



REANDA



**TAX
YEAR
BOOK
2022/23**



PREFACE

The Reanda International Tax Year Book 2022/2023 (Tax Year Book) is a bi-yearly publication that provides an overview of the important taxation and general business information of the countries where Reanda International has established its presence.

Today, most economies are in the recovery phase where economic integration through closer regional cooperation is essential to create the conditions for robust, resilient and inclusive economic growth while at the same time to open avenues to make this possible and accelerate the recovery. Hence, it is crucial for investors and businesses to understand tax policies of each countries to jumpstart their investment abroad.

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, chapter by chapter, contributed by Reanda International experts in the countries concerned.

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 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
REANDA INTERNATIONAL
Jan 2023

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BANGLADESH

GENERAL INFORMATION

1.1 Country/Region

Bangladesh

1.2 Currency

Bangladeshi 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 2021-2022 financial year the Govt. 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%. So far GDP growth rate for the current fiscal year is 6.9% and the annual inflation rate in Bangladesh is 5.47%.

1.6 National tax authority

Name

National Board of Revenue (NBR)

Website

<https://nbr.gov.bd>

CORPORATE INCOME TAX

2.1 Basis of taxation

Bangladesh Govt. 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 – 22.5%
- Non-listed companies – 30%
- Banks, insurance and other financial institutions (listed) – 37.5% (Except Merchant Bank)
- Banks, insurance and other financial institutions (non-listed) – 40% (Except Merchant Bank)
- Merchant banks – 37.5%
- Tobacco manufacturing companies – 45%
- Mobile phone operator companies – 45%
- Mobile phone operator companies (if listed) – 40%
- One-person company – 25%

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:

Income from -

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

2.5 Taxation of dividends

A company paying dividend shall withhold tax at the rate of -

- Non-resident company/fund/trust and resident company - 20%
- Non-resident other than a company/fund/trust and resident company - 30%
- Resident other than a company - 15% (10% subject to furnishing 12-digit TIN)

Deduction of tax from dividends. - The principal officer of a company registered in Bangladesh, or of any other company, shall, at the time of paying any dividend to a shareholder, deduct tax on the amount of such dividend, in the case of a resident or a non-resident Bangladeshi, -

- if the shareholder is a company, at the rate applicable to a company;
- if the shareholder is a person other than a company, at the rate of ten per cent (10%) where the person receiving such dividend furnishes his twelve-digit Taxpayer's Identification Number (TIN) to the payer or fifteen per cent (15%) where the person receiving such dividend fails to furnish his twelve-digit Taxpayer's Identification Number (TIN) to the payer.

2.6 Taxation of capital gains

Capital gain from transfer of stock and shares of public limited companies listed with stock exchange except listed Govt. securities -

- for resident, companies and firm - 10%
- capital gain tax of non-resident shareholders - 15%
- for sponsor shareholders and shareholder directors - 5%
- for resident individual holding at least 10% of the total share capital of the company - 5%

In the case of company, 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.

2.7 Taxation of interest income

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

- interest receivable by the assessee on any security of [the Government or any security approved by Government] and
- 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, special economic zone, hospital, exporting industries etc. The rates of tax holiday are differing for company's 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 Govt. collects major bulk of tax revenue from withholding tax every year.

2.11 Transfer Pricing

Transfer pricing is the setting of prices of goods & 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:

- Between two related enterprises.
- 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

Filing due dates	Income Tax Return 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.
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Filing due dates	<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>
Penalties	<p>Penalty for failure to file income tax 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 tax 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>

Residents including non-resident Bangladeshi

Total Çincome	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, third gender 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.

3.3 Year of assessment

Mentioned above in Para 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

Mentioned above in Para 2.5

3.6 Taxation of capital gain

Mentioned above in Para 2.6

3.7 Taxation of interest income

Mentioned above in Para 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"

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 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 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.

3.9 Withholding tax

Mentioned above in Para 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.

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

- Any income accruing to, or derived by, a provident fund to which the Provident Fund Act, 1925 (XIX of 1925).

- Any income received by the trustees on behalf of a recognized provident fund, an approved superannuation fund.
- Any income up to Taka two crore fifty lac received by an assessee as gratuity from the Government or an approved gratuity fund.

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:

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

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

Sl. No.	Description of Instruments	Proper Stamp-duty
4	BILL OF LADING (including a through bill of lading).	
	(a) When the value of the consideration does not exceed Taka 10,000;	Fifty Taka
	(b) When it exceeds Taka 10,000 but not exceeding 100,000 Taka;	One hundred Taka
	(c) When it exceeds 100,000 Taka.	Five hundred Taka
	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

Sl. No.	Description of Instruments	Proper Stamp-duty
9	(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
	(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
	(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 is stamped with the ad Valero stamp required for a lease and a lease in pursuance of such agreement is subsequently excited the duty 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;	
	(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 meter 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 mean 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
Guishan 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. 1,500 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 meter	Tk. 3,500 per square meter
Any other city corporation	Tk. 700 per squaremeter	Tk. 2,500 per square meter
Other areas	Tk. 300 per square	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.

- 5% of deed value in case of property situated in Dhaka, Gazipur, Narayanganj, Munshiganj, Narsingdi and Chattogram districts.
- 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:

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

7.5 Others

Business tax

Mentioned above in Para 2.2

Consumption tax, etc.

Mentioned above in Para 5.2

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BOSNIA AND HERZEGOVINA

GENERAL INFORMATION

1.1 Country/Region

Bosnia and Herzegovina

1.2 Currency

Bosnia-Herzegovina Convertible Mark (BAM)

1.3 Principal business entities

Limited Liability Company

1.4 Foreign exchange control

In accordance with the BiH Law on the Central Bank, neither the Central Bank nor any other relevant institution may impose payment restrictions on international transactions, except when the Central Bank deems it indispensable to meet BiH's obligations under international treaties or law.

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

In Bosnia and Herzegovina, real GDP grow is 4 percent in 2021 after contracting 3.2 percent in 2020. As BiH's economy rebounds in 2021.

The economy is forecast to grow at a slower pace this year due to a tougher base of comparison and the fallout from Russia's invasion of Ukraine. The war has spiked energy prices, denting purchasing power. Moreover, pandemic-related uncertainty and heated political tensions in the build-up to and aftermath of October's general election cloud the outlook further. Focus Economics panellists project GDP to expand 2.7% in 2022, which is down 0.3 percentage points from last month's forecast, and 2.7% in 2023.

1.6 National tax authority

Name

Indirect Taxation Authority

Tax administration FBIH

Tax administration RS

Website

www.uino.gov.ba/

www.pufbih.ba/v1/

www.poreskaupravars.org/

CORPORATE INCOME TAX

2.1 Basis of taxation

Corporate income tax law FBIH, Corporate income tax law RS

2.2 Rates of tax

10%

2.3 Year of assessment

2022

2.4 Profits deemed to be taxable

Based on corporate income tax law

2.5 Taxation of dividends

no taxation

2.6 Taxation of capital gains

10%

2.7 Taxation of interest income

10%

2.8 Utilization of tax losses

Tax losses can be carried forward for period of 5 years.

2.9 Key Tax incentives

- To a taxpayer who invests from his own resources in production equipment in value of more than 50% of the realized profit of the current tax period, the liability is reduced calculated income tax for 30% of the amount in the year of investment.
- To a taxpayer who in the period of five consecutive years makes an investment from his own funds in the total amount of 20 million KM, with 4 million KM invested in the first year, the liability of accrued income tax is reduced by 50% of the amount in the years of investment.
- The taxpayer is entitled to a tax-deductible expense in the amount of twice the amount of gross salary paid to newly hired employees if he meets the following conditions:
 - the duration of the employment contract must be at least 12 months full-time and
 - the newly hired employee was not employed by a taxpayer or a related party in the previous five years.

2.10 Withholding tax

/ Tax Jurisdiction	FBIH	RS	BD
Withholding Tax on dividends paid abroad	5%	10%	0%
Withholding Tax on interests paid abroad	10%	10%	10%
Withholding Tax on royalties paid abroad	10%	10%	10%

2.11 Transfer Pricing

There is a liability to prepare transfer pricing documentation in accordance with OECD instructions, in case of transaction with affiliated parties.

2.12 Filing requirements of tax return

Filing due dates	31st March for prior year
Penalties	A fine of 3,000.00 KM to 100,000.00 KM will be imposed on taxpayer if: a) fails to file a tax return and tax balance in accordance with Article 49 of the Law;
Payment of profit tax and application of holdover	Payment of profit tax and application of holdover Federation of Bosnia and Herzegovina: 20 working days upon submission of tax return; Republika Srpska and Brčko District: no later than 90 days following the end of the tax year.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income tax law FBIH, Income tax law RS

The tax for permanent residents in Bosnia and Herzegovina is paid within municipality of residents.

Resident taxpayers are generally taxed on worldwide income, with a tax offset for foreign tax paid on foreign income, up to the amount of Bosnia and Herzegovina tax payable on that income. Foreign residents are taxable only on Bosnia and Herzegovina source income.

3.2 Rates of tax

10% FBIH

3.3 Year of assessment

2022

3.4 Allowances and Deductions

3,600 KM on annual basis is tax-exempt

3.5 Taxation of dividends

Not taxed

3.6 Taxation of capital gain

10%

3.7 Taxation of interest income

10%

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

10%

3.10 Statutory obligation of employers

Obligations in accordance with Labor law

3.11 Filing requirement of tax return

Filing due dates	31st March for prior year
Penalties	A fine of 300 KM to 3,000 KM will be imposed to taxpayer if: a) fails to file a personal tax return
Application of holdover	N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Tax Administration office FBIH, Tax Administration office RS

4.2 Basis of contribution

Law Social Security Contributions

4.3 Contribution rate

Type of contribution	Employee's contributions (%)	Employer's contributions (%)
Contribution for pension and invalid insurance	17.0	6.0
Contribution for health insurance	12.5	4.0
Contribution for unemployment insurance	1.5	0.5

4.4 Exemption from tax

No exemption

GST/VAT

5.1 Basis of tax

Value added tax law Bosnia and Herzegovina

5.2 Rates of tax

17%

5.3 Registration

After reaching markup point at 50,000 KM in revenue there is a liability to register as VAT obligor.

5.4 Filing requirements

Every 10th in the month for previous month

DOUBLE TAX RELIEF

6.1 Foreign tax credit

In the Federation of Bosnia and Herzegovina, Republika Srpska, and Brčko District, tax credit is granted for tax paid outside of the territory of the Federation of Bosnia and Herzegovina, Republika Srpska, and Brčko District, respectively. The amount of tax credit cannot exceed the amount of tax that would be calculated in the event when the same income would be earned in the Federation of Bosnia and Herzegovina, Republika Srpska, and Brčko District, respectively.

In the event when Bosnia and Herzegovina have signed a double tax treaty (DTT) with another state, then provisions of the tax treaty apply.

6.2 List of double tax treaties signed

Albania	Finland	Macedonia	Serbia
Algeria	France	Malaysia	Slovakia
Austria	Germany	Moldova	Slovenia
Azerbaijan	Greece	Montenegro	Spain
Belgium	Hungary	The Netherlands	Sri Lanka
China	Iran	Norway	Sweden
Croatia	Ireland	Pakistan	Turkey
Cyprus	Italy	Poland	United Arab Emirates
Czech Republic	Jordan	Qatar	UK
	Kuwait	Romania	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

N/A

7.2 Real property tax

In the FBiH, the real estate tax (RET) applies to, inter alia, vacation real estate and rented real estate. RET is regulated at the cantonal level in the FBiH (i.e. there are currently 10 different laws applicable in the FBiH) and further regulated by municipal decisions.

In the RS, the RET rate is set at a maximum of 0.20 percent and applies on an annual basis to all real estate situated in the RS, except for real estate that is used for production where the RET rate is set at a maximum of 0.10 percent. The RET base is the market value of real estate, whose market value is determined in accordance with municipal decisions.

7.3 Estate duty

Municipal tax

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A

POINT OF CONTACT

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BRAZIL

GENERAL INFORMATION

1.1 Country/Region

Brazil

1.2 Currency

Brazilian Real

1.3 Principal business entities

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

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 – 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 labor 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 relatively under control, despite COVID global effects.
- Foreign investors are eligible for most available fiscal incentives.
- Abundance of semi-skilled and unskilled labor.
- Goodwill generally tax deductible.
- New regulations favoring 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%.

ACTUAL 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.

ACTUAL 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

Up 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, if no DTA (Double Taxation Agreement) treaty exists.

2.6 Taxation of capital gains

Capital gains are taxed according to the income taxation method, chosen by the company (Actual 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 25%. 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.

- 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 income is 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 subjects 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.

3.2 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 - IRRF:

- a) Salaried income and bonuses paid by individuals or legal entities;

3.3 Year of assessment

Calendar year (January 1 to December 31), mandatorily

3.4 Allowances and Deductions

In the annual adjustment, for calculation base 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 by Brazilian companies and Brazilian domiciled individuals are not taxed. Dividends received for participation in companies located abroad are taxed by the "carnê-Leão" system (described above), if no DTA exists.

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.

Interest income received from Brazilian investments is subject to income tax withholding at source. The tax rate ranges from 15% to 22.5%, depending on the term of the investment. Interest income received from investments made abroad is subject to tax calculations on a monthly basis.

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; or 7 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.

On March / 2020 on, 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 reg. 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, Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Norway, Netherlands, Peru, Philippines, Portugal, Russia, Slovakia, Spain, South Korea, 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 State 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

ISSQN, IPI, II, IE, PIS-Imports and COFINS-Imports

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%.

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%.

PIS-Import: contribution levied on the import of goods and services. The rate varies between 1.65% to 3.52%.

COFINS-Imports: taxpayer levied on the import of goods and services. The rate ranges from 7.6% to 16.48%.

Tax on Services (ISSQN)

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.

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.

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CAMBODIA

GENERAL INFORMATION

1.1 Country/Region

Cambodia

1.2 Currency

Riel (KHR) (Appr. USD1: KHR4,000)

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.

From June 15, 2020, a new online registration platform known as the "Single Portal" is launch. Registration with multiple ministries online is available for all business entities. The official time require to register a company is reduce to eight working days.

1.4 Foreign exchange control

There is currently no restriction on the repatriation of profits or capital derived from investments made in Cambodia. The New Investment Law 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 3% in 2021, However, it is expected to rebound by 4.5% in 2022, 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 and Accounting and Auditing Regulator "ACAR"

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-accessed 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 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.

The effective date of CGT will be postponed to January 01, 2024.

2.7 Taxation of interest income

The interests income below are subjected to withholding tax ("WHT"):

- I. Interest income receiving from a domestic bank or savings institution to a resident taxpayer:
 1. WHT at 6% for interest income earn from a fixed deposit account
 2. WHT at 4% for interest earn from a saving account
- II. Interest income earning from other beside domestic bank or saving institutions is subject to Income tax as other income.

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. having 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, Profit tax exemption: QIP are entitled to the profit tax exemption which two options of the exemption are available:
 1. Exemption on tax on profit and prepayment for profit tax with minimum of three years and maximum of nine years. Under the new investment law adopted in 2021, after the expiration of the tax on profit exemption, the QIP can further enjoy another reduction of the profit tax at a rate proportional to the total tax due for 75%, 50% and 25% for the first and second year, third to fourth year, and fifth to sixth year.
 2. Accelerated depreciation on manufacturing assets
- II, 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 ("WHT")

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%

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 principle. 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.

Business that having related party transactions is required to maintain the Transfer Pricing Documentation ("TPD") to justify for the reasonableness of their transactions.

2.12 Filing requirements of tax return

Filing due dates	The annual tax return must be filed within 3 months after the closing of the fiscal year. The monthly tax return must be filed on the 20th for paper filing or the 25th of the following month for the E-filing.	
Interest & Penalties	Type	Additional Tax rate
	1. Taxpayer is considered negligent if the underpayment is less than 10% of the total tax due, or if the taxpayer fails to submit tax return or to pay tax by the due date	10% of the underpaid tax
	2. Taxpayer is considered seriously negligent if the underpayment is more than 10% of total tax due or taxpayer has failed to settle the tax liabilities by the due date	25% of the underpaid tax
	3. Where the taxpayer receives a unilateral tax assessment from GDT.	40% of the underpaid tax
	4. Late payment of taxes and late submission of returns	1.5% of underpaid tax per month
Payment of income tax, minimum tax and	5. Additional tax for the obstruction of the implementation of law on taxation.	USD 500.00 per case
	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 salaries, remunerations, severance pay, 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

- From January 2023 onward, any physical person who has a residence in the Kingdom of Cambodia or 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 1,500,000 (~USD375)	0
From 1,500,001 – 2,000,000 (~USD375-500)	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 every month during tax on salary calculation:

- 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. Further reduced to 10% if the payment is made to the resident of the countries that have signed Double Taxation Agreement (DTA) with Cambodia. Dividends paid to residents from Cambodia entities are tax free. Currently, there are 9 active countries under DTA with Cambodia, they are Thailand, China, Vietnam, Brunei, Malaysia, Singapore, Indonesia, Hong Kong and South Korea.

