-tech products by companies which have started their operations on or after 8 June 2017. A tax holiday period of **8 years** will be available to the company from the tax year in which it starts operation.

Tax holiday period of **8 years** on income derived from the exploitation and use of deep ocean water for providing air conditioning installations, facilities and services by a company from the income year in which the company starts its operation. The company may also have double deduction for expenditure incurred on deep ocean water air conditioning in that tax year. The deduction will be allowed for 5 consecutive tax years, starting from the year in which the expenditure is incurred.

- Tax holiday of **8 tax years** on income derived from food processing activities by a company incorporated under the Companies Act on or after 8 June 2017 and holding a registration certificate issued by the Economic Development Board to operate a food processing plant from the tax year in which the company starts its operations. This is effective as from 1 January 2018.
- Tax holiday period of **5 succeeding years** on the income derived by a company carrying out activities as a project developer or project financing institution in collaboration with the Mauritius Africa Fund for the purpose of developing infrastructure in the Special Economic Zones. This will be applicable from the income year in which the activities started. This is in effect from 9 August 2018.
- Tax holiday period of **8 successive years** on income derived by a person from any activity under the sheltered farming scheme, set up by the Food and Agricultural Research and Extension Institute as from the income year in which the person starts the activity. This is in effect from 9 August 2018.
- Tax holiday period of **8 successive years** on income derived by a company, registered with the Economic Development Board, engaged in the manufacturing of automotive parts as from the income year in which the company starts the activity. This is in effect from 9 August 2018.
- Tax holiday period of **8 years** for a company set up on or after 10 June 2019 and engaged in the development a marina; starting from the income year in which the company starts its operations.
- Tax holiday period of **5 years** to companies set up on or before 30 June 2025 on income derived from setting up and operating an e-commerce platform in Mauritius, and is a holder of an e-Commerce certificate from the Economic Development Board, subject to satisfying substance conditions.
- Tax holiday period of **5 years** on income derived from a Peer-to-Peer lending platform, operated under a licence issued by the FSC, subject to satisfying prescribed conditions.
- Tax holiday of **8 successive income years** on income derived from inland aquaculture in Mauritius, by a company which has started its operations on or after 4 June 2020, from the income year in which the company has started its operations.
- Tax holiday of **8 successive income years** on income derived by a company which has started its operations in Mauritius on or after 4 June 2020 and approved by the Higher

Education Commission as being a branch campus of an institution which ranks among the first 500 tertiary institutions worldwide at the time of registration, from the income year in which the institution has started its operations. This is effective from 7 August 2020.

- Tax holiday of **8 successive income years** on income derived from the manufacturing of nutraceutical products by a company which started its operations on or after 4 June 2020, from the income year in which it has started its operations. This is effective from 7 August 2020.
- Tax holiday period of **4 years** on income derived from bunkering of low Sulphur Heavy Fuel Oil for a company starting from the income year ending 30 June 2019 or for a company set up after 1 July 2019, 4 succeeding years as from the income year in which it starts its operations.
- There are a number of specific tax incentives allowed under separate legislation for companies engaged in the development of Smart Cities.

Presumptive Tax on Small Enterprises

This is applicable to a small enterprise whereby a person:

- engaged in the following specific activities: (a) agriculture, forestry and fishing, (b) manufacturing excluding restaurants, (c) retail of goods, including sale of food to be consumed off premises and (d) wholesale of goods;
- whose gross income in an income year does not exceed MUR 10 million; and
- whose gross income from sources, other than specified in i., does not exceed MUR 400,000.

Presumptive tax for Small Enterprises is effective as from 1 July 2020, whereby a small enterprise can make an irrevocable election on or before the due date for the filing of its return of income to pay a presumptive tax of 1% of its gross income.

Where the election has been made for the application of the presumptive tax, the small enterprise will not be entitled to claim any deductions, income exemption threshold, reliefs and allowances. Any Tax Deducted at Source (TDS) suffered can however be offset against the presumptive tax payable.

The same deadlines for the filing of the return and payment of presumptive tax as before the election. Penalties and fines will apply on late payment of presumptive tax.

2.10 Withholding tax

As per prevailing DTAs

Deduction of tax at source (TDS) is an advance payment of taxes and would be offset against the income tax liability of the payee. The tax to be withheld by any person, other than an Individual is as per table below:

Amount or sum made available to the payee by way of -

	Rate of tax (%)
Interest payable by any person, other than by a bank or non-bank deposit taking institution, under the Banking Act, to a non-resident	15
Royalties payable to	
A resident	10
A non-resident	15

	Rate of tax (%)
Rent payable to A resident A non-resident	5 10
Payments to contractors and sub-contractors	0.75
Payments to providers of services (accountant/accounting firm, architect, attorney/solicitor, barrister, engineer, land surveyor, legal consultant, medical service provider, project manager in the construction industry, property valuer, quantity surveyor, tax adviser or his representative)	3
Payment made by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts, other than payments to contractors and sub-contractors and payments to providers of services specified in the Fifth Schedule -	
(a) for the procurement of goods and services under a single contract, where the payment exceeds 300 000 rupees	1
(b) for the procurement of goods under a contract, where the payment exceeds 100 000 rupees	1
(c) for the procurement of services under a contract, where the payment exceeds 30 000 rupees	3
Payment made to the owner of an immovable property or his agent	5
Payments made to a non-resident for any services rendered in Mauritius	10
Payment of management fees to an individual by any person, other than an individual A resident A non-resident	5 10
Payments to a non-resident entertainer or sportsperson	10
Commissions payable by any person other than an individual	3

The Tax withheld shall be remitted to the Director General of the MRA within 20 days from the end of the month in which the deduction was made.

TDS retention is not required where the TDS to be deducted is below MUR500.

2.11 Transfer Pricing

No transfer pricing legislation. The arm's length principle is however applied by the MRA on related party transactions.

2.12 Filing requirements of tax return

Filing due dates	<p>Every company, whether or not it is a taxpayer, is required to file its annual return not later than six months from the end of the month in which its accounting year ends.</p> <p>Besides the annual tax return, companies are also required to file, under the Advance Payment System (APS), quarterly APS statements and to pay tax in accordance thereof (if turnover of preceding year exceeds MUR 10 Million or if it has a chargeable income).</p>
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Filing due dates	<p>All companies have the legal obligation to file annual returns and pay tax electronically.</p> <p>The payer shall issue a statement of income tax deduction in respect of the preceding income year, to the payee by 15th August every year showing the total gross payment made to the payee and the tax deducted there from.</p>
Penalty	<p>Failure to file electronic returns - penalty of</p> <ul style="list-style-type: none"> • 20% of the tax payable (maximum MUR100 000); or • MUR 5,000 where no tax liability is declared in the return. <p>Late submission of return</p> <ul style="list-style-type: none"> • a penalty of MUR 2,000 per month, or part of the month up to a maximum of MUR 20,000. <p>Late payment of tax</p> <ul style="list-style-type: none"> • a penalty of 5% of the amount of tax payable, excluding any penalty; and • interest on unpaid tax at 0.5% per month, or part of the month during which the tax remains unpaid. <p>Overclaimed loss</p> <ul style="list-style-type: none"> • Penalty of 5% of loss overclaimed. The penalty is offset against the amount of loss being carried forward, where applicable.
Payment of profit tax and application of holdover	<p>Taxpayers are expected to compute their own tax liability based on the tax laws, guidelines and rulings issued by the MRA. The MRA carries out tax audit to check the returns of companies.</p> <p>The due dates for the payment of corporate tax are six months from the end of the month in which its accounting year ends.</p> <p>Every taxpayer who has paid corporate tax in an income year, has to file an APS (Advance Payment System) statement and pay a provisional tax for the following year of assessment. The provisional tax payable is estimated by the assessable profits of the preceding year of assessment.</p> <p>Companies that had tax losses carried forward in respect of the preceding year and did not pay tax under AMT in respect of that year of assessment may opt not to file an APS Statement.</p> <p>The chargeable income of a company in respect of an APS quarter may, at the option of the company, be computed in accordance with either Method A or Method B if applicable:</p> <p>Method A: The chargeable income is deemed to be 25% of the chargeable income of the company for the accounting year ending on the date immediately preceding the commencement of that quarter.</p> <p>Method B: The chargeable income is the difference between the gross income and the allowable deductions for that quarter including any loss brought forward from the previous quarter of the accounting year immediately preceding that quarter. Where the company opts for Method B and the calculated value is negative, the value should be entered as zero. The company will then deduct that loss in the APS Statement of the next quarter of the accounting year</p> <p>The income tax payable in respect of an APS Quarter is calculated, at the option of the company, at the rate of 15% on the chargeable income arrived at under either Method A or Method B.</p>

Payment of profit tax and application of holdover	<p>The amount of TDS to which the company has been subject in respect of payments received during the current quarter should be deducted from the tax payable for that quarter.</p> <p>Under the current regime companies are required to file quarterly APS Statements and to pay tax, if any, in accordance thereof except where the company's gross income did not exceed MUR 10 Million or did not have chargeable income.</p>
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PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All emoluments are subject to tax, except those specified in law to be exempt income. Emoluments means any advantage in money or in money's worth.

Tax Residency and taxation in Mauritius

- Resident individuals are subject to Income Tax in Mauritius on their worldwide income, except on exempt Income which is derived from Mauritius.
- Income derived by a resident individual from outside Mauritius is taxable in Mauritius on money remitted to Mauritius.
- A resident individual is defined as an individual
 - who has his domicile in Mauritius, or
 - present in Mauritius for at least 183 days in the relevant fiscal year; or
 - present in Mauritius for at least 270 days over 3 consecutive fiscal years (in the current fiscal year and the 2 preceding fiscal years).
- Non-residents will only be subject to Income Tax on Income other than exempt income, derived from or accruing in Mauritius. This will include fees paid to officers of a company (director, chairman, etc) who are not tax resident in Mauritius, whether the services are performed in, or from outside, Mauritius.

Individuals, who are not Mauritius Citizens, may be granted an occupational permit or an Investor's permit to reside, work and invest in Mauritius. The following are the main features:

- An occupational permit may be granted to a professional bringing in expertise if his monthly salary exceeds MUR 60,000.
- An Investor's Permit may be granted for investments in excess of USD 100,000 (or equivalent) provided that the Company generates an annual turnover of at least MUR 12M during the 3 years and with a turnover at least MUR 2M per year.
- Spouses/Children may be granted residence permits without the right to work in Mauritius.
- Holders of Investment or Occupational permits may acquire property in a building containing at least 3 floors. They cannot acquire outright rights over land unless permission is granted by the Prime Minister's Office.

3.2 Rates of tax

Tax rates applied on chargeable income after deduction of personal allowance:

- 10% where the chargeable income does not exceed Rs 650,000
- 15% where the chargeable income exceeds Rs 650,000

As from 1 July 2019, a tax credit of 5% is also available to employees deriving a basic salary (including compensation) not exceeding MUR 50,000 in the first month of an income year, provided his total annual net income does not exceed MUR 700,000 in that year. The tax credit will be by way of deduction from income tax otherwise payable by the employee in that income year.

Additional tax - Solidarity Levy

Individuals with leviable income exceeding MUR 3 million in a tax year will be subject to an additional tax called solidarity levy. Leviable income consists of the chargeable income of the individual, any dividends received from resident companies/trusts/sociétés. As from 1 July 2020, the solidarity levy is applicable at 25% on any excess above MUR 3 million, subject to a cap of 10% on the sum of net income and local dividends received by the individual.

Where employees have emoluments exceeding MUR 230,769 in a month, the employer will withhold an additional tax on the amount exceeding the MUR 230,769 at the rate of 15%, provided that the additional tax withheld does not exceed 10% of total emoluments. This is effective from 1 July 2020.

3.3 Year of assessment

Financial year – 1 July to 30 June

3.4 Allowances and Deductions

An individual is entitled to the Income Exemption Threshold which corresponds to the category he falls in as below:

Category Description for the income year ending 30 June 2021

1	Category A individual with no dependent	MUR 325,000
2	Category B individual with 1 dependent	MUR 435,000
3	Category C individual with 2 dependents	MUR 515,000
4	Category D individual with 3 dependents	MUR 600,000
5	Category E individual with 4 or more dependents	MUR 680,000

An additional MUR 50,000 deduction will be available to a retired person (over the age of 60) who has gross income, other than specified income; or a person having a physical or mental disability.

"Dependent" means either:

- A spouse;
- A bedridden next of kin under his care;
- An unmarried child under the age of 18; or
- An unmarried child over the age of 18 and who is pursuing full-time course at an educational institution or a training institution; or who cannot earn a living because of a physical or mental disability.

Relief for medical/health insurance premium

A taxpayer is entitled to claim a deduction in respect of premium paid for medical or health insurance policy contracted for himself and his dependents as follows:-

Category of income taxpayer	Up to MUR
A (no dependent)	15,000
B (one dependent)	15,000 for self + 15,000 for dependent
C (2 dependents)	15,000 for self + 15,000 for first dependent + 10,000 for second dependent
D (3 dependents)	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent
E (4 dependents)	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent + 10,000 for fourth dependent

3.5 Taxation of dividends

Exempt if received from a Mauritian company or a Mauritian Co-operative society or a resident Trust.

3.6 Taxation of capital gain

No capital gains tax

3.7 Taxation of interest income

Exempt interest – Interest payable on

- a balance maintained in a bank by an individual who is not resident in Mauritius is exempt interest.
- a savings or fixed deposit account held by an individual, a société or a succession with any bank or non-bank deposit taking institution under the Banking Act.
- Government securities, debenture and sukuks quoted on the Stock Exchange and Bank of Mauritius Bills held by an individual, a société or a succession.
- bonds and sukuks quoted on the stock exchange held by a non-resident company.

Interest payable to a non-resident, not carrying on any business in Mauritius, by a corporation holding a GBL out of its foreign source income, or a Bank holding a banking licence under the Banking Act 2004 is also exempt.

Other interests are taxed at 15%.

3.8 Personal assessment and utilization of losses

Losses carried forward can only be offset against business income.

3.9 Withholding tax

Every employer is required to withhold tax from the emoluments of his employees at the time the emoluments are received by or made available to the employees. This is called PAYE (Pay As You Earn).

The amount of tax to be withheld from the emoluments of each pay period is calculated on a cumulative basis by cumulating both the emoluments and the Income Exemption Threshold pertaining to the current and previous pay periods in the income year concerned.

Workers receiving their pay daily after each day's work are excluded from the operation of the PAYE system.

3.10 Statutory obligation of employers

The tax withheld from the emoluments of the employees in the

preceding month must be remitted to the Mauritius Revenue Authority (MRA) within 20 days (in the case of manual submission) or 30 days (in the case of electronic submission) from the end of the month in which the deduction was made.

Every employer has to file a return of employees with the Mauritius Revenue Authority at latest by 15 August of the year following the end of the income year. Employers must also provide all employees with a statement of emoluments by the same date.

3.11 Filing requirement of tax return

Filing due dates	A return of Income should be submitted to the Director General-MRA by every person who: <ol style="list-style-type: none"> 1. has a Chargeable Income 2. has been allotted a Tax Account Number; Other conditions apply. Due Date for submission of Return and for payment is 30 September following the Income Year ending 30 June. A CPS Statement of Income should be submitted to the Director General, MRA by every individual deriving business income (Including Income from Profession, Vocation or Occupation) and rental Income in a CPS quarter where the gross income falling under CPS exceeds MUR 4 million per annum The Current Payment System (CPS) for self-employed people is on a quarterly basis.	
	In respect of CPS quarter	Due date for submission of CPS Statement and payment of tax
	01 July to 30 September	2 days, excluding Saturdays and public holidays, before the end of December
	01 October to 31 December	31 March
	01 January to 31 March	2 days, excluding Saturdays and public holidays, before the end of June
There is no need to submit CPS for the 4th quarter, since the taxpayer is required to submit his Annual Return by 30 September.		
Penalties	Late/Non-Submission of return MUR 2,000 per month or part of the month up to a maximum of MUR 6,000 per CPS.	
	Late/Non-Payment of tax Late payment of tax carries a penalty of 5% of the amount of tax unpaid and interest at the rate of 0.5% per month	
Application of holdover	Submission of return of employees In case of late submission, a penalty of MUR5,000 per month or part of a month up to a maximum of MUR 20,000 is applicable	
	Any tax withheld and paid on behalf of the tax payer to the MRA would typically include: <ul style="list-style-type: none"> • TDS of 5% on rent • TDS of 3% on services provided by specified professionals • TDS of 5% on management fees • TDS of 3% on commission 	

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Pension Fund (NPF) – up to 31 August 2020

Contribution Sociale Généralisée (CSG) – applicable from 1 September 2020

The CSG replaces the NPF.

Portable Retirement Gratuity Fund (PRGF)

The PRGF is a fund which is established under the Mauritius Workers' Rights Act 2019 for the purpose of providing for the payment of a gratuity on the death or retirement of an employee, while recognizing the employee's term of service irrespective of the number of employers served. The PRGF will come into operation on 1 April 2020.

4.2 Basis of contribution

National Pension Fund (NPF)

Contribution is calculated as a percentage of the basic salary. Presently the maximum ceiling is MUR19,900 (fiscal year ending 30 June 2021).

For employees who are above 60 but below 65 years or who have not reached the effective retirement age, normal contribution is made. For employees who are above 65 years, only the employer contributes to the National Pension Fund and levy.

Contribution Sociale Généralisée (CSG)

Contribution is calculated as a percentage of the basic salary. Contribution rates will depend on whether the monthly basic wage/salary is below or above Rs50,000.

4.3 Contribution rate

	Employee	Employer
National Pension Fund	3%	6%
Contribution Sociale Généralisée		
- Basic wage <Rs 50,000 pm	1.5%	3%
- Basic wage >Rs 50,000 pm	3%	6%
National Solidarity Fund	1%	2.5%
Levy	0%	1%

Portable Retirement Gratuity Fund (PRGF)

The PRGF will come into operation on 1 April 2020. The basis of contribution will be the monthly basic wages and any bonus or payment for extra work done. Employers are required to pay PRGF contributions at the rate of 4.5 % of the monthly remuneration of each worker.

Small and Medium Enterprises (SME) will pay PRGF at a lower rate for the first three years, the difference being met by Government from a seed capital earmarked for that purpose. The PRGF rate, applicable on monthly remuneration, is based on the annual turnover of the SME.

4.4 Exemption from tax

Contributions made by the employees to the National Pension Fund/NSF/CSG are not a deductible expense for tax purpose.

Transport allowance

Travelling allowance up to a maximum of MUR 11,500 per month

Passage benefits up to 6% of basic salary

The first MUR 2.5 million of the aggregate amount received as lump sum by way of commutation of pension, death, gratuity, retiring allowance and severance allowance, received in an income year is exempt from tax.

GST/VAT

5.1 Basis of tax

VAT is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him. VAT is also payable on the importation of goods into Mauritius, irrespective of whether the importer is a taxable person or not.

5.2 Rates of tax

Exempt

Zero-rated

Taxable – 15%

5.3 Registration

Compulsory registration if turnover of taxable supplies exceeds MUR 6 million.

Compulsory registration is required for certain trade/profession

5.4 Filing requirements

If turnover is less than MUR 10.0 million – quarterly return to be filed at latest on the last day of the month following the end of the quarter

If turnover exceeds MUR 10.0 million – monthly return to be filed at latest on the last day of the month following the end of the preceding month

DOUBLE TAX RELIEF

6.1 Foreign tax credit

As per The Income Tax (Foreign Tax Credit) Regulations 1996

Where there is a double tax agreement, credit shall be allowed for foreign tax on the foreign source income of a resident of Mauritius against Mauritius tax computed by reference to the same income.

Any unused tax credit for actual foreign tax suffered is lost and cannot be carried forward to the next fiscal year.

6.2 List of double tax treaties signed

As of March 2021, Mauritius has concluded 46 tax treaties and is party to a series of treaties under negotiation. The treaties currently in force are:

- Australia (partial)
- Barbados
- Belgium
- Botswana
- Cabo Verde
- Congo
- Croatia
- Cyprus
- Egypt
- France
- Germany
- Ghana
- Guernsey
- India
- Italy
- Jersey
- Kuwait
- Lesotho

- Luxembourg
- Madagascar
- Malaysia
- Malta
- Monaco
- Mozambique
- Namibia
- Nepal
- Oman
- Pakistan
- People's Republic of Bangladesh
- People's Republic of China
- Rwanda
- Senegal
- Seychelles
- Singapore
- Sri Lanka
- South Africa
- State of Qatar
- Swaziland
- Sweden
- Thailand
- Tunisia
- Uganda
- United Arab Emirates
- United Kingdom
- Zambia
- Zimbabwe

7 treaties await ratification: Estonia, Gabon, Comoros Islands, Kenya, Morocco, Nigeria and Russia

5 treaties await signature: Ivory Coast, Gibraltar, Malawi, The Gambia and The Republic of Angola

21 treaties are being negotiated: Algeria, Burkina Faso, Canada, Czech Republic, Greece, Hong Kong, Lesotho (New), Montenegro, North Sudan, Portugal, Republic of Iran, Saudi Arabia, Senegal (New), Spain, St. Kitts & Nevis, Tanzania, Vietnam, Yemen, Zambia (New), Mali and Republic of Turkey (New).

Tax Information Exchange Agreements (TIEAs)

In Force

Australia	Korea
Austria	Norway
Denmark	States of Guernsey
Faroe Islands	Iceland
Finland	United States of America
Greenland	

Await signature:

Argentina, Greece and Isle of Man

- Environment protection fee for hotels
- Solidarity levy for mobile operators and bank

Consumption tax, etc.

