

# PRISM

**Tax Newsletter**

3rd Quarter 2014

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## Cambodia

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Cambodian Ministry of Economy and Finance (MoEF) has issued a Prakas no. 311, 312 and 313 on the implementation of VAT. Prakas No. 311 is targeted to benefit VAT implementation exclusively for the supporting industries or the contractors supplying goods or services, for serving the exportation of the garment, textile, footwear, carry-bags & handbags and hat industries. While, Prakas no. 312 & 313 are for certain merchandises and services and the supply of rice for export purpose respectively.

柬埔寨经济与财务部已颁布增值税法令311、312 以及313。增值税法令311主要针对承包出口成衣、纺织、鞋子、手提袋以及帽子行业，或是辅助工业；而增值税法令312与313，则是针对特定的商品与服务，以及以出口白米为导向的行业。

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## Cyprus

### Shipping Companies – The Tonnage Tax Regime

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.

为符合欧盟规范及塞浦路斯政府为支持海运业颁发的相关指南，欧盟于2010年3月24日（编号N.37/2010）批准了塞浦路斯商业船舶新吨位税体系。这是首次批准一个实行开放登记制度的欧盟成员国适用简化后的吨位税体系。该新吨位税体系将受益人从塞浦路斯国旗船舶的船东和船经理/管理人扩展至外国国旗船舶的船东和船舶租赁人。同时也将税收优惠从原来只适用于海运运营活动获得的利润扩展至买卖船只的利润，不以投资为目的的基金取得的利息，从直接或间接来自海运相关利润支付的红利。塞浦路斯海商法（费用及税务规定）于2010年5月生效，在塞浦路斯开始实行新的吨位税体系，该体系自2010年财政年度开始适用。

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## Germany

### New Double Tax Agreements between Germany and China

On March 28, 2014, a new Double Tax Agreement (DTA) has been signed between China and Germany. The major changes include the reduction of the withholding tax (WHT), changes in the definition of a Permanent Establishment (PE) and specific regulations regarding the transfer of shares. The enforcement date for the new DTA yet to be finalised, if the new DTA will be finalised within 2014, the new DTA could apply to income derived on or after 1 January 2015.

2014年3月28日，中国和德国之间签署了新的避免双重征税协定(DTA)。但新签的避免双重课税协议尚未生效。如果必要的批准手续在今年内按时完成，避免双重征税协定将从2015年1月1日起适用于2015年1月1日起一切年度的各种预扣税。DTA的最明显的变化是预扣税(WHT)的削减，以及有可能定义常设机构(PE)及有关股份转让的具体规定。

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## Indonesia

### Electronic Tax Invoice Form (e- tax Invoice or “e-faktur”)

The Directorate General of Taxation, DGT has issued the tax regulation concerning the Procedures for issuance and reporting of Electronic Tax Invoice. The implementation of e-Tax Invoice is intended to provide convenience, comfort, and safety for the VAT-able Entrepreneurs. In addition, e-tax invoice also benefits taxpayers by saving the cost of compliance, i.e. cost of paper, shipping, printing, employment verification, coding, and reduce personnel employed. Through the electronic tax invoice, the DGT will improve the efficiency of the process of tax audit and VAT refund proceeding.

国家税务总局已公布有关发出电子税务发票和报告的程序规定。电子税务发票的实施旨在为商家提供便捷、舒适及安全的管道。此外，使用电子发票的好处将能降低须遵循增值税条规的成本，包括用纸、运输及印刷费用、就业核查、编码的成本，并减少聘用人员。与此同时，也将极快国家税务总局处理税务稽查和增值税退税程序的速度。

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# Japan

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## Preferential tax measures for investment in National strategic special zones

One of the general plans of the Japan Revitalization Strategy 2013 proposed the setting up of the “National Strategic Special Zones” within Tokyo, Osaka and other major central cities whereby investors are able to apply preferential tax measures. The aim of “National Strategic Special Zones” is to make those zones to be the world’s best commercial cities. Since the said idea was brought up, several “National Strategic Special Zones” conferences were held to discuss and review the regulations to extend the visa period, the promotion for foreigners employment and to attract more foreign as well as domestic investments.