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. Up to October 2022, the NSSF cover employment injury scheme, health Insurance scheme and lastly the pension scheme which just introduced in October.

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 for the employment injury scheme, 2.6% for the health care scheme and 4% for the pension scheme.

Effective from October 2022 onward, government enforce the Retirement Pension Fund payment to all employee in Cambodia. The maximum contribution is 4% of USD300 for each employee and such payment will be split between employer and employee at 50% each.

4.4 Exemption from tax

NSSF is borne by employer, and it is not subject to fringe benefit tax plus it is a deductible expense during annual profit tax calculation.

4.5 Accounting and Auditing Regulator

Accounting and Auditing Regulator (ACAR) formerly known as National Accounting Council (NAC) requires the company doing business in Cambodia to submit Independent Audit Report (Audited Financial Statements) and Non-Audited Financial Statements on a yearly basis. The following type of entity is obligated to submit the audit report:

1. Public enterprises
2. Public accountable entities
3. Qualified Investment Projects ("QIP")

Other than above, enterprises who meet 2 criteria among the 3 criteria below are obligated to have their annual financial statements audited by registered independent auditors recognized by KICPAA and ACAR:

- Annual turnover of 4 billion Khmer Riels or USD 1M or more
- Total assets of 3 billion Khmer Riels or USD 750K or more
- Having total employee of 100 or more

Beside the entities mentioned above, the other enterprises that are not meet requirement to submit the independent audit report are required to submit their non-audited financial report following ACAR template.

4.6 Penalties for fail to comply ACAR requirement

Fail to meet the compliance requirement of ACAR would face various penalties, the two most common penalties imposed from ACAR so far are:

1. Not having the financial statements to be audited (USD5,000)
2. No submission or later submission of the financial statement by the stated deadline (500 USD)

GST/VAT

5.1 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 input allowing each supplier claim credit for the tax paid, hence VAT eventually impacts on the end consumer only.

5.2 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%.

5.3 Registration

Any business entities having businesses in Cambodia supplies goods and services are required to be registered for 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:
 - 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.

Under the new enacted regulations for VAT on E commerce, any non-resident e-commerce provider supplying digital product or service or any e commerce activities in Cambodia whose annual turnover exceed US\$ 62500 shall registered under Simplified VAT Registration mechanism.

5.4 VAT Mechanism

VAT that occurs during the purchase is called "VAT-Input"

VAT that the entity charge from customer is called "VAT-Output"

At the end of the month, VAT-Input will be offset with VAT-Output, and if

- VAT Input > VAT Output, the variance amount will be carried forward to next month
- VAT Carried forward will add up with the VAT-Input in the next month BEFORE offsetting with VAT-Output in the next month.

- VAT Input < VAT Output, the variance amount will be VAT Payable and will have to be paid to GDT within the filing deadline.

5.5 VAT on E-commerce

B2B transaction: Under the E-commerce VAT reverse charge regulations, registered enterprise that make payment to non-resident e-commerce provider need to declare and pay the VAT on behalf of that non-resident e-commerce provider to the GDT.

B2C transaction: Non-resident e-commerce provider shall charge VAT from its customer and declare and pay tax to GDT via its partner bank.

5.6 VAT Refund

Where the enterprise is an export or is registered as an investment enterprise, that enterprise can claim for refund of excess input every month. Other the other hand, any other registered enterprise who has excess input tax credit for three consecutive months or more, that enterprise may apply to the tax department for a refund of such excess input tax credit at the end of third month or in any other month thereafter.

Be caution that of the refundable VAT will not be refunded 100% due to the following reasons:

- The vendor has ceased its business activity
- The vendor has not fulfilled their tax obligation
- The tax invoice is improper
- The date of the invoice is not within the month of declaration

5.7 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 obtaining approval from both countries' 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: KHR 1,200,000 (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 Tax for Public Lighting (PL)

PL is levied on sale of cigarette and alcohol products. PL is levied at the following rates:

- For manufacturing company, the tax rate is 3% of invoice exclude PL and VAT.

-For reseller and distributor, the tax rate is 3% of 20% of invoice exclude PL and VAT.

The deadline of PL is 25th of the following month

7.9 Others

N/A

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 Taxpayers: 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
4. Investigation

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, Preah Sihanouk, and Siem Reap.
 - An exemption on VAT starting from October 2022 to December 2022 but still need filing monthly tax declaration
 - exemption of 2022 Annual Tax on Income for the guesthouse, restaurant, hotel and travel agencies located at Phnom Penh, Sihanoukville and Siem Reap which file on or before 31 March of the following year

2. Civil Aviation Industries

- Airline company registered in Cambodia, exemption of minimum tax until 30 June 2022

8.5 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

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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.

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: From January 1, 2022 to December 31, 2024, for the portion of the annual taxable income of a small meagre-profit enterprise that is no more than 1 million yuan, it shall be counted in the taxable income at the reduced tax rate of 25% and additional deduction of corporate income tax rate of 50% shall be levied based on 20% of tax rate; for the portion of the annual taxable income that is beyond 1 million yuan and less than 3 million yuan, it shall be counted in the taxable income at the reduced tax rate of 25% and a corporate income tax rate of 20% shall be levied.

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. Since January 1, 2021, for the research and development (R&D) expenses occurred during the R&D activities conducted by enterprises of the manufacturing industry that have not been the intangible assets included in current profits and losses, an additional deduction of 100% of the actual amount before tax shall be made on the basis of actual deduction according to regulations; for those that have been intangible assets, since January 1, 2021, it shall be amortized at 200% of the costs of the intangible assets before tax.

(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.

For the new equipment and devices whose unit price is more than 5 million yuan purchased by micro, small and medium-sized enterprises from January 1, 2022 to December 31, 2022, it may be deducted at a certain proportion of the unit price before tax of corporate income tax voluntarily. Specifically, for the equipment and devices whose minimum depreciable life is three years according to the enforcement regulations of the Corporate Income Tax Law, 100% of its unit price can be deducted before tax at once in that year; for those whose minimum depreciable life is four, five and ten years, 50% of its unit price can be deducted before tax at once in

that year, and the left 50% shall be deducted before tax after calculating depreciation in the remaining years according to the regulations.

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.

2.8 Transfer Pricing

N/A

2.9 Filing requirements of tax return

Filing due dates	N/A
Penalty	N/A
Payment of profit tax and application of holdover	N/A

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	2,520
3	144,001 yuan–300,000 yuan	20	16,920
4	300,001 yuan–420,000 yuan	25	31,920
5	420,001 yuan–660,000 yuan	30	52,920
6	660,001 yuan–960,000 yuan	35	85,920
7	960,001 yuan and above	45	181,920

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	1,500
3	90,001 yuan–300,000 yuan	20	10,500
4	300,001 yuan–500,000 yuan	30	40,500
5	500,001 yuan and above	35	65,500

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.

3.3 Year of assessment

N/A

3.4 Allowances and Deductions (b)

N/A

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
Penaltie	N/A
Application of holdover	N/A

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.

6. International taxation management

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.

2. Taxation management of non-resident enterprises, including:

- (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.

3. 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.

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

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		Rates of tax	Remarks
Contracts (refers to written contracts)	Contracts for borrowing money	0.05% of the amount borrowed	Refer to contracts for borrowing money that are signed by the banking financial institutions, other financial institutions established by the approval of banking regulator under the State Council and borrowers (excluding contracts on interbank lending)

Taxable Items and Rates of Stamp Duty			
Taxable item		Rates of tax	Remarks
Contracts (refers to written contracts)	Finance lease contracts	0.05% of the rent	
	Purchase and sales contracts	0.3% of the contracted price	Refer to the sales contracts for the movable property (excluding the sales contracts for the movable property written and concluded personally)
	Contracts for work	Contracts for work	
	Construction contracts	0.3% of the contracted price	
	Transportation contracts	0.3% of the transportation charges	Refer to the freight contracts and multimodal transportation contracts (excluding pipeline transport contracts)
	Technology contracts	0.3% of the contracted price, remuneration or the charge for use	Excluding the assignments of the exclusive right and the right to use proprietary technology
	Lease contracts	0.1% of the rent	
	Safekeeping contracts	0.1% of the safekeeping fee	
	Storage contracts	0.1% of the storage fee	
	Property insurance contracts	0.1% of the insurance premium	Excluding the reinsurance contracts
Documents of the transfer of property title	Documents of the transfer of land use right	0.5% of the contracted price	The transfer includes sales (selling), succession, gift, exchange and split-up
	Documents of the transfer of the land use right, the ownership of buildings and structures (e.g. house) (excluding the transfer of the contractual right of land and land management right)	0.5% of the contracted price	
	Documents of equity transfer (excluding those need to pay for the security transaction stamp tax)	0.5% of the contracted price	

Taxable Items and Rates of Stamp Duty			
Taxable item		Rates of tax	Remarks
Documents of the transfer of property title	The assignments of the exclusive right to use trademark, copyright, the exclusive right and the right to use proprietary technology	0.3% of the contracted price	
Business book of accounts		0.25% of the total amount of paid-in capital (share capital) and capital reserve	
Security transaction		0.1% of the turnover	

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 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 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, jewelry 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%.

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CYPRUS

GENERAL INFORMATION

1.1 Country/Region

Cyprus

1.2 Currency

Euro

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 255,000 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.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 get 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 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.

Notional interest deduction

New equity introduced to a company as from 1 January 2015 in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The NID is calculated as a percentage on the new equity which is based on the yield of the 10-year government bond (as at December 31 of the previous tax year) of the country where the funds are employed in the business of the company, plus a 5% premium. In case the country in which the funds are employed does not have an issued 10-year government bond, the yield of the 10-year Cyprus government bond plus a 5% premium should be used.

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
19,500 - 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 derive 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:

- Subscriptions 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% SDC.

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

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 taxable losses will not arise 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	N/A

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 suffered 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 €58,080 (weekly €1,117, monthly €4,840) 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 (15.6% for self-employed)
- 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% for self-employed)

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 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 | 24. India | 46. Portugal |
| 2. Armenia | 25. Ireland | 47. Qatar |
| 3. Austria | 26. Iceland | 48. Romania |
| 4. Azerbaijan | 27. Iran | 49. Russia |
| 5. Barbados | 28. Italy | 50. San Marino |
| 6. Belarus | 29. Jersey | 51. Saudi Arabia |
| 7. Belgium | 30. Jordan | 52. Serbia |
| 8. Bosnia | 31. Kazakhstan | 53. Seychelles |
| 9. Bulgaria | 32. Kingdom of Bahrain | 54. Singapore |
| 10. Canada | 33. Kuwait | 55. Slovakia |
| 11. China | 34. Kyrgyzstan | 56. Slovenia |
| 12. Czech Republic | 35. Latvia | 57. South Africa |
| 13. Denmark | 36. Lebanon | 58. Spain |
| 14. Egypt | 37. Lithuania | 59. Sweden |
| 15. Estonia | 38. Luxemburg | 60. Swiss Confederation |
| 16. Ethiopia | 39. Malta | 61. Syria |
| 17. Finland | 40. Mauritius | 62. Thailand |
| 18. France | 41. Moldova | 63. Ukraine |
| 19. Georgia | 42. Montenegro | 64. United Kingdom |
| 20. Germany | 43. Netherlands | 65. United States |
| 21. Greece | 44. Norway | 66. United Arab Emirates |
| 22. Guernsey | 45. Poland | 67. Uzbekistan |
| 23. Hungary | | |

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.

N/A

General Health Scheme Fund

2.65% on all income (rent, dividends, interest), capped at €180,000, received by Cyprus tax resident natural persons

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GERMANY

GENERAL INFORMATION

1.1 Country/Region

Federal Republic of Germany

1.2 Currency

Euro

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 there is a reporting obligation for transfers of more than Euro 12,500.

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

Global economic growth is likely to have picked up again somewhat in the final quarter of 2021. However, economic developments were quite varied from region to region. The acceleration of global economic growth was attributable not least to industry, and in Germany, specifically to car manufacturers. Due to the protracted political crisis between Russia and Ukraine, however, the cost of future gas flows became significantly more expensive, and futures suggest that gas prices will stay high for the remainder of the year. High energy prices made a substantial contribution to the renewed rise in global consumer price inflation. Economic activity in Germany declined markedly in the fourth quarter of 2021, having shown strong growth in the third quarter. According to the Federal Statistical Office's flash estimate, real gross domestic product (GDP) shrank by 0.7% on the quarter after seasonal adjustment. It was thus still 1.5% short of its pre-crisis level recorded in the fourth quarter of 2019. Real GDP grew by 2.8% in 2021 as a whole, having fallen in 2020 as a result of the pandemic.

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.

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 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 dead line can be extended, if the company consults a tax advisor: in this case the tax return must be filed by 28th February of the year after next). Corporate income tax and municipal trade tax must be filed electronically.
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

Penalties	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 in Germany 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 10,347 Euro in 2022 to 45% for income exceeding 277,826 Euro. 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 10,347 Euro (tax year 2022) 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.

Because of the Corona crisis, the short-time allowance was introduced until 30.06.2022.

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 dead line can be extended if a tax advisor files the individual's tax declaration); in this case the declaration has to be submitted by 28th 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: 9.3%

Health Insurance: 7.3%

Unemployment insurance: 1.2%

Long-term care insurance: 1.525%

Accident insurance: 1.6%

Employee's contribution:

Pension Insurance: 9.3%

Health Insurance: 7.3%

Unemployment insurance: 1.2%

Long-term care insurance: 1.525%

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

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";

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	Ireland	Philippines
Algeria	Israel	Poland
Argentina	Italy	Portugal
Armenia	Ivory Coast	Romania
Australia	Jamaica	Russia
Austria	Japan	Serbia
Azerbaijan	Jersey	Singapore
Bangladesh	Kazakhstan	Slovakia
Belarus	Kenya	Slovenia
Belgium	Kosovo	South Africa
Bolivia	Korea (ROK)	Spain
Bosnia-Herzegovina	Kuwait	Sri Lanka
Bulgaria	Kyrgyzstan	Sweden
Canada	Latvia	Switzerland
China	Liberia	Syria
Croatia	Liechtenstein	Taiwan
Cyprus	Lithuania	Tajikistan
Czech Republic	Luxembourg	Thailand
Denmark	Macedonia	Trinidad & Tobago
Ecuador	Malaysia	Tunisia
Egypt	Malta	Turkey
Estonia	Mauritius	Turkmenistan
Finland	Mexico	Ukraine
France	Moldova	United Kingdom
Georgia	Mongolia	United States
Ghana	Montenegro	Uruguay
Greece	Morocco	Uzbekistan
Hungary	Namibia	Venezuela
Iceland	Netherlands	Vietnam
India	New Zealand	Zambia
Indonesia	Norway	Zimbabwe
Iran	Pakistan	

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 a municipal multiplier. This municipal multiplier is stipulated by each municipality (e.g. 350 %).

In case of a transfer of Real Estate German Real Estate Transfer Tax ("RETT") could be levied. The RETT rate depends on the location of the real estate and ranges from currently between 3.5 percent and 6.5 percent depending on the Federal State.

7.3 Estate duty

Gift and Inheritance Tax: tax rates vary according to degree of kinship between testator(donor) and heir (donee), 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.

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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 IKE), 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 from 1 September 2019.

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

Greece's economy recovered strongly from the COVID crisis in 2021 and most of the remaining COVID-related health restrictions were lifted from 1 May 2022. Rising exports and investment, and the end of short-time work schemes contributed to job growth. Employers reported growing difficulties filling vacancies. These trends slowed with the surge in energy prices and the war in Ukraine. Consumer price inflation has reached a 25-year high, and price pressures are broadening, lifting underlying inflation. The government increased the minimum wage by 2% in January and 7% in May 2022, ahead of the rise in prices.