- Pet tax

POINT OF CONTACT

Name of contact: James Ho Fong

Telephone with country code: Office: +230 210 8588
Mobile: +230 5258 6389

Email address: eos@intnet.mu;
james.ho@reandamauritius.com

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

In accordance with Land, Duties and Registration Act

7.2 Real property tax

Land transfer tax 5%

Registration duty 5%

Exemption for first time buyer if cost of bare land does not exceed MUR 2.5 million and building MUR6 million

7.3 Estate duty

Not applicable

7.4 Net wealth/net worth tax

None

7.5 Others

Business tax

- Corporate social responsibility – 2% on chargeable income of domestic companies



NEPAL

GENERAL INFORMATION

1.1 Country/Region

Nepal

1.2 Currency

Nepalese Rupee (NPR)

1.3 Principal business entities

Public Company
Private Company
Sole Proprietorship
Partnership
Branch of Foreign Company
Foreign Permanent Establishment

1.4 Foreign exchange control

Regulated by Nepal Rastra Bank (NRB) through Foreign Exchange Regulation Act, 1962

1.5 Current economy climate (Industry overview/ encouraged business development)

Nepal is strategically located between two large and rapidly growing economies China and India, with easy access to markets of more than 2.6 billion people. It has large pool of capable workers (out of total population of 28.17 million, 61% are of working age i.e. 15-65 years) and has relatively low cost of labour.

Nepal is ranked 3rd after India and Bhutan among south Asian countries in the "Ease of Doing Business Report 2020" by the World Bank Group. Foreign investors are allowed 100% ownership of a company in a majority of sectors. Repatriation of capital and profits are allowed by law.

Various bilateral investment protection and double tax avoidance arrangements are in place. Nepal has signed Bilateral Investment Promotion and Protection Agreement (BIPPA) with India, Finland, Germany, Mauritius, UK, and France.

Compared to other countries in South Asia, Nepal offers the lowest tax burden in the region. Some of the reasons for comparatively high Return on Investment (ROI) in Nepal include:

- Huge investment potential in tourism, hydro-power, agriculture, and mine and mineral sectors
- Abundance of natural resources
- Income tax exemption on profits from exports and interest income on foreign loans
- Customs, excise duties, and Value Added Tax (VAT) levied on raw materials and auxiliary raw materials of export-oriented industries is reimbursed to the exporter on the basis of the amount of exports within 60 days of application

Nepal has open boarder access to India. Nepal has duty free access to China for around 8,000 products. Nepal has duty free access to US market for 66 types of garment items for 10 years starting from 2016.

1.6 National tax authority

Name

Inland Revenue Department (IRD)

Website

www.ird.gov.np

CORPORATE INCOME TAX

2.1 Basis of taxation

Generally, income of a person is taxed on two principles. One is 'Residence Based' and the other one is 'Source Based'. Any income derived by a person who is resident of Nepal is taxed in Nepal. In other words, if a person is resident in Nepal his global income is taxable in Nepal. On the other hand, the income of a non-resident person is taxable in Nepal if it has source of income in Nepal. In other words, the income of non-resident is taxable in Nepal if it has source in Nepal. Broadly, there are four categories of Income in Nepal. They are, Income from Employment, Income from Business, Income from Investment and Income from Windfall Gains.

2.2 Rates of tax

Normal Rate of Tax is 25%. However, some entities operating in banking and general insurance business, telecommunication, dealing in petroleum products, producing cigarettes, cigars, liquors and other related products are subject to 30% tax rate. Similarly, 20% tax rate is applicable to certain special industries.

2.3 Year of assessment

Mid-July to Mid-July.

2.4 Profits deemed to be taxable

Any profits derived by a person from trade, business or profession is taxable in Nepal.

2.5 Taxation of dividends

Dividend payment is subject to withholding tax at the rate of 5%.

2.6 Taxation of capital gains

In case of individual, withholding tax on capital gain exceeding NPR 3 million

- Disposal of land or land and building owned for more than 5 years - 2.5%
- Disposal of land or land and building owned for less than 5 years - 5%

- In case of Others, normal rate of tax is applicable.

Withholding tax on capital gain on sale of shares is as follows;

Sale by resident Natural Person (Individual)

- Listed Company: 5%
- Unlisted Company: 10%

Sale by Other Person

- Listed Company: 10%
- Unlisted Company: 15%

Sale to the person other than Natural Person, normal tax rate will be applicable and withholding tax paid will be allowed to set off from the tax liability.

2.7 Taxation of interest income

Interest income derived by a resident bank or financial institution from other resident bank or financial institution is not taxable. Any natural person deriving interest income from deposits, security, debentures or government bonds is subject to 5% withholding tax provided such interest is sourced in Nepal and is not related to business operation. This withholding tax is the final tax deduction in respect of such income.

2.8 Utilization of tax losses

Normal loss of business/investment: Up to next 7 years

For specific industries (industries dealing in petroleum products, public infrastructure projects to be built, operated and transferred to Government of Nepal (BOOT model) projects, Electricity/ Power generation, transmission and others) – 12 years

Loss can be carried back in case of long-term contract obtained from international bidding.

2.9 Key Tax incentives

General Deduction

Any expenses incurred by a person in connection with generation of income from business or investment during an income year is allowed as deduction.

Interest Expense

Any interest incurred by a person from the money borrowed in connection with generation of income from business or investment during an income year is allowed as deduction.

Cost of Trading Stock

The cost of trading stock calculated either on first-in-first out basis or weighted average cost basis is allowed as deduction.

Repair and Maintenance Expense

Repair and Maintenance Expense of depreciable asset, owned and used by the person, incurred in connection with generation of income from business or investment during an Income Year subject to maximum of 7% of depreciation base at the closing of the year is allowed as deduction. The limit is not applicable to Airline Company if it is within the parameter of Civil Aviation Authority. Further, the amount or part thereof, which is in excess of limit, can be added to the depreciation basis prevailing in the beginning of subsequent Income Year, of the pool to which it relates.

Any excess cost of repair and improvement for which deduction is not allowed can be added to the depreciation base prevailing in the beginning of subsequent income year, of the pool to which it relates.

Pollution Control Cost

Pollution Control Cost incurred in connection with conducting the business during an Income Year subject to maximum of 50% of adjustable taxable income from all business conducted by the person is allowed as deduction.

The amount or part thereof, which is in excess of limit, can be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently.

Research and Development Cost

Research and Development Cost incurred in connection with conducting the business during an Income Year subject to maximum of 50% of adjustable taxable income from all business conducted by the person is allowed as deduction.

The amount or part thereof, which is in excess of limit, can be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently.

Depreciation Allowance

Depreciation of depreciable asset, owned and used by the person, in connection with generation of income from business or investment during an Income Year is allowed as deduction.

2.10 Withholding tax

Payment Subject to Withholding	Withholding Tax Rate (%)	Final Withholding- Yes or No
Interest, Natural Resource, Royalty, Commission, Service Fee, payment by a resident person having source in Nepal	15	No
Resident employment company making payment to non-resident	5	Yes
Lease of aircraft payment	10	No
<ul style="list-style-type: none"> • Service payment to a resident person registered under VAT • Payment of more than NPR 50K under a contract or agreement 	1.5	No
Rent payment having source in Nepal	10	Yes
Consideration amount distributed by mutual fund to natural person	1.5	Yes
Payment made by resident person for the use of satellite, bandwidth, optical fibre, equipment relating to telecommunication, and for the use of electricity transmission line	10	No
Rent paid on transportation service	2.5	No
Dividend, Gain from Investment Insurance	5	Yes
Wind fall Gain	25	Yes
Service payment to a non-resident company	15	Yes
Payment of repair & maintenance and other contract or agreement of aircraft payment to a non-resident company	5	Yes

Payment Subject to Withholding	Withholding Tax Rate (%)	Final Withholding- Yes or No
Payment of re-insurance to a non-resident	1.5	Yes
Other payment to non-resident	As per written information by IRD	Yes

2.11 Transfer Pricing

'Transfer Pricing' means any arrangement, among the related parties or group of related companies/entities/persons or any enterprises while dealing in international transaction and any foreign branch of such enterprises or any foreign permanent establishment, with the objective to reduce tax liability. Any arrangement among the related parties with the objective of reducing tax incidence or planning of the transaction in such a way that the price of asset or service shifted to another related party resulting into tax liability, is 'Transfer Pricing'.

If there is any arrangement between the associate persons, the department or the offices may distribute, apportion or allocate the amount to be included or deducted in calculating income between the persons as is necessary to reflect the taxable income or tax payable that would have arisen for them if the arrangement had been conducted at arm's length.

'Arrangement' means any arrangement or provision of any agreement, any deal in business among each other, promise, transaction, understanding, or any other provision, directly or indirectly, by a person himself or through more than one person. 'Arm's length' means any purchase or sale of asset or service or business transaction or business deal among unrelated persons in market value. 'Market Value' means value on any transaction for the asset or service among unrelated person under general business transactions. In other words, 'market value' means any value as determined by market under normal circumstances among the unrelated parties for the purchase/sale of asset or service.

2.12 Filing requirements of tax return

Filing due dates	Income Tax Return
	Within three months from the end of Income Year. If application is made to Tax Office for extension, IRD may extend such notice for maximum of three months.
	Advance Tax Return
	If estimated tax liability of a person from business or investment is more than or equal to NPR 7k, then the entity is required to file statement of estimated tax by the date for payment of first installment i.e. Mid-January. For businesses registered after Mid-January, time to file return is Mid-April, and for businesses registered after Mid-April, time to file return is Mid-July.
	<u>Installment amounts</u>
	Within in Mid-January (Poush end) of Income Year (First Installment) – 40% of Tax Liability
	Within in Mid-April (Chaitra end) of Income Year (Second Installment) – 70% of Tax Liability
	Within in Mid-July (Ashad end) of Income Year (Third Installment) – 100% of Tax Liability

Penalties	For non-filing of Income tax return on time: 0.01% of gross turnover or NPR 100 per month, whichever is higher.
	For non-filing of Estimated tax return on time: 0.01% of assessable income or NPR 5,000, whichever is higher
Payment of profit tax and application of holdover	Interest at the rate of 15% is chargeable on delayed payment of taxes. Further, if the amount of advance tax paid is outstanding by 90%, the interest is 15% on unpaid tax.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A resident person in case of Natural Person means an individual whose normal place of abode is in Nepal, who is present in Nepal for 183 days or more in 365 consecutive days, or who is an employee of Nepal Government posted abroad at any time during the Income Year.

The following payments made by the employer to the individual is considered as income from employment of such individual:

- Payments of salary, wages, leave pay, overtime pay, fees, commissions, prizes, gifts, bonuses, and other facilities;
- Payments of any personal allowance including any cost of living, subsistence, rent, entertainment and transportation allowance;
- Payments providing any discharge or reimbursement of costs incurred by the individual or an associate of the individual;
- Payments for the individual's agreement to any conditions of employment;
- Payments for redundancy or loss or termination of the employment;
- Retirement contributions including those paid by the employer to a retirement fund in respect of employee and retirement payments;
- Other payments made in respect of employment

3.2 Rates of tax

Income Level (NPR)	Tax Rate
Up to 450,000*	1% Social Security Tax
Next 100,000	10%
Next 200,000	20%
More than 750,000 but up to 2,000,000	30%
In excess of 2,000,000	36%
*Assumed as couple, otherwise NPR 400,000	

3.3 Year of assessment

Mid-July to Mid-July

3.4 Allowances and Deductions

The following amounts are deductibles.

- Contribution to Retirement Payment up to maximum of NPR 500,000

- Donation up to maximum of NPR 100,000
- Insurance premium up to NPR 25,000
- Remote area allowance up to maximum of NPR 50,000

Further, medical tax credit up to maximum of NPR 750 is allowed and remaining can be carried forward. Additionally, 10% tax rebate is allowed to female individual.

3.5 Taxation of dividends

Withholding tax at the rate of 5% on dividend payment is applicable.

3.6 Taxation of capital gain

In case of individual, withholding tax on capital gain exceeding NPR 3 million

- Disposal of land or land and building owned for more than 5 years up to 10 years - 2.5%
- Disposal of land or land and building owned for less than 5 years - 5%

Withholding tax on capital gain on sale of shares is as follows;

In case of sale by resident Natural Person (Individual)

- Listed Company: 5%
- Unlisted Company: 10%

3.7 Taxation of interest income

Final withholding tax at the rate of 5% is applicable

3.8 Personal assessment and utilization of losses

An individual natural person may elect himself as single or couple for the purpose of tax assessment. Further, if he has sole proprietorship only, he may be assessed as individual. Expenses related to sole proprietorship business can be claimed and the balance amount of income is taxable as per applicable tax rates. A business loss of sole proprietorship can be set off with the business income of such sole proprietorship.

3.9 Withholding tax

An employer is obliged to withhold tax for the remuneration paid to an individual at the applicable rates. The employer is also obliged to withhold tax for the remuneration paid to a non-resident person.

3.10 Statutory obligation of employers

An employer is obliged to withhold and deposit tax on behalf of individual employees to the tax authority with 25 days from the end of Nepalese Calendar month.

3.11 Filing requirement of tax return

Filing due dates	In case of an individual having income from employment, such individual is not required to file Income Tax Return. However, if such individual has income exceeding NPR 4 million in an Income Year, he has to submit his Income Tax Return. The due date of filing Income Tax Return is within three months from the end of Income Year and the department may extend further three months' time to submit such return of income.
Penalties	Penalties shall be imposed if an individual fail to submit income tax return on time.
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Social Security Fund (SSF), Nepal

4.2 Basis of contribution

To regulate and supervise the fund contribution of employees of various organization.

4.3 Contribution rate

Employer and employees each are required to make contribution to SSF. The contribution rate is 11% of basic salary for employees and 20% of basic salary for employer.

4.4 Exemption from tax

A maximum of NPR 500,000 is allowed as deduction from taxable income.

GST/VAT

5.1 Basis of tax

Value Added Tax (VAT) is charged on supply of goods or services. Goods or services imported into or exported out of country are both subject to VAT. There are some goods or services which are of basic necessities, are exempted from VAT and some goods or services such as export of services are subject to zero rate.

5.2 Rates of tax

13% single rate

5.3 Registration

Transaction related to supply of goods in excess of NPR 5 million in last 12 months, supply of services in excess of NPR 2 million in last 12 months and supply of mixture of goods and services in excess of NPR 2 million cumulative are required to register under VAT

5.4 Filing requirements

Every registered person is required to submit VAT return within 25 days from the end of Nepalese Calendar month. Further, separate record of purchase register, sales register and VAT accounts are to be kept.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

In case that a resident person has paid overseas income tax on its taxable income derived from sources outside Nepal, the income tax paid overseas can be creditable against its Nepal Tax payable. However, the creditable amount of overseas income tax cannot exceed the amount of income tax otherwise payable in Nepal in respect of non-Nepal sourced income.

6.2 List of double tax treaties signed

Nepal has signed Double Taxation Avoidance Agreement with Austria, Bangladesh, People Republic of China, India, Republic

of Korea, Mauritius, Norway, Pakistan, Qatar, Sri Lanka and Thailand.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

N/A

7.2 Real property tax

In case of individual, withholding tax on capital gain exceeding NPR 3 million

Disposal of land or land and building owned for more than 5 years up to 10 years - 2.5%

Disposal of land or land and building owned for less than 5 years - 5%

In case of Others, as per normal rate of tax is applicable.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

Education tax: Tax @ 2% to be collected by Foreign Exchange providers (banks & financial institutions) while providing exchange facility to students studying abroad.

Telecommunication Service Charge: To be charged from customer 13% of the telecommunication charges.

Infrastructure Tax: NPR 5 per liter for import of petrol, diesel and aviation fuel.

Casino Royalty: Annual License Fee for Casino – NPR 40 million. Annual License Fee for Casino using only modern equipment and machines – NPR 10 million.

POINT OF CONTACT

Name of contact: Bharat Rijal
bharat.rijal@rpbnepal.com

Gopal Prasad Pokharel
gopal.pokharel@rpbnepal.com

Bishnu Prasad Bhandari
bishnu.bhandari@rpbnepal.com

Abhaya Poudel
abhaya.poudel@rpbnepal.com

Telephone with country code: +977 1 4433221

Email address: info@rpbnepal.com



NETHERLANDS

GENERAL INFORMATION

1.1 Country/Region

Netherlands

1.2 Currency

Euro (€)

1.3 Principal business entities

- Partnerships (unlimited liability)
- Cooperative (limited liability partnership)
- Private LLC
- Public LLC

1.4 Foreign exchange control

None

1.5 Current economy climate (Industry overview/ encouraged business development)

In 2018 and 2019 the overall GDP growth in the Netherlands was approximately 2.5%. The effect of covid-19 in 2020 and following years is expected to be quite severe, but maybe not as severe as in other European countries.

Traditionally the Netherlands has a very open economy, very good infrastructure and an internationally oriented workforce, that is highly educated and competitive. As a no deal Brexit becomes more and more likely the Netherlands can prove to be the single best choice for non-European enterprises who want to establish themselves in Europe, due to the existing experience with international operating businesses and one of the most extensive systems of international tax treaties in the world.

1.6 National tax authority

Name

Belastingdienst

Website

www.belastingdienst.nl

CORPORATE INCOME TAX

2.1 Basis of taxation

The taxation of Dutch resident taxpayers is based on the nett annual global profits of the enterprise. In accordance with either the unilateral Dutch international tax legislation or the bi- or multinational treaties on international taxation either the profits derived from foreign countries are excluded from the calculation of the taxable profit in the Netherlands or the amount of tax paid abroad is (partially) deducted from the amount of tax due in the Netherlands.

With regard to non-resident taxpayers, taxation is based on the taxable profit of the enterprise that is conducted in the Netherlands by a foreign company, or part of a foreign company, through either a permanent establishment in the Netherlands or a permanent representative in the Netherlands.

2.2 Rates of tax

	Year 2020		Year 2021		Year 2022	
Taxable profit (€)	≤ € 200,000	> € 200,000	≤ € 245,000	> € 245,000	≤ € 395,000	> € 395,000
Tax rate	16.50%	25.00%	15.00%	25.00%	15.00%	25.00%

2.3 Year of assessment

From 1st January to 31st December. Some highly seasonal companies may apply for a different fiscal year.

2.4 Profits deemed to be taxable

In general the taxable profit of an enterprise is the aggregate amount of benefits derived from that enterprise, regardless of name or form, minus the costs and losses attributable to those benefits. Profits are only taken into account when they are actually realized and losses should be taken as soon as they occur.

Applicable exceptions to above mentioned general rule include (for example):

- benefits from exempted forestry companies
- some exempted benefits from agricultural enterprises
- benefits obtained by the relinquishment of unrealizable rights by creditors

2.5 Taxation of dividends

Subject to meeting certain conditions, a Dutch company or branch office of a foreign company is exempt from tax on benefits arising from a qualifying shareholding, including cash dividends, dividends in kind, bonus shares, hidden profit distributions, capital gains and exchange rate results.

2.6 Taxation of capital gains

Gains are taxed as ordinary income. However, capital gains realized on the disposal of qualifying shares are exempt from tax.

To defer taxation, a capital gain on the sale of depreciable assets can be transferred to a so-called reinvestment reserve. If this reserve is not fully deducted from the acquisition value of a comparable asset within three years and thus utilized, the remainder of the deferred tax will be due at that time.

Capital losses are deductible unless attributable to the exempted disposal of qualifying shares.

2.7 Taxation of interest income

Interest income is taxed as ordinary income.

2.8 Utilization of tax losses

- Tax losses can be carried back or forward during a limited time period.
- Loss relief among group companies is allowed under certain rules and conditions.

2.9 Key Tax incentives

- Discretionary depreciation of:
 - o environmental assets
 - o occupational health and safety equipment
 - o certain other designated business assets
- Investment allowance for:
 - o small-scale investments
 - o energy investments
 - o environmental investments
- Certain R&D activities are subsidised by a wage taxes reduction on salary costs and other costs and expenses that are attributable to those R&D activities.

2.10 Withholding tax

- Interests N/A
- Royalties N/A
- Dividends In principle 15%, but dependant on both unilateral Dutch international tax legislation and bi-/ multilateral tax treaties.

2.11 Transfer Pricing

The arm's length principle is codified in the Dutch Corporate Income Tax (CIT)-act and has been further elaborated in secondary legislation.

2.12 Filing requirements of tax return

Filing due dates	Generally five months after the end of the company's fiscal year.
Penalties	Vary
Payment of profit tax and application of holdover	In principle within two months but the taxpayer may choose to pay in monthly instalments.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

In the Netherlands, worldwide income is divided into three different types of taxable income, and each income type is taxed separately under its own schedule, referred to as a 'box'. Each box has its own tax rate(s). An individual's taxable income is based on the aggregate income in these three boxes.

Box 1 refers to taxable income from work and home ownership, and includes the following:

- Employment income.

- Home ownership of a principal residence (deemed income).
- Periodic receipts and payments.
- Benefits relating to income provisions.

Box 2 refers to taxable income from a substantial interest, and box 3 applies to taxable income from savings and investment

3.2 Rates of tax

Box 1:

Tax rates for box 1 income 2020				
Taxable income		Tax (%)	Tax amount on column	
I	II		I	I+II
> € 0	= < € 20,711	9.70%		€ 2,009
> € 20,711	= < € 34,712	9.70%	€ 2,009	€ 3,367
> € 34,712	= < € 68,507	37.35%	€ 3,367	€ 15,989
> € 68,507		49.50%	€ 15,989	

Tax rates for box 1 income 2021 and beyond				
Taxable income		Tax (%)	Tax amount on column	
I	II		I	I+II
> € 0	= < € 20,711	9.45%		€ 1,957
> € 20,711	= < € 34,712	9.45%	€ 1,957	€ 3,280
> € 34,712	= < € 68,507	37.10%	€ 3,280	€ 15,818
> € 68,507		49.50%	€ 15,818	

Box 2:

	2020	2021
Tax rate for box 2 income	26.25%	26.90%

Box 3:

	2020	2021
Tax rate for box 3 income	30%	31%

3.3 Year of assessment

1st January till 31st December.