2013年日本政府在振兴经济的综合政策中提出了一个设想：拟在东京、大阪等中心城市建立「国家战略特区」、实施特殊政策。「国家战略特区」的目标旨在令这些特区成为全球最佳商务城市。设想提出以来、已经通过数次召开的国家战略特区咨询会议，讨论留日签证限制的放宽，促进外国人就业，和吸引国内外民间投资等。

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# Malaysia

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## Self-Declaration Mechanism for Tax Exemption

Self-Declaration Mechanism for Import Duty and/or Sales Tax Exemption on machinery, equipment, spare parts, consumables, prime movers and container trailers through the Customs Duties (Exemption) Order 2013 and Sales Tax (Exemption) Order 2013.

目前通过2013年关税豁免令以及2013年销售税豁免令，所有机械、器材、零件、消耗品、载重牵引卡车及货柜车，皆可进行自行申报机制。

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# Russia

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## Personal income tax in Russia for residents and non-residents

Personal income tax in Russia has a quite low flat rate and doesn't depend of income amount. This makes Russia as a good working place for highly-qualified specialists. Russian tax residents and non-residents are taxed differently in Russia. An individual will be considered as a Russian tax resident if he/she is physically present in Russia for 183 days or more during a period of 12 consecutive months preceding the specific date. Final tax liabilities for a reporting calendar year are determined based on a tax residence status for that year. In particular, if an individual spent at least 183 calendar days in Russia in the reporting year, he/she is considered as a tax resident with regard to the entire reporting year. Absences from Russia due to ill health or study abroad less than 6 months, will be counted as staying in Russia. . Both days of arrival and departure should be taken into account for calculation of day of presence in Russia

俄罗斯的个人所得税率不取决于收入额数的多寡，并拥有相对较低的所得税统一税率。这使得俄罗斯成为专才理想的工作地。在俄罗斯，税务居民与非税务居民将缴付不同的税务。当个人在特定的日期前的连续12个月内，在俄罗斯逗留183天或以上，其可视为俄罗斯的税务居民。个人报税的最终税务义务，将依据其该年税务居民身份的界定。

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## Implementation of VAT for certain industries

Cambodian Ministry of Economy and Finance (MoEF) has issued a Prakas no. 311, 312 and 313 on the implementation of VAT. The objective of Prakas 311, 312 and 313 above is to facilitate, encourage and promote export activities in both agriculture and the export industries by allowing the VAT input to be State-Charge and 0% VAT output in Cambodia.

### Implementation of VAT for Supporting Industries / Contractors that Supplies Goods or Services for Serving the Export

Cambodian Ministry of Economy and Finance (MoEF) has issued a Prakas no. 311 on the implementation of VAT, is targeted to benefit VAT implementation exclusively for the supporting industries or the contractors supplying goods or services, for serving the exportation of the garment, textile, footwear, carry-bags & handbags and hat industries.

The introduction of Prakas 311 provides enhanced guidance for those industries seeking to be recognized as support industries to the export sector and thus become entitled to charge output VAT at the rate of 0%.

The goods and services that are supplied directly by the supporting industry or contractor as stated in the Prakas shall be limited to only:

- Package
- Yarn, fabric, button, zipper, hanger, garment clip and accessories for garment and footwear, bag and hat.
- Service of washing, dyeing, printing fabric or garment, sewing, embroidering

VAT tax benefits will be applied differently for the supporting industry and the contractors of supplies.

The VAT tax benefit for the supporting industry is implemented as follows:

- VAT input on the importation of input products shall be treated as a state's burden. Therefore, all local purchase of the supporting industry shall be subject to VAT at the rate of 10%
- 0% VAT output will be applied if the supply of goods or services is made exclusively for serving exportations. However, if there is a local supply of goods or services, 10% VAT and other customs duty taxes will be applied as normal.