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; non-resident 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	22%
Branch tax rate	22%
Capital gains* tax rate	22%

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 non-deductible 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. Dividends received from non-qualifying participations are taxable as normal business income at the prevailing corporate income tax rate (22% for income earned as from tax year 2021), 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 (22% for income earned as from tax year 2021). An exemption is available for capital gains derived from the transfer of shares if certain requirements are met.

2.7 Taxation of interest income

The withholding tax rate on interest payments to residents and non-residents 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 200% 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. Further, businesses may benefit from a super deduction of 160% for advertising expenses incurred in fiscal year 2021, subject to certain conditions. Special favorable provisions (5% final tax) also apply for the distribution or capitalization of certain tax-free reserves.

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 dates	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 55% of the tax due (it was 100% previously) for the preceding year is also required.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are taxed on their worldwide income. Non-residents 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

Individual income tax rate	Taxable income	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 non-residents are subject to a 5% dividend withholding tax 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.

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 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. Following certain rate reductions in 2020 and 2021 for full-time salaried employees, as from 1 January 2021, employers must contribute approximately 22.54% to the fund while full-time salaried employees must contribute 14.12%

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

Greece has recently incorporated the provisions of Council Directives (EU) 2017/2455, 2019/1955, and 2018/1910 into Greek VAT legislation with respect to intracommunity distance sales of goods and distance sales of imported goods, the supply of goods through the use of electronic interfaces, and the supply of services to non-VATable persons. The new rules apply as from 1 July 2021 and the Greek tax authorities have issued relevant guidelines. In summary, under the One Stop Shop (OSS) regime, taxable persons/ suppliers may opt to be subjected to one of the OSS special schemes, instead of registering for VAT purposes in each member state where the related transactions take place. The EU OSS scheme covers all cross-border (B2C) services supplied by non-EU established suppliers to nontaxable persons, including the supply of telecommunications, broadcasting, and electronically-supplied services.

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. 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 2018

Albania	Bosnia Herzegovina	Cyprus
Armenia	Bulgaria	Czech Republic
Austria	Canada	Denmark
Azerbaijan	China	Egypt
Belgium	Croatia	Estonia

Finland	Luxembourg	Serbia
France	Malta	Slovakia
Georgia	Mexico	Slovenia
Germany	Moldova	South Africa
Hungary	Morocco	Spain
Iceland	Netherlands	Sweden
India	Norway	Switzerland
Ireland	Poland	Tunisia
Israel	Portugal	Turkey
Italy	Qatar	UAE
Korea	Romania	UK
Kuwait	Russia	Ukraine
Latvia	San Marino	USA
Lithuania	Saudi Arabia	Uzbekistan

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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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.



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 foreign exchange control

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

The recent years were challenging as the global economy continued to be affected by the COVID-19 pandemic. Global and local economic activities as well as employment situation had not returned to their pre-pandemic levels. Against such a backdrop, the Inland Revenue Department of the Hong Kong Government ("HKIRD") has implemented certain enhancements to maintain the balance between individuals' tax liability and the Government's tax yields.

To lessen individuals' taxes, HKIRD introduced four kinds of tax deductions from the year of assessment 2019-20 onwards, namely qualifying premiums paid in respect of certified plans under Voluntary Health Insurance Scheme, qualifying annuity premiums paid under qualifying deferred annuity policies, tax deductible Mandatory Provident Fund voluntary contributions paid and eligible domestic rents. On the other hand, in 2021, it increased the stamp duty rate to be collected from share transactions resulted from the active stock market. Furthermore, the Doubled Ad Valorem Stamp Duty on non-residential property transactions was abolished with effect from 26 November 2020 and reverted to the lower rates.

Saved as above, in order to strengthen and reinforce Hong Kong's position as an international maritime and financial centre, there have been a number of revenue-related legislative amendments made in 2020-21, including the following:

- The Inland Revenue Ordinance (Amendment of Section 50A) Notice 2020 expanded the definition of "controlling person" under section 50A of the Inland Revenue Ordinance by removing the 25% threshold previously applicable to partnerships and trusts. The Inland Revenue Ordinance (Amendment of Schedule 17D) Notice 2020 concerned a specific requirement in relation to the determination of controlling persons by financial institutions. These

amendments brought the legislative framework of Hong Kong's automatic exchange of financial account information in tax matters (AEOI) into line with the prevailing international standard.

- The Inland Revenue (Amendment) (Ship Leasing Tax Concessions) Ordinance 2020 provided profits tax concessions to qualifying ship lessors and qualifying ship leasing managers in respect of qualifying profits derived from ship leasing and management activities.
- The Limited Partnership Fund Ordinance established a limited partnership fund regime which enabled funds to be registered in the form of limited partnerships in Hong Kong and made consequential amendments to various enactments, including the Inland Revenue Ordinance, Business Registration Ordinance and Business Registration Regulations.
- The Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Ordinance 2020 provided profits tax concessions for general reinsurance business, selected general insurance business of direct insurers and selected insurance brokerage business of licensed insurance broker companies.
- The Stamp Duty Ordinance (Amendment of Schedule 8) Regulation 2020 waived the stamp duty on stock transfers involving the activities of exchange traded fund (ETF) market makers in the course of allotting and redeeming ETF units listed in Hong Kong.

In terms of international tax cooperation, Hong Kong has continued to engage a number of jurisdictions in negotiating comprehensive avoidance of double taxation agreements or arrangements, with Serbia and Georgia becoming the lately effective from the years of assessment 2021-22 and 2022-23 respectively. Besides, Hong Kong smoothly completed the third round of AEOI with other jurisdictions through the Organisation for Economic Cooperation and Development (OECD) Common Transmission System in 2020. HKIRD will continue to participate in the OECD's meetings and will work closely with the relevant bureau to ensure effective implementation of and compliance with the highest international standards.

1.6 National tax authority

Name

The Inland Revenue Department (the "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:

	Corporation	Unincorporated business
First HK\$2 million of assessable profits	8.25%	7.5%
Remaining assessable profits hereafter	16.50%	15.0%

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

	Corporation	Unincorporated business
All assessable profit amounts	16.50%	15.0%

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 have been applicable from Year of Assessment 2018/19 onwards.

2.4 Profits deemed to be taxable

- The assessable profits or adjusted loss are the net profits or losses, except for capital gains or losses, for the basis period, arising in or derived from Hong Kong.
- In particular, 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 profits tax rates applicable are as follows:

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

Dividend income is generally not taxable and no withholding tax applied thereon.

2.6 Taxation of capital gains

Capital gains are not taxable.

2.7 Taxation of interest income

Only interest income arising in or derived from Hong Kong is liable to profits tax. Offshore interest income is not taxable.

Furthermore, for interest earned by corporations or persons other than financial institutions, who carry on a trade, profession or business in Hong Kong and where the interest income is in respect of funds of such trade, profession or business, is exempted from payment of profits tax.

This exemption does not apply to:

- interest income received by financial institutions
- interest income arising on deposits that have been pledged as collateral for financing facilities, if the interest expenses incurred on the financing facilities are allowable for tax deduction.

2.8 Utilization of tax losses

- Time limit to utilize – tax losses 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 (i) industrial building allowance, (ii) commercial building allowance, (iii) depreciation allowance for plant and machinery and (iv) 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 for 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 the OECD BEPS project. The HKIRD further released three Departmental Interpretation and Practice Notes (DIPNs) in July 2019, which provided guidance to taxpayers on issues contained in the 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), which determines, in advance of controlled transactions, an appropriate set of criteria for the determination of the transfer pricing for those transactions over a fixed period of time. It provides a tool for multinational enterprises managing and mitigating the transfer pricing risk with overseas associated enterprises on a prospective basis.

Transfer Pricing Documentation

The three-tiered standardized structure of transfer pricing documentation includes:

- 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;
- Master file containing standardized information relevant for all constituent entities of the group; and
- 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 to the IRO exceeded
Documentation required	A master file and a local file prescribed in Part 3 of Schedule 171 to the IRO
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; rolling-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 (i.e. HK\$50,000) and the court may order for compliance; a further fine at level 6 (HK\$100,000) for non-compliance with court order

Transfer Pricing and its filing documents may refer to Division 2 to Division 6 of Inland Revenue (Amendment) (No.6) Ordinance 2018 (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 has appointed a tax representative, the filing 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
	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 based on 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 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 of the three factors above 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 individual 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 2022/2023
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

Basic allowance	Y/A 2022/2023 (HK\$)
Married person's allowance	\$132,000
Child allowances	\$264,000
– 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	\$50,000
• not living with taxpayer	\$100,000
• living with taxpayer throughout the year	
– Aged 55 to 59	\$25,000
• not living with taxpayer	\$50,000
• living with taxpayer throughout the year	
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 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.

With effective from next year of assessment 2022/23, HKIRD will further provide tax deductions for domestic rents. A taxpayer chargeable to salaries tax or tax charged under personal assessment is eligible to claim deduction of the rent paid by him / her as a tenant under a qualifying tenancy of domestic premises. Deduction of rent paid by a taxpayer's spouse (who is not living apart from the taxpayer) as a tenant under a qualifying tenancy of domestic premises may be allowed. The maximum amount of deduction allowable to a taxpayer is HK\$100,000 for each year of assessment.

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 / herself 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 eligible deductions are taxed at the same rates as salaries tax. Personal assessment allows a taxpayer to deduct loan interest incurred for rental properties and/or off-set losses 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:

- Payment(s) 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; or
- Employee(s) 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 of 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; or
- 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
	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	Penalties may be imposed for failure to submit tax return to the IRD on time. Surcharge of 5% or 10% will be imposed for overdue payment, depending on the length of time of late payment.	
Application of holdover	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 regulates and supervises 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. Employees 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 an 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, statutorily at 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 do so.

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 annually can be claimed. Voluntary contributions made by an employee are not deductible.

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 comprehensive double tax agreements/arrangement on income concluded with the following jurisdictions:

- | | | |
|------------------|---------------------|------------------------|
| • Austria | • Italy | • Portugal |
| • Belgium | • Japan | • Qatar |
| • Belarus | • Jersey | • Romania |
| • Brunei | • Korea | • Russia |
| • Cambodia | • Kuwait | • Saudi Arabia |
| • Canada | • Latvia | • Serbia |
| • Czech Republic | • Liechtenstein | • South Africa |
| • Estonia | • Luxembourg | • Spain |
| • Finland | • Macau SAR | • Switzerland |
| • France | • Mainland of China | • Thailand |
| • Georgia | • Malaysia | • United Arab Emirates |
| • Guernsey | • Malta | • United Kingdom |
| • Hungary | • Mexico | • Vietnam |
| • India | • Netherlands | |
| • Indonesia | • New Zealand | |
| • Ireland | • Pakistan | |

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, 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

	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 6 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 executed 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	Applicable
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

With effect from 1 August 2021, stamp duty on sale or purchase of any Hong Kong stock is charged at rate which vary with the amount or value of the consideration as follows:

Nature of document	Applicable rate
Contract Note for sale or purchase of any Hong Kong stock	0.13% of the amount of the consideration or of its value on every sold note and every bought note
Transfer operating as a voluntary disposition inter vivos	HK\$5 + 0.26% of the value of the stock
Transfer of any other kind	HK\$5

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.

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

Surcharge 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 estate passing on death.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A

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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")
- Individual Limited Liability Company ("Perseroan Perorangan")
- Limited Liability Company (Public or Private Company)

Note:

The limited liability company (Perseroan Terbatas or "PT") is the most common form of legal business entities 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 a legal entity. Foreign companies should refer to the negative investment list for the list of sectors that are partially or wholly closed to foreign investment.

1.4 Foreign exchange control

Foreign exchange rate operates on a managed-float regime against a market rate. The Central Bank of Indonesia ("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 to 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 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 to 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 has 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)

Indonesia has consistently achieved an economic growth above 5% for 3 (three) consecutive quarters since Q4-2021. The economic growth for Q2-2002 was 5.44% y-o-y (year-on-year).

Inflation is also still under control at 4.84% for January to September 2022 and 5.95% y-o-y (September 2021 to September 2022). The inflation rate has increased from an average of 3 to 3.5% before the pandemic started to hit.

The Covid19 pandemic has accelerated the digital technology adoption in Indonesia. Digital economy has been announced as one of the 18 (eighteen) pioneer industries that can enjoy tax holiday facilities (see 2.9 - Key Tax Incentives).

With all the positive trends, Indonesia is now ranked no. 7 in the top-10 list of countries by GDP in 2022 based on the International Monetary Fund. Indonesia has a GDP of USD 4.02 trillion, way above Brazil, UK and France.

1.6 National tax authority

Name

Directorate General of Taxation (DGT)

Websi te

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 modified 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 22% is 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 must 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 taxpayer can elect to file a corporate tax return based on the company's book year other than the calendar year of January to December. 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

Dividend income received by corporate resident tax payers is exempted from the income tax object if the dividends come

from Indonesia. However, if the dividend come from outside of Indonesia, in order to qualify for an exemption, it must follow the following conditions:

- Equity investments in stock exchanges outside of the jurisdiction of Indonesia: must be invested or used for business activities in Indonesia under a certain time limit.
- Equity investments in a non-listed company outside of the jurisdiction of Indonesia: must invest in Indonesia at a minimum of 30% of earnings before tax as long as a tax assessment letter is not issued.

The type of investments qualified for the exemption as well as the time limit are regulated.

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 owns at least 50% of shares in that offshore company.
- This rule does not apply to the Company's shares listed on the stock exchange.

Starting from fiscal year 2019, 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.

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 Indonesia Financial Services Authority (Otoritas Jasa Keuangan/ OJK), 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).

Interest 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 19%

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 corporate tax rate of 22% 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 are obtained certain Tax Facilities, and/or other taxpayer's type which 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 is:

- 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 is: 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%

- 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;
- 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

Tax stimulus have been issued in a response to Covid19 pandemic. These stimuli have been introduced since 2020 and been revisited periodically since then. Below are some stimuli that are still in place for fiscal year 2022:

- Final Income Tax 0.5% for small enterprises ("UMKM") borne by the Government

It is applied for a taxpayer who is eligible to implement Final income tax of 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 request and obtain the Exemption Letter ("SKB") from the Tax Authority for this purpose. This exemption was valid until 31 December 2022.

- 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 request and obtain the Tax reduction notification Letter from the Tax Authority for this purpose. This reduction was valid for January to December 2022.

- 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 are appointed in handling COVID 19 are eligible for this tax facility, in the form of:

VAT

- The VAT Import by certain parties is exempted;
- The VAT on delivery of Goods and Services is borne by Government;
- The VAT self assessed on utilization of services from offshore is borne by Government;
- 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

- Employee income tax of 0% for income received by tax residents who work in the health sector.
- Import Tax art. 22 exemption

2.10 Withholding tax

Dividends – Based on the new Tax Regulations Harmonization Law, starting from the 2022 fiscal year, in general dividends are non-tax-objects. This was in the contrary of the previous regulations of which dividends were tax objects. To qualify for non-tax-objects, dividends paid by a domestic corporate taxpayer to a resident individual must be invested in Indonesia for a certain period. If not met, a 10% final withholding tax is imposed on dividends paid to a resident individual.

If dividends paid by a domestic corporate taxpayer to a non-resident, dividends are subject to a final 20% withholding tax (or a reduced treaty rate).

If dividends were paid by a domestic corporate taxpayer to a domestic corporate taxpayer, it is exempted as tax objects without any investment requirements (non-taxable).

Dividends paid from foreign corporate taxpayer to a domestic individual and/or domestic corporate taxpayer must be invested in Indonesia for a certain period and at least 30% must be invested in Indonesia and before the DGT issues any tax assessment letters on the dividends.

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.

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 comparables 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 filing 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
Payment of profit tax and application of holdover	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 filing the tax return.

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-months 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 payer, income is taxed on progressive rates. Starting from fiscal year 2022, the new bracket of 35% was introduced. The progressive rates are as follows: 5% on the first IDR 60 million of annual taxable income; 15% on amounts exceeding IDR 60 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; 30% on amounts exceeding IDR 500 million up to IDR 5 billion; and 35% amounts exceeding IDR 5 billion.

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 IDR 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.

Starting from fiscal year 2022, individual as Indonesian taxpayer with an annual turnover less than IDR 500 million is not taxed.