3.4 Allowances and Deductions

Under certain conditions deductions include payments regarding:

- Alimony
- Charitable contributions
- Education expenses
- Medical and disability expenses
- Life insurance premiums
- Mortgage interest expenses

Under certain conditions personal allowances may include:

- Health care allowance
- Housing rent allowance
- Childcare allowance
- Child-related budget

3.5 Taxation of dividends

Income from savings and investments (e.g. dividends) is, as such, not taxable. However, the net assets (assets minus debts) of an individual valued on January 1st are deemed to generate an annual fixed return on investment. This fixed return is taxed in box 3 at a flat rate of 30%. All net assets that are not intended for daily use and that are not taxed in box 1 or box 2 belong to the box 3 taxable base. For residents and non-residents, part of the taxable base is exempt and several specific deductions can be applicable.

Non-residents are subject to taxation only on the net value of a limited number of Dutch assets, including the following:

- Dutch real estate not used as the primary residence.
- Profits rights unrelated to shares or an employment.

Please note that in the Netherlands a dividend withholding tax (WHT) of 15% applies. Resident taxpayers use the withholding as a tax credit on their income tax that is levied in box 3. For non-resident taxpayers, the withholding would be the final levy applied in the Netherlands.

3.6 Taxation of capital gain

See 3.5

3.7 Taxation of interest income

See 3.5

3.8 Personal assessment and utilization of losses

- Most components of taxable income can be divided between tax partners in the way that is most beneficiary for them.
- Losses can be settled in a limited time period and under certain conditions.

3.9 Withholding tax

A dividend tax of 15% applies. Resident taxpayers use the withholding as a tax credit on their income tax that is levied in box 3. For non-resident taxpayers, the withholding would be the final levy applied in the Netherlands.

3.10 Statutory obligation of employers

Various.

3.11 Filing requirement of tax return

Filing due dates	April 30
Penalties	Vary
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Various (industry) pension funds

4.2 Basis of contribution

The Dutch Pension Act

4.3 Contribution rate

Varies

4.4 Exemption from tax

N/A

GST/VAT

5.1 Basis of tax

The remuneration received by an entrepreneur for VAT purposes.

5.2 Rates of tax

0%, 9%, 21%

5.3 Registration

When VAT is required to be carried down to Dutch tax authorities.

5.4 Filing requirements

Vary

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Either in the form of a tax credit or a deduction of foreign profits.

6.2 List of double tax treaties signed

Albania	Georgia	Moldova	Taiwan
Argentina	Germany	Mongolia	Tajikistan
Armenia	Ghana	Morocco	Thailand
Aruba	Greece	New-Zealand	The Philippines
Australia	Hongkong	Nigeria	Tunisia
Austria	Hungary	Norway	Turkey
Azerbaijan	Iceland	Oman	Turkmenistan
Bahrain	India	Pakistan	Uganda
Bangladesh	Indonesia	Panama	Ukraine
Barbados	Ireland	Poland	UAE
Belarus	Israel	Portugal	UK
Belgium	Italy	Qatar	USA
Bermuda	Japan	Romania	Uzbekistan
BES Islands	Jordan	Russian Federation	Venezuela
Brazil	Kazakhstan	Saudi Arabia	Vietnam
Bulgaria	Korea	Singapore	the (former)
Canada	Kuwait	Slovakia	Yugoslavia
China	Kyrgyzstan	Slovenia	Zambia
Croatia	Latvia	South Africa	Zimbabwe
Curaçao	Lithuania	South Korea	
Czech Republic	Luxembourg	Spain	
Denmark	Macedonia	Sri Lanka	
Egypt	Malawi	St. Maarten	
Estonia	Malaysia	Surinam	
Finland	Malta	Sweden	
France	Mexico	Switzerland	

OTHER SIGNIFICANT TAXES

7.1 N/A taxes

- Stamp duty
- Capital tax
- Net wealth/net worth tax

7.2 Other taxes

- Customs and excise tax
- Immovable property tax
- Transfer tax on immovable property
- Insurance tax
- Waste management contribution
- Social security contributions
- Inheritance, estate, and gift taxes
- Road tax

POINT OF CONTACT

Name of contact: Gerard Uijtendaal

Telephone with country code: +31 20 800 61 90

Email address: g.ujtendaal@reanda-netherlands.com



PAKISTAN

GENERAL INFORMATION

1.1 Country/Region

Pakistan

1.2 Currency

Pakistani Rupee (PKR)

1.3 Principal business entities

- Public Listed company;
- Public Unlisted company;
- Private Limited company;
- Single Member Company Private Limited
- Limited Liability Partnership (LLP);
- Association of persons (Partnership Firm);
- Branch or Liaison office of a foreign corporation;
- Sole proprietorship;

1.4 Foreign exchange control

State Bank of Pakistan controls the foreign exchange outflows.

1.5 Current economy climate (Industry overview/ encouraged business development)

The GDP of Pakistan is 320 billion USD and has annual growth of 3.29% in year 2020. The current inflation rate measured at 10.74% while the base interest rate is 7.00%.

The World Bank's report on "Ease of Doing Business Index 2020" ranked Pakistan at 108th position out of 190 countries, previously it was ranked at 136.

1.6 National tax authority

Name

Federal Board of Revenue (FBR)

Website

www.fbr.gov.pk

CORPORATE INCOME TAX

2.1 Basis of taxation

Any company incorporated or formed under any law in force in Pakistan or any company controlled or managed from within the Pakistan shall be treated to as resident company for the purpose of tax laws and subject to tax on income derived from within the Pakistan as well as foreign sourced income. However, credit for any income tax paid on foreign sourced income shall be allowed to the company.

2.2 Rates of tax

Companies (other than banking companies)	27%
Banking companies	27%
Small Companies	22%

2.3 Year of assessment

For the purpose of taxation, tax year shall be period of twelve months ending on 30th day of June. However, if the Company has compelling need to adopt tax year other than above (normal tax year), the Company may have special tax year after approval from concerned competent authority.

2.4 Profits deemed to be taxable

The income assessable to tax for includes:

- Rental Income from Property
- Income / (Loss) from Business – Manufacturing & Trading
- Fee for Technical / Professional Services
- Accounting Gain on Sale of intangibles & tangibles
- Gains / (Loss) from Capital Assets
- Net Gain / (Loss) on Securities held long term
- Royalty
- Profit on Debt (Interest, Yield, etc)
- Rent from sub lease of Land or Building
- Rent from lease of Building with Plant and Machinery

2.5 Taxation of dividends

Dividend income is subject to Withholding Tax (WHT) if paid by:

• Independent Power Producers	7.5%
• Other cases	15%
• dividend received from a company where no tax payable by such company, due to exemption of income or carry forward of business losses.	25%

2.6 Taxation of capital gains

TAXATION OF CAPITAL GAINS:

A gain arising on disposal of capital assets (other than plot, constructed property or securities) by a company in a tax year shall be chargeable to tax at the following rates:

S. no.	Holding Period	Taxable Gain	Tax Rate for corporate
1.	Where holding period is less than one year	100%	27%
2.	Where holding period is more than one year	75%	27%

S. no.	Amount of gain	Rate of Tax
1	Where gain does exceed Rs. 5 Million	2.5%
2	Where gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3	Where gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4	Where gain exceeds Rs. 15 million	10%

Gain arising on disposal of **open plot** and **constructed** property would be calculated based on holding period as follows:

S. no.	Holding period of open and constructed plot	Taxable Gain
1	Not exceeding one year	100%
2	Exceeds one year but does not exceed two years	75%
3	Exceeds two years but does not exceed three years	50%
4	Exceeds three years but does not exceed four years	25%
5	Exceeds four years	0%

Further loss arising on immovable property can be adjusted against gain under the head capital gain only. Any unadjusted loss can be carry forward for following immediately six tax years.

CAPITAL GAIN ON SECURITIES:

“Security” means;

- Share of a public company,
- Voucher of Pakistan Telecommunication Corporation,
- Modaraba Certificate,
- Instrument of redeemable capital,
- Debt Securities and
- Derivative products.

TAX RATES FOR CAPITAL GAIN ON SECURITIES:

Capital gain on disposal of securities shall be chargeable to tax at the following rates:

S. no.	Holding Period	Tax Year 2020 and onwards	
		Securities acquired before 1st July 2016	Securities acquired after 1st July 2016
1	Where holding period of security is less than 12 months	15%	15%
2	Where holding period of security is 12 months and more but less than 24 months	12.5%	
3	Where holding period of security is 24 months and more but the security was acquired on or after 1st July, 2013	7.5%	
4	Where the security was acquired before 1st July, 2013	0%	N/A
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%

A mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax and on Redemption of securities from a Corporate at 10% for stock funds and 25% for other funds.

Further loss arising on securities can be adjusted against capital gain on securities only. Any unadjusted loss can be carried forward for immediately succeeding three tax years for which loss was first computed.

CAPITAL LOSSES:

Loss arising on such capital assets can be adjusted against gain on capital assets only. Any unadjusted loss can be carried forward for immediately succeeding six tax years for which loss was first computed.

However, loss arising on the following capital assets shall never be recognized.

- A painting, sculpture, drawing or other work of art;
- Jewelry;
- A rare manuscript, folio or book;
- A postage stamp or first day cover;
- A coin or medallion; or
- An antique.

No loss shall be deducted / allowed on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

2.7 Taxation of interest income

Interest income derived by any company shall be taxable under the head “Income from other source” taxable at rate of corporate tax i.e. 27%.

2.8 Utilization of tax losses

Business losses:

Loss incurred under the head “Income from Business” by the Company can be set off against taxable income of the company under any head for the year except income from salary and income from property. Unadjusted loss, if any, can be carry forward up to the following immediately six tax years.

Depreciation, initial allowance and amortization of intangibles:

Loss incurred on account of Initial Allowance, Depreciation/ Amortization under the head “Income from Business”, shall be carry forward for indefinite period.

Carry forward of capital losses:

Capital loss sustained by a Company for a tax year is not wholly set off, then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year.

Capital loss on disposal of securities:

Capital loss (Loss on Securities) sustain by a company if not wholly setoff can be carried forward up to the following three tax years to be adjusted against respective income only.

2.9 Key Tax incentives

Tax credit for persons employing fresh graduates:

A Company employing freshly qualified graduates from a university or institution recognized by Higher Education Commission shall be entitled to a tax credit in respect of the amount of annual salary paid to the freshly qualified graduates.

Tax Incentive for enlistment:

Where a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to **20%** of the tax payable shall be allowed for the tax year in which the said company is enlisted and for the following three tax years, provided that the tax credit for the last two years shall be **10%** of the tax payable.

Tax Incentive on Export of IT Services:

Income from exports of computer software or IT services or IT enabled services up to the period ending on 30th day of June 2025, is exempted.

Tax credit for industrial undertakings:

Where a company establishes an industrial undertaking before 30 June 2019, through at least 70% share capital issued for cash consideration, the company shall be eligible for tax credit in proportion to the investment made through share capital for the period of 5 years.

2.10 Withholding tax

To expunge tax evasion and leakage, the tax laws have been designed as such to impose withholding tax on almost every single transaction being undertaken in Pakistan. This involves, withholding taxes on salary, utilities, banking transactions, transfer and registration of property and motor vehicles, imports and exports, payment for goods and service, property rental and even on educational payments. The rate of withholding taxes varies on transactional basis and in some cases varies on progressive basis.

2.11 Transfer Pricing

The Commissioner of tax is empowered to reclassify any transaction, entered between associates (related party) under tax avoidance scheme, to reflect the income that the company would have realized in an arm's length transaction.

2.12 Filing requirements of tax return

Filing due dates	Companies with tax year end between 1 January and 30 June are liable to file their return of income by 31 December. Companies with tax year end on any other dates are liable to file their return of income by 30 September following the end of the financial year.
Penalties	Penalty may be imposed for failure to file return of income on due date. Company shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than forty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of forty thousand rupees.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual shall be a resident individual for a tax year if the individual

- present in Pakistan for a period of one hundred and eighty-three days or more in the tax year; or,
- is present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and twenty days or more in the tax year and, in the four years preceding the tax year, has been in Pakistan for a period of, or periods amounting in aggregate to, three hundred and sixty-five days or more;
- is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

Individual income tax shall be classified under the following categories:

- Salary
- Income from property
- Dividends
- Profit on debt
- Income from business
- Capital gains
- Income from other sources

3.2 Rates of tax

S. no.	Income Group	Rate
1	up to Rs. 400,000	Nil
2	Rs. 400,001 to Rs. 600,000	5% exceeding 400,000
3	Rs. 600,001 to Rs. 1,200,000	Rs. 10,000 + 10% exceeding 600,000
4	Rs. 1,200,001 to Rs. 2,400,000	Rs. 70,000 + 15% exceeding 1,200,000
5	Rs. 2,400,001 to Rs. 3,000,000	Rs. 250,000 + 20% exceeding 2,400,000
6	Rs. 3,000,001 to Rs. 4,000,000	Rs. 370,000 + 25% exceeding 3,000,000
7	Rs. 4,000,001 to Rs. 6,000,000	Rs. 620,000 + 30% exceeding 4,000,000
8	Rs. 6,000,001 and above	Rs. 1,220,000 + 35% exceeding 6,000,000

SEPARATE TAXATION:

However, Income from Property, Capital gain on immovable property and Capital gain on securities are taxable as a separate block of income.

3.3 Year of assessment

The tax year of each individual covers the year from 1st of July to 30th of June.

3.4 Allowances and Deductions

An individual resident is allowed for the following personal relief from the total income:

- Zakat
- Workers welfare fund
- Workers participation fund

- Deductible allowance on profit on debt
- Deductible allowance for educational expenses
- Charitable donations
- Tax credit for investment in shares
- Contribution to an Approved Pension Fund.

3.5 Taxation of dividends

Dividend income is subject to Withholding Tax (WHT) if paid by:

• Independent Power Producers	7.5%
• Other cases	15%
• dividend received from a company where no tax payable by such company, due to exemption of income or carry forward of business losses.	25%

3.6 Taxation of capital gain

TAXATION OF CAPITAL GAINS:

A gain arising on disposal of capital assets (other than plot, constructed property or securities) by a company in a tax year shall be chargeable to tax at the following rates:

S. no.	Holding Period	Taxable Gain	Tax Rate for Individual
1	Where holding period is less than one year	100%	As per slab define in 3.2
2	Where holding period is more than one year	75%	As per slab define in 3.2

S. no.	Amount of gain	Rate of Tax
1	Where gain does exceed Rs. 5 Million	2.5%
2	Where gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3	Where gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
3	Where gain exceeds Rs. 15 million	10%

Gain arising on disposal of **open plot** and **constructed property** would be calculated based on holding period as follows:

S. no.	Holding period of open and constructed plot	Taxable Gain
1	Not exceeding one year	100%
2	Exceeds one year but does not exceed two years	75%
3	Exceeds two years but does not exceed three years	50%
4	Exceeds three years but does not exceed four years	25%
5	Exceeds four years	0%

Further loss arising on immovable property can be adjusted against gain under the head capital gain only. Any unadjusted loss can be carry forward for following immediately six tax years.

CAPITAL GAIN ON SECURITIES:

“Security” means;

- Share of a public company,
- Voucher of Pakistan Telecommunication Corporation,

- Modaraba Certificate,
- Instrument of redeemable capital,
- Debt Securities and
- Derivative products.

TAX RATES FOR CAPITAL GAIN ON SECURITIES:

Capital gain on disposal of securities shall be chargeable to tax at the following rates:

S. no.	Holding Period	Tax Year 2020 and onwards	
		Securities acquired before 1st July 2016	Securities acquired after 1st July 2016
1	Where holding period of security is less than 12 months	15%	15%
2	Where holding period of security is 12 months and more but less than 24 months	12.5%	
3	Where holding period of security is 24 months and more but the security was acquired on or after 1st July, 2013	7.5%	
4	Where the security was acquired before 1st July, 2013	0%	N.A
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%

A mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax and on Redemption of securities at 10% for all funds.

Further loss arising on securities can be adjusted against capital gain on securities only. Any unadjusted loss can be carried forward for immediately succeeding three tax years for which loss was first computed.

CAPITAL LOSSES:

Loss arising on such capital assets can be adjusted against gain on capital assets only. Any unadjusted loss can be carried forward for immediately succeeding six tax years for which loss was first computed.

However, loss arising on the following capital assets shall never be recognized.

- A painting, sculpture, drawing or other work of art;
- Jewelry;
- A rare manuscript, folio or book;
- A postage stamp or first day cover;
- A coin or medallion; or
- An antique.

No loss shall be deducted / allowed on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

3.7 Taxation of interest income

The rate of tax for profit on debt applicable for individual are as follows: -

1. Where profit on debt does not exceed Rs.5,000,000 15%
2. Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000 17.5%
3. Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs. 36,000,000 20%

3.8 Personal assessment and utilization of losses

Business losses:

Loss incurred under the head "Income From Business" by the Company can be set off against taxable income of the company under any head for the year except income from salary and income from property. Unadjusted loss, if any, can be carry forward up to the following immediately six tax years.

Depreciation, initial allowance and amortization of intangibles – Loss incurred on account of Initial Allowance, Depreciation/ Amortization under the head "Income From Business", shall be carry forward for indefinite period.

Carry forward of capital losses:

Capital loss sustained by a Company for a tax year is not wholly set off, then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year.

Capital loss on disposal of securities:

Capital loss (Loss on Securities) sustain by a company if not wholly setoff can be carried forward up to the following three tax years to be adjusted against respective income only.

3.9 Withholding tax

Please refer to the point mentioned above under section 2.10.

3.10 Statutory obligation of employers

Employers have the obligation to withhold salary tax on a monthly basis. The salary tax has to be declared and paid on monthly basis.

3.11 Filing requirement of tax return

Filing due dates	A return of income other than a company shall be furnished on or before the thirtieth day of September every year.
Penalties	<p>Penalty may be imposed for failure to file return of income on due date. A person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than forty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of forty thousand rupees.</p> <p>Provided that If seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees.</p>

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Federal and Provincial authorities.

4.2 Basis of contribution

Every commercial and industrial establishment having certain number of employees must have to provide the retirement benefit. Mostly there are two types of retirement benefits, one is gratuity and other is provident fund.

4.3 Contribution rate

Gratuity:

Rate of gratuity is "thirty (30) days wages for every completed year of service or any period in excess of six months".

Provident Fund:

Employers and employees each are required to make mandatory contributions to a Provident Fund. It is 10% of the employee's relevant income.

4.4 Exemption from tax

The contributions made by an employee and employer are exempt.

GST/VAT

5.1 Basis of tax

Sales tax (VAT) shall be charged, levied and paid a tax at the standard rate of seventeen per cent of the value of:

- taxable supplies made by a person registered in sales tax; and,
- goods imported into Pakistan.

5.2 Rates of tax

Standard rate is 17% on goods by Federal Government (Other than Services).

Provincial sales tax rates on services:

Sindh Province: 13%

Baluchistan Province: 16%

Punjab Province: 15%

KPK Province: 15%

Islamabad Capital Territory (Tax on Services): 16%

5.3 Registration

The following sectors are required to be registered for sales tax and charge sales tax on their supplies/services:

- Manufacturers (excluding cottage industry);
- Importers;
- an exporter (who intends to obtain sales tax refund against his zero-rated supplies);
- Service providers;

- Distributors, wholesalers & retailers.

Sales tax is chargeable on all locally produced and imported goods except computer software, poultry feeds, medicines, gold, silver and unprocessed agricultural produce of Pakistan subject to condition where specified under the Sales Tax Act 1990.

5.4 Filing requirements

Sales tax return shall be filed on monthly basis by eighteenth day of the following the month ended and payment shall be made by the fifteenth day of the following the month ended.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

For salaried individuals:

Any foreign-source salary received by a resident individual is exempt from tax in Pakistan if the individual has paid foreign income tax in respect of that salary.

For Individuals/AOPs/Companies:

Where a resident taxpayer derives foreign source income chargeable to tax in respect of which the taxpayer has paid foreign income tax, the taxpayer shall be allowed a tax credit of an amount equal to the lesser of –

- Foreign income tax paid; or
- Pakistan tax payable in respect of the income.

6.2 List of double tax treaties signed

Pakistan has signed comprehensive double tax agreements/arrangement on income with more than 60 countries which aim to eliminate double taxation of income or gains arising in one territory and paid to residents of another territory.

Agreements signed and effective:

Austria	Hungary	Nigeria	Tunisia
Azerbaijan	Indonesia	Norway	Turkey
Bahrain	Iran	Oman	Turkmenistan
Bangladesh	Ireland	Philippines	Ukraine
Belarus	Italy	Poland	United Arab Emirates
Belgium	Japan	Portugal	United Kingdom
Bosnia and Herzegovina	Jordan	Qatar	United States of America
Brunei Darussalam	Kazakhstan	Romania	Uzbekistan
Bulgaria	Korea	Saudi Arabia	
	Kuwait	Serbia	Vietnam
Canada	Kyrgyz Republic	Singapore	Yemen
China	Lebanon	South Africa	
Czech Republic	Libya	Spain	
Denmark	Malaysia	Sri Lanka	
Egypt	Malta	Sweden	
Finland	Mauritius	Switzerland	
France	Morocco	Syria	
Germany	Nepal	Tajikistan	
Hong Kong	Netherlands	Thailand	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty in Pakistan is a fee imposed by provincial governments on all property-related transactions, and it varies from province to province. However, it is usually a certain percentage of the value of property. Stamp duty is paid during the registration of the property when the title of ownership is transferred from the seller to the buyer.

7.2 Property tax

Property taxes are levied on both buildings (commercial and residential building) and land by the provincial governments of Pakistan. The Excise and Taxation Departments of the provincial governments release Valuation Tables every year, which provide certain figures based on different measures for each province and sometimes for different cities within a province.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.: N/A

*Fiscal Measures taken by State Bank of Pakistan to combat COVID-19

8.1. Refinance scheme for payment of wages and salaries to support workers and employees of Business Concerns

The Scheme aims to finance wages and salaries of permanent, contractual, daily wagers as well as outsourced employees of existing as well as new borrowers of banks and DFIs for the months from April 2020 to September 2020.