In contrast, the VAT tax benefit for the contractors of supplies will be as follows:

- 0% VAT output will be applied for exportations, while the 10% VAT output will be charged on local supplies.
- 10% VAT input and other custom duty taxes will be imposed for importations and local purchases.

In addition, to obtain the VAT tax benefit, the contractor shall apply in writing to the General Department of Tax, GDT for a benefit period not lasting over one year each time.

The supporting industry and the contractor shall have the following obligations:

1. To provide monthly report on the materials and goods processed in and out, following the pattern attached to this Prakas.
2. To provide a copy of the supply agreement attached to the monthly tax returns within the following month after the execution.
3. Issue the VAT invoice with 0% VAT to the garment, textile, footwear, bags and handbags and hat producing industries.

For failure to comply with the conditions set forth in this Prakas, the VAT tax benefit will be confiscated.

### Implementation of VAT on the importation and supply of certain Goods

In order to promote agricultural activity, Prakas No. 312 has been issued by providing a VAT tax benefit on the importation and supply of certain goods as below:

|  |   |
|--|---|
| 1. Fertilizer                          | Fertiliser used for all agricultural crops, which are made of chemical substances, organ elements and natural mines.  |
| 2. Crops                               | All kinds of seeds, seeds used for planting trunk, bulb, suckers, scion, graft, vine, etc.  |
| 3. Medicines for animals               | Solely used for all species of animal and for supporting the health of animal, treatment, protection and increase of the animal productivity.   |
| 4. Animals and additional foods        | All foods for the growth of animal body, additional food, vitamin, or other mineral substances for additional use on animal food, rice husk, rice bran, and rice fragment for animal feeds. |
| 5. Animals                             | All kinds of domestic animals and wild animals.   |
| 6. Vehicles and Agricultural Equipment | Tractors and spare parts for family use, machines for milling animal foods; equipment for sowing seeds or hatching eggs and pumps.  |

## Implementation of VAT on contractors supplying rice for exportation

**Prakas no. 313** sets out VAT implementation and other obligations for contractors, who directly supply rice or rice production services for export purposes.

This Prakas applies to persons who contract directly with exporters, to supply rice or services relevant to rice production for the purpose of exportation ("supplier"). The VAT tax benefits are as follows:

- VAT input.
- VAT on imports is a charge set by the state, for the input production and for equipment to produce the rice for exportation.
- VAT on supplies of local goods and services are taxed at 10%, except items stated in Prakas 779 SHV dated 11 October 2011.
- VAT output.
- The supplies of rice or any services relevant to rice production for the purpose of exportation are taxed at 0%.

The supplies of rice in the Cambodian market are taxed at a rate of 10%. 

# Cyprus



## Shipping Companies – The Tonnage Tax Regime

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.

### Qualifying ship

A qualifying ship is any seagoing vessel certified under applicable international or national rules and regulations and registered in the ship register of any member of the International Maritime Organization

and the International Labour Organization, which is recognized by Cyprus.

The new tonnage tax system specifically excludes certain types of ships, such as fishing vessels, ships used primarily for sports or recreation, river vessels, non-self-propelled floating cranes and non-ocean going tug boats, among others.

### Qualifying shipping activity

Any commercial activity that constitutes maritime transport, crew management and/or technical management is considered a qualifying activity.

The definition of maritime transport includes the traditional carriage of goods and passengers, as well as ancillary services such as all hotel, catering, entertainment and retailing activities on board a qualifying vessel, the loading and unloading of cargo, the operation of ticketing facilities and passenger terminals. Towing, dredging and cable laying are also eligible for tonnage tax.

### Ship owners

Ship owners of Cyprus flag ships automatically fall within the scope of the tonnage tax system. Ship owners of community flag ships and foreign flag ships may opt to be taxed under the tonnage system.

Ship owners of foreign flag ships must comply with certain requirements to qualify for the option to be taxed under the new system. These include the requirement that a share of their fleet be comprised of

EU flag ships, which share must not be reduced in the three-year period following the exercise of the option (flag-share requirement) and that the commercial and strategic management of the fleet be carried out from the EU/EEA.