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

Dividend income received by an individual tax payer from Indonesia-income source is exempted from the income tax object with a condition that the dividends must be invested in Indonesia within a certain time limit. If the dividends came from outside of Indonesia with the following sources:

- Equity investments in stock exchanges outside of the jurisdiction of Indonesia: must be invested or used for business activities in Indonesia under a certain time limit.
- Equity investments in a non-listed company outside of the jurisdiction of Indonesia: must invest in Indonesia at a minimum of 30% of earnings before tax as long as a tax assessment letter is not issued.

The type of investments qualified for the exemption as well as the time limit are regulated

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).

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).

Interest 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. Interest 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 is 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:

- 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.
- On Estimated Net Income (ENI), being a specified percentage of the gross amount:

	ENI	Effective àÇtax 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 (BPJS 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 11% starting from 1 April 2022 and will become 12% at the latest by 1 January 2025 (previously the rate was 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%
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%

Country	Note	Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial Holdings			
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%	10%/8%	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:

- 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.
- VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.
- 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.
- 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 signed amendment of the Double Tax Avoidance Agreement between Indonesia and Singapore on 4 February 2020, which is effective since 1 January 2022. The new tax rates are 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.
- Interest on government bonds is to follow domestic rules (max. 10%)

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is a tax on documents. Certain documents are subject to stamp duty at a nominal amount of 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.

Carbon tax

Carbon tax is implemented gradually, starting from 1 April 2022 for coal emissions with a rate of IDR30,000 per tCO₂e

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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)

Italy is the world's eighth biggest economy. Its economic structure relies mainly on services and manufacturing. The services sector accounts for almost three quarters of total GDP and employs around 65% of the country's total employed people.

GDP showed an increase in the first quarter 2022. Italy is likely to be one of the non-eastern Euro area countries most economically hard-hit by the war in Ukraine due to its high level of dependence on Russian gas imports. But nevertheless, the manufacturing PMI grew in the quarter, marking a positive trend for the industrial sector. Inflation in March was the highest since 1991, likely hitting private spending; retail sales growth averaged a little lower in January–February and consumer confidence was down in March. Heading into the second quarter, the government announced another 10 billion financial assistance packages in April, taking the total planned support since the outset of the war to EUR 26 billion, around 1.4% of GDP. Meanwhile, it signed new energy deals with a number of African countries.

The economy will grow at a rate in media with the Euro area average this year unless it was expected over the media. Considerable EU funds and an expansionary fiscal policy will not be enough to compensate for the drag coming from higher energy prices. Further disruption to Russian gas supplies, as well as rising bond spreads—due to the increasing risk of faster ECB tapering and interest rate hikes—cloud the outlook. Economics panellists project activity to expand 2.8% in 2022, which is down 0.6 percentage points from the previous month's projection, and 2.1% in 2023.

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 known as IRAP or "imposta regionale sulle attività produttive". It should be specified that IRES is applied only on resident and non-resident corporate entities; instead IRAP is calculated on any business activity, i.e. on taxpayers that do entrepreneurial activity or entrepreneurs, corporate entities, partnership (excluded simple partnership) and similar ones. So, they have different tax assumption and rates both.

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 a Italian regional territory.

The 2022 Budget Law has provided the elimination of this tax for self-employed.

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

The IRES taxable base is different to the IRAP one.

Taxable profits for IRES purposes are computed on the basis

of accounting profits and on an accrual basis (save for 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 (known 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 non-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.

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 change depending on the type of entities and their turnover. In particular, for investments in new 'Ordinary' material assets (different from "4.0") with a purchase cost not exceeding EUR 2 million or EUR 1 million, a tax credit is recognised equal to:

- 10% of the purchase cost if the investments are made between 16 November 2020 and 31 December 2021, or by 30 June 2022;
- 6% of the purchase cost if the investments are made between 1 January 2022 and 31 December 2022, or by 30 June 2023;

For enterprises that invest in new tangible assets (so called 'assets 4.0') if investments are made between 16 November 2020 and 31 December 2021, or by 30 June 2022, provided that by 31 December 2021 the purchasing order is accepted by the seller and the buyer has paid an instalment of at least 20% of the cost, the tax credit is recognised in the following measures:

- 50% of the cost for investments up to EUR 2.5 million.
- 30% of the cost for investments between EUR 2.5 million and EUR 20 million.
- 10% of the cost for investments between EUR 10 million and EUR 20 million.

If such investments are made between 1 January 2022 and 31st December 2022, or by 30 June 2023, the tax credit is recognised in the following measures:

- 40% of the cost for investments up to EUR 2.5 million.
- 20% of the cost for investments between EUR 2.5 million and EUR 10 million.
- 10% of the cost for investments between EUR 10 million and EUR 20 million.

If such investments are made between 1 January 2023 and 31 December 2025, or by 30 June 2026, the tax credit is recognised in the following measures:

- 20% of the cost for investments up to EUR 2.5 million.
- 10% of the cost for investments between EUR 2.5 million and EUR 10 million.
- 5% of the cost for investments between EUR 10 million and EUR 20 million.

About intangible assets included (including expenses for services incurred in connection with the use of cloud computing solutions, for investments made:

- from 16 November 2020 and until 31st December 2023, the tax credit is granted at 20% of the cost, up to a maximum annual limit of eligible costs of 1M€;
- from 1st January 2024 and until 31st December 2024, the tax credit is granted at 15% of the cost, again up to an annual maximum of 1M€;
- from 1st January 2025 and until 31st December 2025, the tax credit is granted at 10% of the cost, again up to an annual maximum of 1M€.

In all cases, there is a 6-month window (until 30 June of the following year) if the conditions for the reservation are met by 31/12 of each year.

2. Tax credit on investments in R&D, Technological innovation and Design and aesthetic ideation.

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 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 20% of the relevant cost basis, with a maximum annual amount of 4M€. The Budget Law 2021 extended for two years the increased benefit rates provided for if the R&D activities are carried out in the South Italy regions. The 2022 Budget Law extended the benefit up to the tax period in course on 31st December 2031, however the tax credit rate was decreased to 10% of the eligible expenses, and the annual ceiling of the credit increased to 5M€. The applicable rate is increased to 15% if the eligible activities consist of technological innovation in order to reach an ecological transition goal or a digital innovation goal compliant with the so-called '4.0' model,

without prejudice of the maximum annual amount of EUR 2 million. As regard the last goals mentioned, the relative tax credit rate of 15%, is confirmed, for the tax period 2022, within the annual maximum limit of 2M€, and then it is progressively reduced to 10% for the tax period following the one in course on 31st December 2022, within the annual maximum limit of 4M€, and to 5% for the tax period following the ones in course from 31st December 2023 to 31st December 2025, again within the annual maximum limit of 4M€.

Tax credit for design and aesthetic ideation activities is equal to the one for technological innovation.

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€.

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 50% of incremental investments.

5. 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).

6. Patent box regime

Italian resident companies and PEs of non-resident entities that carry out R&D activity may elect to apply the Italian patent box regime. The regime exempts a portion of the income derived from the exploitation, either directly or by licensing, of qualifying intangible assets. The general exemption is 50%, the percentage was limited to 30% for 2015 and 40% for 2016. The Law Decree 146/2021 has revised the previous Patent Box regime with effect from 2021 by shifting from a profit-based incentive to a cost-based incentive. About the costs for the R&D activities the general exemption is 50%, the percentage was limited to 30% for 2015 and 40% for 2016. Since 2021 the regime has been changed: the costs for the R&D activities in relation to copyrighted software, patents,

designs and models can be recognized for tax purposes for an amount equal to 110% of the relevant expenditure for both corporate income tax (IRES) and regional tax (IRAP). R&D costs incurred with related parties are not eligible. The election for the new patent box procedure lasts for five fiscal years, is irrevocable and renewable. In order to benefit from this new procedure, taxpayers have to opt for it in the annual CIT return and prepare a proper documentation set, whose possession has to be declared in the annual CIT return. This documentation will allow taxpayers to benefit from the penalty protection relief in case of tax audit and related challenge.

7. Super Ace for FY 2021

The Law Decree no. 73/2021 (the so-called 'Sostegni Bis Decree') introduced a measure aimed to strengthen the ACE benefit for the tax period 2021 only. The actual rate of 1.3% has been increased to 15% on up to 5 million euros (EUR) of the 2021 net equity increases.

8. 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 calculated on the whole amount of the following costs: trainers' personnel costs, for the hours during which the trainers participate in the training activities, trainers' and trainees' operating costs directly relating to the training project, costs of advisory services linked to the training project, trainees' personnel costs and general indirect costs (administrative costs, rent, overheads) for the hours during which the trainees participate in the training. The tax credit is available to:

- small enterprises, for an amount equal to 50% of eligible expenses, up to a maximum of EUR 300,000, and
- medium-sized enterprises and large enterprises, for an amount respectively equal to 40% and 30% of eligible expenses, up to a maximum of EUR 250,000.

9. 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.

2.10 Withholding tax

Dividends

Dividends paid to a non-resident corporation is generally subject 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 non-resident is generally 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 non-resident company is 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 non-resident company for the use of industrial, commercial or scientific equipment located in Italy is 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 eleven months following the end of the financial year. Companies with a calendar year end have until the end of November 2022 to file the tax return for the 2021 fiscal year.
Penalties	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. 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. 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%
Payment of profit tax and application of holdover	IRES IRES 2022 amount is paid through a down payment and a balance. IRES 2022 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: <ul style="list-style-type: none"> • 50% of the amount of IRES 2022 down payment year by June 30th, with IRES 2021 balance. • 50% of the IRES 2022 down payment by November 30th. IRES 2022 balance will be paid by June 30th 2023. 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 ones, IRPEF is applied on both domestic and foreign income; furthermore, they must declare all their foreign investments (financial and not) for monitoring purposes through the Italian tax return.

Who choose to change its fiscal resident to foreign one to Italy, can opt to adopted 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 ones will be subjected to PIT only on Italian personal income.

The 2022 Budget Law has changed the rate of taxation.

3.2 Rates of tax

National PIT is calculated by a progressive tax rate on all income. The rates have changed by the 2022 Budget Law like below:

- 23% from Eur 0 to EUR 15,000;
- 25% from EUR 15,001 to EUR 28,000;
- 35% from EUR 28,001 to EUR 50,000;
- 43% over 55,001.

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, are the following, 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:

The 2022 Budget law has changed the regime of employment tax credits and deductions.

Employment income.

From 1st January 2022, employment income deduction will equal to:

- EUR 1,880, if the income isn't up to EUR 15,000 and the minimum annual amount of deduction is EUR 690; for fixed-term employment relationships, the amount of the deduction actually due cannot be less than 1,380 euro.
- EUR 1,910, if the amount of the total income exceeds 15,000 euro but not 28,000 euros, the tax credit is increased by the product between 1,910 euro and the amount corresponding to the ratio between 28,000 euro (less the total income), and 13,000 euro;
- 1,910 euro, if the total income exceeds 28,000 euro but not 50,000 euro; the deduction is due for the part corresponding to the ratio between the amount of 50,000 euro, less the total income, and the amount of 22,000 euro.

Furthermore, if the total income is greater than 25,000 euro but not 35,000 euro, the deduction due is increased by an amount equal to 65 euro.

Another employment deduction is called "Supplementary treatment" and is equal to:

- Eur 1,200, if the total income does not exceed € 15,000 and if there is a "capacity" of the gross tax determined on employment income;
- Difference between the sum of the tax deductions and the gross tax; in any case not exceeding 1,200 euro per year Eur 1,200, if the total income exceeds 15,000 euro but not 28,000 euro and if there is also "inadequacy" of the gross tax determined according to the ordinary rules.

Pension income

From 1st January 2022, pension income deduction will equal to:

- 1,955 euro, if the total income isn't up to 8,500 euro; the amount of the deduction actually due cannot be less than 713;
- 700 euro, increased by the product between 1,255 euro and the amount corresponding to the ratio between 28,000 euro, decreased by the total income, and 19,500 euro, if the total income is greater than 8,500 euro but not 28,000 euro;
- 700 euro, if the total income exceeds 28,000 euro but not 50,000 euro; the deduction is due for the part corresponding

to the ratio between the amount of 50,000 euro, less the total income, and the amount of 22,000 euro.

It's about the deduction for pension income provided for by law

If the total income is greater than 25,000 euro but not 29,000 euro, the deduction is increased by an amount equal to 50 euro.

Self-employment income tax credit

From 1st January 2022, non-employment income tax deduction will equal to:

- 1,265 euro, if the total income does not exceed 5,500 euro;
- 500 euro, increased by the product between 765 euro and the amount corresponding to the ratio between 28,000 euro, less the total income, and 22,500 euro, if the total income is greater than 5,500 euro but not 28,000 euro;
- 500 euro, if the total income exceeds 28,000 euro but not 50,000 euro; the deduction is due for the part corresponding to the ratio between the amount of 50,000 euro, less the total income, and the amount of 22,000 euro.

If the total income is greater than 11,000 euro but not 17,000 euro, the deduction due is increased by an amount equal to 50 euro.

Until February 2022, 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.

From 1st March 2022, dependent children deduction is replaced by "Single and universal Check": it's payed on monthly basis for the period starting to March of each year and following year February, based on ISEE rating.

Some other expenses entitle the taxpayer to a tax credit. 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).

Non-resident 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

Interest is subject to a flat tax rate of 26% to be applied at source. For specific interest 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 non-resident 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 May 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.
Payment of revenue tax	IRPEF 2022 amount is paid through a down payment and a balance. IRPEF 2022 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 2022 down payment year by June 30th, with IRPEF 2021 balance. - 60% of the IRPEF 2022 down payment by November 30th. IRPEF 2022 balance will be paid by 30th June 2023.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

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 stated before January 1st 1996; otherwise social security is calculated and spid up to a maximum amount of 105,014 euro for the year 2022.

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.

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 in running
- 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.

By implementing the new e-commerce VAT package rules, Legislative Decree No. 83/2021 also transposes in Italy the new OSS and IOSS special regimes.

OSS and IOSS are the new optional European VAT clearance system, centralised and digital, that extends the scope of the mini one-stop shop (MOSS), currently covering electronic, telecommunications, and broadcasting services only.

The MOSS is an electronic system that allows taxpayers who provide TTE services in the European Union to declare and pay the VAT due in all the EU member states in a single member state.

As of 1st July 2021, the MOSS has therefore become an OSS and has been extended to all the following B2C transactions:

- Distance sales of goods imported from third territories or countries (with the exception of goods subject to excise duty) carried out by suppliers and taxable persons facilitating the supply through the use of an electronic interface (to be reported in the IOSS section).
- Intra-Community distance sales of goods carried out by suppliers and taxable persons facilitating the supply through an electronic interface (to be reported in the OSS section).
- Domestic sales of goods carried out by taxable persons facilitating the supply through an electronic interface (to be reported in the OSS section).
- Supplies of services carried out by taxable persons not established in the European Union or by taxable persons established within the European Union but not in the member state of consumption (to be reported in the OSS section).

The OSS scheme simplifies the VAT compliance obligations applicable for taxable persons that sell goods and provide services to final consumers in the European Union, enabling them to:

- register electronically for VAT purposes in a single member state for all the eligible supplies of goods and provisions of

services carried out towards final consumers in the other 26 member states

- declare VAT by means of a single electronic VAT declaration and make a single payment of the VAT due on all the eligible supplies of goods and services carried out, and
- collaborate with the tax authorities of the member state in which they are registered for the OSS and in a single language, even if their supplies take place in other EU countries.

In this respect, it is worth reminding that the new legislative provisions abolish the reference thresholds previously in force for the payment of VAT in the country of residence in the context of intra-Community distance sales. With the new regulations, a single threshold of EUR 10,000 is recognised; once this is exceeded, the VAT is applied in the country where the service or sale is to be made.

Moreover, the new provisions also abolish the VAT exemption for goods of negligible value imported into the European Union. Since 1 July, therefore, the VAT is due on all the imported goods regardless of their value.

The creation of the IOSS regime allows suppliers who sell goods delivered or transported from a third country or territory to final customers in the European Union to collect VAT from the purchaser on distance sales of low-value imported goods and to declare and pay this tax through the IOSS.

If IOSS is used, the import of low-value goods (with an intrinsic value not exceeding EUR 150) into the European Union is exempt from VAT.