Maximum Financing Limit: Maximum financing limit of a borrower under this scheme is determined in the following manner:

Category	Wages and Salaries Bill for 3 months	Loan Limit	Maximum Loan Limit
(1)	(2)	(3)	(4)
A	Less than or equal to PKR 500 million	100% of column (2)	PKR 500 million
B	More than PKR 500 million	PKR 500 million or 75% of column (2), whichever is higher	PKR 1000 million

Maximum 3% per annum (p.a.) for end users who are in active taxpayers' list (SBP service charges for such customers is 0%). End user rate for non-filers is 5% (SBP rate of service charge for banks/DFIs is 2% p.a. per annum for corporate/commercial borrowers and 1% p.a. for SME borrowers).

The repayment of financing under the Scheme will start from January 2021. The repayment will be made in eight (08) equal quarterly installments.

Statistics as of 16-Oct-2020:

Number of Businesses availed:	2,858
Amount in million:	PKR 229,019
No. of Employees Covered:	1,644,136

8.2. Reduction in policy rate by cumulative 6.25 percent

Due to COVID-19 economic growth prospect on downward trend globally and keeping the domestic perspective, to lower the burden on business and household to offset reduced behavior of demand side, the SBP reduced the benchmark rate to 7 percent from 13.25 percent.

8.3. Enhancement of loan limits and expands relief measures for microfinance borrowers

The loan limit has been extended from PKR 150,000 to PKR 350,000 for general loans. The loan limit to finance house and microenterprise has been enhanced to PKR 3 million to borrow from microfinance bank from PKR 1 million.

8.4. Deferment of Principal Amount of Loans

SBP extended the deferment of principal amount facility up till 30th September 2020. This facility will however be available for Small & Medium Enterprise Financing, Consumer Financing, Housing Finance, Agriculture Finance and Micro financing only.

8.5. Payment of principal on loan obligations will be deferred by banks

Banks and DFIs has deferred the payment of principal on loans and advances by one year. To avail this relaxation, borrowers have submitted a written request to the banks. However, the banks have charged mark-up amount as per agreed terms and conditions during the deferred period.

8.6. Regulatory criteria for restructuring/rescheduling of loans have been temporarily relaxed till 31st March 2021

SBP has relaxed the regulatory criteria for restructuring/rescheduling of loans for borrowers whose financial conditions require relief beyond extension of principal repayment for one year. The loans that are re-scheduled/restructured within 180 days from the due date of payment will not be treated as defaults.

8.7. Regulatory limit on extension of credit to SMEs has been permanently increased

The existing regulatory retail limit of PKR 125 million per SME has been permanently enhanced to PKR 180 million. This measure will facilitate banks to provide more loans to SMEs.

8.8. Package for health sector to combat COVID-19

This scheme provides long term finance facility for new/existing hospital/medical centers to procure medical equipment to be used to combat COVID-19.

Maximum PKR 500 million per hospital/medical center, it would be for 5 years including 6 months grace period, it would cover up to 100% cost of civil works for setting up of isolation ward, lower interest rate of 3% SBP rate of refinance would be 0%.

8.9. Enhancement of limits on advance payments for imports

SBP has enhanced the existing limit of USD 10,000/, or equivalent in other currencies, per invoice allowed to banks to make advance payment on behalf of manufacturing & industrial concerns and commercial importers for import of raw material, spare parts and machinery, to USD 25,000/.

8.10. Realization of export proceeds

SBP has also allowed banks to enhance the time for realization of exports proceeds from existing requirement of 180 days to 270 days on a case by case basis where the delay is related to COVID-19. This would help exporters to provide extended time to their buyers in making payment due to above pandemic.

8.11. SBP provides exporters an increased limit of Rs190 billion

SBP enhanced the limit of refinancing provided to the banks under Exports Finance Scheme (EFS) by Rs100 billion. Moreover, to promote export-oriented investment, Rs90 billion have also been allocated under Long Term Financing Facility (LTFF) for the FY 21.

This amount is in addition to limit of Rs100 billion already allocated to banks/DFIs under Temporary Economic Relief Facility (TERF) - a concessionary refinance scheme for setting up of industrial units.

8.12. Refinance scheme for setting-up new projects or Expansion

To further stimulus to the economy in context to COVID-19, to support investment in new projects or modernizing/expansion (BMR) of existing units, Temporary Economic Relief Facility (TERF) can be used for only new machinery. This facility is provided at 5% instead of earlier 7%.

Under this scheme, the SBP will refinance banks to provide financing at a maximum end-user rate of 7 percent for 10 years for setting up of new industrial units. The total size of the scheme is Rs 100 billion, with a maximum loan size per project of Rs 5 billion.

*<https://www.sbp.org.pk/corona.asp>

POINT OF CONTACT

Name of contact: Ali Lakhany

Telephone with country code: +92 21 35674741-44

Email address: ali.lakhany@hzco.com.pk



POLAND

GENERAL INFORMATION

1.1 Country/Region

Poland

1.2 Currency

Polish Zloty (PLN)

1.3 Principal business entities

These are the limited liability company (in Polish: spółka z ograniczoną odpowiedzialnością; abbreviation - sp. z o.o.), joint-stock company (spółka akcyjna – S.A.), limited joint-stock partnership (spółka komandytowo-akcyjna – S.K.A.), limited partnership (spółka komandytowa – sp.k.), limited liability partnership (spółka partnerska), general partnership (spółka jawna), civil partnership (spółka cywilna), sole proprietorship (jednoosobowa działalność gospodarcza), and branch office (oddział przedsiębiorcy zagranicznego).

1.4 Foreign exchange control

In general, there is no foreign exchange control for transactions with entities from European Union, European Economic Area (EEA) and Organisation for Economic Co-operation and Development (OECD) and certain other jurisdictions.

1.5 Current economy climate (Industry overview/ encouraged business development)

Until the outbreak of COVID-19, Poland's economy had been experiencing a long period of economic expansion since the transformation implemented in 1989/90. Poland is one of the fastest growing economies in Europe. It was the only nation in the European Union to resist the 2009 recession.

Currently, the Polish economy seems to have a strong fundamental and due to positive investment climate, the Poland's attractiveness to foreign investors is undisputed. Poland's GDP growth reached 4.5 % in 2019, driven mainly by a strong domestic consumption and investments. Household expenditures continued to grow, partially thanks to a government's Family 500+ program, additional pension payments, and a strong labor market.

The largest industries in Poland are the agriculture, manufacturing, energy, and tourism industries.

However, part of newly-proposed legislation reduced an optimism in some sectors (e.g., retail, media, digital services, and beverages).

It is also worth saying that - according to the European Commission (EC) - the crisis in the Polish economy caused by the COVID-19 pandemic, will be the mildest in the EU.

1.6 National tax authority

Name

Minister of Finance, the Head of the Domestic Tax Administration, Director of the Domestic Tax Information, heads of tax offices, heads of customs-tax offices, directors of tax administration chambers and also local authorities (in particular – in case of a real estate tax).

Website

www.gov.pl/web/finanse
www.gov.pl/web/kas
www.kis.gov.pl/kontakt/dane-teleadresowe

CORPORATE INCOME TAX

2.1 Basis of taxation

The subject of corporate income tax (CIT): in general, the taxpayers are legal persons and a limited joint stock partnerships.

The object of CIT: the tax is imposed on a company's profits. There are two sources of income, i.e. capital gains and other income. The business expenses (with some limitations) may be deducted in computing taxable income.

Residents (i.e. companies having their seat or a management office on the territory of Poland) are taxed on their worldwide income while non-residents are taxed only on the incomes which they earn within the territory of the Republic of Poland.

2.2 Rates of tax

The standard CIT rate is 19%. A lower tax rate of 9% is applicable to income other than capital gains for so called small taxpayers (i.e. taxpayers in whose case the value of revenue from sales, including the amount of output goods and services tax, did not exceed in the preceding tax year an amount denominated in zloties being the equivalent of EUR 2 million) and taxpayers commencing business activity with revenues not exceeding EUR 1.2 million in the year (with certain exceptions).

2.3 Year of assessment

Taxpayer may choose as its fiscal year the calendar year or another 12-month period.

2.4 Profits deemed to be taxable

Residents are taxed on its worldwide income, while nonresidents are taxed only on the Polish sources of income. In general, income from the foreign sources earned by residents is subject to CIT in the same way as income from the "Polish-sources", however there is usually foreign tax credit available, unless a particular double tax treaty (DTT) provides otherwise.

2.5 Taxation of dividends

Dividends received by the Polish residents are generally taxed at a rate of 19%. However, dividends received by the Polish residents (with some exceptions) from another Polish, EU/EEA or Swiss companies are exempt from tax if certain requirements are met (including holding a particular share in the capital of the entity paying out a dividend). If the exemption does not apply, dividends received are taxable, but a credit for foreign withholding tax and in some cases underlying foreign corporate tax paid is available, where appropriate.

As far as the dividends paid by a Polish residents to a nonresident companies are concerned, they are generally subject to withholding tax at a rate of 19%, unless the rate is reduced under a DTT or the dividends are exempt according to the Polish CIT Act provisions (which implements the EU parent-subsidiary directive), provided the dividend is not related to a transaction undertaken to benefit from a tax exemption and that does not reflect economic reality.

2.6 Taxation of capital gains

Capital gains are a separate source of income and are taxed at a rate of 19%. There are some exemptions, including those for venture capital companies. In particular, the following shall be considered revenues from capital gains:

- revenue from participation in the profits of legal persons, constituting revenue actually obtained from that participation, including, for example: dividends, revenue from the redemption of shares or from decreasing their value or interest on equity interest paid to a partner by a partnership;
- revenue from making a non-cash (in-kind) contribution to a legal person or a partnership;
- revenue from the disposal of all rights and obligations in a company without legal personality;
- revenue from the disposal of receivables previously acquired by the taxable person and receivables arising from revenue classified as capital gains.

2.7 Taxation of interest income

In general, interest received by resident companies are taxed on the general rules stated above. In case of interest paid to nonresident companies such an income is subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT or EU directive. Under meeting some conditions such an income may be also exempt under the Polish CIT Act provisions (which implements the EU interest and royalties directive) if the recipient is the beneficial owner of the interest. It is also important that the interest to be exempt cannot be related to a transaction (or a set of transactions) which does not reflect economic reality and is undertaken to benefit from a tax exemption.

2.8 Utilization of tax losses

Losses from a particular source of income may be carried forward for 5 years against income from the same source, but the deduction is restricted to 50% of the loss incurred. Alternatively, the taxpayer may offset up to PLN 5 million of the loss in any one year with the remainder deductible in the four remaining years of the five-year period, subject to the 50% offset rule.

The carryback of losses is not permitted.

2.9 Key Tax incentives

In particular, the CIT regulations provides for the following incentives (after meeting some additional conditions):

- “R&D relief”, i.e. an additional deduction (from a tax base) from 100% to 150% of qualifying costs incurred for R&D activities;
- a one-time depreciation write-off of up to EUR 50K also for small and start-up taxpayers;
- a notional interest deduction of up to PLN 250K per year;
- foreign tax paid may be credited against Polish tax on the same profits;
- “IP Box”, i.e. 5% tax rate may be applied to income derived by a taxpayer from selected intellectual property (in particular: inventions, patents, software) which is created, developed or improved by the taxpayer's R&D activity.

2.10 Withholding tax

Dividends paid to a nonresident companies are generally subject to withholding tax at a rate of 19%, unless the rate is reduced under a DTT or the dividends are exempt according to the Polish CIT Act provisions (which implements the EU parent-subsidiary directive), provided the dividend is not related to a transaction undertaken to benefit from a tax exemption and that does not reflect economic reality.

Interest paid to nonresident companies is subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT or EU directive. Under meeting some conditions such an income may be also exempt under the Polish CIT Act provisions (which implements the EU interest and royalties directive) if the recipient is the beneficial owner of the interest. It is also important that the interest to be exempt cannot be related to a transaction (or a set of transactions) which does not reflect economic reality and is undertaken to benefit from a tax exemption.

Royalties paid to nonresident companies are subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT or EU directive. Under meeting some conditions such an income may be also exempt under the Polish CIT Act provisions (which implements the EU interest and royalties directive) if the recipient is the beneficial owner of the royalties. It is also important that the royalties cannot be related to a transaction (or a set of transactions) which does not reflect economic reality and is undertaken to benefit from a tax exemption.

Other fees for specified intangible services paid to nonresident companies are subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT.

It is important that, there are new withholding tax rules for payments exceeding PLN 2 million per recipient per year (however, these rules are postponed till 31 December 2020).

In general, according to these new rules, the entity which pays out a dividend/interest/royalties/etc. (the remitter) must withhold tax at the standard rate on the surplus over PLN 2 million at the time of payment, unless the payer either:

- (i) provides the tax authorities with a statement that a withholding tax exemption or reduced rate is applicable; or
- (ii) obtains an opinion from the tax authorities that an exemption

based on the EU directives may be applied.

A refund of the tax withheld may be requested from the tax authorities.

2.11 Transfer Pricing

In general, the Polish transfer pricing regulations are in line with the OECD guidelines.

Adjustment of income - if prices in transactions made with a related party* are not in accordance with the arm's length principle, the tax authority is entitled to make an adjustment.

* generally, if one entity exercises effective influence over the other (for instance by owning, directly or indirectly, at least 25% of its shares) or if the same entity exercises effective influence over both of them.

Transfer pricing documentation (TPD)

Local TPD (local file) must be prepared for related party transactions exceeding certain thresholds in a tax year (PLN 10 million for transactions including goods or financial transactions, PLN 2 million for transactions including services and other types of transactions, and PLN 100,000 for transactions with entities from a country or territory which performs "harmful tax practices").

Group TPD (master file) must be prepared by taxpayers whose consolidated revenue exceeds PLN 200 million (or a taxpayer belonging to such a group whose consolidated revenue exceeds PLN 200 million).

TPR form. Taxpayers obliged to prepare a local file are also may be required to prepare and submit a simplified report on related party transactions.

Statement on TP. Taxpayers obliged to prepare a local file must also submit a special statement confirming that they have the compliant transfer pricing documentation available and that the covered transactions were concluded at arm's length.

CbC reporting. Taxpayers whose consolidated revenue exceeded the equivalent of EUR 750 million in the preceding tax year also must produce a country-by-country report. In some cases such an obligation has to be fulfilled by the subsidiary company belonging to such a group.

TPD requirements also apply to taxpayers conducting business operations in forms not having legal personality.

2.12 Filing requirements of tax return

Filing due dates	Taxpayers must make a self-assessment of the tax due and pay advances during a tax year (it is possible to apply a simplified method based on previous years' results). The final calculation and reconciliation of the tax due must be made within three months of the end of the tax year.
Penalties	Statutory penalty interest applies at a rate determined by reference to the National Bank of Poland's Lombard rate, subject to a minimum rate of 8%. Persons responsible for the tax reconciliation, as well as members of the management board in certain cases, are subject to penalties for noncompliance. Corporate entities also may be subject to penalties.
Payment of profit tax and application of holdover	The payment of the final tax due must be made within three months of the end of the tax year. Advances are paid monthly (generally till 20th day of the following month) or quarterly (generally till 20th day of the month after the end of the quarter).

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

There is a personal income tax (PIT). Residents are taxed on their worldwide income. Nonresidents are taxed only on the incomes which they earn within the territory of the Republic of Poland.

Taxable income includes most cash and noncash benefits earned from employment or income from self-employment. Profits from business activities are subject to rules similar to those applicable for companies.

An individual is resident if his/her center of personal or economic interest is in Poland or if he/she stays in Poland for more than 183 days in the tax year. However, these rules may be modified under certain DTT.

In general, a tax is assessed separately. However, a married couple may choose a joint assessment.

3.2 Rates of tax

In general, there are **progressive tax scale**, i.e.

- for taxable income up to PLN 85,528: 17%*
- for taxable income over to PLN 85,528: 32%

* however individuals under the age of 26 who derive their income from employment or personal service contracts are exempt from tax on income up to PLN 85,528.

Solidarity surcharge for income over PLN 1 million: 4%

Capital gains tax rate is 19%.

Flat rate of 19% - individuals carrying out business activities or some special agricultural production - instead of applying a tax rate from the tax scale - may choose taxation at a flat rate of 19% (however, in this case, there are some limitations as to tax reliefs and allowances).

Lump sum taxation - some individuals, including those performing business activity and letting real property, may choose to be taxed under "lump sum" regime (in this case, there are also some limitations as to tax reliefs and allowances).

5% for IP - taxpayers may apply 5% tax rate to selected IP (see: remarks regarding CIT tax).

Exit tax (19% or 3%) - if an individual moves assets outside of Poland or loses Polish tax residency, such a tax may apply on unrealized gains.

3.3 Year of assessment

Calendar year.

3.4 Allowances and Deductions

Deductions includes: donations, certain employee social security contributions, expenses incurred by disabled persons and, in certain cases, qualifying expenses incurred for R&D activities or contributions to an individual pension insurance account. Personal allowances also are available (in particular - a childcare allowance).

3.5 Taxation of dividends

Dividends are subject to withholding tax at 19%, unless the rate is reduced under a DTT or the dividends qualify for an exemption

under the EU parent-subsidiary directive, provided the dividend is not related to transaction(s) undertaken to benefit from a tax exemption and that does not reflect economic reality.

3.6 Taxation of capital gain

Capital gains are a separate source of income for the purpose of PIT.

These category includes, in particular, gains derived from the sale of shares, stock, securities and cryptocurrencies, dividends, interest, revenues from the participation in capital funds.

The tax rate is 19%.

3.7 Taxation of interest income

Interest income received by resident and nonresident individuals are subject to a withholding tax at a rate of 19% (unless reduced under a DTT).

3.8 Personal assessment and utilization of losses

Individuals are required to make a final assessment/submit an annual tax return by 30 April following the tax year. Earlier filing dates apply for the exit tax and lump sum tax regimes. Private individuals (with some limitations) can choose between two options when preparing their personal income tax return, i.e.: (a) accepting and modifying the draft tax return prepared by the tax authority or (b) self-assessment. Individuals performing a business activity cannot opt for tax assessment by the tax authority.

Losses from a particular source of income may be carried forward for five years against income from the same source, but the deduction is restricted to 50% of the loss incurred. Alternatively, the taxpayer may offset up to PLN 5 million of the loss in any one year with the remainder deductible in the four remaining years of the five-year period, subject to the 50% offset rule.

3.9 Withholding tax

Dividends paid to a nonresident individuals are generally subject to withholding tax at a rate of 19%, unless the rate is reduced (or the income is exempt) under a DTT.

Interest paid to nonresident individuals is subject to a 19% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT.

Royalties paid to nonresident individuals are subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT.

Other fees for specified intangible services paid to nonresident individuals are subject to a 20% withholding tax, unless the rate is reduced (or the income is exempt) under a particular DTT.

See also: new withholding tax rules (point 2.10. above).

3.10 Statutory obligation of employers

Advance payments of income tax on an employee's salary or personal service contract income are remitted to the tax authorities by the Polish employer/company on a monthly basis. Other income generally is self-assessed.

3.11 Filing requirement of tax return

Filing due dates	Individuals generally are required to submit an annual tax return by 30 April following the tax year. Earlier filing dates apply for the exit tax and lump sum tax regimes. Payments of tax should be made to the taxpayer's individual bank account number provided by the tax authorities.
Penalties	Individuals may be subject to penalties for noncompliance.
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Social Insurance Institution (ZUS)

4.2 Basis of contribution

Employers and employees must make social security contributions in total equal to approximately 35% of an employee's remuneration, subject to certain caps, with approximately 21% paid by the employer and 14% by the employee.

The base for calculation of the contributions are generally the revenues for personal income tax (PIT) purposes.

Contributions are withheld and remitted by the employer, together with the employer's contribution.

The employee contributions are deductible when calculating the employee's taxable earnings. Employees also are required to make a 9% healthcare contribution, which is partly tax deductible (and is collected and remitted by the employer).

4.3 Contribution rate

Employer's contribution:

Pension Insurance: 9.76%

Disability insurance: 6.5%

Medical insurance: -

Accident insurance: 1.67% (it is variable)

Health Insurance: -

Employee's contribution:

Pension Insurance: 9.76%

Disability insurance: 1.5%

Medical insurance: 2.45%

Accident insurance: -

Health Insurance: 9%

4.4 Exemption from tax

The employee contributions are deductible when calculating the employee's taxable earnings. Employees also are required to make a 9% healthcare contribution, which is partly tax deductible (and is collected and remitted by the employer).

GST/VAT

5.1 Basis of tax

VAT is imposed on the supply of goods and services on the territory of Poland, the imports and exports of goods to/from Poland, and the intra-community acquisition and supply of goods.

Generally, a taxable amount (tax base) shall include everything which constitutes the payment received or to be received by the person carrying out the supply of goods or the service provider from the acquirer, recipient of the service or a third person in respect of sale, including grants, subventions and other additional payments of a similar nature having a direct impact on the price of goods or services supplied by the taxpayer.

5.2 Rates of tax

The standard VAT rate is 23%. Preferential rates of 5% and 8% apply to certain goods and services. Some other goods and services may be zero-rated or exempt.

An intra-community supply and exports is subject to 0%.

5.3 Registration

The registration threshold for VAT purposes is annual turnover of PLN 200,000 unless the entrepreneur is engaged in an activity that is not subject to VAT exemptions (in particular: sale of alcohol and tobacco, certain parts for motor vehicles, provision of legal services or services in the field of consulting). Nonresidents which make taxable supplies of goods or services in Poland generally must register for VAT purposes.

5.4 Filing requirements

JPK_VAT file (the Polish equivalent of the Standard Audit File for Tax, SAF-T) must be submitted and the VAT due paid till 25th day of the following month (some taxpayers are entitled to pay VAT quarterly, however they still have to submit JPK_VAT monthly).

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be credited against Polish tax on the same profits, but the credit is limited to the amount of Polish tax payable on the foreign income. Additional tax relief ("abolition relief") applies to income from certain sources (e.g. employment or business activity income) such that this foreign income is effectively tax-exempt on a progressive basis.