Any ship owner opting for the tonnage tax system must remain in the system for 10 years. Early withdrawal will result in penalties, calculated as the difference between the amounts paid during the period the ship owner was under the tonnage tax system and the amount that would have paid had it been subject to corporation tax in the same period. In addition, the ship owner will lose the right to opt for tonnage taxation until expiration of the 10-year period from the date the option was first exercised.

The tonnage tax system covers profits from shipping operations, dividends paid directly or indirectly out of such profits, profits on the sale of the ship and interest earned on funds used as working capital or for the financing, operation and/or maintenance of the ship.

### Charterers

Any charterer who charters a ship under bareboat, demise, time or voyage charter is eligible for the

tonnage tax system provided the tonnage of the ships under time and/or voyage charters do not exceed 75% of the total tonnage of ships chartered and owned, for more than three consecutive years. This eligibility percentage increases to 90% if the ships chartered are EU/EEA ships or their crew and technical management are carried out from the EU/EEA. The charterers of a fleet comprising EU and non-EU flag ships must also comply with the flag-share requirement.

An eligible charterer may opt to be taxed under the tonnage tax system, but once the option is made, it must remain in the system for 10 years. Early withdrawal will result in the penalties outlined above for ship owners.

The tonnage tax system covers profits from shipping operations, dividends paid directly or indirectly out of such profits and interest earned on funds used as working capital or for the payment of expenses arising out of the charter party.

### Ship managers

A ship manager who provides crew and/or technical ship management services is eligible for the tonnage tax system provided it satisfies certain criteria. These include the maintenance of a fully fledged office in Cyprus, the employment of a sufficient number of qualified personnel (51% of whom should be EU/EEA citizens) and at least 2/3 of the management is entirely carried out from the territory of the EU/EEA. Further, a share of his fleet must be comprised of EU flag ships, which share must not be reduced in the three-year period following the exercise of the option (flag-share requirement). All ships and crews under management must comply with relevant international standards and EU law requirements must be fulfilled, in particular those relating to maritime security, safety, training and certification of seafarers, environmental performance and on-board working conditions.

Other specific criteria must be complied with, depending on the ship management service provided (i.e. full implementation of the 2006 Maritime Labour Convention for crew managers and the ISM Code certification for technical managers).


The tonnage tax system covers profits from the provision of crew and/or technical ship management services, dividends paid directly or indirectly out of such profits and interest earned on funds used as working capital or for the payment of expenses relating to the management of the ships. The 10-year option rule also applies to eligible ship managers and the same penalties apply for early withdrawal.

### 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         |
| €36,5 per 100 NT | €31,03 per 100 NT | €20,06 per 100 NT | €12,78 per 100 NT | €7,30 per 100 NT |

Per 100NT:

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

## Germany



### New Double Tax Agreements between Germany and China

The new DTA between China and Germany has been signed but is not yet in effect. If the ratification is completed in due time within the year 2014, the DTA would be applicable for withholding taxes from 1st January 2015 respectively for all other taxes for all tax years, which start on or after 1st January 2015. In the meantime the previous DTA is in effect until then.

In the following some major changes are summarized:

#### Intercompany Dividends

The withholding tax (WHT) for certain dividends is reduced from 10% to 5%. As a precondition, the beneficial owner receiving the dividends is a corporation (not in a legal form of a partnership) and directly holds at least 25% of the capital of the company distributing the dividends. Only direct equity interests are included in the calculation of the 25% threshold. Majority of the Germany business in China are "Wholly Foreign Owned Enterprises" (WFOE). Therefore in general the 25% threshold should not be an issue. In consequence it is advisable for German investors to distribute the profit after the new DTA enforced.

#### Permanent establishment (PE)

The period for constituting a PE for a building site, construction, assembly or installation project or supervisory activities connected therewith is now twelve months instead of the current six months.