Please note that, since 1st April 2021, on the Italian tax authorities' website it is possible to register in order to exercise the option for the application of OSS and IOSS special regimes.

The use of the special regimes is optional; however, if a taxpayer exercises the option, it should apply them for all the operations that fall within them.

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 (IVAFA) 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 2022.

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

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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 2020, gambling activities contributed more than half of Macau's Gross Domestic Product and gaming taxes accounted for over 65% of the government's revenue.

1.6 National tax authority

Name

Financial Services Bureau

Website

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 MOP1,000,000 will also be classified as a Group A taxpayer. All tax 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 2020 is MOP600,000. The progressive rates from 9% to 12% will be taxed on taxable profit: 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 Macau 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 adjustments include deduction the nontaxable income and adding back and 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 earned from Portuguese speaking countries only providing a valid offshore operating permit can be granted from Macao authority. But all such Macao offshore company has to be pre-approval 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 of the dividend was paid out of profit after Macao taxation. This should include dividend income receive in Macao.

2.6 Taxation of capital gains

No special capital gain tax but It has to be included as income item except for 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, and net loss incurred in any year of operation 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.

2.9 Key Tax incentives

Macao government offer profit tax exemption for assessed profit under MOP600,000 for the year of 2020.

2.10 Withholding tax

N/A

2.11 Transfer Pricing

N/A

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 on Sept and Nov 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 performs 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 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 be 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	Tax Rate
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

Maximum 1/4 of the total gross amount of income can be allowed as deductibles.

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

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 receipt pre-printed by Macau Government.

3.9 Withholding tax

All professional tax payable shall be withheld by employer and payable 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 reimburse to the Finance Services Bureau tax each season 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 working relation is established between employer and employee, the Social Security Fund System should also be mandated to set up within 15 days.

4.3 Contribution rate

MOP45 per month (MOP30 by employers, MOP15 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

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

N/A

6.2 List of double tax treaties signed

1. The Kingdom of Denmark
2. The Faroes
3. Iceland
4. The Kingdom of Norway

5. The Republic of Finland

6. China

7. Vietnam

8. Portugal

9. Hong Kong

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Currently there are 22 items subject to stamp duty including transfers of property lease, property ownership, tendering contracts, auctions, private contracts. The rates of such duties vary from 0.5% to 10%.

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 2020 tax relief measures, a standard deduction of property tax for MOP 3,500 is levied on each unit.

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.

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.

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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)

Malaysia is among the 15 signatory countries of the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement. RCEP represents 30% of the world's population and collectively contributes to 30% of global economic activities, as measured by GDP. This is expected to establish a strong framework for cooperation and contribute significantly to economic recovery for the economies involved. Given that the member countries of RCEP are among Malaysia's top 15 trading partners, this free trade agreement is expected to create a more liberal, facilitative and competitive investment environment that will provide improved investment facilitation and investor aftercare.

Malaysia is one of the fastest growing nation in the region. Ranked among the top emerging markets for investment and recognised for its protection of investors as well as its responsiveness to facilitating business needs, Malaysia is the offshore base from which your company can prosper. Malaysia ranked the 5th in Bloomberg's Most Attractive Emerging Market in 2021.

Malaysia's public health restrictions due to Covid-19 pandemic have been lifted gradually. From 1 April 2022, Malaysia's borders are open for business and tourism. This is a positive step forward to economic recovery and Malaysia's ability to continue attracting high-value and high-impact investments. Fully vaccinated travellers may enter Malaysia without prior approval from Malaysian authorities and are not subject to mandatory quarantine upon arrival.

Malaysia's domestic economy is expected to improve further in 2022, with growth projected at 5.3% to 6.3%. This is underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects. Nevertheless, risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

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. Further to the announcement of Budget 2022, it is proposed that income tax be imposed on residents in Malaysia in respect of income derived from outside Malaysia and received in Malaysia, effective 1-1-2022, 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.

However, effective from 1-1-2022 to 31-12-2026, subject to conditions outlined in the guideline to be issued, the Government has agreed to exempt Malaysian tax residents from the imposition of tax on the following foreign-sourced income:

- Dividend income received by companies and limited liability partnerships; and
- All types of foreign-sourced income received by individuals (except for those carrying on a partnership business in Malaysia).

2.2 Rates of tax

	2020 onwards
Corporate income tax rates:	
• 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	
o On first RM600,000	17%
o Subsequent Balance	24%
• Resident company with paid up capital more than RM2.5 million and having gross income from business source or sources of more than RM50 million	
o On first RM100 million	24%
o Subsequent balance	33% *
• Non-resident company/ branch	24%

* applicable to only YA2022

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

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. is deemed to be derived from Malaysia:
- a. if responsibility for payment lies with the government or state government; or
 - b. if responsibility for payment lies with a person who is resident

for that basis year; or

- c. 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

Generally, 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/ Capital Allowance

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 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.

In order to support the recovery of business that suffered losses due to Covid-19 pandemic, it is proposed in Budget 2022 that the unabsorbed business losses that can be carried forward from YA2019 onwards be extended from a maximum period of 7 consecutive YAs to a maximum period of 10 consecutive YAs. The Act has been gazette and published on 31-12-2021.

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

1. Payment to non-resident

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 above 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. Withholding tax on payments to resident agents, dealers or distributors

Under the newly introduced Section 107D of the Income Tax Act 1967 (ITA), effective 1-1-2022, payments made by companies in monetary form to resident agents, dealers or distributors arising from sales, transactions or schemes carried out by them, are subject to withholding tax at 2%.

The withholding tax is only applicable where the resident agents, dealers or distributors have received payments (in monetary form or otherwise) of more than RM100,000 from the same company in the preceding basis year.

The withholding tax shall be remitted to the Inland Revenue Board within 30 days after such payment has been paid or credited.

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; andCourt 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 date

All companies must file the tax returns within 7 months from the end of the accounting period.

Penalties

a. Failure to submit a tax return

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.

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.

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.

b. Failure to remit tax payable

A penalty equivalent to 10% on the balance of tax payable may be imposed.

Payment of profit tax and application of holdover

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.

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.

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 (except for those carrying on a partnership business in Malaysia). 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 2021 onwards	
		Tax Rate (%)	Tax Payable (RM)
On the first	5,000	0	0
On the next	15,000	1	150
	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	13	2,600
	70,000		4,400
On the next	30,000	21	6,300
	100,000		10,700
On the next	150,000	24	36,000
	250,000		46,700
On the next	150,000	24.5	36,750
	400,000		83,450
On the next	200,000	25	50,000
	600,000		133,450
On the next	400,000	26	104,000
	1,000,000		237,450
On the next	1,000,000	28	280,000
	2,000,000		517,450
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 and tax rebate if applicable.

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

Generally, 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

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.

In order to support the recovery of business that suffered losses due to Covid-19 pandemic, it is proposed in Budget 2022 that the unabsorbed business losses that can be carried forward from YA2019 onwards be extended from a maximum period of 7 consecutive YAs to a maximum period of 10 consecutive YAs. The Act has been gazette and published on 31-12-2021.

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 (1) withholding tax above.

Resident individuals who act as authorized agents, dealers or distributors are subject to withholding tax in respect of payments mentioned under item 2.10 (2) 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 30 days 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 not less than 30 days 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 not less than 30 days 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 Monthly Tax Deduction (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 (SOCSCO)
- Employment Insurance System (EIS)
- Human Resource Development Corporation (HRD Corp)

4.2 Basis of contribution

- 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 60 years.

- Social Security Organization (SOCSCO)

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 SOCSCO is registering employer/ employees, collection of employers/ employee contributions, processing and disbursing claims made by salaried employees and their dependents. In addition SOCSCO also provides physical and vocational rehabilitation benefits to claimants and promotes occupational safety and health awareness.

- 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.

- Human Resource Development Levy

HRD Corp is responsible for driving Malaysia's talent development aspirations through the collection of levy from employers and the funding of training and development programmes for the Malaysian workforce's professional development and skills enhancement initiatives.

4.3 Contribution Rate

- 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 monthly salaries of more than RM5,000 and 13% for monthly salaries of RM5,000 & below.

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%

- Social Security Organization (SOCSCO)

Employers and employees are required to make social security contributions to the SOCSCO. Generally, an employer contributes 1.75% while employees will contribute 0.5% of an employee's remuneration.

Employment Injury (EI) Scheme under the SOCSCO Act – Employers are obliged to make contributions on behalf of the foreign workers at the rate of 1.25% of their monthly wages. The foreign workers' benefit under the EI scheme is inclusive of medical benefit, temporary and permanent benefit, dependent's benefit, funeral benefit, constant-attendance allowance, and rehabilitation.

- 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.

- Human Resource Development Levy

The contribution rate for HRD Levy for the employer with 10 or more Malaysian employees are 1.0% and 0.5% for employer with 5-9 Malaysian employees.

4.4 Exemption from tax

- 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.

- Social Security Organization (SOCSCO)

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 • Cambodia • 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 • Senegal • Seychelles • Singapore • South Africa • Spain • Slovak Republic • Sri Lanka • Sudan • Sweden • Switzerland • Syria • Thailand • Turkey • Turkmenistan • Ukraine • 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)	21 Aug 1995	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 (EOI Protocol)	19 Jul 2012

DTAs UNDER NEGOTIATION

• Azerbaijan • Barbados • Belarus • Brazil • 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 • 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	

7.2 Real Property Gains Tax (RPGT)

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 01.01.2022 %
Disposal within 3 years after date of acquisition	30
Disposal in the 4th year after date of acquisition	20
Disposal in the 5th year after date of acquisition	15
Disposal in the 6th year after date of acquisition or thereafter	0/ 10*

0% applies to individual who is a Malaysian citizen or a permanent resident; while 10% applies to company.

* Note:

disposal by individuals who are not Malaysia citizens or permanent resident is subject to 30% RPGT rate for disposal within 5 years, and 10% for disposal after 5 years.

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

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MALTA

GENERAL INFORMATION

1.1 Country/Region

Malta

1.2 Currency

Euro

1.3 Principal business entities

Public Limited Liability Companies, Private Limited Liability Companies, Partnerships, Trusts and Foundations.

1.4 Foreign exchange control

None

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

Due to its sheer limited size, Malta lacks natural resources, thus its economy is more focused on services (primarily Hospitality and Financial Services) thanks to a well-trained and educated workforce.

Malta Enterprise is the government entity tasked with attracting and assisting foreign investment and also promoting innovation, exports, and bolstering the workforce' skills and competencies.

1.6 National tax authority

Name: Office of the Commissioner for Revenue

Website: <https://cfr.gov.mt/en/Pages/Home.aspx>

CORPORATE INCOME TAX

2.1 Basis of taxation

Worldwide income in general is subject to tax as also specific capital gains – albeit different tax rates may apply.

2.2 Rates of tax

The standard tax rate is 35%, which is equivalent to the maximum personal tax rate. Proceeds from sale of Immovable Property (directly or through change in beneficial ownership) are subject to a final tax of 8%, whereas Rental Income can be subject to a final tax of 15%

2.3 Year of assessment

Calendar year, unless authorisation is granted by the Commissioner for Revenue to adopt a different financial period end date.

2.4 Profits deemed to be taxable

Profits subject to tax reflect income/gains less allowable deductions in relation to the generation of such income or specific to the said gain.

It is pertinent to keep in mind that tax on sale/disposal of immovable property (in Malta) or rights thereon, is levied on the transfer value not the net profit/gain if any.

2.5 Taxation of dividends

No additional tax is levied on companies when they declare dividends.

Dividends are subject to tax in the hands of the shareholder, unless issued from profits allocated to the Final Tax Account and the Immovable Property Account as distributions are subject to a final withholding tax. Nonetheless through the Full Imputation System the tax originally paid by the company on the underlying profits out of which the dividends are paid, is fully granted as tax credit to the shareholder.

Furthermore Malta companies in receipt of dividends from foreign holdings (termed as Participating Holdings, even with as little as a 5% stake or rights), may be entitled to have such dividends exempt from Malta tax outright under the Participating Exemption regime.

2.6 Taxation of capital gains

Capital gains arising from the direct or indirect transfer immovable property, most securities, business, partnerships, goodwill, intellectual property rights, and beneficial interest in trusts are subject to Malta tax. The transfer of immovable property or rights thereon, is however subject to a final withholding tax (predominantly 8%) on the transfer value.

2.7 Taxation of interest income

Interest income and other investment income can be subject to a 15% final withholding tax

2.8 Utilization of tax losses

Tax losses are carried forward indefinitely until they are absorbed by taxable profits or capital gains. Tax losses can also be surrendered to subsidiaries or parent companies within a group, and absorbed by the taxable profits or gains of such eligible group companies.

2.9 Key Tax incentives

Malta tax regime affords an attractive Tax Refund system for non-resident shareholders, which may convey an effective tax rate of between 5% and 10%.

Companies that are redomiciled to Malta can also limit their Malta tax to foreign income remitted to Malta.

Moreover Malta Enterprise approves generous tax credits and allowances, to encourage amongst others, investment, innovation and exporting initiatives.

2.10 Withholding tax

Withholding taxes are levied on transfers of immovable property or rights thereon (predominately 8% of declared transfer value), and investment income (mainly 15%).

2.11 Transfer Pricing

Malta had relied on wide ranging anti-abusive provisions, including the enactment of the Anti-Tax Avoidance Directive (ATAD) to deter Transfer Pricing amongst others. Nonetheless it is in the process

of introducing specific Transfer Pricing Rules in line with EU and OECD best practices, to uphold the Arm's Length Principle and address Base Erosion and Profit Shifting of tax revenues between different jurisdictions.

2.12 Filing requirements of tax return

Filing due dates

Depends on the respective company's financial year end date. Companies retaining a calendar year end may file tax returns electronically by not later than the 30th November the following year.

Penalties

Penalties are levied for non-submissions and late filings, and interest is charged on late tax remittances and tax settlements.

Payment of profit tax and application of holdover

The standard tax payments are affected throughout the financial year on a provisional basis in April, August and December, with any remaining additional tax payable by September of the following year.

Companies registered with the International Tax Unit are afforded more flexible tax payment arrangements.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Malta ordinary resident and domiciled individuals are subject to Malta tax on their worldwide income. Resident but non-domiciled individuals are subject to Malta tax on the income arising in Malta and foreign income remitted to Malta, whereas foreign capital gains are not subject to Malta tax even if the proceeds thereof are transferred to Malta.

Non-residents are not taxed in Malta derived interest, royalties and capital gains on Collective Investment Schemes, as long as the underlying assets are not immovable property in Malta.

3.2 Rates of tax

The maximum personal income tax rate is 35% applicable to income over €60k (and €7.8k for non-residents). Income is taxed under progressive tax bands with the first €9.1k tax free (and €0.7k for non-residents).

Eligible overtime and part-time income (even freelancers) can avail of a final flat tax rate of 15% subject to specific conditions and ceilings, together with emoluments earned from employment with a Malta company requiring the fulfillment of duties outside of Malta.

3.3 Year of assessment

Personal tax periods are based on calendar year ending 31 December

3.4 Allowances and Deductions

Self-employed and self-occupied taxpayers may claim allowances and deductions against taxable income, for investments and expenses incurred and directly related to their business and/or vocational activities.

Employees do not claim deductions against their income, albeit specific type of allowances and/or overtime, may be tax exempt and/or subject to a final fixed rate of tax.

3.5 Taxation of dividends

Dividends are taxed in the hands of the individual shareholder, however through the full imputation system the tax paid by the company on the underlying profits out of which the dividends are paid, is granted as tax credit. Considering that the standard corporate tax rate is 35% which is equivalent to the maximum personal tax rate, no additional tax would be incurred by the shareholder, and claims for tax refunds may also be made.

Dividends paid out from the Final Tax Account or the Immovable Property Tax Account are not subject to any tax at shareholder's level.

3.6 Taxation of capital gain

Capital gains subject to tax under Article 5 of the Income Tax Act, and the gain is added to the personal taxable income for the year, unless eligible to a final withholding tax.

Resident but non-domiciled individuals are not subject to Malta tax on foreign capital gains even if the latter are remitted to Malta.

3.7 Taxation of interest income

Interest income is taxable in the hands of resident taxpayers, who may also elect to avail of a final withholding tax of 15% on such interest income.

Non-residents are essentially exempt from tax on interest arising in Malta.