6.2 List of double tax treaties signed

Poland has signed DTTs with: Albania, Algeria, Saudi Arabia, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, Chile, China, Croatia, Cyprus, Montenegro, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Philippines, Finland, France, Greece, Georgia, Guernsey, Spain, The Netherlands, India, Indonesia, Iran, Ireland, Iceland, Israel, Japan, Jersey, Jordan, Canada, Qatar, Kazakhstan, Kyrgyzstan, South Korea, Kuwait, Lebanon, Lithuania, Luxembourg, Latvia, North Macedonia, Malaysia, Malta, Morocco, Mexico, Moldova, Mongolia, Germany, Nigeria, Norway, New Zealand, Pakistan, Portugal, South Africa, Russia, Romania, Serbia, Singapore, Slovakia, Slovenia, Sri Lanka, United States, Syria, Switzerland, Sweden, Tajikistan, Thailand,

Taiwan, Tunisia, Turkey, Ukraine, Uruguay, Uzbekistan, Hungary, Great Britain, Vietnam, Italy, Isle of Man, Zambia, Zimbabwe, United Arab Emirates.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is levied, for example, when filing a power of attorney and when the (central or local) authorities are requested to perform activities, such as issuing certificates, granting approval, etc. The applicable rates or fixed amounts are specified in the stamp duty act.

7.2 Real property tax

Tax generally is levied on the owner of real estate (land, buildings and construction) at rates determined by the local authorities (however, there are limits of rates). In some cases, the tax is levied on the holder of real estates (for example a lessee of the building owned by the State or a local authority).

7.3 Estate duty

Inheritance and gift tax range from 3% to 20%, subject to certain allowances and exemptions (including an exemption for some family members).

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax A tax on certain financial institutions including domestic banks, branches of foreign banks and credit institutions, insurance and reinsurance companies and loan institutions (excluding state-owned banks) applies. The tax is charged on the total value of assets exceeding PLN 200 million in the case of loan institutions, PLN 2 billion for insurance and reinsurance companies and PLN 4 billion for other financial institutions, at a rate of 0.0366% per month.

Consumption tax, etc. Excise tax is charged on the turnover of selected goods

POINT OF CONTACT

Name of contact: Radosław Gumulka

Telephone with country code: +48 32 721 20 65

Email address: grupa@gumulka.pl



SINGAPORE

GENERAL INFORMATION

1.1 Country/Region

Singapore

1.2 Currency

Singapore dollar (SGD)

1.3 Principal business entities

- Sole-proprietorship
- Partnership
- Limited liability partnership
- Limited liability company
- Private Limited company
- Branch of a foreign corporation

1.4 Foreign exchange control

No foreign exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

The COVID-19 outbreak has affected the Singapore economy through several channels and led to a significant deterioration in the economic situation both externally and domestically.

The outbreak has spread rapidly beyond China to many other countries, including the US, UK, France and Germany. With several of these countries implementing strong public health measures to contain the outbreak, including lockdowns and the closure of borders, economic activity has been disrupted, and is likely to lead to a sharp economic slowdown in these countries. The widespread curtailment of economic activity is also likely to cause further global supply chain disruptions. The resulting pullback in external demand and supply chain disruptions are, in turn, expected to adversely affect outward-oriented sectors in Singapore, including the manufacturing and wholesale trade sectors.

As the outbreak becoming more widespread, Singapore has tightened its border controls significantly since February 2020 to reduce the importation of COVID-19 cases. All short-term visitors are now not allowed to enter or transit through Singapore. This has led to a sharper-than-expected fall in tourist arrivals, which has severely affected the tourism (e.g., hotels, travel agents and cruise operators) and air transport sectors in Singapore.

To reduce the risk of community spread of COVID-19, safe distancing measures such as the cancellation of all events and mass gatherings and the physical separation of patrons at public places (e.g., eating venues and retail outlets) have been implemented. This will further weigh on domestic consumption, and have an adverse impact on consumer-facing sectors such as retail trade and food services.

In view of the weaker external demand outlook for Singapore and the expected economic impact of the domestic measures taken to contain the spread of COVID-19, Ministry of Trade and Industry (MTI) has further downgraded Singapore's GDP growth forecast for 2020 to "-7.0 per cent to -5.0 per cent", from its earlier forecast of "-7.0 per cent to -4.0 per cent". While most sectors are expected to be adversely affected by the COVID-19 outbreak, there are some bright spots in the economy, including new opportunities that have come with the rise in demand for online sales and services.

In the months ahead, MTI will continue to closely monitor developments in the global and Singapore economies as the COVID-19 situation remains fluid.

On 26 May 2020, Singapore announced the "Fortitude" Budget. This \$33 billion Supplementary Budget will provide support for businesses and workers to adapt, transform and seize new opportunities.

Along with the previous three stimulus packages, Singapore will spend 92.9 billion Singapore dollars to help businesses and households manage the economic impact of the coronavirus. That's 19.2% of Singapore's GDP. The Overall Budget Deficit for the year 2020 will increase to \$74.3 billion Singapore dollars, or 15.4% of Singapore's GDP.

1.6 National tax authority

Name

Inland Revenue Authority of Singapore ("IRAS")

Website

www.iras.gov.sg

CORPORATE INCOME TAX

2.1 Basis of taxation

The tax is assessed on a territorial basis. Singapore tax resident companies are subject to tax on income accruing in, derived from and received in Singapore.

2.2 Rates of tax

17%

2.3 Year of assessment

In Singapore, the term "Year of Assessment" (YA) refers to the year in which taxpayers file their income tax returns of the year prior to it (that is Financial year) as defined by the Inland Revenue Authority of Singapore ("IRAS") for individuals and companies. It is the year in which the income that taxpayers have earned in the financial year that is ended is evaluated.

Example, Income earned in the financial year 2019 will be taxed in YA 2020.

2020 is the Year of Assessment (YA), the year in which the income is assessed to tax.

2.4 Profits deemed to be taxable

Singapore taxes income on a quasi-territorial basis. Tax is imposed on all income accrued in or derived from Singapore and all foreign income remitted or deemed remitted to Singapore, subject to certain exceptions. Foreign income in the form of foreign dividends, branch profits and service income (attributable to a foreign permanent establishment of the Singapore tax resident company) received by a Singapore tax resident company are exempt, provided these are derived from a jurisdiction operating corporate tax rates of at least 15% and have been subjected to tax in that jurisdiction.

In addition, the Income Tax Act deems interest and other charges related to indebtedness, royalties, rents, technical fees and management fees to be derived from Singapore if these are either borne by a Singapore resident entity or permanent establishment or are deductible against Singapore-sourced income. Foreign companies receiving such payments from Singapore may be subject to withholding taxes.

Here are the examples enumerated as follows:-

a) Non-resident Shipping and air transport

Profits arising from the carriage of passengers, mails, livestock or good shipped or loaded into an aircraft, in Singapore shall be deemed to accrue in Singapore, excluding solely for transshipment and transfer it from aircraft to a ship or vice versa.

b) Cable or wireless undertaking

Non-resident person carries on in Singapore the business via wireless network, profits arising from the transmission in Singapore, from Singapore or elsewhere to outside of Singapore shall be deemed to accrue in Singapore.

c) Employment exercised in Singapore

All income an individual has derived as an employee from employment exercised in Singapore is taxable, it does not matter where and how they are being paid.

d) Employment exercised outside Singapore on behalf of Government

All income an individual (exclude non-citizen or non-resident of Singapore) has derived as an employee from employment exercised on behalf of government shall be deemed to be derived from Singapore.

e) Interest etc

i) Any interest in connection with any loan, indebtedness or any arrangement or service related to any loan or indebtedness which is borne directly or indirectly by a tax resident in Singapore or Singapore permanent establishment shall be deemed to be derived from Singapore or deductible against any income accruing in or derived from Singapore.

ii) Any income derived from loans where the funds provided by such loans are remitted into or utilised in Singapore.

f) Royalties etc

i) Payments for the use of or the right to use scientific,

technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information.

ii) Payments for the use of or the right to use any movable property;

iii) Payment for the management or assistance in the management of any trade, business or profession carried on in Singapore;

iv) rent or other permanents under any agreement or arrangement for the use of any movable property, which are borne, directly or indirectly by a person resident in Singapore or a permanent establishment in Singapore or which are deductible against any income accruing in or derived in Singapore.

g) Commission or other payment of licensed international market agent

Shall be deemed to be derived from Singapore any commission or other payment paid to a licensed international market agent for organizing or conducting a casino marketing arrangement with a casino operator in Singapore which is —

(a) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore or

(b) Deductible against any income accruing in or derived from Singapore.

2.5 Taxation of dividends

Dividends paid on or after 1 Jan 2008 by a Singapore resident company under the one-tier corporate tax system is exempted from tax.

2.6 Taxation of capital gains

Capital gain is not subject to tax

2.7 Taxation of interest income

Interest income accrued in or derived from Singapore is subject to tax

2.8 Utilization of tax losses

- Can be carried forward to offset future taxable profit if the company satisfies the shareholding test (common shareholders as at the two relevant dates are 50% or more)

- Can be carried back to preceding YA to setoff the income from the immediate YA if the company satisfies the shareholding test

- It was announced in Singapore Budget 2020, for YA2020, the loss carry-back relief will be enhanced in which the companies are allowed to carry back to three YAs immediately preceding YA 2020 (e.g. YA2017, YA2018 and YA2019).

Note: The maximum amount of qualifying deduction that can be carried forward/carried back is SGD100,000

- Can be transferred to another company in the same group with conditions apply (eg. Both claimant and transferor must be incorporated in Singapore, belongs to the same group of companies and maintained 75% shareholding threshold and have same financial year end)

2.9 Key Tax incentives

Singapore Tax incentives for Companies

Tax incentives for companies are provided in the **Singapore Income Tax Act ("SITA")** and **Economic Expansion Incentives Act (EEIA)**.

The following key tax incentives are available:-

Governing Legislation	Types of incentives	Statutory Board
1. SITA – Section 13F	Exemption of international shipping profits	Maritime and Port Authority of Singapore ("MPA") www.mpa.gov.sg
2. SITA – Section 13H	Exemption of income of venture company	Enterprise Singapore www.enterprisesg.gov.sg
3. SITA – Section 13S	Exemption of income of shipping investment enterprise	MPA www.mpa.gov.sg
4. SITA – Section 14B	Further deduction for expenses relating to approved trade fairs, trade exhibitions, trade missions or to maintenance of overseas trade office	Enterprise Singapore www.enterprisesg.gov.sg
5. SITA – Section 14E	Further deduction for expenditure on research and development project	Singapore Economic Development Board ("EDB") www.edb.gov.sg
6. SITA – Section 43C	Exemption and concessionary rate of tax for insurance and reinsurance business	Monetary Authority of Singapore ("MAS") www.mas.gov.sg
7. SITA – Section 43G	Concessionary Rate of Tax ("CRT") for Finance and Treasury Centre	EDB www.edb.gov.sg
8. SITA – Section 43P	CRT for global trading company and qualifying company	Enterprise Singapore www.enterprisesg.gov.sg
9. SITA – Section 43Q	CRT for financial sector incentive company	MAS www.mas.gov.sg
10. SITA – Section 43W	CRT for shipping investment manager	MPA www.mpa.gov.sg
11. SITA – Section 43ZA	CRT for container investment enterprise	MPA www.mpa.gov.sg
12. SITA – Section 43ZB	CRT for container investment manager	MPA www.mpa.gov.sg
13. SITA – Section 43ZE	CRT for ship broking and forward freight agreement trading	MPA www.mpa.gov.sg
14. EEIA – Part II	Pioneer Industries	EDB www.edb.gov.sg
15. EEIA – Part III	Pioneer Service Companies	EDB www.edb.gov.sg
16. EEIA – Part IIIB	Development and Expansion Incentive	EDB www.edb.gov.sg
17. EEIA – Part X	Investment Allowances	EDB www.edb.gov.sg

2.10 Withholding tax

Nature of Payments that are Subject to Withholding Tax

Under Section 45/45A/45B/45F of Singapore Income Tax Act, there are specific payments paid or payable to non-tax residents that would require to be withheld tax as follows: -

- Interest, commission, fee in connection with any loan or indebtedness;
- Royalty or other payments for the use of or the right to use any movable property;
- Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the

rendering of assistance or service in connection with the application or use of such knowledge or information;

- Payments of management fees;
- Rent or other payments for the use of any movable property;
- Payments for the purchase of real property from a non-resident property trader;
- Structured products (exclude payments qualify for tax exemption under Section 13(1)(zi) of Singapore Income Tax Act);
- Distribution of real estate investment trust (REIT).

A percentage of that payment for the above specific payments must be withheld and accounted to IRAS by the 15th of the Second month from the date of payment to non-tax residents.

Date of payment is defined as the earliest of the following dates:

- When the payment is due and payable based on the agreement or contract, or the date of the invoice in the absence of any agreement or contract;
- When the payment is credited to the account of the non-tax resident;
- The date of actual payment

Nature of Payments that are Exempt from Withholding Tax

The following types of payments do not attract withholding tax when paid to non-resident:-

- Dividend Payments
- Payments to Singapore Branches of Non-Resident Companies (on or after 21 February 2014)
- Payments Made by Banks, Finance Companies and certain Approved Entities
- Payment for the Charter of Ships
- Payments for Satellite Capacity
- Payments of the Use of International Submarine Cable Capacity, including payments for Indefeasible Rights of Use (IRUs)

The exemption **does not apply** to payments which are: -

- Treated as income earned by any trade or business carried on or exercised by a non-resident person in Singapore; or
- Effectively connected with a permanent establishment in Singapore

2.11 Transfer Pricing

Transfer pricing is the pricing of goods, services and intangibles. Related parties must transact with each other at arm's length. Related parties are parties who control one another or who under the common control of another party, whether directly or indirectly. They include branches and head offices.

The arm's length principal:-

IRAS endorses the arm's length principal as the standard to guide transfer pricing. It is an internationally accepted standard adopted for transfer pricing between related parties. When the pricing of related party transactions is not at arm's length and results in a reduced profits for the Singapore tax payer, the

Comptroller of Income Tax may adjust and levied tax on the profit of the Singapore tax payer in accordance with Section 34D of Singapore Income Tax Act.

The arm's length principle requires that transfer prices between related parties are equivalent to prices that unrelated parties would be charged in the similar circumstances. It involves identifying situations or transactions undertaken by unrelated parties that are comparable to the situations or transactions between related parties. This is commonly known as "comparability analysis". IRAS recommends that tax payers adopt the following 3-step approach to apply the arm's length principle in their related party transactions:

Step 1: Conduct a comparability analysis

Step 2: Identify the appropriate transfer pricing method and tested party

Step 3: Determine the arm's length results

2.12 Filing requirements of tax return

Filing due dates	All companies are required to e-file the tax return by 15 Dec of the year (with effect from Year of Assessment 2020).
Penalties	<p>In the event the company fails to submit the tax return, the following action will be taken by IRAS:</p> <ol style="list-style-type: none"> Issue estimated Notice of Assessment, and the company is required to pay the estimated tax within 30 days from the date of assessment Offer to compound the offence with a composition amount not exceeding \$1,000 Issue a Section 65B(3) notice to the director to submit the required information in the Form C-S/ C to IRAS; and/or Summon the company or person responsible for running of the company (including the directors) to Court.
Payment of profit tax and application of holdover	<p>All the companies are required to file Estimated Chargeable Income (ECI) within 3 months from the financial year end. The company will be exempted to file ECI if the 2 conditions below are met:</p> <ol style="list-style-type: none"> ECI is NIL and Annual revenue is less than SGD 5 million <p>IRAS will refund the excess paid if the final tax return submitted by the company shows lesser chargeable income to be assessed. Similarly, the company is required to pay additional tax if the final tax return submitted by the company shows more chargeable income to be assessed. IRAS may raise query to the company if there is significant change in the tax assessed between ECI and final chargeable income.</p> <p>Application of Holdover</p> <p>To cease cash flow for many businesses adversely affected by the COVID-19 outbreak, it was announced on 26 March 2020 that all companies with corporate tax payable in April, May and June 2020 will be granted an automatic three month deferment of these payment.</p>

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All income earned and derived from Singapore is subject to income tax. Income tax rates depend on an individual's tax

residency status. The tax payer will be treated as a tax resident for a particular year of assessment (YA) if they are:-

- Singapore Citizen or Singapore Permanent Resident who resides in Singapore except for temporary absences
- Foreigner who has stayed / worked in Singapore (excludes director of a company) for 183 days or more in the previous year. i.e. the year before YA

If otherwise, they will be treated as a non-resident of Singapore for tax purposes.

3.2 Rates of tax

WITH EFFECT FROM YA 2017,

PROGRESSIVE TAX RATES FOR RESIDENTS AS FOLLOWS:-

Chargeable income	Rate (%)	Gross tax payable
First \$20,000	0	0
Next \$10,000	2	\$200
First \$30,000	-	\$20
Next \$10,000	3.50	\$350
First \$40,000	-	\$550
Next \$40,000	7	\$2,800
First \$80,000	-	\$3,350
Next \$40,000	11.5	\$4,600
First \$120,000	-	\$7,950
Next \$40,000	15	\$6,000
First \$160,000	-	\$13,950
Next \$40,000	18	\$7,200
First \$200,000	-	\$21,150
Next \$40,000	19	\$7,600
First \$240,000	-	\$28,750
Next \$40,000	19.5	\$7,800
First \$280,000	-	\$36,550
Next \$40,000	20	\$8,000
First \$320,000	-	\$44,550
Above \$320,000	22	

Singapore's personal income tax rates for resident tax payers are progressive. This means that higher income earners pay a proportionately higher tax, with the current highest personal income tax rate of 22% for income above \$320,000 per annum after deducting personal reliefs which individuals entitled.

Non-Resident Tax Rates

The employment income will be taxed at the flat rate of 15% or resident tax rates, whichever is the higher tax amount. Director's fee, consultation fee and all other income will be taxed at 22%.

3.3 Year of assessment

Please refer to Section 2.3 under Corporate tax. It applies the same to Individual tax.

3.4 Allowances and Deductions

TYPES OF PERSONAL TAX RELIEF	MAXIMUM AMOUNT CLAIMABLE
Earned Income Relief	
i) Below 55 years old	\$1,000
ii) 55 to 59 years old	\$6,000
iii) 60 years old and above	\$8,000

Earned Income Relief for handicapped persons	
i) Below 55 years old	\$4,000
ii) 55 to 59 years old	\$10,000
iii) 60 years old and above	\$12,000

TYPES OF PERSONAL TAX RELIEF	AMOUNT CLAIMABLE
Spouse Relief	\$2,000
Handicapped Spouse Relief	\$5,500

Qualified Child Relief	\$4,000 per child
Handicapped Child Relief	\$7,500 per child
Handicapped Brother/Sister Relief	\$5,500 per sibling or sibling-in-law

Parent Relief	
i) Staying with parents	\$9,000 per dependant
ii) Not staying with parents	\$5,500 per dependant

Handicapped Parent Relief	
i) Staying with parents	\$14,000 per dependant
ii) Not staying with parents	\$10,000 per dependant

Course Fees Relief	Capped at \$5,500 each year
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CPF (Central Provident Fund) Relief for Employees	Capped by the amount of compulsory employee CPF contributions made on Ordinary Wages and Additional Wages under the CPF Act.
Life Insurance Relief	The difference between \$5,000 and your CPF contribution; or up to 7% of the insured value of your own/your wife's life, or the amount of insurance premiums paid.
Foreign Maid Levy Relief	Twice the levy paid in the previous years on one foreign maid (subject to maximum of \$6,360 or \$1,440 provided that the Ministry of Manpower had approved an individual's application for levy concession).
Supplementary Retirement Scheme ("SRS") Tax Relief	The SRS contribution cap is \$15,300 for Singapore Citizens and Singapore Permanent Residents; and, \$35,700 for foreigners.
Grandparent caregiver relief for working mother only)	\$3,000

Working mother's child relief	1st child - 15% of mother's earned income
	2nd child - 20% of mother's earned income
	3rd child and beyond - 25% of mother's earned income

*NSman self-relief	\$1,500, \$3,500, \$3,000 or \$5,000 depending on the conditions
*NSman wife relief	\$750
*NSman parent relief	\$750

*All eligible operationally ready National Servicemen (NSman) are entitled to NSman tax relief. NSman Relief is to recognise their contributions to National Service.

A personal income tax relief cap of \$80,000 applies to the total amount of all tax reliefs claimed for each Year of Assessment.

3.5 Taxation of dividends

Under the one-tier corporate tax system, shareholders will not be taxed on dividends paid on or after 1 Jan 2008 by a Singapore resident company.

3.6 Taxation of capital gain

No capital gain to individual

3.7 Taxation of interest income

Interest from the following sources is taxable:

- Deposits with non-approved banks;
- Deposits with finance companies not licensed in Singapore;
- Pawnshops;
- Loans to companies, persons etc.;
- Interest from refund of excess employee's CPF contributions; and
- Debt securities (e.g. bonds) that are derived from a partnership in Singapore or from the carrying on of a trade in debt securities.

Only Interest received from deposits with approved banks or licensed finance companies in Singapore is not taxable.

3.8 Personal assessment and utilization of losse

Business income is income derived from carrying on a trade, a business, a profession, or a vocation. Business income is taxable in the sole-proprietor's or self-employed person's name. Therefore, a sole-proprietor or self-employed person who receives this income has to prepare statement of accounts and report the income in his individual tax return. The business income will be added to all other personal income and the total is subject to personal income tax rates.

Business losses can be offset against other income

If trade losses are incurred after deducting the allowable expenses against the gross profit, the trade losses and capital allowances can be offset against other income such as employment, interest, rental income and income from other business in the same year.

Carrying business loss forward

If the other income is not sufficient to utilise the trade loss, the unabsorbed trade losses can be carried forward to subsequent years to offset against the income until the trade losses are fully utilised.

3.9 Withholding tax

Nature of Payments that are Subject to Withholding Tax

Under Section 45/45A/45B/45F of Singapore Income Tax Act, there are specific payments paid or payable to non-tax residents that would require to be withheld tax as follows: -

- a) Interest, commission, fee in connection with any loan or indebtedness;
- b) Royalty or other payments for the use of or the right to use any movable property;
- c) Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
- d) Payments of management fees;
- e) Rent or other payments for the use of any movable property;
- f) Payments for the purchase of real property from a non-resident property trader;
- g) Structured products (exclude payments qualify for tax exemption under Section 13(1)(zi) of Singapore Income Tax Act;
- h) Distribution of real estate investment trust (REIT).