Both DTAs include a regulation for service PEs. Even if no fixed place of business has been established, a mere service activity could still lead to constituting of a PE. But the current regulation for service activities caused many problems in China, based on the local interpretation of the 6 months threshold to establish a PE. According to the current DTA a part of a specific month has been considered as a full month in terms of calculating the PE threshold.



An improvement is that the threshold for establishing a PE by means of carrying out service activities will be 183 days (within a 12 month period) instead of current six months. This offers a clearer approach to count the day in the determination of the service PE. For the calculation of the 183 day-threshold only days with the presence of at least one employee are taken into account.

### Royalties

For royalty payments which are received as a consideration for the use of, or the right to use, any industrial, commercial or scientific equipment the WHT is reduced from 7% to 6%.

### Capital gains

Regarding the transfer of shares generally the country of residence has the right of taxation. But the new DTA also includes specific regulations:

- Gains derived from a German resident can only be taxed in China, if more than 50% of the value of the shares sold is derived from immovable property situated in the resident country of the subsidiary
- Gains derived from a German resident can also only be taxed in China, if the seller of the shares has directly or indirectly owned at least 25% of the shares in the corporation at any time during a twelve months period preceding the sale of the shares.

### 183 Day Rule

The 183 Day Rule is applicable for individuals that are resident in one state and work in the other state and derive income from independent personal services or employment. The main purpose of this rule is that employees will not be subject to the Individual Income Tax of this other state if they just work for a short time in the other state. In the current Chinese German DTA an individual exceeding 183 days in the calendar year in the other state, can be taxed in this other state. The new DTA changes the period in which these 183 days refer to. Now an individual exceeding 183 days in any twelve months period in the other state, can be taxed in the other state.

Example:

A German Individual works for his German employer in China from 1st June to 20th June 01 (20 days) and from 1st October 01 to 31st May 02 (90 days) and from 25th June to 31st September 02 (97 days)

China can tax the Income referring to 1st October 01 to 31st September 02, as the employees stayed more than 183 day (here 187 days) in a twelve months period in China. But for the Income referring to 1st June to 20th June 01 China is not allowed to tax

this income, as here the 183 days requirement within a twelve months period is not met.

### Switch-over clause

In order to avoid of double non-taxation, a switch-over clause has been introduced for business income and dividend income. If a Chinese PE or subsidiary of a German corporation does not generate active income in the meaning of the German Foreign Tax Act (AStG), the switch-over clause is applicable. In this case the exemption method is then replaced by the tax credit method.

Conclusion:

The revision of the previous DTA between Germany and China (dated on 1985) was long overdue. Several European countries recently renegotiated their DTA with China. So the new DTA eliminates competitive disadvantages in comparison of Investors of other European countries. In particular the reduction of the WHT regarding intercompany dividends (previously 10% to 5%) is very much to be welcomed and represents a significant facilitation for German investors having profitable subsidiaries in China. 🇨🇳

## Indonesia



### Electronic Tax Invoice Form (e- tax Invoice or "e-faktur")

With regards to the enforcement of Tax Invoice in electronic form (e-TAX INVOICE), the Directorate General of Taxation (DGT) has announced the following tax regulations:

- a. The Minister of Finance Regulation No. 151/PMK.03/2013 concerning the Procedures of issuance and Procedures of the Tax Invoice revision or replacement;
- b. The DGT's Regulation No. PER-16/PJ/2014 concerning the Procedures of issuance and reporting of Electronic Tax Invoice;
- c. The DGT's Regulation No. PER-17/PJ/2014 concerning the second amendment to the DGT's Regulation No. PER 24 / PJ / 2012 concerning the Form, Size, Procedures for filling information, Notification Procedures in order to issuance, revision or replacement, and the cancellation of Tax Invoice; and
- d. The DGT's Decision No. KEP-136/PJ/2014 concerning the appointment of VAT-able Entrepreneurs which are required to issue the electronic tax invoice.