3.8 Personal assessment and utilization of losses

The Commissioner for Revenue adopts a personal self-assessment system, with the Revenue reserving the right to seek clarifications & verifications about the net taxable income declared.

Losses can be carried forward indefinitely to eventually be netted off against taxable income, however capital losses may only be set off against capital gains.

3.9 Withholding tax

Final withholding taxes are available against rental income, interest and qualifying investment income, overtime and part-time emoluments and also sport related income.

Expats registered under Special Residency programs may avail of flat tax rate of 15%, subject to minimum Malta tax payable under the respective Residency Programme.

The tax on the transfer of immovable property in Malta, unless exempted by specific provisions, is generally subject to a final withholding tax of 8% on the transfer value.

3.10 Statutory obligation of employers

Employers are required to deduct the applicable tax from their employee's salaries and remit to the Commissioner for Revenue on a monthly basis, such withheld tax and the statutory social security contributions.

An annual summarized statement of gross earnings, contributions and tax deductions need to be issued for each employee.

3.11 Filing requirement of tax return

Filing due dates

Personal tax returns are filed by the end of June in the following year

Penalties

Penalties are levied for late filing and late settlement of tax

Application of holdover

Self-employed and self-occupied taxpayers can request a reduction of the quarterly provisional tax payments, if they deem that their envisaged income tax liability would be less than that in the previously filed tax year.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Department of Social Security (albeit collection managed by the Office of the Commissioner for Revenue)

4.2 Basis of contribution

Social security contributions, covering both retirement pension and free healthcare and other social services entitlement are paid monthly or quarterly on the basis of gross salaries or net income. Full entitlement is achieved after forty years contributory period.

4.3 Contribution rate

Self-employed and self-occupied directors under Maltese employment law contribute 15% of their net income subject to minimum and maximum remittance (in 2022) of €1.6k and €3.9k respectively.

Employers are required to contribute towards their employees' contribution by remitting 10% of the gross salary subject to minimum and maximum remittance (in 2022) of €1.0k and €2.6k respectively, and this in addition to the equivalent sum deducted from the employees' salary.

4.4 Exemption from tax

Exemption from contributory obligations is granted on the basis of certified sickness periods, maternity and/or full-time study or unemployment periods.

GST/VAT

5.1 Basis of tax

VAT is charged on both commodities and services falling within the scope of the VAT Directive

5.2 Rates of tax

Standard rate is 18%, holiday accommodation charged 7%, and other specific commodities (mainly of social/medical/educational and cultural aspects) attract a reduced rate of 5%. The majority of food, pharmaceutical products, and public transport enjoys an exemption from VAT.

5.3 Registration

All operators falling within the scope of VAT are required to register for VAT, albeit operators can elect to be exempted if their annualized turnover does not exceed €35k or €30k in supply of goods or services respectively.

5.4 Filing requirements

Standard VAT filings are on a quarterly basis. However registered persons reporting relatively significant turnover levels may be required to file monthly returns.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Malta adopts the credit method (rather than the exemption method) to all Foreign Tax in full and unilaterally against any, albeit limited to, any Malta tax on the corresponding income – thus avoiding economic and also juridical double taxation.

Moreover a Flat Rate Foreign Tax Credit can be elected for granting a credit for a deemed foreign tax of 25% on the foreign net income received and allocated to the Foreign Tax Account of the Malta company.

6.2 List of double tax treaties signed

The full updated list of Malta's wide tax treaty network, together with its status and underlying legislative measure can be found at www.mfsa.mt/useful-links/international-tax-unit/double-tax-treaties/

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duties are levied on specific legal documents, mainly deeds registering immovable property transfers, share transfers, marketable securities and insurance policies, as specifically provided for in the Duty on Documents and Transfers Act.

Stamp Duty is levied at a standard rate of 5% on most immovable property transfers (2% in case of special designated areas), subject to statutory exempt thresholds where applicable. Transfer of shares and marketable securities attract a Stamp Duty of 2% unless the underlying assets consist of immovable property (or rights thereon) in Malta – in which case the standard 5% Duty will apply.

Non-resident shareholders can avail of an exemption from Stamp Duty on transfer of shares and Collective Investment Schemes, provided such companies and/or CIS do not own/hold immovable property in Malta.

7.2 Real property tax

Malta does not levy any real property tax, rates and/or council taxes

7.3 Estate duty

No blanket Estate Duty is charged, however the transfer of Malta immovable property (or shares and/or rights thereon) through a 'causa mortis' transfer is subject to tax, unless specifically exempted in the case of ordinary residences.

7.4 Net wealth/net worth tax

Malta does not apply any net worth or net worth tax

7.5 Others

Business tax

/

Consumption tax, etc.

/

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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/encouragement for 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 a relatively low cost of labour. Nepal is ranked 3rd after India and Bhutan among South Asia 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

<https://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 1 million

- Disposal of land or land and building owned for more than 5 years - 5%
- Disposal of land or land and building owned for less than 5 years - 7.5%
- 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% (holding more than 365 days)
: 7.5% (holding less than 365 days)
- 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
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
Payment of interest by resident Banks and Financial Institutions on loans availed in foreign currency from foreign banks or other financial institutions to invest in the areas as specified by NRB	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 of re-insurance to a non-resident	1.5	Yes
Other payment to non-resident	As per written information by IRD	Yes

2.11 Digital Service Tax

Digital Service Tax (DST) of 2% on transaction value shall be collected on digital services provided by non-residents to Nepalese customers. However, such tax shall not be applicable in cases when the annual transaction is up to NPR 2 million. Such foreign service providers shall file the return and deposit tax amount in each fiscal year. Income on which digital service tax has been deposited shall not be taxable under the Income Tax Act, 2058 (2002 AD). Fine of 0.1 % per annum of turnover to be collected for the delay in filing return and interest at the rate of 15% per annum to be charged on delay in payment of tax. 25% fine to be levied in case of under deposit of tax or fraudulent activities.

2.12 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.

2.13 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.
	Installment amounts
	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 payable 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

Taxable income (Individual) (Amount in NPR)	Taxable income (Couple) (Amount in NPR)	Tax rates (%)
First 500,000	First 600,000	1
Next 200,000	Next 200,000	10
Next 300,000	Next 300,000	20
Next 1,000,000	Next 900,000	30
Above 2,000,000	Above 2,000,000	36

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 40,000
- Remote area allowances 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 1 million

- Disposal of land or land and building owned for more than 5 years up to 10 years -5%
- Disposal of land or land and building owned for less than 5 years – 7.5% Withholding tax on capital gain on sale of shares is as follows;

In case of sale by resident Natural Person (Individual)

- Listed Company: 5% (Holding more than 365 days)
: 7.5% (Holding less than 365 days)
- 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 Foreign currency income from providing digital service

1% tax is to be levied on the income earned by resident individual in foreign currency by providing services based on software programming, cloud computing, electronic services, business process outsourcing or similar information technology related services outside Nepal.

3.11 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.

3.12 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.

Non-resident person having a business of digital services whose taxable transaction for the past twelve months exceeds Twenty Lakhs must be registered 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 1 million Disposal of land or land and building owned for more than 5 years up to 10 years - 5%

Disposal of land or land and building owned for less than 5 years – 7.5%

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 10% of the telecommunication charges.

Infrastructure Tax: NPR 10 per liter for import of petrol, diesel and aviation fuel.

Casino Royalty: Annual License Fee for Casino – NPR 50 million.

Annual License Fee for Casino using only modern equipment and machines – NPR 1.5 million.

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NETHERLANDS

GENERAL INFORMATION

1.1 Country/Region

Netherlands

1.2 Currency

Euro

1.3 Principal business entities

- Eenmanszaak/vennootschap onder firma: Partnerships (unlimited liability)
- Coöperatie: Cooperative (limited liability partnership)
- Stichting: foundation
- Besloten vennootschap (B.V.): Private limited company
- Naamloze vennootschap (N.V.): Public limited company

1.4 Foreign exchange control

None

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

In 2021 the overall GDP growth in the Netherlands was approximately 4.8%. The growth in 2021 is mainly attributable to the increase in the trade balance and household consumption. Government consumption and investment were also higher than in 2020.

The economic recovery from the corona recession was accompanied by significantly higher inflation. It stood at 2.7% in 2021. Particularly in the last months of the year, inflation rose to a level not seen since the early 1980s. This is mainly due to the rapid price increase of electricity, natural gas and motor fuels in the second half of the year.

Measures against the energy crisis

As result of the energy crisis, the Dutch government is taking various measures to partly compensate for the sharp increase in the energy bill of households and companies. From 1 July to 31 December 2022, the VAT on energy (natural gas, electricity and district heating) has been reduced from 21% to 9%. The rate for energy tax in 2022 has also been reduced by € 0.057 (excluding VAT) per kWh compared to 2021. Households with a low income also receive an extra one-off energy allowance of approximately € 1,300.

Prinsjesdag

Each year on the third Tuesday in September Budget Day also known as "Prinsjesdag" or "Prince's Day" is held. This day represents the beginning of the new parliamentary year, whereby the King delivers the "Speech from the Throne" which contains the government's key plans for the coming year.

1.6 National tax authority

Name

Belastingdienst

Website

www.belastingdienst.nl

CORPORATE INCOME TAX

2.1 Basis of taxation

In contrast to previous years, the tax bracket of the lower rate will be reduced from € 395,000 to € 200,000 and the lower rate will be increased from 15% to 19%, with effect from 2023. The upper rate in the corporate income tax will remain at 25.80% for the excess of taxable profit over €200,000.

By doing this, the government aims to raise more money in order to reduce the burden on citizens and increase purchasing power. The corporate tax rate will be evaluated in 2024.

2.2 Rates of tax

	Year 2022		Year 2023	
Taxable profit (€)	≤ € 395,000	> € 395,000	≤ € 200,000	> € 200,000
Tax rate	15.00%	25.80%	19.00%	25.80%

2.3 Year of assessment

From January 1st to December 31st. 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 occurred.

Applicable exceptions to the 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

Carry-back

Tax losses can be carried back one year.

Carry-forward

As of January 1 2022, the rules for utilization of tax losses for carry forward has changed. All tax losses arising as of 1 January 2022 as well as loss carry forwards from book year 2013, and still available at that date, can be carried forward indefinitely. Previously it was only possible to carry forward losses for 6 years (for book year 2018 and before, the carry-forward period was 9 years).

Yet, if the profit in a year exceeds 1 million euro, the losses are only deductible up to 50% of the higher taxable profit minus an amount of 1 million euro. This applies for both carry-back and carry-forward.

2.9 Key Tax incentives

- Discretionary depreciation of:
 - environmental assets;
 - occupational health and safety equipment;
 - certain other designated business assets.
- Investment allowance for:
 - small-scale investments;
 - energy investments;
 - 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 depending 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.

In the Netherlands all Dutch entities are obliged to prepare documentation that describes how transfer prices have been established and substantiate the at arm's length nature of the transfer prices.

The type of documentation that is obligated depend on the following:

- Group revenues of less than 50 million euro: general TP-documentation;
- Group revenues of 50 million euro or more: annually Master File and Local File;
- Group revenues of 750 million euro or more: annually Country-by-Country report in addition to the Master File and Local File.

2.12 Filing requirements of tax return

Filing due dates	Generally five months after the end of the company's fiscal year. In exceptional situations you can apply for an extension for filing the corporate income tax return.
Penalties	The penalty for not filing on time is € 2,757 and can be increased to € 5,514 if you fail to file a CIT return for several consecutive years.
Payment of profit tax and application of holdover	In principle within two months, but it is possible for the taxpayer to request payment in monthly installments.

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: Income from employment (work) and residential ownership (home);

Box 2: Income from substantial interest (ownership of direct or indirect interest of 5% or more in a company or partnership);

Box 3: Income from assets, savings and investments.

3.2 Rates of tax

Box 1:

Tax rates for box 1 income 2022		
Tax bracket	Taxable income	Tax (%)
1	< € 69,398	37.07%
2	=> € 69,399	49.50%

Tax rates for box 1 income 2023 and beyond		
Tax bracket	Taxable income	Tax (%)
1	< € 73,030	36.93%
2	=> € 73,031	49.50%

Box 2:

	2022	2023
Tax rate for box 2 income	26.90%	26.90%

Box 3:

	2022	2023
Tax rate for box 3 income	31%	32%
Tax-free allowance	€ 50,650	€ 57,000

3.3 Year of assessment

1st January till 31 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 31% (2022). 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 could use the withholding tax as a tax credit on their income tax that is levied in box 3. For non-resident taxpayers, the withholding tax 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 could use the withholding tax as a tax credit on their income tax that is levied in box 3. For non-resident taxpayers, the withholding tax 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	The income tax return must be received by the Dutch tax authorities before 1 May. In exceptional situations you can apply for an extension for filing the income tax return.
Penalties	The penalty for not filing on time is € 385 and can be increased to € 5,514 if you fail to file the income tax return for several consecutive years.
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 (Nederlandse Pensioenwet).

4.3 Contribution rate

Varies.

4.4 Exemption from tax

N/A

GST/VAT

5.1 Basis of tax

The Dutch VAT rates are based on the European Union's VAT Directive. All EU Member States must adhere to the Directive, and the standard VAT rate must be 15% or higher. Member States may apply one or two reduced rates of at least 5% for certain goods and services.

VAT on cross-border sales

As of 1 July 2021 the new VAT e-commerce rules came into effect. As a result, the cross-border sales of goods and (digital) services to consumers within the EU are subject to VAT in the country to which the goods are transported or dispatched. The Dutch Tax Authorities (Belastingdienst) have introduced a One Stop Shop (OSS) system to make it easier for the entrepreneurs to report the VAT. In this simplified system, the entrepreneur can file a VAT return for the VAT due in other countries. To make use of this, the entrepreneur can register for the Union Scheme within the OSS system of the Dutch Tax Authorities.

An exception is made for 'small' entrepreneurs, whom have a maximum total turnover for cross-border sales in the current year of €10,000 (threshold). For these suppliers, the basic principle is that VAT is due in the country from which the goods are transported.

5.2 Rates of tax

In the Netherlands the standard VAT rate is 21%. There are two additional special rates: the 9% rate (reduced VAT rate) and the 0% rate (zero rate).

In addition, some goods and services are exempt from VAT, such as insurance and healthcare.

5.3 Registration

When VAT is required to be carried down to Dutch tax authorities.

5.4 Filing requirements

Generally per quarter, but the taxpayer can apply for monthly or yearly.

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

A	B	C	D	E	F
Albania	Bahrain	Canada	Denmark	Egypt	Finland
Algeria	Bangladesh	China		Estonia	France
Argentina	Barbados	Croatia		Ethiopia	
Armenia	Belarus	Curaçao			
Aruba	Belgium	Czech Republic			
Australia	Bermuda				
Austria	BES Islands				
Azerbaijan	Bosnia and Herzegovina				
	Brazil				
	Bulgaria				

G	H	I	J	K	L
Georgia	Hongkong	Iceland	Japan	Kazakhstan	Latvia
Germany	Hungary	India	Jordan	Korea	Liechtenstein
Ghana		Indonesia		Kuwait	Lithuania
Greece		Ireland		Kyrgyzstan	Luxembourg
		Israel			
		Italy			

M	N	O	P	Q	R
Macedonia	New-Zealand	Oman	Pakistan	Qatar	Romania
Malawi	Nigeria		Panama		Russian Federation
Malaysia	Norway		Poland		
Malta			Portugal		
Mexico					
Moldova					
Mongolia					
Montenegro					
Morocco					

S	T	U	V	Y	Z
Saudi Arabia	Taiwan	Uganda	Venezuela		Zambia
Serbia	Tajikistan	Ukraine	Vietnam		Zimbabwe
Singapore	Thailand	UAE			
Slovakia	The Philippines	UK			
Slovenia	Tunisia	USA			

South Africa	Turkey	Uzbekistan			
South Korea	Turkmenistan				
Spain					
Sri Lanka					
St. Maarten					
Surinam					
Sweden					
Switzerland					

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

N/A

7.2 Real property tax

Varies by municipality

7.3 Estate duty

Varies

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

Varies

Excise duty and consumption tax

In the Netherlands you need to pay excise duties (accijns) on alcoholic beverages (beer and wine), tobacco products (cigarettes and cigars) and mineral oils (petrol, diesel and LPG).

POINT OF CONTACT

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PAKISTAN

GENERAL INFORMATION

1.1 Country

Pakistan

1.2 Currency

Pakistani Rupee (PKR) which is divided into 100 paisa.