A percentage of that payment for the above specific payments must be withheld and accounted to IRAS by the 15th of the Second month from the date of payment to non-tax residents.

Date of payment is defined as the earliest of the following dates:

- 1) When the payment is due and payable based on the agreement or contract, or the date of the invoice in the absence of any agreement or contract;
- 2) When the payment is credited to the account of the non-tax resident;
- 3) The date of actual payment

Nature of Payments that are Exempt from Withholding Tax

The following types of payments do not attract withholding tax when paid to non-resident:-

- a. Dividend Payments
- b. Payments to Singapore Branches of Non-Resident Companies (on or after 21 February 2014)
- c. Payments Made by Banks, Finance Companies and certain Approved Entities
- d. Payment for the Charter of Ships
- e. Payments for Satellite Capacity
- f. Payments of the Use of International Submarine Cable Capacity, including payments for Indefeasible Rights of Use (IRUs)

The exemption **does not apply** to payments which are: -

1. Treated as income earned by any trade or business carried on or exercised by a non-resident person in Singapore; or
2. Effectively connected with a permanent establishment in Singapore

3.10 Statutory obligation of employers

Employers are required by law to contribute to the Central Provident Fund ("CPF"). Under the scheme, employers are to ensure that CPF contributions are paid monthly for its employees at the rates set out in the Central Provident Fund Act (Cap. 36). The contributions payable should be based on the employee's actual wages earned for the month. The employer is entitled to recover a percentage of that contribution from the employee through deductions from the employee's wages.

CPF contributions are also payable for the following employees:

- a) Company Directors
- b) Part-time/Casual Employees
- c) Operationally Ready National Servicemen on in-camp training. Under the Enlistment Act, employers have to pay the CPF contributions on the wages given by the employer and makeup pay from Ministry of Defence. The employee's share of contributions can be recovered from the employee's wages
- d) Family members of the business owner, if they are receiving wages for work done for the proprietor
- e) Employees concurrently employed by another employer
- f) Singapore Permanent Residents (SPRs)

Employers have a grace period of 14 days to make payment of CPF contributions after the end of the month for which CPF contributions are due.

Recovery of the employee's share of CPF contribution

Employers are entitled to recover the employee's share when the contributions are paid for that month. If an employer fails to recover the money by then, and the error was not due to negligence, he can still do so provided:

- a) The employer has paid the CPF contributions to the Board, and
- b) The employer has either forwarded the employee's written consent to the Board, or obtained the Board's written permission on the matter.

Recovery of the employee's share of CPF contributions must be done within six months of the time the contributions should have been recovered.

Employee Tax Forms

An employer must prepare Form IR8A and Appendix 8A, Appendix 8B or Form IR8S (where applicable) for all employees (who are employed in Singapore) by 1st Mar each year in accordance with Section 68(2) of the Income Tax Act.

Auto-Inclusion Scheme for Employment Income

Employers who have 9 or more employees for the entire year ending 31 December 2019 or who received the "Notice to File Employment Income of Employees Electronically" must submit their employees' income information to IRAS electronically by 1st Mar each year.

IRAS encourages all employers to join the Auto-Inclusion Scheme

(AIS) for Employment Income. Under this scheme, employers submit their employees' income information to IRAS electronically. The employment income information will be shown on the employees' electronic tax return and automatically included in their income tax assessments.

Record keeping

From YA 2008 onwards, employers are required to keep proper records of all employees' income and deductions submitted to IRAS for 5 years from the relevant YA.

Tax Clearance for non-citizen foreign employee

Tax Clearance is a process of ensuring that non-citizen foreign employee pays all his taxes when he ceases employment in Singapore or plans to leave Singapore for more than three months. Tax clearance obligations apply to all work pass holders. Employers are obliged to notify IRAS and seek tax clearance for the affected foreign employees.

Foreigners may have left Singapore by the time tax is assessed on their income and payment is due. For this reason, employers have a legal obligation to inform the Comptroller of Income Tax using Form IR21 (notification by employer of an employee's cessation of employment or departure from Singapore) at least one month in advance before the non-citizen employee leaves Singapore.

The employer will have to withhold payment of monies due to the employee until the employer has received the "Tax Clearance" from the Comptroller of Income Tax.

3.11 Filing requirement of tax return

Filing due dates	<p>Individuals income tax returns for employees and self-employed</p> <p>Individuals Required to File Tax. If they are resident in Singapore, they are required to e-File their completed tax forms from by original filing due date of 18 Apr every year. If they paper file, the original filing due date is 15 Apr of each year.</p> <p>As part of its support for taxpayers in light of the various measures to manage the COVID-19 situation, the filing deadline for the Year of Assessment 2020 has been automatically extended by IRAS to 31 May 2020.</p> <p>Payment of CPF contributions for Employer</p> <p>CPF contributions are due at the end of each month. However, employers have a grace period of 14 days to pay CPF contributions after the end of the month.</p> <p>E-submission of employees' income for Employer</p> <p>The Compulsory deadline: 1 March each year.</p> <p>Tax Clearance for non-citizen foreign employee</p> <p>Employers must seek tax clearance by filing Form IR21 at least one month before the non-citizen employee:</p> <ol style="list-style-type: none"> Ceases to work in Singapore; or is on overseas posting; or Leaves Singapore for any period exceeding three months.
Penalties	<p>Consequences for Late / Non-Filing of Tax Returns</p> <p>The late filing fee ranges from \$150 to \$1,000 and the amount is dependent on past filing and payment records. A letter will be sent to the individual to notify him of the late filing fee.</p> <p>IRAS may take the following actions if you fail to file the tax return by the due date:</p>

Penalties	<ol style="list-style-type: none"> Impose a late filing fee not exceeding \$1,000; Issue an estimated Notice of Assessment (NOA); and/or Summon you to Court. <p>Employers do not comply with CPF Act</p> <p>Employers who are found to have failed to pay or underpaid CPF contributions for their employees will be required to pay the arrears in full, including all late payment interest incurred and possibly a fine.</p> <p>Penalties are as follows:</p> <ol style="list-style-type: none"> Late payment interest charged at 18% per annum (1.5% per month) Composition amount of up to \$1,000 per offence; Up to \$5,000 court fine and no less than \$1,000 per offence and/or up to 6 month's imprisonment for 1st conviction. Up to \$10,000 court fine and no less than \$2,000 per offence and/or up to 12 month's imprisonment for subsequent conviction.
Application of holdover	<p>Due to adverse impact caused by COVID-19, taxpayers may face tight cash flows. To ease the tight cash flows, Singapore government announced that Self-employed persons will enjoy automatic deferment of income tax payment for 3 months, between April to June 2020.</p> <p>Employees with income tax payments due in May to July 2020 may apply to defer their individual income tax payments for 3 months.</p>

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Central Provident Fund Board ("CPF")

4.2 Basis of contribution

The CPF is a comprehensive social security savings plan that has provided many working Singaporeans with a sense of security and confidence in their old age. The overall scope and benefits of the CPF encompass the Retirement, Healthcare, Home Ownership, Family Protection and Asset Enhancement. Working Singaporeans and their employers make monthly contributions to the CPF and these contributions go into three accounts:-

- Ordinary Account - the savings can be used to buy a home, pay for CPF insurance, investment and education.
- Special Account - for old age and investment in retirement-related financial products.
- Medisave Account - the savings can be used for hospitalization expenses and approved medical insurance.

CPF contributions are payable at the prevailing CPF contribution rates for employees who are Singapore Citizens and Singapore Permanent Residents (SPR)

4.3 Contribution rate

From 1 January 2016, CPF contribution rates for private sector and public sector non-pensionable employees who are Singapore Citizens and Singapore Permanent Residents (from 3rd year onwards) are as follows:

Employee Age (Years)	Employer (% of wages)	Employee (% of wages)
55 and below	17%	20%
Above 55-60	13%	13%
Above 60-65	9%	7.5%
Above 65	7.5%	5%

1st year Singapore Permanent Residents' CPF contribution rates:

Employee Age (Years)	Employer (% of wages)	Employee (% of wages)
60 and below	4%	5%
Above 60	3.5%	5%

2nd year Singapore Permanent Residents' CPF contribution rates:

Employee Age (Years)	Employer (% of wages)	Employee (% of wages)
55 and below	9%	15%
Above 55-60	6%	12.5%
Above 60-65	3.5%	7.5%
Above 65	3.5%	5%

4.4 Exemption from tax

'CPF relief' is a relief to encourage individuals to save for their retirement.

The amount of CPF Relief is capped to ensure that CPF is not used as a tax shelter.

Employees Qualifying for CPF Relief

Employees who are Singapore Citizens or Singapore Permanent Residents may claim CPF Relief.

Self-employed persons qualifying for CPF Relief

As a self-employed person, individuals will enjoy tax deductions on mandatory and voluntary CPF contributions. He can claim tax relief of up to 37% of yearly net trade income not exceeding the prevailing CPF Annual Limit of \$37,740. In addition, if Medisave balance is below the Medisave Contribution Ceiling, individual can enjoy further tax relief by making voluntary contributions to Medisave Account provided the total contribution for the year does not exceed the CPF Annual Limit.

Individuals who are employees and also self-employed

If the individual is also an employee and the combined mandatory CPF contributions as an employee and as a self-employed are less than \$37,740, the individual may claim tax relief for voluntary CPF contributions. However, the total claim for mandatory and voluntary CPF contributions must not be more than \$37,740.

GST/VAT

5.1 Basis of tax

Goods and Services Tax ("GST") is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as on domestic consumption. In other countries, GST is known as the Value-Added Tax ("VAT"). It is paid whenever customers buy goods or services from GST registered businesses.

GST exemptions apply to the provision of most financial services, the supply of digital payment tokens, the sale and lease of

residential properties, and the importation and local supply of investment precious metals. Goods that are exported and international services are zero-rated.

5.2 Rates of tax

It is charged and accounted for at a standard rate of 7%.

5.3 Registration

Compulsory Registration

For periods on or after 1 Jan 2019, taxable turnover will be computed on a calendar year basis for the purpose of determining registration liability. You have to monitor at the end of every calendar year (i.e. 31 Dec) and register for GST if your annual taxable turnover exceeds S\$1 million.

Voluntary Registration

A business or trader does not exceed S\$1 million in taxable turnover, they may still choose to voluntarily register for GST after careful consideration.

Exemption from Registration

Businesses can apply to the Comptroller of GST for exemption from registration if they make or intend to make wholly or mainly zero-rated supplies even if the turnover exceeds S\$1 million. If after being so exempted, there is a major change in the nature of the supplies made by the business, they are required to inform the Comptroller of GST.

5.4 Filing requirements

As a GST-registered business:

- Must submit GST return to IRAS one month after the end of each prescribed accounting period. This is usually done on a quarterly basis.
- Should report both your output tax (i.e. GST charged to their customers for goods and services they sell) and input tax (i.e. GST paid on their local business purchases or imported goods) in your GST return.
- The difference between output tax and input tax is the net GST payable to IRAS or refunded by IRAS

DOUBLE TAX RELIEF

6.1 Foreign tax credit

A DTR is the relief provided for under an Avoidance of Double Taxation Agreement (DTA) to reduce double taxation, in the form of a tax credit. It allows the Singapore tax residents to claim a credit for the amount of tax paid in the foreign jurisdiction against the Singapore tax that is payable on the same income.

A DTR will be granted if the foreign tax was paid in accordance with the DTA provisions and is capped at the lower of the foreign tax paid and the Singapore tax that would have been payable on the same income.

A Unilateral Tax Credit (UTC) will be granted on all foreign-sourced income received in Singapore by Singapore tax residents from jurisdictions that do not have DTAs with Singapore.

6.2 List of double tax treaties signed

CONCLUDED COMPREHENSIVE TAX TREATIES - 86 COUNTRIES/JURISDICTIONS

Albania	Fiji	*Latvia	Philippines	*Ukraine
*Australia	*Finland	Libya	*Poland	*United Arab Emirates
*Austria	*France	*Liechtenstein	Portugal	*United Kingdom
Bahrain	*Georgia	*Lithuania	*Qatar	Uruguay
Bangladesh	Germany	*Luxembourg	Romania	Uzbekistan
Barbados	Ghana	Malaysia	Russian Federation	Vietnam
Belarus	*Guernsey	*Malta	Rwanda	
*Belgium	Hungary	*Mauritius	San Marino	
Brunei	*India	Mexico	Saudi Arabia	
Bulgaria	Indonesia	Mongolia	Seychelles	
Cambodia	*Ireland	Morocco	*Slovak Republic	
*Canada	*Isle of Man	Myanmar	*Slovenia	
China	*Israel	*Netherlands	South Africa	
Cyprus	Italy	*New Zealand	Spain	
Czech Republic	*Japan	Nigeria	Sri Lanka	
*Denmark	*Jersey	Norway	Sweden	
Ecuador	Kazakhstan	Oman	Switzerland	
Egypt	Korea, Republic of	Pakistan	Taiwan	
Estonia	Kuwait	Panama	Thailand	
Ethiopia	Laos	Papua New Guinea	Turkey	

LIMITED TAX TREATIES - 8 COUNTRIES/JURISDICTIONS

Bahrain	Brazil	Chile	Hong Kong	Oman
Saudi Arabia	United Arab Emirates	United States of America		

EXCHANGE OF INFORMATION (EOI) ARRANGEMENTS - 2 COUNTRIES/JURISDICTIONS

Bermuda	United States of America
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AGREEMENTS WHICH ARE SIGNED BUT NOT RATIFIED - 8 COUNTRIES/JURISDICTIONS

Armenia	Brazil	Gabon	Germany	Greece
Indonesia	Kenya	Turkmenistan		

*Some of tax treaties concluded by Singapore have been amended by the **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting**. These countries have been marked with an asterisk (*).

Some agreements which are signed but not ratified do not have the force of law. IRAS will update when the agreement has been ratified.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp Duty is a tax on documents relating to immovable properties, stocks or shares.

Lease / Tenancy Agreements

These are documents that are prepared and signed when renting a property. Stamp Duty is calculated on the actual rent or market rent whichever is higher. The person who leases or rents the property (lessee or tenant) is responsible for paying Stamp Duty.

Acceptance to Option to Purchase / Sale & Purchase Agreements

These are documents that are prepared and signed when buying or selling property. Stamp Duty is payable on the actual price or market price whichever is higher. The buyer is responsible for paying Buyer's Stamp Duty. Where Seller's Stamp Duty is applicable, the seller is responsible for paying Seller's Stamp Duty.

Mortgages

These are documents that are prepared and signed when obtaining a loan from banks for property purchase. Stamp Duty is payable on the loan amount. The person who obtains the loan (mortgagor) is responsible for paying the Stamp Duty on the mortgage document.

Share Transfer Documents

These are documents that are prepared and signed when buying or selling shares. Stamp Duty is payable on the actual price or net asset value of the shares whichever is higher. The person who buys the shares (transferee) is responsible for paying Stamp Duty on the Share Transfer document.

7.2 Real property tax

Property tax is a wealth tax levied on property ownership. It is not a tax on rental income. It is thus levied on the ownership of properties, irrespective of whether the property is occupied or vacant.

Property tax rates on owner-occupied and non-owner occupied residential properties are applied on progressive scale. All other properties continue to be taxed at 10% of the Annual Value ("AV"). The AV is the estimated annual rent of property if it were to be rented out, excluding the furniture, furnishings and maintenance fees. It is determined after analyzing the rents of similar or comparable properties.

PROPERTY TAX REBATE

Due to intensifying adverse impact caused by COVID-19 virus, Singapore Ministry of Finance announced on 26 March 2020 that the qualifying properties such as hotel room or function room of registered hotel, serviced apartments and premises used for meetings, conventions and exhibitions are granted a property tax rebate up to 100% on their property tax payable from 01 Jan 2020 to 31 Dec 2020. Premises of Marina Bay Sands and Resorts World Sentosa are granted a 30% property tax rebate. Others such as offices, premises used for industrial purpose and warehouse, they are granted a 30% property tax rebate.

The Singapore government's property tax rebates are intended to help businesses to tide over this difficult and challenging period.

7.3 Estate duty

Estate duty has been removed for deaths on and after 15 Feb 2008.

7.4 Net wealth/net worth tax

Not applicable

7.5 Others

Business tax

Not applicable

Consumption tax, etc.

Not applicable

POINT OF CONTACT

Name of contact: Vivienne Chiang

Telephone with country code: +65 6323 1613

Email address: vivienne@reanda-adept.com.sg



UAE

GENERAL INFORMATION

1.1 Country/Region

UNITED ARAB EMIRATES (U.A.E.)

1.2 Currency

UAE DIRHAM (AED)

1.3 Principal business entities

As per the prevailing rules and regulations of Department of Economic Development, Free Zone Authorities and Offshore Authorities, all business entities are required to register with the respective Authority and have a valid license to operate in UAE. Business entities are also required to register with Federal Tax Authority for the Excise and VAT (Value Added Tax). The following forms of business enterprises are incorporated in UAE:

1. Public Joint Stock Company
2. Private Joint Stock Company
3. Limited Liability Company
4. Limited partnership
5. Partnership
6. Sole Proprietorship
7. Branch of Local and Foreign Company
8. Commercial Representative office

1.4 Foreign exchange control

Central Bank Of UAE

1.5 Current economy climate (Industry overview/ encouraged business development)

UAE is a core tourism axis and business gateway of the Middle East. UAE's business progress witnessed with GDP of US\$ 425 billion (2019) from US\$ 15 billion (1975). Major contributor to GDP and upward business and tourism growth is augmented by the streams of businesses such as oil & gas, tourism, manufacturing, international trade, core infrastructure and real estate. World Expo 2020 has been postponed to the next year 2021 due to the unprecedented ongoing Pandemic situation. Most of the construction related and logistic activities of World Expo are scheduled to be complete well in time.

World economy has its own challenges due to COVID-19, but UAE economy has been substantially secured by providing timely relief and stimulus package to business society. Central Bank of UAE (CBUAE) launched AED 100 billion Economic Support Scheme for the business community.

The Economic Support Scheme has been announced with AED 50 billion from the CBUAE funds through loans at zero cost to

all banks in the UAE and of AED 50 billion funds released from banks' capital reserves.

The objective of the scheme is to provide ad hoc support from the payments of principal and interest on outstanding loans for all affected private sector companies and retail customers. This relief has been launched for a period of 6 months. The UAE Cabinet has also approved an AED16 billion economic stimulus package to support the micro & macro economy, ensure businesses continuity, and mitigate the Coronavirus impact.

Discovery of new natural gas reserves by Abu Dhabi and Sharjah would further strengthen the oil and gas sector as well as leverage the UAE economy.

1.6 National tax authority

Name

Federal Tax Authority

Website

www.tax.gov.ae

CORPORATE INCOME TAX

2.1 Basis of taxation

No Corporate Income Tax except the following sectors

1. Foreign Banks-Net profit
2. Oil & Gas Sector-Net profit

2.2 Rates of tax

1. Foreign Banks – 20%
2. Oil & Gas entities- Progressive rate up to 55%

2.3 Year of assessment

Not Applicable

2.4 Profits deemed to be taxable

Not Applicable

2.5 Taxation of dividends

Not Applicable

2.6 Taxation of capital gains

Not Applicable

2.7 Taxation of interest income

Not Applicable

2.8 Utilization of tax losses

Not Applicable

2.9 Key Tax incentives

Not Applicable

2.10 Withholding tax

Not Applicable

2.11 Transfer Pricing

Not Applicable

2.12 Filing requirements of tax return

Filing due dates

Not Applicable

Payment of profit tax and application of holdover

Not Applicable

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

No Personal income tax in the UAE. If individuals or companies require a Tax Residency Certificate, the Federal Tax Authority issues Tax Residence Certificate (TRC) to meet any requirement in foreign countries.

3.2 Rates of tax

Income Tax applicable to the following sectors

1. Foreign Banks – 20%
2. Oil & Gas entities- Progressive rate up to 55%

3.3 Year of assessment

Not Applicable

3.4 Allowances and Deductions

Not Applicable

3.5 Taxation of dividends

Not Applicable

3.6 Taxation of capital gain

Not Applicable

3.7 Taxation of interest income

Not Applicable

3.8 Personal assessment and utilization of losses

Not Applicable

3.9 Withholding tax

Not Applicable

3.10 Statutory obligation of employers

End of service benefits – Gratuity is paid based on the type of Contract (Limited or Unlimited) and years of service in UAE

3.11 Filing requirement of tax return

Filing due dates: Not Applicable

Penalties: Not Applicable

Application of holdover: Not Applicable

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Ministry of Human Resources and Emiratization

4.2 Basis of contribution

Basic salary

4.3 Contribution rate

21 days per year of basic wages for first 5 years of employment and 30 days per year for additional year of service subject to maximum payment of 2 years of basic remuneration. Type of contract, years or service and termination or resignation affects the amount of Gratuity.

4.4 Exemption from tax

No Personal Tax in UAE

GST/VAT

5.1 Basis of tax

Value added tax is applicable on every stage of value addition to the supply in the state.

5.2 Rates of tax

VAT is a transaction-based tax and imposed on the import and supply of goods and services at each stage of production and distribution including deemed supply. UAE Federal Tax Authority and Ministry of Finance have implemented VAT from 1st January 2018 with effective rate of 5% standard rate, zero rate and with exemption to some specific industries.