The implementation of e-Tax Invoice is intended to provide convenience, comfort, and safety for the VAT-able Entrepreneurs ("PKP") in fulfilling tax obligations in particularly the issuance of Tax Invoice. In addition, e-tax invoice also benefits taxpayers by saving the cost of compliance, i.e. cost of paper, shipping, printing, employment verification, coding, and reduce personnel employed. Through the electronic tax invoice, the DGT will improve the efficiency of the process of tax audit and VAT refund proceeding.

Since the year 2011, the DGT faces a major problem in administering the tax invoice number reached 200 million for each year. Indonesian economic development would increase the number of transactions that will be increasingly overwhelmed Taxation administration tax invoice when done manually. In addition, an electronic-based system will minimize the misuse of tax invoices by the use of fictitious companies or parties who are not responsible for lost tax so that the potential becomes very small.

Furthermore, 45 of PKP are required to issue the electronic tax invoice starting from July 1, 2014. The first stage enacted July 1, 2014 for certain PKP confirmed in the Large and Middle Taxpayer Tax Office. Then began July 1, 2015 e-Tax Invoice will be applied to the entire PKP in the Tax Office Java and Bali. While the enforcement of e-Tax Invoice nationally will simultaneously begin on July 1, 2016.

Purchasers of taxable goods and/or taxable services from the said 45 PKP hereby notified that a Tax Invoice will be issued in electronic form (e-Tax Invoice).

The entire tax invoice data transmitted by PKP to DGT system aims to obtain approval from the DGT approval. The e-Tax invoice tax without the approval of the DGT is not considered as a tax invoice.

As for how to create an e-Tax invoice has been prepared by the DGT to build e-channeling tax invoice in several stages, i.e. the first stage of a client application, where the PKP make tax invoice by DGT given application and then installed on the PC belonging to PKP. The data will be synchronized to the DGT system. The second phase are a website application, PKP make a tax invoice DGT by going to the website and fill out a tax invoice. The third stage in the form of host-to-host system, PKP create tax invoices through the system or applications owned by PKP. Then the data is sent to the DGT system using messaging protocols or standards agreed.


The important things in relation to the e-Tax Invoice can be described as follows:

a. The e-Tax Invoice is in the electronic form. Hence it is not required to be printed in paper form. However,

in terms of paper prints required by both the seller and / or buyer, e-Invoices are welcome to print as needed.

b. The e-Tax Invoice is signed electronically so no longer required to be wet signed by an officer / employee appointed by VAT-able Entrepreneurs.

c. The e-Tax Invoice is using Rupiah currency

If the e-Tax Invoice is printed on paper that is supplied exclusively by VAT-able Entrepreneurs, for example, a paper that has been printed company logo, address, or other information, then e-Tax Invoices is printed on paper that still accepted as a Tax Invoice. 

## Japan



### Preferential tax measures for investment in National strategic special zones

#### Overview

One of the general plans of the Japan Revitalization Strategy 2013 proposed the setting up of the "National Strategic Special Zones" within Tokyo, Osaka and other major central cities whereby investors are able to apply preferential tax measures. The aim of "National Strategic Special Zones" is to make those zones to be the world's best commercial cities. Since the said idea was brought up, several "National Strategic Special Zones" conferences were held to discuss and review the regulations to extend the visa period, the promotion for foreigners employment and to attract more foreign as well as domestic investments.

#### Special depreciation or tax deduction

To encourage the improvement of technology and the protection of environment, company which has invested in approved machinery and equipment is eligible for special depreciation or 15% tax deduction if fulfilled certain conditions for the first year of incorporation in the special zones.

#### Research and development

To ensure the grow and competitiveness of companies, 100% special depreciation and 12% of the depreciation expense to offset the tax liability are available for those companies which have invested in developing new industrial technology and products for the first year of incorporation in the special zones.


#### Exemption of fixed assets tax

In general, a company who possess lands, buildings or certain kind of depreciable fixed assets is required to pay fixed assets tax on 1 January every year. However,



a company can enjoy 50% exemption of the tax payment for the first three (03) years of incorporation in the special zones.

### Corporation Tax Reduced

The effective corporation taxes applied to foreign entities incorporated in the special zones will be reduced from 35% to 26.9%. Such tax relief is being discussed within the 2015 draft tax reform. 