1.3 Principal business entities

- Public Listed Company;
- Public Unlisted Company;
- Private Limited Company;
- Single Member Company Private Limited
- Limited Liability Partnership (LLP); (Register and regulated by SECP)
- Association of persons (Partnership Firm); (Register and regulated by the registrar of firms)
- Branch or Liaison office of a foreign corporation;
- Sole proprietorship;

1.4 Foreign exchange control

Foreign exchange policy and its operations in Pakistan are formulated and regulated in accordance with the provisions of the "Foreign Exchange Regulation Act, 1947" (the Act).

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

Pakistan's economy had shown periodic 'boom-bust' growth cycles. The reasons for such volatile growth cycles include the wide-ranging economic challenges like shrinking fiscal space, exchange rate pressure, mounting current account deficit, inflation, energy sector bottlenecks, and the absence of a supportive environment for the private sector.

In FY2022, the real GDP growth remained at 5.97 percent which is 383 billion USD at the close of Financial Year 2022 (June 30, 2022). The growth, however, is also accompanied by external and internal imbalances, as has been the case historically with Pakistan's economy.

The inflation rate measured at 21.3% while the base interest rate is 13.75% at the close of Financial Year 2022.

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.

Bodies of persons subject to corporate tax are:

- a company incorporated under the Companies Act, 2017
- a body corporate formed by or under any law in force in Pakistan;
- a modaraba;
- a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
- a co-operative society, a finance society or any other society;
- a non-profit organization;
- a trust, an entity or a body of persons established or constituted by or under any law for the time being in force;
- a foreign association, whether incorporated or not, which the [Board] has, by general or special order, declared to be a company for the purposes of this Ordinance;
- a Provincial Government;
- a Local Government in Pakistan;
- a Small Company

2.2 Rates of tax

Applicable Income Tax rates for Companies:

Companies (other than banking companies)	29%
Banking companies	39%
Small Companies	20%

Super tax on high earning persons:

A super tax shall be imposed for tax year 2022 and onwards at the rates specified below, on income of every person:

S. No.	Income	Rate of Super Tax
1.	Where income does not exceed Rs.150 million	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
5.	Where income exceeds Rs. 300 million	4% of the income

Notes:

- i. Persons engaged, whether partly or wholly, in the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs. 300 million.
- ii. The Banking companies are subject to super tax from tax year 2023 onwards. The rate of super tax shall be 10% where the income exceeds Rs. 300 million.

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 includes:

- Rental Income from Property
- Income / (Loss) from Business – (Manufacturing/Trading/Service/Other)
- Gains / (Loss) from Capital Assets
- Foreign Income
- Agriculture Income
- Royalty
- Profit on Debt (Interest, Yield, etc.)
- Fee for Technical / Professional Services
- Accounting Gain on Sale of intangibles & tangibles
- Net Gain / (Loss) on Securities held long term
- Rent from sub lease of Land or Building
- Rent from lease of Building with Plant and Machinery
- Deemed income derived from the capital assets situated in Pakistan
- Income from other sources

2.5 Taxation of dividends**Rate of Dividend Tax****Dividend received from:**

Independent Power Producers	7.5%
Other cases	15%
From a company where no tax payable by such company, due to exemption of income or carry forward of business losses.	25%

Dividend received from Special Purpose Vehicle under the Real Estate Investment Trust Regulations, 2015:

in case of dividend received by a REIT scheme	0%
in case of dividend received by others	35%

2.6 Taxation of capital gains

Gain arising on disposal of open plot and constructed property would be calculated based on holding period as follows:

S. no.	Holding period	Open Plots	Constructed Property	Flats
1.	Not exceeding one year	15%	15%	15%
2.	Exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Exceeds two years but does not exceed three years	10%	7.5%	-
4.	Exceeds three years but does not exceed four years	7.5%	5%	-
5.	Exceeds four years but does not exceed five years	5%	-	-
6.	Exceeds five years but does not exceed six years	2.5%	-	-
7.	Exceeds six years	0%	-	-

CAPITAL GAIN ON SECURITIES:

“security” means;

- Share of a public company,
- Voucher of Pakistan Telecommunication Corporation,
- Modaraba Certificate,
- Instrument of redeemable capital,
- Debt Securities
- 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	Rate of Tax for Tax year 2023 and onwards
1.	Where the holding period does not exceed one year	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	5%
6.	Where the holding period exceeds five years but does not exceed six years	2.5%
7.	Where the holding period exceeds six years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

Capital Gain on disposal of capital assets other than securities:

Capital gains arising on disposal of capital assets (other than certain securities) held for more than 01 year are now fully taxable. The reduction of 25% (in computing taxable gain on disposal of such assets held for more than one year) has been withdrawn.

2.7 Taxation of interest income

Interest income derived by any company shall be taxable under the head "Income from other source" under normal tax regime.

- The withholding rate u/s 151 is 15% of the profit on debt.

2.8 Taxation of deemed income

Deemed income effective from tax year 2022 has been imposed on amount equal to 5% of fair market value of capital asset situated in Pakistan held on the last day of tax year excluding the following:

- One capital asset owned by the resident person.
- Self-owned business premises.
- Self-owned agriculture land where agriculture activity is carried out.
- Capital asset allotted to Shaheed (Martyred) or dependents.
- Any property from which income is chargeable to tax.
- Capital asset in the first tax year of acquisition where tax under section 236K has been paid.
- Where the fair market value of the capital assets in aggregate does not exceeds Rs. 25 million.
- Farmhouse not exceeding 2000 square yards.

The rate of tax shall be 20% of deemed income.

2.9 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. Unadjusted loss, if any, can be carry forward up to the following immediately six tax years.

Where a loss, relating to a tax year commencing on or after the first day of July, 2020 is sustained by a resident company engaged in the hotel business in Pakistan, the said loss shall be carried forward for a period of eight 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.

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.

Capital loss on disposal of securities:

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.

2.10 Key Tax incentives

Tax Incentive on Export of IT Services:

Income from exports of computer software or IT services or IT enabled services, is taxable at the reduced rate of 0.25% of the export proceeds, which is the final tax liability on the income.

Tax Incentive on Export of Other Services:

The export of services other than IT Services are taxable at 1% of the export proceeds as the final tax liability. It includes:

- services or technical services rendered outside Pakistan or exported from Pakistan
- royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;
- construction contracts executed outside Pakistan
- foreign commission due to an indenting commission agent

Tax Credit for Startup:

100% tax credit against the tax payable is applicable on the income of a startup in a tax year in which startup is certified by the Pakistan Software Export Board and the next following two tax years. Startup means "a business of a resident individual, AOP or a company that commenced on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million in each of the last five tax years"

2.11 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, and property rentals. The rate of withholding taxes varies on transactional basis and in some cases varies on progressive basis.

2.12 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.

2.13 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	<p>A Company shall pay a penalty equal to higher of –</p> <p>a) 0.1% of the tax payable in respect of that tax year for each day of default; or</p> <p>b) rupees one thousand for each day of default.</p> <p>Provided that Minimum penalty shall be rupees fifty thousand.</p> <p>Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year.</p>

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.
- Being citizen of Pakistan is not a tax resident of any other country.

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. 600,000	0
2.	Rs. 600,001 to Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
3.	Rs. 1,200,001 to Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
4.	Rs. 2,400,001 to Rs. 3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs. 2,400,000
5.	Rs. 3,600,001 to Rs. 6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000
6.	Rs. 6,000,001 to Rs. 12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000
7.	Rs. 12,000,001 and above	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000

SEPARATE TAXATION:

However, Income from Property, Capital gain on immoveable 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 for educational expenses
- Charitable donations
- 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%
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

Gain arising on disposal of open plot and constructed property would be calculated same as for corporate taxation explained in 2.6.

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:**TAX RATES FOR CAPITAL GAIN ON SECURITIES:**

Capital gain on disposal of securities shall be chargeable to tax same as the corporate tax explained in 2.6.

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.

Capital loss on disposal of securities will be adjusted same as corporate tax explained in 2.6.

3.7 Taxation of interest income

Interest income of individuals is subject to final tax of 15% where the total income earned in a tax year does not exceeds PKR 5 million. Where the interest income exceeds PKR 5 million, it would be subject to tax at normal slab rates applicable for individual. Income tax withholding in the instant case is fixed at 15%. Further, interest on government securities is subject to tax at normal slab rates applicable for individuals irrespective of the amount of interest income.

3.8 Taxation of deemed income

Deemed income effective from tax year 2022 has been imposed on amount equal to 5% of fair market value of capital asset situated in Pakistan held on the last day of tax year excluding the following:

- One capital asset owned by the resident person.
- Self-owned business premises.
- Self-owned agriculture land where agriculture activity is carried out.
- Capital asset allotted to Shaheed (Martyred) or dependents.
- Any property from which income is chargeable to tax.
- Capital asset in the first tax year of acquisition where tax under section 236K has been paid.
- Where the fair market value of the capital assets in aggregate does not exceeds Rs. 25 million.
- Farmhouse not exceeding 2000 square yards.

The rate of tax shall be 20% of deemed income.

3.9 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. 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.

3.10 Withholding tax

Please refer to the point mentioned above under section 2.10.

3.11 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.

3.12 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>A person shall pay a penalty equal to higher of –</p> <p>a) 0.1% of the tax payable in respect of that tax year for each day of default; or</p> <p>b) rupees one thousand for each day of default.</p> <p>Provided that Minimum penalty shall be –</p> <p>(i) rupees ten thousand in case of individual having seventy five percent or more income from salary; or</p> <p>(ii) Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year.</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: 15%

Punjab Province: 16%

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:

1	Austria	2	Azerbaijan	3	Bahrain
4	Bangladesh	5	Belgium	6	Belarus
7	Bosnia and Herzegovina	8	Brunei Darussalam	9	Bulgaria
10	Canada	11	China	12	Czech Republic
13	Denmark	14	Egypt	15	Finland
16	France	17	Germany	18	Hong Kong
19	Hungary	20	Indonesia	21	Iran
22	Ireland	23	Italy	24	Japan
25	Jordan	26	Kazakhstan	27	Korea
28	Kuwait	29	Kyrgyz Republic	30	Libya
31	Lebanon	32	Malaysia	33	Malta
34	Mauritius	35	Morocco	36	Nepal
37	Netherlands	38	Nigeria	39	Norway
40	Oman	41	Philippines	42	Poland
43	Portugal	44	Qatar	45	Romania
46	Saudi Arabia	47	Serbia	48	Singapore
49	South Africa	50	Spain	51	Sri Lanka
52	Sweden	53	Switzerland	54	Syria
55	Tajikistan	56	Thailand	57	Tunisia
58	Turkey	59	Turkmenistan	60	Ukraine
61	United Arab Emirates	62	United Kingdom	63	United States of America
64	Uzbekistan	65	Vietnam	66	Yemen

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 Real 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

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SAUDI ARABIA

GENERAL INFORMATION

1.1 Country/Region

Saudi Arabia

1.2 Currency

Saudi Arabian Riyals (SAR)

1.3 Principal business entities

Joint liability company

Establishment/sole proprietorship

Limited partnership company

Joint venture

Joint-stock company

1.4 Foreign exchange control

Saudi Central Bank

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

During its modern era, the Saudi economy witnessed a growth in a large number of sectors, taking advantage of the Kingdom's natural resources and its geographical and cultural position among the three continents of the world. This growth resulted in constituting a solid economic base since it became among the twenty largest global economies, an active member of the G20, and one of the main players in the global economy and global oil markets supported by a strong financial system, an effective banking sector and giant government companies that depend highly upon qualified Saudi staff.

In the past years, the Kingdom has also witnessed structural reforms on the economic and financial side which enhance the increase in economic growth rates while maintaining financial stability and sustainability. This is evident in the improvement of the business environment in the Kingdom and the continuous quest to empower the private sector to support economic diversification by improving the business environment and overcoming obstacles to make it a more attractive environment in addition to investing in previously untapped sectors as well as improving the investment environment and increasing its attractiveness to local and foreign investors.

In order to develop and diversify the economy and reduce dependence on oil, the Kingdom of Saudi Arabia launched the Saudi Vision 2030 that stresses upon many economic and financial reforms which aimed at transforming the structure of the Saudi economy into a diversified and sustainable economy based on enhancing productivity, raising the contribution of the private sector and enabling the third sector.

Since the launch of this vision, the Kingdom has succeeded in implementing many supportive initiatives and structural reforms to enable economic transformation. This transformation included

several major efforts centered on a sectorial dimension that includes enhancing local content and national industry, launching and developing promising economic sectors, and an enabling dimension that aimed at maximizing the role of the private sector and small and medium-sized enterprises, and enhance the sustainability of public finances. These structural changes have contributed to enhancing the Kingdom's economy's ability to steadily overcome the COVID-19 pandemic in 2020. The pace of this structural transformation towards sustainable economic growth is expected to continue in the coming years, especially in light of a number of giant investment initiatives under the supervision of the Public Investment Fund and leading companies. It is also expected that the pace of localization of knowledge and innovative technologies will accelerate.

1.6 National tax authority

Name: Zakat, Tax, and Customs Authority (ZATCA)

Website: www.zatca.gov.sa/en/Pages/default.aspx

CORPORATE INCOME TAX

2.1 Basis of taxation

It applies to:

The resident capital company for the shares of non-Saudi partners as well as for the shares owned directly and indirectly by individuals working in the production of oil and hydrocarbons.

A non-Saudi resident natural person who practices activity in the Kingdom.

A non-resident person who carries out an activity in the Kingdom through a permanent establishment.

A non-resident person who has taxable income from sources in the Kingdom without having a permanent establishment there.

A person who works in the field of natural gas investment.

A person who works in the field of oil and hydrocarbon production.

2.2 Rates of tax

A- The tax rate on the tax base is twenty percent (20%) for each of:

- 1- The resident capital company.
- 2- A non-Saudi resident natural person who exercises the activity.
- 3- A non-resident person as a result of an activity he exercises in the Kingdom through a permanent establishment.

B- The tax rate on the tax base of the taxpayer who works in the field of natural gas investment is twenty percent (20%).

C- The tax rate for the taxpayer who works in the production of oil and hydrocarbons is as follows:

- 1- (50%) for the taxpayer whose total capital investment in the Kingdom is more than 375 billion riyals.
- 2- (65%) for the taxpayer whose total capital investments in the Kingdom amount to more than (300) billion riyals and up to an amount of (375) billion riyals.
- 3- (75%) for the taxpayer whose total capital investments in the Kingdom amount to more than (225) billion riyals and up to an amount of (300) billion riyals.
- 4- (85%) for the taxpayer whose total capital investments in the Kingdom amount to no more than (225) billion riyals.

For the purposes of applying this paragraph, total capital investments refer to the total accumulated value of fixed assets such as property, equipment, machinery, supplies, etc. and of intangible assets including the costs of exploration and drilling works and development of oil and hydrocarbons before deducting depreciation and amortization.

2.3 Year of assessment

The tax year for a single taxpayer for all aspects of his activity is the fiscal year of the state. The fiscal year for the taxpayer starts from the date of obtaining the commercial register or license unless proven otherwise by evidence. A different tax year may be used in the following cases:

- If the taxpayer uses a different fiscal year approved by the authority before the system comes into force.
- If the taxpayer uses a Gregorian fiscal year.

If the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different fiscal year.

2.4 Profits deemed to be taxable

- a) The tax base of the resident capital company is the shares of the non-Saudi partners and the shares of the partners working in the production of oil and hydrocarbons from their taxable income from any activity from sources in the Kingdom minus the permissible expenses under this system.
- b) The tax base of a non-Saudi resident natural person is his taxable income from any activity from sources in the Kingdom minus the permissible expenses under this system.
- c) The tax base of a non-resident who exercises an activity in the Kingdom through a permanent establishment is his taxable income resulting from the activity of that establishment or related to it minus the expenses allowed under this system.
- d) The tax base of a single natural person is calculated independently of others.
- e) The tax base of a single fund company is calculated independently of the tax base of its shareholders, partners or subsidiaries regardless of whether the company's accounts are consolidated with the accounts of another person for accounting purposes.
- f) The tax base of a person who works in the production of oil and hydrocarbons is his taxable income minus the permissible expenses under this system. This does not include the tax base related to the field of natural gas investment of this person.
- g) The tax base of a person who works in the field of natural gas investment is his taxable income in the field of natural gas investment minus the expenses allowed under this system

from the tax base related to the rest of the system. This tax base is considered independent of the tax base related to the rest of the other aspects of the person's activity.