5.3 Registration

Registration with Federal Tax Authority (FTA)

Residents in UAE, whose taxable turnover in the previous 12-month period or in the next 30 days exceeds the VAT registration threshold are required to be registered in UAE. Such a person who is required to register for VAT must file a Tax Registration Number application to the Federal Tax Authority (FTA) within (30) days of being required to register. Nonresidents are also required to register for VAT if there is no one to account for VAT in the country. The VAT registration threshold mentioned as per UAE VAT Law is:

Mandatory registration threshold if exceeds AED 375,000

Voluntary registration threshold if exceeds AED 187,500

5.4 Filing requirements

Monthly or quarterly filing of VAT return within 28 days from the end of the tax period. The due VAT payment must also be paid within the stipulated filing deadlines.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

No corporate income tax hence no foreign tax credit

6.2 List of double tax treaties signed

The Ministry of Finance (MOF) plays a significant role in strengthening the UAE's investments worldwide. This is achieved by providing real safeguard measures for the country's interests to promote growth & expansion and ensure protection against any non-commercial risks that may impact performance.

UAE has signed DTA agreement with 117 countries till 22-11-2020. More detailed information can be found on the below ministry of finance website link: -

www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxationAgreements/Pages/DoubleTaxation.aspx

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Purchase and sale of residential and commercial properties are regulated by the Land Department (Real Estate Regulatory Authority) with imposition of 4% registration charges

7.2 Real property tax

Not Applicable

7.3 Estate duty

Not Applicable

7.4 Net wealth/net worth tax

Not Applicable

7.5 Others

Business tax

Not Applicable

Consumption tax, etc.

Excise tax has been introduced and implemented from 1st October 2017. Excise tax covers import and production of very limited products like tobacco, energy, and sweetened drinks. The Excise tax rate is 100% on tobacco, tobacco products, 100% on sugary drink products & energy drinks whereas on aerated drinks the rate of Excise tax is 50%.

7.6 Compliances

Economic Substance Regulation (ESR)

The UAE joined the BEPS inclusive framework on 16th May 2018 to implement the four BEPS minimum standards as follows:

- Harmful Tax Practices
- Prevention of Tax Treaty abuse
- Country by Country Reporting (CbCR)
- Mutual Agreement Procedure

The UAE Cabinet of Ministers issued amended ES Regulations (ESR) by Cabinet Resolution No. 57 of 2020 on 10 August 2020

which repeals and replaces Cabinet Resolution No.31 of 2019. To clarify certain aspects of the amended ES Regulations, the UAE Minister of Finance also issued updated guidance on 19 August 2020 by Ministerial Decision 100 of 2020 which repeals and replaces the earlier guidance issued by Ministerial Decision No. 215 of 2019.

If a Licensee carries out any of the following relevant activities, it will be covered under ESR and responsible to meet the ESR regulations and requirements: -

- Banking Business
- Insurance Business
- Investment Fund Management Business
- Lease - Finance Business
- Headquarters Business
- Shipping Business
- Holding Company Business
- Intellectual Property Business ("IP")
- Distribution and Service Centre Business

Country by Country Reporting (CbCR)

On 4 June 2020, the Government of UAE has amended the CbCR vide Cabinet Resolution No. 44 of 2020, thereby repealing Resolution No. 32 of 2019.

The obligation of filing of the Country by Country Report ("CbC Report") was effective 1 January 2019 and need to file the CBC report within 12 months from the end of the financial year.

The Amended CbCR effectively applicable to only UAE headquartered multinational enterprise ("MNE") group whose Ultimate Parent Entity is a tax resident of UAE and whose consolidated revenues exceed AED 3.15 Billion in the fiscal year immediately preceding the reporting fiscal year.

Ultimate Beneficial Owner (UBO)

By virtue of Cabinet Resolution No. (58) of 28-08-2020 regulating Beneficial Owner Procedures, Cabinet Resolution No. 34 of 2020 was repealed. The Resolution introduces new requirements for entities to disclose its ultimate beneficial owners. The main purpose is to enhance transparency of entities registered in the UAE and to develop effective beneficial owner data mechanism.

A Licensee in the UAE (unless exemptions apply) is required to prepare the following registers:

1. Ultimate beneficial owner ("UBO") register
2. Nominee Director register (if applicable) and
3. Partners or shareholders register.

The Resolution applies to all entities licensed in the UAE, excluding the following:

Entities in financial free zones (Abu Dhabi Global Markets and Dubai International Financial Centre); and

Entities which are directly or indirectly wholly owned by Federal or Emirate government.

POINT OF CONTACT

Name of contact: Avinash Jagetiya
Mahavir Hingar

Telephone with country code: + 971 55 550 7131 and +971 56 430 9781

Email address: avinash@sundubai.net and mahavir@sundubai.net



UNITED KINGDOM

GENERAL INFORMATION

1.1 Country/Region

United Kingdom

1.2 Currency

Pound Sterling (£)

1.3 Principal business entities

- Public Limited Companies
- Private Limited Companies
- Sole Traders
- Partnerships
- Limited Liability Partnerships (LLPs)
- Charitable organisations

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/ encouraged business development)

The UK GDP growth has been modest, with growth of 1% in 2020 due to the uncertainties of Brexit. This has further been impacted by the weakened global GDP growth, which is projected to stabilise in 2020 according to recent surveys.

The uncertainties of Brexit and EU trade relationships have affected business investments and especially large firms delaying any further spending until details of future trading relationships with EU are clarified. The UK government and EU are working to get this finalised by the end of 2020.

UK productivity growth has also slowed down comparing to other advanced economies such as Germany and France. The main factors affecting the productivity are relatively low UK investments, R&D spending and uncertainties surrounding the trade talks with UK, which commenced on 2nd March 2020.

As with the rest of the world, the UK is also currently affected by the Coronavirus pandemic, and the full economic impact of the virus is yet unknown, but it will have an impact on trade, imports and exports for months ahead.

1.6 National tax authority

Name

Her Majesty's Revenue and Customs (HMRC)

Website

www.gov.uk/government/organisations/HM-Revenue-Customs

CORPORATE INCOME TAX

2.1 Basis of taxation

A business liable to corporation tax (CT) in the UK pays this at a pre-determined rate expressed as a percentage. Businesses liable to CT include limited companies, unlimited companies and certain unincorporated entities such as members' clubs and political associations. Other types of organisations which pay CT in UK are foreign-based companies with a permanent establishment (PE) or branch in the UK or if the central management and control is exercised in the UK.

UK resident companies

Companies which are resident in the UK are liable to tax on their worldwide income and gains subject to certain elections to exempt profits of an overseas PE.

Companies resident in Northern Ireland (NI)

The UK government continues to consult on the prospect of small and medium-sized enterprises ("SMEs") with trading activity in Northern Ireland paying reduced rates of CT.

Non-UK resident companies

Companies which are tax resident outside the UK but are trading through a PE in the UK are subject to CT on any trading profits, UK property income and chargeable gains arising from the PE in the UK.

From 1 April 2019, property income received by non-UK resident companies and gains arising on disposal of UK property will be chargeable to CT instead of income tax (IT) and capital gains tax (CGT).

Non-UK resident companies dealing or developing land

From 5 July 2016, non-UK resident companies are subject to CT on the trading profits from dealing with or developing land even if there is no PE.

2.2 Rates of tax

CT rates ending on 31 March	2018	2019	2020	2021
UK Resident companies	19%	19%	19%	19%
UK non-resident companies	19%	19%	19%	19%
Northern Ireland SMEs with trading activity	19%	12.5%	12.5%	12.5%

2.3 Year of assessment

Companies are liable to CT for each chargeable accounting period which cannot exceed 12 months and for which the company prepares a set of accounts e.g. from 1 April to 31 March. The year of assessment is split into two periods for calculating the tax, if the year straddles the company tax year e.g. if a company has an accounting year ended 31 December 2020 there will be three

months at the 2019 tax rate and nine months at the 2020 rate. However, the rate for both years is unchanged anyway, so there should be no impact on the Corporation Tax liability.

2.4 Profits deemed to be taxable

Typical sources of taxable profits or income include: -

- Trading profits from each trade carried on in the UK
- Any profits from non-trading loan relations such as bank, building society or other interest
- Annual payments not otherwise charged to CT and from which IT has not been deducted or paid
- Non-exempt dividends or distributions from non-UK resident companies
- Income from which IT has been deducted
- Income from property business
- Income from overseas property business
- Non-trading gains on chargeable intangible fixed assets

2.5 Taxation of dividends

Since July 2009, dividends received by a UK resident company and a non-UK resident company trading through a PE are exempt unless the dividends are received from countries with a very low tax regime and with whom there is no Double Taxation Agreement in place which contains a non-discrimination clause.

2.6 Taxation of capital gains

Capital gains on the disposal of an asset is calculated by reference to the sales proceeds less the cost of acquiring and improving the asset, less an inflation linked indexation allowance. This allowance is available on the original cost and any capital improvements on the asset. The resulting net gain is charged to CT. The inflation indexation allowance is frozen from 1 January 2018 and no relief will be available for gains accruing past that date.

2.7 Taxation of interest income

Taxed in similar way to profits and at the same tax rates.

2.8 Utilization of tax losses

The UK CT treatment of losses depends on when the losses arise.

Trading losses arising on or after 1 April 2017

Losses arising on or after 1 April 2017 can be used against total profits of subsequent accounting periods.

Companies may also be able to claim or surrender losses as group relief for carried forward losses.

Losses carried forward are subject to a restriction if profits are in excess of £5 million. The maximum amount of brought forward trading losses is the lower of the amount not relieved and the deduction of £5 million per group or standalone company plus 50% of the company unrelieved profits above that amount.

Losses below this amount will be given a greater degree of flexibility in terms of relieving provisions.

If an entity makes a loss from certain types of activity such as non-trading loan relationship (NTLR), the loss can be set against total profits arising in the same accounting period. The loss can also be carried back or carried forward against total taxable

profits (TTP). NTLR losses take priority over trading losses.

Trading loss prior to 1 April 2017

Losses arising prior to 1 April 2017 not used in full can be carried forward automatically but only to be offset against trading profits from the same trade.

Losses that begin before and end after 1 April 2017 are apportioned accordingly.

Groups and trading losses

A Group of companies is defined as one or more companies who are owned more than 75% by each other, or a parent company. Certain losses can be offset against trading profits of another member of the group, provided that there is a qualifying group relationship.

Terminal losses

Loss relief is available when the business ceases trading. It can be carried back and set against the previous three years total trading profits. From 1 April 2017, companies can claim Terminal Loss Relief for carried forward losses of that trade. The relief is not subject to restrictions by the amounts available for relief and therefore provide more flexibility to companies to utilise losses in the final years of trading.

First Year Tax Credits

Loss making companies can surrender losses attributable to enhanced capital allowances on designated energy-saving or environmental-beneficial plant and machinery in exchange for cash payment known as a first-year tax credit from the Government.

Capital losses

Losses on the disposal of a capital asset can only be offset against capital gains of the same year. Any excess losses are carried forward and set against future chargeable gains.

Property income losses

Losses incurred on renting out commercial or residential premises must be set against property profits in the same accounting period and cannot be carried back. These losses can be carried forward as long as the property rental business continues to be carried out and offset against total profits of a later accounting year. They can also be relieved using group relief.

2.9 Key Tax incentives

Capital Allowances on assets used in the business such as equipment, machinery or cars, vans and lorries.

- Annual Investment allowance (AIA) i.e. 100% allowance - All businesses regardless of their size can claim the first £1,000,000 of qualifying capital expenditure for 12-month accounting period from 1 January 2019 (pre 1 January 2019 the AIA was £200,000). The AIA is not available for cars.
- First Year Allowance in addition to AIA for certain qualifying assets such as environmentally friendly assets – 100% of cost deducted in first year
- Written Down Allowance – 18% allowance for qualifying capital assets not falling in the categories above on reducing balance basis
- Special rate pool allowance – 6% allowance for certain types of asset such as cars with high CO2 emissions and integral

feature of a building where the AIA has been utilised on reducing balance basis

Research & Development (R&D) relief is an enhanced tax deduction for qualifying expenditure available to companies engaging in "Qualifying Activity" for R&D

- Definition for small and medium size companies for R&D purposes
- Less than 500 employees and either
- Turnover of less than EURO 100 million or
- Balance sheet value of less than EURO 86 million
- SMEs obtain tax relief at an additional 130% of qualifying expenditure. Loss making companies can surrendered all or part of its losses in exchange for a tax refund
- Large companies, and companies who are performing Qualifying R&D as subcontractors, or with the assistance of Government Grants, can claim relief by way of an R&D expenditure credit. The credit is equal to 13% of the company's qualifying R&D expenditure
- The Patent Box enables companies to pay a lower 10% rate of CT in relation to qualifying patent income
- Similar reliefs are available for Creative Industries (Film/ Animation/ TV/ Video Games/Theatre/Orchestra).

The relief is available in the form of an enhanced corporation tax relief up to 100% of the qualifying expenditure or a tax repayment for losses surrendered for a credit of 25% of the enhanced expenditure incurred

Enterprise Management Incentive – a tax efficient way of awarding shares to employees at discounted values and enabling the employee to benefit from a 10% rate of CGT when selling subject to certain qualifying criteria.

Enterprise Investment Scheme (EIS) or Seed Investment Scheme (SEIS) - offers generous income tax and capital gains tax reliefs to investors in certain companies. The reliefs are available to 'qualifying individuals' who subscribe for 'eligible shares' in 'qualifying companies' undertaking 'a qualifying business activity'. The tax relief can be up to 50% of the investment.

2.10 Withholding tax

Generally, there is no withholding tax with the exception of a 20% withholding on certain interest payments, patents and royalties.

2.11 Transfer Pricing

Applies to transactions between connected UK entities or a UK entity and a foreign entity, to increase taxable profit or reduce a tax loss, based on the internationally recognised 'arm's length principle' i.e. profits that would have arisen had the parties were not connected.

An exemption is available to small and medium entities provided that the qualifying criteria is met. The criteria are as follows:

- Small company is regarded as small if it has less than 50 employees and turnover or balance sheet value of less than EURO 10 million
- Medium size is if it has less than 250 employees and turnover of less than EURO 50 million or balance sheet value of less than EURO 43 million

- The overseas entity is not in a jurisdiction which has
 - a. a low tax regime; and
 - b. the UK does not have a treaty agreement which includes a non-discrimination clause.

2.12 Filing requirements of tax return & accounts

Filing due dates	Corporation Tax Return (CT600) is due 12 months after the end of the accounting period.
Penalties	If the return is not submitted by the due date, there is an Initial flat rate penalty of £100. If the return is outstanding for 3 months after the deadline there is another penalty of £100. Further penalty of 10% of the estimated (by HMRC) unpaid tax is levied, if the return is outstanding for 6 months after the deadline. If the return is 12 months late, then further penalty of 10% of the unpaid tax is charged. If the return is late three consecutive years, the £100 penalties are increased to £500 each.
Payment of profit tax and application of holdover	Due 9 months plus 1 day after the end of the accounting period. "Large" companies (usually with profits over £1.5 million) are required to pay CT in 4 equal instalments over 15 months with the first payment made 7 months plus 14 days from the start of the AP. From 1 April 2019, UK has a new category of "Very Large Companies" where the taxable profits exceed £20 million. These companies are required to pay CT in instalments depending on the length of the AP. For a 12-month AP, the payments due in 4 equal instalments with the first payment due 2 months and 13 days from the start of the AP and every 3 months thereafter. The final instalment falls within the AP for that year.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Most individuals in the UK are subject to tax on all of their income (subject to allowances and exemptions) which either arises in the UK or is available for their enjoyment or benefit here. Typically, these are individuals who are self-employed, directors, employees who receive taxable benefits and remuneration, rental income, pensions income which originates in the UK. The Scottish Parliament is responsible for setting tax rates and allowances in Scotland. If an individual is either not resident or non-domiciled in the UK, the tax treatment of overseas income varies, and a summary comparison is shown below: -

	Taxable?		
	UKR ¹	UKRND ²	NUKR ³
UK employment income	✓	✓	✓
UK self-employment income	✓	✓	N/A
UK dividends	✓	✓	X ⁴
UK interest	✓	✓	X ⁵
UK rental profits	✓	✓	✓
UK pension income	✓	✓	X ⁶
Overseas income generally	✓	✓	X ⁷

- 1 UK Resident
- 2 UK Resident but non-domiciled
- 3 Non-UK Resident
- 4 May be disregarded
- 5 May be disregarded or exempt under the treaty
- 6 May be exempt under the treaty and certain pensions may be disregarded
- 7 May not be taxed under the remittance basis if income not brought to UK

The rules regarding statutory residency for tax purposes are complicated, but anyone who spends at least 183 days in the UK in a tax year would be considered to be a resident for that period.

Non-domiciled individuals can choose to be taxed on either the remittance or the arising basis. Under the arising basis, an individual is taxed on their worldwide income as it arises. However, if the individual is not UK domiciled, they can elect to be taxed on their foreign income only when it is remitted to the UK. A remittance basis charge (RBC) of £30,000 is payable, if the taxpayer has been tax resident in the UK for at least 7 out of past 9 tax years. The charge increases to £60,000 if the taxpayer has been tax resident in the UK for at least 12 out of the past 14 tax years. With effect from 6 April 2017, certain returning former UK domiciled individuals and individuals who have been resident in the UK for 15 out of the last 20 years cannot elect to use the remittance basis of taxation and they are treated as UK domiciled for income, capital gains and inheritance tax purposes.

3.2 Rates of tax

IT is charged at basic rate of 20% on taxable income of up to £37,500 (basic rate threshold) for 2020/21. Taxable income from £37,501 to £150,000 falls into the higher rate tax band and is charged at a rate of 40%. Taxable income exceeding £150,001 is charged at the additional rate of tax at 45%.

	UK Taxpayer rates	
	Y/E 2019/20	Y/E 2020/21
£0 - £12,500*	0%	0%
£12,501 - £50,000	20%	20%
£50,001 - £150,000	40%	40%
Over £150,000	45%	45%

*Assumes person is in receipt of the Standard Personal Allowance

	Scottish Taxpayers rates	
	Y/E 2019/20	Y/E 2020/21
£0 - £12,500*	0%	0%
£12,501 - £14,549	19%	—
£12,501 - £14,585	—	19%
£14,550 - £24,944	20%	—
£14,586 - £25,158	—	20%
£25,159 - £43,430	21%	21%
£43,431 - £150,000	41%	41%
Over £150,000	46%	46%

*Assumes person is in receipt of the Standard Personal Allowance

3.3 Year of assessment

A tax year runs from 6 April to 5 April of the following year

3.4 Allowances and Deductions

Allowances

- Personal Allowance (PA) of £12,500 for 2019/20 and 2020/21
- A PA is received if an individual holds a British passport, are a citizen of a European Economic Area (EEA) country or have worked for the UK government at any time during that tax year if individual is entitled under the DTA between the UK and the home country
- PA is withdrawn by £1 for every £2 of income over £100,000
- Savings Allowance of £1,000 (basic rate taxpayers), £500 (higher rate taxpayers)
- Married Couple Allowance (MCA) for people born before 6 April 1935 is a flat rate tax deduction of 10% multiplied by £8,915/£9,075 reducing the liability by a maximum of £891.50 for 2019/20 and £907.50 for 2020/21. It is also restricted if annual income exceeds £29,600. There is a minimum tax relief of £345 in 2019/20 and £351 in 2020/21
- Marriage Allowance entitles married couples to transfer 10% of their PA to the spouse with lower earnings, unless the higher earner has income above £50,000 (2019/20 and 2020/21)
- Rent-a-room allowance of £7,500 for 2019/20 and 2020/21 subject to qualifying conditions.
- Interest paid on certain qualifying loans can be deducted from taxable income
- Trading allowance of £1,000 for self-employed individuals
- Rental allowance of £1,000 for rental property income

Additional tax relief is available if individuals contribute to a pension scheme or make charitable gifts under the gift aid scheme.

3.5 Taxation of dividends

Dividend rates	2019/20	2020/21
First £2,000	0%	0%
Basic rate	7.50%	7.50%
Higher rate	32.50%	32.50%
Additional rate	38.10%	38.10%

Any dividend income received over £2,000 is taxed at the individual's marginal rate as shown above.

3.6 Taxation of capital gain

An annual exemption of £12,000 for 2019/20 and £12,300 for 2020/21. Capital gain tax (CGT) rates depend on the nature of the asset being sold and the total annual income of the person chargeable to CGT. Basic rate taxpayers (BTP) are subject to 10%, increasing to 20% if the capital gain extends into the next tax band-higher rate taxpayer (HRTPT). There is also a premium rate for gains on residential property, as below. The Entrepreneurs' Relief lifetime allowance was capped at £10 million until 11 March 2020. Since 11 March 2020, the lifetime limit has changed to £1 million.

Taxpayer	Rates of CGT tax	Residential Property	Other Gains	Entrepreneur's Relief
Basic	18%	✓		
Higher	28%	✓		
Basic	10%		✓	
Higher	20%		✓	
Flat rate	10%			✓

3.7 Taxation of interest income

Taxed at 0% saving nil rate, 20% if basic rate, thereafter 40% or 45%

3.8 Personal assessment and utilization of losses

Individuals are required to self-assess if they have meet certain HMRC criteria, or if HMRC send a notification to complete a tax return. Individuals self-assess by submitting a personal tax return by 31 January following the end of the tax year which runs from 6 April to 5 April. A return can be filed by paper up to 31 October following the end of the tax year.

By aggregating the non-saving and investment income and deducting allowable payments, reliefs and expenses, the net adjusted income, and capital gains are taxed at the appropriate rates for the relevant tax year.

Income and Capital losses can be used in the following ways:

- Trading losses are set against income or capital gains of the same year
- Trading losses can be set against income and capital gains of the previous year or/and the excess carried forward against profits from the same trade
- Rental property losses are carried forward against future rental profits
- Capital losses are set against gains of the same year
- Capital losses brought forward are set against gains before the annual exemption
- Unused capital losses are carried forward automatically.

3.9 Withholding tax

Withholding Tax

If you pay an individual or a group of individuals who are making an appearance or performing in front of an audience and this individual or a group are non-UK residents or are both UK and non-UK residents, a Withholding Tax deduction must be made provided the payment is in excess of the tax free personal allowance or an amount specified in the Double Tax Agreement with the home country. Withholding tax may also be deducted depending on an individual's tax code.

PAYE

Withholding tax is not collected if the payments are taxed via the Pay as You Earn regime.