# Malaysia



## Self-Declaration Mechanism for Tax Exemption

The implementation of the new self-declaration mechanism through Customs Duties (Exemption) Order 2013 and Sales Tax (Exemption) Order 2013 took effect on 2nd May 2014. Companies would be able to obtain the permission within a period of two (2) weeks from the date of submission to Customs.

The key areas of the exemptions are:

### Manufacturers in the Principal Customs Area, PCA

1. Import duty exemption on machinery and equipment excluding spare parts and consumables imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 115 Part 1, Schedule of the Customs Duties (Exemption) Order 2013
2. Sales tax exemption on machinery, equipment, spare parts and consumables imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 106, Schedule B of the Sales Tax (Exemption) Order 2013
3. Sales tax exemption on machinery, equipment, spare parts and consumables purchased from a manufacturer (licensed under the Sales Tax Act 1972) under item 106, Schedule B of the Sales Tax (Exemption) Order 2013

### Companies engaged in hotel business

1. Import duty exemption on specific equipment or machinery imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 116 Part 1, Schedule of the Customs Duties (Exemption) Order 2013
2. Sales tax exemption on specific equipment or machinery imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 108, Schedule B of the Sales Tax (Exemption) Order 2013

3. Sales tax exemption on specific equipment or machinery purchased from a manufacturer (licensed under the Sales Tax Act 1972) under item 107, Schedule B of the Sales Tax (Exemption) Order 2013


### Haulage operators

1. Sales tax exemption on prime mover (HS 8701.20.210) purchased from a manufacturer (licensed under the Sales Tax Act 1972) under item 109, Schedule B of the Sales Tax (Exemption) Order 2013
2. Sales tax exemption on container trailer (HS 8716.39.000) purchased from a manufacturer (licensed under the Sales Tax Act 1972) under item 109, Schedule B of the Sales Tax (Exemption) Order 2013

The application must be submitted prior to the importation or purchase of the machinery, equipment, spare parts, consumables, prime movers and container trailers. As such, companies are advised to take into consideration the duration needed for the whole process to claim the exemption.

This new mechanism with a self-declaration and self-regulatory environment; and time saving measures would be able to reduce the cost of doing business without the necessity of obtaining bank guarantee facilities for the clearance of goods.

Malaysia Investment Development Authority, MIDA provides online applications facilities for the applications of the Self Declaration Mechanism for Tax Exemption:

1. SPM 1/2014 (Manufacturers In The Principal Customs Area)
2. SPM 2/2014 (Companies Engaged In A Hotel Business)
3. SPM 3/2014 (Haulage Operators) 

# Russia



## Personal income tax in Russia for residents and non-residents

### General information

Personal income tax in Russia has a quite low flat rate and doesn't depend of income amount. This makes Russia as a good working place for highly-qualified specialists. Russian tax residents and non-residents are taxed differently in Russia. An individual will be considered as a Russian tax resident if he/she is

physically present in Russia for 183 days or more during a period of 12 consecutive months preceding the specific date. Final tax liabilities for a reporting calendar year are determined based on a tax residence status for that year. In particular, if an individual spent at least 183 calendar days in Russia in the reporting year, he/she is considered as a tax resident with regard to the entire reporting year. Absences from Russia due to ill health or study abroad less than 6 months, will be counted as staying in Russia. Both days of arrival and departure should be taken into account for calculation of day of presence in Russia

### Tax rates

Detailed tax rates residents and non-residents income tabled as below.

| Types of Income  | Tax rate for residents | Tax rate for non-residents |
|--|------------------------|----------------------------|
| Dividend income from Russian companies   | 9%                     | 15%                        |
| Dividend income from foreign companies   | 9%                     | n/a                        |
| Prizes received during advertising events  | 35%                    | 35%                        |
| Deemed income resulting from loans received from organizations and individual entrepreneurs at a preferential interest rate (e.g., at a rate below 2 percent per annum for non-rouble loans) | 35%                    | 35%                        |
| All other income if non-resident employed in Russia as "highly qualified specialist"   | n/a                    | 13%                        |
| Other types of income  | 13%                    | 30%                        |