An Employer has an obligation to deduct tax from wages paid to employees. The tax is remitted to HMRC on a monthly basis generally by 22th following the end of the tax month, or 19th following the end of the tax month if paid electronically).

3.10 Statutory obligation of employers

Employers report the payment made to employees monthly online in real time. The minimum hourly rate for wages must be at a rate equal to the National Minimum Wage rate. They also report new starter and leaver's details to HMRC together with the wages in real time.

Employers must provide an annual Certificate of Earnings-P60 form to each employee by 31 May following the end of the tax year.

Employers have to provide a workplace pension to eligible employees. They also have an obligation to notify and enroll these employees and pay a certain % of their wage to their pension pot.

Employers must submit an annual form reporting benefits provided to employees which are not included on the payroll, also called form P11D.

Irregular or small taxable benefits can be reported under a PAYE Settlement Agreement (PSA Agreement). This is an annual payment to cover the tax due on the benefits. The agreement requires approval by HMRC. If it is not approved, then the benefits are reported under the P11D procedure. This is a very expensive option but is helpful if the employer wishes to provide benefits without the staff having to pay tax on the benefits received.

3.11 Filing requirement of tax return

Filing due dates	Employer's P11D form	
	Due date	06-Jul
	Employer's PSA Agreement	
	Calculation submitted for approval	31-Jul
	Payment due date	31-Oct
	Individual Tax Return	
	Postal filing	31-Oct
	Electronic filing deadline	31-Jan
	Issue date	06-Apr
	An extension of three months is granted if the notice to file a tax return is issued past the normal submission deadline.	
Penalties	Late filing penalties	
	An initial penalty of £100 is charged for failure to submit a tax return. If the return is outstanding for 3 months, then a daily penalty of £10 per day is charged for up to 90 days or £900. A further fine of £300 or 5% of tax owing whichever is greater is imposed, if the tax return is outstanding for 6 months. Another penalty is levied of £300 or 5% of tax owing whichever is greater if the return is 12 months late.	
	Late payment of tax owing	
	Late payment penalty of 5% on the tax owing is charged if the payment is 30 days late and a further 5% if the payment is 6 months late and another 5% if the payment is 12 months late.	
	In addition, late interest is charged at a rate charged by HMRC on the amount owing.	

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

UK regulatory organisation is HMRC

4.2 Basis of contribution

Employers and employees pay National Insurance (NI) on earnings; employers also pay NI on certain benefits provided to employees.

An individual will need to have at least 10 years of NI contributions in order to qualify for state pension. To get the full state pension, a total of 35 qualifying years of contributions are required.

Self-employed people pay Class 2 NI which is a fixed amount per year paid annually by 31 January following the end of the tax year. They also pay Class 4 NI which is a fixed percentage of NI on their net profits above a threshold. The 2020/21 threshold is £9,500 and 2019/20 threshold was £8,632.

Individuals may also pay Class 3 NI voluntarily at a fixed rate to fill in gaps in their NI record if they have not paid enough NI in a particular year.

Employers with annual wage bills (on earnings liable to Class 1 NI) in excess of £3,000,000 also pay Apprenticeship Levy at 0.5% on the total bill, subject to a levy allowance of £15,000.

4.3 Contribution rate

Employers benefit from an Employer's Allowance of £3,000 in 2019/20, and £4,000 in 2020/21, which reduces their NI liability, subject to qualifying criteria.

Employees and employers are required to make NI contributions.

Class 1 Primary

Employees pay 12% on earnings between £183 per week and £962 per week, and 2% on earnings above £962 per week (2020/21).

Class 1 Secondary

Employers pay 13.8% on earnings above £183 per week (2020/21).

Class 1A

Employers pay 13.8% on taxable benefits provided to employees

Class 1B

Employers pay 13.8% on taxable benefits provided to employees, but reported on PSA agreement

Class 2

Self-employed people pay a fixed £3.05 per week or £158.60 per annum (2020/21).

Class 4

Self-employed people pay 9% on profits between £9,500 and £50,000 and 2% on profits above £50,000 (2020/21).

Class 3 Voluntary

The rates are progressively changing year on year. The rate for 2020/21 tax year is £15.30 per week.

There are special rates for certain industries such as fishing, etc.

4.4 Exemption from tax

People who have reached state pension age do not pay NI.

The NI Small Profits Threshold for Class 2 contributions for 2020/21 is £6,475. Employed individuals with earnings between £6,475 and £9,500 do not pay NI in 2020/21 but get some of the benefits of paying.

GST/VAT

5.1 Basis of tax

Value Added Tax (VAT) is tax payable on goods and services provided by businesses in the UK and European Economic Area (EEA). Services and goods provided to countries outside the EU are out of the scope for VAT. VAT is collected on behalf of HMRC by businesses.

5.2 Rates of tax

VAT rates since 2011 have not changed and are as follows:

- standard rate at 20% which is payable on most goods and services
- reduced rate at 5% which payable on certain goods and services such as children's car seats and home energy
- zero rate at 0% which is the rate on most food and children's clothing
- exempt from VAT such as postage and land and property transactions
- However, Land and Property transactions can be brought within the scope of VAT by means of opting to tax

5.3 Registration

The compulsory VAT registration threshold for 2020/21 is £85,000, same as in 2019/20. Businesses can register voluntarily as long as they meet certain conditions. The VAT deregistration threshold for 2020/21 tax year is £83,000.

There are VAT schemes available to small businesses to simplify the VAT administration including:

- Flat rate scheme which calculates VAT due as a percentage of turnover rather than paying the difference between VAT collected and paid;
- VAT cash accounting scheme allows businesses to account for VAT based on cash receipts and payments as a tax point instead of the normal VAT invoice/receipt date as a tax point for VAT purposes.
- Annual accounting scheme allows businesses to pay VAT on instalments or three quarterly payments and complete a single, annual VAT return to work out the final balance due to HMRC or overpayment.
- Various Retail schemes are used to simplify VAT for businesses depending on their turnover.
- VAT margin scheme is available to businesses that deal with second-hand goods, works of art, antiques and special tour operator's scheme.

5.4 Filing requirements

VAT return reporting period is normally every 3 months. The submission deadline is one month and 7 days following the end

of the reporting period. VAT returns are submitted, and VAT is paid electronically to HMRC.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign Tax Credit relief is available

- If tax has been deducted in the UK and another country and there is a double taxation agreement (DTA) in place between UK and that other country OR
- If no DTA in place, unilateral relief limited to the UK tax due on the same income.

6.2 List of double tax treaties signed

UK has bilateral, comprehensive double taxation conventions with the following jurisdictions:

Albania	Guernsey	Philippines
Algeria	Guyana	Poland
Anguilla	Hong Kong	Portugal
Antigua and Barbuda	Hungary	Qatar
Argentina	Iceland	Romania
Aruba	India	Russia
Armenia	Indonesia	Saint Kitts and Nevis
Australia	Iran	Saudi Arabia
Austria	Ireland	Senegal
Azerbaijan	Israel	Serbia
Bahrain	Italy	Sierra Leone
Bangladesh	Isle of Man	Singapore
Barbados	Ivory Coast	Slovakia
Belarus	Jamaica	Slovenia
Belgium	Japan	Solomon Islands
Belize	Jordan	South Africa
Bermuda	Jersey	South Korea
Bolivia	Kazakhstan	Spain
Bosnia and Herzegovina	Kenya	St Lucia
Botswana	Kiribati	Sri Lanka
Brazil	Kosovo	Sudan
British Virgin Islands	Kuwait	Swaziland
Brunei	Kyrgyzstan	Sweden
Bulgaria	Latvia	Switzerland
Burma	Lebanon	Taiwan
Cameroon	Lesotho	Tajikistan
Canada	Libya	Thailand
Cayman Islands	Liechtenstein	Trinidad and Tobago
Chile	Lithuania	Tunisia
China	Luxembourg	Turkey
Colombia	Macedonia	Turkmenistan
Croatia	Malawi	Tuvalu
Cyprus	Malaysia	Turks and Caicos Islands
Czech Republic	Malta	Tuvalu
Denmark	Mauritius	Uganda
Egypt	Mexico	Ukraine
Estonia	Moldova	United Arab Emirates
Ethiopia	Mongolia	Uruguay
Falkland Islands	Montenegro	Uzbekistan
Fiji	Morocco	USA
Faroes	Montserrat	USSR
France	Namibia	Venezuela
Finland	Netherlands	Vietnam
Gambia, The	New Zealand	Zaire
Georgia	Nigeria	Zambia
Germany	Norway	Zimbabwe
Ghana	Oman	
Greece	Pakistan	
Grenada	Panama	
	Papua New Guinea	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Acquisition tax

Stamp Duty Land Tax (SDLT) is due on the acquisition of a property or land over £125,000 for residential properties and £150,000 for non-residential properties and includes the following:

- Freehold property
- New or existing Leasehold
- Property through Shared ownership scheme
- Transfer of land or property in exchange for payment i.e. take out a new mortgage or buy share in a house

The tax due is payable within 30 days of completion and the transaction is reported to HMRC on a SDLT return.

Scotland has a different tax system for taxing the acquisition of property – Land & Buildings Transaction Tax (“LBTT”). The rates for this differ from SDLT and care should be taken when transacting property in Scotland that the correct rates are used.

Rates of Tax 2020/21		
	Residential property	Additional Residential Property
Up to £125,000	0%	3%
£125,001 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1.5million	10%	13%
Above £1.5 million	12%	15%

An additional 3% is added to each of the above rates, if more than one property owned at the end of the transaction.

However, if the purchase is to replace a main residence and the main home is not sold prior to the purchase of a new property, the additional tax of 3% is payable. Subsequently, if the main residence is sold within 36 months of the purchase of the new property, a refund can be claimed for the extra 3% within 3 months of the sale or within 12 months of the filing date of the return, whichever comes later.

If the property is an individual's first home, they do not pay any SDLT up to the value of £300,000. Between £300,000 and £500,000, 5% SDLT is payable. If the value of the property is above £500,000, the same rates of SDLT apply for a first-time buyer as they would for a standard one.

From April 2021, the chancellor announced an additional 2% SDLT surcharge on Non-UK Residents purchasing residential property in England and Northern Ireland.

Commercial and mixed use		
	2020/21	2019/20
Up to £150,000	0%	0%
£150,001 - £250,000	2%	2%
Above £250,000	5%	5%

When you buy commercial or mixed leasehold you pay SDLT on both the lease premium using the rates above and value of the annual rent over the life of the lease (net present value) using the rates below.

Commercial and mixed use – New leasehold sales and transfers		
	2020/21	2019/20
Up to £150,000	0%	0%
£150,001 - £5,000,000	1%	1%
Above £5,000,000	2%	2%

An SDLT return is required for most transactions under £150,000. Certain SDLT reliefs are available for purchase of multiple dwellings, transfer of property between group companies and the relief is claimed on the SDLT return even if there is no tax to pay.

Relief is available where property is transferred from a partnership to a limited company where the ownership remains consistent between the transferring partners and the company shareholders.

An SDLT Return needs to be filed within 14 days of completion. SDLT also needs to be paid to HMRC within this period.

An individual is not required to file an SDLT return or pay SDLT tax for some property transactions as follows:

- Transactions where there is no consideration
- Freehold property purchase for less than £40,000
- Property left in a will
- Property transferred due to divorce or civil partner dissolution

Stamp Duty

When an individual buys shares, they normally pay Stamp Duty of 0.5% on the transaction. If shares are brought electronically, it is known as Stamp Duty Reserve Tax (SDRT) and is payable at 0.5% of the transaction. If shares are brought through a 'Stock Transfer Form', the 0.5% rate would only apply if the transaction is over £1,000.

An individual pays Stamp Duty when they buy:

- Existing shares in a UK incorporated company
- An interest in shares
- Shares in a foreign company, if they have a share register in the UK
- Shares acquired through an "option to buy"
- Shares acquired on rights issue

An individual is not required to pay Stamp Duty for the following share transactions:

- Gift of shares
- Subscription to a new share on incorporation
- Buy shares in open ended investment companies from the fund manager
- Buy units in a unit trust from the fund manager

7.2 Real property tax

Income Tax

Rental income from UK Real Estate is taxable at the normal IT rates after deduction of either allowable expenses or rental property allowance. The income is charged irrespective of the tax residency status of the owner where the real estate is situated in the UK.

Tax on disposal

UK tax residents and non-UK tax residents pay capital gains tax on the disposal of the UK Real Estate.

The CGT is charged at 18 % (BRT) and 28 % (HRT).

7.3 Estate duty

Estate duty tax (Inheritance tax)

Inheritance Tax is tax on the estate which may include money, possessions and property. Inheritance Tax is due if the value of the estate is more than the current threshold of £325,000 and the estate is not left to a spouse or civil partner or charity. If the estate is worth less than the threshold, then any unused amount can be added to the surviving spouse or civil partner 's threshold when they die.

If the estate contains your main residence, and is passed down to your children, grandchildren other lineal descendants, the threshold is increased by up to £175,000, provided your estate does not exceed £2 million.

Rates of tax

The rate of tax charged on the value above the threshold is 40%. A reduced rate of tax is available if at least 10% of the value of the estate is left to a charity.

Exemptions and reliefs

Gifts of £3,000 or less are covered by an annual exemption which is £3,000. Small gifts of up to £250 are also exempt. Gifts made out of normal income are also exempt.

Any gifts not covered by the annual exemption may be taxed depending on when the gift was made and may be subject to a reduced inheritance tax (IHT) under the taper relief rules.

Business Property relief reduces the value of the business assets and therefore IHT due on the business or share of the business in the estate. Business relief is given as either a 50% or 100% reduction of tax on the business assets and it applies to business assets passed on during lifetime and/or as part of a will. A similar relief applies for Agricultural property.

Any non-chargeable gifts made more than seven years before the donor's death are exempt from tax on death.

Chargeable gifts such as gifts to trusts are charged at half the IHT rate (i.e. 20% if paid by the recipient of the gift or 25% if is paid by the donor) to the extent that they exceed the Nil Rate Band.

7.4 Net wealth/net worth tax

There is no wealth tax in the UK.

7.5 Others

Business tax

Business rates are imposed on non-domestic properties which pay business rates calculated by the local government. Business rates are calculated on the rateable value. There are reliefs for businesses and sometimes their application is automatic, but in other cases, the business has to apply for the relief.

Vacant buildings do not pay business rates for the first three months, but after that the full rate applies unless the building has a specific status which may allow further exemption.

Certain properties are exempt from paying business rates such

as agricultural land and buildings, buildings use for training and welfare of disable people, and church halls.

The government has announced a Business Rates Relief for many sectors affected by the Coronavirus outbreak, in relation to 2020/21.

Consumption tax, etc.

In the UK this is covered by value added tax (VAT) – see above

COVID-19 STIMULUS PACKAGES INTRODUCED

8.1 Coronavirus Job Retention Scheme (CJRS)

Dates effective:

Start date: 20 April 2020 End date: 31 October 2020

The scheme opened on a self-service basis on 20 April 2020 through an online portal. It is administered by HM Revenue & Customs, which is a department of the UK Government responsible for the collection of taxes. The payments were made within six working days from the date the claim was made for straightforward claims.

Businesses eligible to use the scheme can claim 80% of their employees' wage costs, capped at £2,500 per employee per month before tax. Employers can top up this pay by 20% if they wish and must let the employees know they have been furloughed. They were also provided with an upfront agreement and designated as furloughed employees. These employees then could not undertake any work that can generate income for their employer during the furloughed period.

For the period to 30 June 2020, businesses could claim financial support for employees who were not working and were furloughed on or before 10 June 2020.

From the 1 July 2020 a furloughed employee can work some of their usual hours and be put on furlough for the hours they do not work.

From 1 August, the government contributions were tapered. Initially, they paid 80% (currently 70% and reducing to 60% from 1 October 2020) of the wage costs of employees for employees placed on furlough (up to a maximum of £2,500 per month).

8.2 Job Retention Bonus (JRB)

Dates effective:

Start date: 1 November 2020 End date: 31 January 2021

The UK government announced a new Job Retention Bonus scheme to provide employers with additional financial support after the end of the CJRS.

Employers that meet the criteria will receive a one-off taxable bonus payment of £1,000 under the JRB scheme for each employee that returns to work and remain with the business until January 2021.

8.3 Self-Employment Income Support Scheme (SEISS)

Dates effective:

Start date: 13 May 2020 End date: 19 October 2020

The SEISS scheme is a self-service scheme and the claims are submitted through a government online portal tax account.

Two SEISS grant payments were available under the scheme. The first grant was available from 13 May 2020 and the second and final grant was available from 17 August 2020 and the online portal remained open until 19 October 2020. Both grants were subject to the relevant eligibility criteria as follows:

- An annual tax return for the 2018/19 tax year, which included self-employment profits, was submitted by 23 April 2020
- The self-employed continues to trade for the whole or part of the 2019/20 tax year
- The self-employed intends to continue trading in this tax year (2020/21) for at least part of the remainder of the year
- The Self-employed individual meets the profits test (generally met where annual profits no more than £50,000 and at least 50% of income comes from being self-employed)

8.4 Coronavirus Large Business Interruption Loan Scheme (CBILS)

Dates effective:

Start date: 3 April 2020 End date: 30 November 2020

The Coronavirus Business Interruption Loan Scheme (CBILS) provides financial support to large businesses affected by coronavirus across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak.

- UK based business
- Has an annual turnover > £45 million
- Meets the other British Business Bank eligibility criteria requirements

The government guarantees 80% of the finance to the lender and pays interest and any fees for the first 12 months.

8.5 Deferring VAT payments

Dates effective:

Start date: 20 March 2020 End date: 30 June 2020

UK registered businesses can defer VAT payments due between 20 March 2020 and 30 June 2020 until 31 March 2022.

8.6 Statutory Sick Pay Rebate Scheme (SSP)

Dates effective:

Start date: 13 March 2020 Effective date: 26 May 2020 End date: current

Employers can reclaim SSP paid for absent employees due to COVID-19 for up to two weeks.

Businesses that meet the following criteria qualify for SSP:

- UK based business
- Small and medium size with less than 250 employees as of 28 February 2020 an annual turnover < £45 million

8.7 Business rates Holiday for Retail, Hospitality and Leisure sectors

Dates effective

Start date: 1 April 2020 End date: 31 March 2021

Businesses eligible will not have to pay business rates until 2021 tax year. The local council will apply the relief automatically.

- Restaurant, café, bar or pub
- Cinema or live music venue
- Assembly or leisure property – for example, a sports club, a gym or a spa
- Shops

8.8 Deferring Income Tax

Dates effective:

Start date: 31 July 2020 End date: 31 January 2021

Taxpayers can defer their second payment on account that was due by 31 July 2020 until 31 January 2021.

8.9 Grants for Retail, Hospitality and Leisure sectors (RHLG)

Dates effective:

Start date: 3 April 2020 End date: current

Eligible businesses with rateable values less than £15,000 can apply for a one-off taxable grant of £10,000.

Eligible businesses with rateable value more than £15,000 but less than £51,000 can apply for a one-off taxable grant of £25,000.

8.10 Small Business Grant Fund (SBGF)

Dates effective:

Start date: 3 April 2020 End date: current

Businesses eligible for small business rates relief, rural rate relief or taper relief were eligible for a one-off taxable grant of £10,000 provided that these businesses were based in England and occupied that property.

8.11 Time to Pay (TTP) arrangements for businesses

Dates effective:

Start date: 3 April 2020 End date: current

Businesses that cannot pay their tax liabilities to the UK Government due to COVID-19 can apply for a TTP payment plan.

8.12 Kickstart Scheme Dates effective:

Start date: 2 September 2020 End date: current

Businesses can claim financial support for employing young people who meet the qualifying criteria. The scheme will pay:

- £1,500 per employee for training and set up cost
- 100% of the relevant earnings for 25 hours per week
- Employer National Insurance and pension contribution

8.13 Temporary reduced VAT rates for Retail, Leisure and Hospitality

Dates effective:

Start date: 15 July 2020 End date: 12 January 2021

Eligible supplies are subject to a lower 5% rate of VAT from 15 July 2020 to 12 January 2021. The rates will revert to 20% rate of VAT after this date.

8.14 Eat Out Scheme

Dates effective:

Start date: 7 July 2020 End date: 31 August 2020

Eligible businesses – restaurants, pubs and cafés registered for the scheme and providing a dining area for eat-in meals and selling food for consumption on the premises. The scheme offered a 50% discount on eat-in meals, capped at £10 per head, consumed on premises from Monday to Wednesdays.

8.15 Universal Credit

Dates effective:

Start date: 6 April 2020 End date: current

Self-employed individuals and those who are not eligible for Statutory Sick Pay (SSP) can apply for Universal Credit.

8.16 Bounce Back Loan Scheme

Dates effective:

Start date: 4 May 2020 End date: 30 November 2020

Businesses adversely affected by COVID-19 can apply for a loan between £2,000 and £50,000.

The loan is backed up by the Government for the first 12 months and businesses are not required to pay fees or interest, or make repayments during that period.

8.17 Discretionary Grant Fund

Dates effective:

Start date: 15 June 2020 End date: locally decided – closed now

Eligible businesses with fixed property costs that did not qualify for SBGF or RHLG can apply for Discretionary Grant from their local authority. The final date for payment is 30 September 2020.

8.18 Support for nursery businesses that pay business rates

Dates effective:

Start date: 6 April 2020 End date: 5 April 2021

Registered Nursery businesses providing care and education for children under five years of age do not have to pay business rates for 2020/21 tax year.

POINT OF CONTACT

Name of contact: Peter McMahon

Telephone with country code: +44 2084 580 083

Email address: peterm@grunberg.co.uk

Reanda International

Beijing headquarters

12/F, Building E, Sino-Ocean International (2nd Phase),
No. 210, Ciyunsi Beili, Chaoyang District,
Beijing, PRC, 100025
Tel: +86 10 8588 6680
Fax: +86 10 8588 6690

Hong Kong administrative office

21/F Tai Yau Building 181 Johnston Road,
Wanchai, Hong Kong
Tel: +852 3101 4822
Fax: +852 3101 4811

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