### Non-taxable income

Following types of income are non-taxable:

- reimbursement of employees' business trips expenses within certain limits, provided these expenses are properly documented in accordance with Russian legislation.
- fees paid by an employer in Russia from its after-tax-profits on medical treatment for employees, their spouses, parents, and children in licensed medical centers.
- state pensions awarded in accordance with the statutory procedure established by Russian law.
- certain state benefits (such as unemployment allowance, maternity allowance within certain limits, etc.) payable in accordance with Russian law.
- compensation of injuries paid in accordance with Russian legislation.

- contributions of organizations under private medical insurance contracts in favour of individuals.
- employer contributions to properly licensed Russian non-state pension funds.
- fees paid by an organization for education of an individual (e.g., child education) in licensed educational organizations.

Income of diplomats, consuls, administrative and support staff, as well as their family members who do not hold a permanent residency permit and are not the members of international organizations, will be exempted from Russian tax, unless the income relates to an activity other than their duties.

### Deductions from income

There are 3 general types of deductions: standard deductions, social deductions and property-related deductions.

Standard deductions apply if an individual have one or more children. Deduction of RUB 1,400 per month for first and second child and RUB3,000 per month for third and each next child.

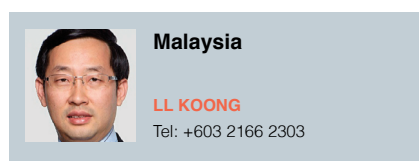
Social deductions apply if an individual have spent a part of his/her income for some kind of social expenses, such as medical treatment, education or donations to charitable organizations. For example, qualified medical expenses, cost of medical insurance, pension contributions and tuition fees own education – up to RUB120,000 per year.

Property related deductions apply up to RUB2,000,000 (approx.. 57'000 USD) of expenses on the construction or purchase in Russia of a residential houses, apartments, rooms and land plots for residential construction and up to RUB3,000,000 (approx.. 86'000 USD) of interest paid on loans used for such construction or purchase.

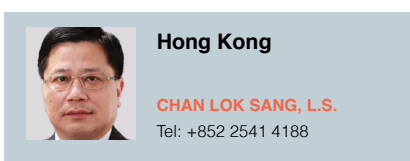
### Withholding

Tax agents which pay income (exceptions apply to some types of income) to individuals are required to withhold income tax and remit it to the Russian finance authorities. Tax agents include individual entrepreneurs, Russian legal entities, and Representative offices/Branches of foreign legal entities registered in Russia. Individuals who receive remuneration from outside Russia are personally responsible for income tax compliance and pay tax from such income on a self assessment basis. 🇷🇺

# International Tax Panel



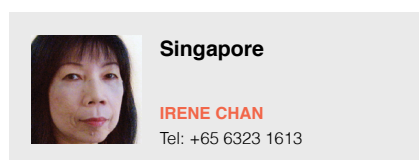
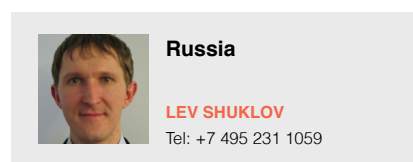
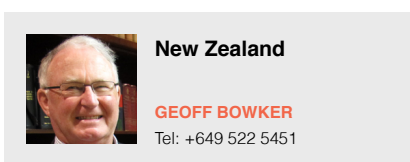
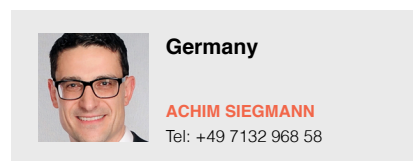
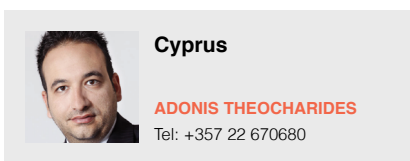
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**ITP Vice-Chairman**



**ITP Vice-Chairman**



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