2.5 Taxation of dividends

The cash distributions as well as in-kind distributions (such as dividends or free shares, for example) due on investments of a resident or non-resident Capital company are exempted from tax with the following conditions:

- The investments of the resident capital company in the capital of the investee company must be 10% or more during the years for which the distribution was made.
- The ownership of these investments, which is set at 10% as a minimum, must continue for a period of one year or more during the year for which the distribution was made.

2.6 Taxation of capital gains

A- Capital profits achieved from disposal of securities traded in the financial market in the Kingdom of Saudi Arabia, whether through sale, trading, or the like, will be exempted from tax in accordance with the following controls:

- If the disposal process is carried out in accordance with the financial market system in the Kingdom.
- The investments that have been disposed of must not exist before the effective date of the tax system specified in Article 74 of the Regulations. Article Seventy-four "The provisions of the tax system issued by Royal Decree No. (M/1) dated 15/01/1425 AH are held effective as of 13/6/1425 AH corresponding to 30/7/2004..."

B- Capital profits achieved from the disposal of securities traded in the financial market outside the Kingdom of Saudi Arabia, whether through sale, trading, or the like, will be exempted from tax in accordance with the following controls:

- If these securities are traded in the financial market in the Kingdom.
- The investments that have been disposed of must not exist before the effective date of the tax system specified in Article 74 of the Regulation. "The provisions of the tax system issued by Royal Decree No. (M/1) dated 15/1/1425 AH are held effective as of 13/ 06/1425 AH corresponding to 30/7/2004."

2.7 Taxation of interest income

N/A

2.8 Utilization of tax losses

- 1- The taxpayer has the right to carry over the adjusted operating losses according to the rules and regulations of tax purposes to the tax years following the year of the loss by reducing the profits of the following years until all the accumulated operating losses are recovered without being bound by a specific period provided that the maximum permissible deduction in each tax year does not exceed (25%) of the annual profit of the taxpayer's declaration.
- 2- The above does not apply to the operational losses incurred by the taxpayer prior to the enforcement of Cabinet Decision No. "13" No. (3) dated 05/01/1421 AH corresponding to 10/04/2002 AD, or to those incurred during the tax exemption period or to the operational losses resulting from exercising activities that are not subject to tax under the income tax

system, if the taxpayer has activities that are subject to tax and others that are not, as the taxpayer is not entitled to carry over such losses.

- 3- It is not permissible to carry forward losses that have not been determined according to statutory accounts audited by a certified public accountant licensed in the Kingdom.
- 4- It is not permissible to carry over losses to a capital company whose ownership or control has been changed or modified by 50% or more except for losses that are achieved after the change in ownership and the controls related to the carrying-over of losses are applied to them. In the case of a natural person, the operating loss represents the difference between the revenue of the activity and the related expenses only.

2.9 Key Tax incentives

The Zakat, Tax and Customs Authority submitted an initiative of financial penalties exemption and cancellation of fines. The initiative is considered one of the authority's initiatives aimed at mitigating the financial and economic impact that the private sector suffers from as a result of the measures taken to confront the spread of the COVID-19, which have been extended for a period of six months starting from January 21, 2021 to June 30, 2021.

This initiative depended upon three phases including:

Phase 1: From January 1 to March 31st, 2021: 100% exemption from fines and tax penalties.

Phase 2: from April 1 to May 31st, 2021: 75 % exemption from fines and penalties.

Phase 3: from June 1 to June 30th, exemption from fines and penalties by 50%.

The fines and penalties covered by the initiative include:

- 1- Delay in submitting tax statements.
- 2- Delay in paying the tax statements.
- 3- Amending value-added tax statements.

On June 01st, the authority re-launched the initiative of financial penalties exemption and cancellation of fines of all taxpayers subject to all tax systems for a period of six months starting from June 1st, 2022 until November 30th, 2022, with the aim of mitigating the economic effects of Corona pandemic on businesses. The authority pointed out that the fines covered by the initiative are:

- 1- Penalty related to late registration in all tax systems.
- 2- Fine of late payment.
- 3- A fine of late submittal of tax statements.
- 4- A fine of correcting VAT tax statements.
- 5- Fines of violating field controls related to the application of electronic billing and other general provisions of the value added tax.

2.10 Withholding tax

Withholding tax is a mechanism for imposing income tax in a way that differs from the general rule of imposing the tax since it obligates the resident (the taxpayer) in the Kingdom who pays sums to a non-resident person in the Kingdom from a source in the Kingdom (achieved income for the non-resident) to deduct a percentage of the paid amount according to the applicable tax rates (5%, 15%, 20%) and deposit the value of the withholding tax

at the Authority.

A non-resident is subject to tax on any amount obtained from any source in the Kingdom. The tax will be deducted from the total amount according to the following rates:

- 1- Management fee: 20%
- 2- Royalty or royalties, payments for technical services, consulting, or international telephone communications services paid to the head office or a related company: 15%
- 3- Technical or advisory services or international telephone services other than what is paid to the head office or a related company, rent, airline tickets, air or sea freight, distributed profits, loan returns, insurance or reinsurance premium: 5%
- 4- Any other payments: 15%.

2.11 Transfer Pricing

"Transaction pricing" is defined as the pricing of transactions between related individuals or individuals subject to joint control. The importance of transaction pricing instructions represents in ensuring that the principle of neutral price is adhered to. That is, to price transactions between related individuals or individuals under joint control as if they were transactions between independent parties.

From this point of view, the principle of neutral price must be adopted as a basis for pricing all transactions between related individuals. The transaction pricing instructions define the principle of neutral price as the financial characteristics and terms of transactions that are based on considerations taken into account by unrelated individuals to evaluate the economic aspect of the transaction. The Transaction Pricing Instructions deal with cases where the terms and conditions of commercial and financial transactions between related individuals differ from the terms and conditions of commercial and financial transactions between independent individuals. Whereas, for the purposes of income tax, the unachieved profits that could have been achieved by any of the related individuals, had it not been for the difference of those terms and conditions, are calculated within the profits of this individual. The tax is imposed on these profits accordingly.

2.12 Filing requirements of tax return

Filing due dates	The tax statement is submitted within 120 days from the date of the fiscal year.
Penalties	<p>1% of the total revenue, with a maximum of 20,000 riyals.</p> <p>5% of the unpaid tax if the delay does not exceed 30 days.</p> <p>10% of the unpaid tax if the delay does not exceed 60 days.</p> <p>20% of the unpaid tax if the delay does not exceed 90 days.</p> <p>25% if the delay does not exceed 365 days.</p>
Payment of profit tax and application of holdover	/

Zakat

3.1 Basis of taxation (Residence, Personal assessment)

Zakat is imposed on every natural or legal person engaged in an activity that is subject to levy of zakat in accordance with the provisions of the executive regulations of levying zakat, whether it is an individual institution or a company, or whoever exercises the activity under a license issued by the competent authorities, and referred to as the taxpayer.

3.2 Rates of tax

The percentage of legal zakat is (2.50%) of the zakat base for the Hijri year only but if the zakat year of the taxpayer is in the Gregorian calendar, the zakat percentage is calculated according to the actual number of days of the zakat year of the taxpayer. In case the zakat year of the taxpayer is a short or long period upon the start or end of the activity, the percentage of Zakat is calculated on the actual number of days excluding the adjusted profit for the purposes of zakat at the basic rate (2.5%). The percentage of zakat is calculated according to the actual number of days in the zakat year according to the Gregorian calendar as follows:

$(2.50\% / \text{number of days of the Hijri year (354)}) * \text{The number of actual days of the Zakat year of the taxpayer.}$

3.3 Year of assessment

Zakat is imposed on the taxpayers for each Zakat year - the financial year of the taxpayer - whether that year is according to the Hijri or Gregorian calendar or if the year is short or long (a short or long financial period) at the beginning of the taxpayer's exercise of his activity or at the end of his practice.

The rules of Zakat accounting stipulate that the Zakat year for the taxpayer starts from the date of issuing the commercial register, depositing the capital, or obtaining the necessary licenses, whichever is earlier. Often the beginning of the first zakat year for the taxpayer is determined from the date of issuance of the commercial register under the companies' articles of association, provided that the zakat year after that is the same as the financial year of the taxpayer.

3.4 Zakat base

- The Zakat base of the taxpayer who maintains commercial books and records consists of all his funds subject to Zakat. These funds differ in terms of their sources. Some of them are internally generated from the elements of equity and the like and some of them are externally generated.
- As for the internally generated funds, they are added in full to the zakat base. As for those externally generated funds, only the part that financed a deductible item from the base (deductions) is added in addition to deducting all items that must be deducted in accordance with the executive regulations.
- It can be said that adding these funds to the zakat base are represented in matching the deductible assets with the commitments taken in them and accessing the zakat assets financed by internally generated funding sources.
- It should be noted that when calculating the zakat base, the obligations of the taxpayer, which arose from external sources of funding, must be added first, assuming their priority in financing deductible items. Therefore, the order of obligations arising from external sources of financing in adding them to

the zakat base becomes as follows:

- Obligations that financed deductible assets.
- Long-term obligations with a term of more than 354 days.

3.5 Calculation of Zakat using the estimation method

Calculating Zakat by the estimation method: The Authority settles accounts with those who do not have commercial books in addition to those whose commercial books do not have the legal status using the estimation method.

For the taxpayer who is not obligated to keep commercial books, Zakat is calculated on his behalf by the Authority based on the estimation method. The authority is also entitled to account for Zakat using the estimation method in the following cases:

1. If it is unable to access the financial data and information that reflect the reality of the taxpayer and his activity.
2. If the taxpayer fails to submit the statements within the statutory period for submission.
3. If the taxpayer does not provide the required data and information in Arabic.
4. If the taxpayer is not required to keep commercial books in their regular form.
5. If the Authority finds that the data and information provided by the taxpayer are incorrect.
6. If the taxpayer is unable to prove the validity of the data and information declared in his Zakat statement.

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	Each taxpayer must submit the Zakat declaration and its attachments in Arabic and pay Zakat in accordance with the Authority's procedures within a period not exceeding (120) days from the end of the Zakat year.
Penalties	There are no financial penalties for late payment but there are collection procedures approved by the authority by sending a first and second claim to the taxpayer stating the payment of the amounts due. In the event that the taxpayer does not respond to the first and second claims for payment; He will be notified of the intention to seize his movable and immovable property that may be seized legally unless payment is made within twenty days from the date of this notification.
Application of holdover	/

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

N/A

4.2 Basis of contribution

N/A

4.3 Contribution rate

N/A

4.4 Exemption from tax

N/A

GST/VAT

5.1 Basis of tax

Value Added Tax is an indirect tax imposed on all goods and services that are bought and sold by businesses, with some exceptions.

VAT is imposed at each stage of the supply chain, from production through distribution to the final sale of the good or service.

The consumer pays the cost of value-added tax on the goods and services he purchases. As for facilities, the value-added tax collected from consumer purchases are paid to the government. The facilities recover the value-added tax they paid to their suppliers.

The Zakat, Tax and Customs Authority is responsible for managing and implementing value-added tax in the Kingdom of Saudi Arabia in cooperation with all concerned authorities.

5.2 Rates of tax

The Kingdom committed to implementing a value-added tax at 5% starting from January 1, 2018, and starting off July 2020. A decision was applied to raise the value-added tax rate to 15% on all goods and services subject to VAT.

5.3 Registration

The limit of companies' VAT registrations is based on the value of their taxable supplies which include standard supplies, zero-rated and reverse-charged received supplies and imported goods.

Mandatory registration:

Companies that make an annual taxable supply of goods and services over 375,000 SAR are required to register for VAT with the Zakat, Tax, and Customs Authority. The mandatory registration limit is calculated on the basis of the rate of total taxable sales in the past twelve or the next twelve months.

Voluntary registration:

Voluntary registration provides significant benefits to companies as it allows input tax deduction. There are two groups for those for whom VAT is optional:

Companies with taxable sales of more than 375,000 SAR and selling exclusively zero-rated products (such as some medical products, international transportation and exports to non-GCC countries) can register voluntarily.

Companies that generate annual revenues of less than 187,500 SAR, and companies that provide goods and services that are

exempted from VAT, cannot register for VAT.

Registration of residents outside the Kingdom of Saudi Arabia

Non-residents of Saudi Arabia who make taxable purchases and sales in the Kingdom are required to register and pay VAT. To register for VAT, non-resident businesses are required to appoint a tax representative located in the Kingdom of Saudi Arabia.

Once the representative is approved by the Federal Tax Authority, the representative will be able to submit VAT declaration, pay tax, and correspond with the Federal Tax Authority on behalf of the taxpayer. So, if a business fails to pay tax for an extended period of time, a tax representative may be required to pay it.

VAT group registration.

Two or more legal individuals are allowed to register as a group if the same entity or individual owns at least 50% or more of the other group members. These groups must apply using the Federal Tax Authority's online application form.

For a group to be eligible, the following conditions must be met:

All members of the group have to carry out an economic activity.

All group members must be legal residents of the Kingdom of Saudi Arabia.

At least one member must independently reach the taxable sales limit to register for VAT.

5.4 Filing requirements

A VAT declaration must be submitted for each tax period between the first day and the last day of the month following the end of the tax period. For example:

- To file a VAT declaration for January to March 2020, you must submit your file before April 30th, 2020.
- To submit your January 2020 VAT return, you must submit your file before February 28th, 2020.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The Kingdom of Saudi Arabia has signed agreements with several countries to avoid double taxation

6.2 List of double tax treaties signed

1-Venezuela	18-Algeria	35-Turkey
2-Cyprus	19-Luxembourg	36-Belarus
3-Bulgaria	20-Malta	37-Bangladesh
4-Mexico	21-Ukraine	38-Britain and Northern Ireland
5-Kazakhstan	22-Ireland	39-Pakistan
6-Russia	23-Tunisia	40-Italy
7-Jordan	24-Czech	41-Uzbekistan
8-Arab Republic of Egypt	25-Poland	42-Greece
9-Turkmenistan	26-Netherlands	43-Japan
10-Ethiopia	27-Romania	44-India
11-Tajikistan	28-Malaysia	45-Austria

12-Sweden	29-Korea	46-China
13-Macedonia	30-Vietnam	47-Spain
14-Portugal	31-France	48-Georgia
15-Kyrgyzstan	32-Syria	49-UAE
16-Hungary	33-Singapore	50-Albania
17-Azerbaijan	34-South Africa	51-Kosovo

OTHER SIGNIFICANT TAXES (Real Estate Transaction Tax (RETT))

7.1 Stamp duty

5%

7.2 Real property tax

Real estate transactions in Saudi Arabia were subject to a value-added tax of 15%, but on October 2, 2020, the Zakat, Tax, and Customs Authority (ZATCA) issued a decision exempting real estate transaction from Value-Added Tax (VAT) and instead, approving a 5% Real Estate Transaction Tax (RETT) on real estate transactions effective from 4th October 2020.

As of 4 October 2020, a 5% Real-Estate Transaction Tax (RETT) was imposed on all real estate transactions that include the sale, Will, financial lease, lease ending with ownership, and long-term usufruct contracts with a period exceeding 50 years which are not deductible nor refundable. The real estate transaction tax is imposed on all individuals and organizations involved in real estate disposals and is paid by the seller (disposer).

As per the executive regulations of RETT issued by ZATCA, some transactions are exempted from RETT including:

- Disposal of the real estate in cases of inheritance distribution, family endowment, charitable endowment, charity association, or as a gift between relatives up to the second degree.
- Disposal of real estate for a government agency or public legal persons for the public benefit.
- Disposal of real estate by a government agency as a public authority that is not related to investment, commercial or economic purpose.
- Disposal of real estate in cases of expropriation for the public benefit or temporary seizure of real estate.
- Disposal of real estate as part of a legitimate will.
- Transfer of real estate temporarily for use as a financial or credit guarantee.
- Disposing of real estate temporarily for the purpose of transferring it between a fund and a custodian or vice versa, or between custodians for the same fund.
- Transfer of ownership of a real estate in implementation of lease contracts for the purpose of ownership and finance lease contracts entered into prior to imposing the RETT.
- Provision of real estate as an in-kind share in the capital of joint-stock companies, limited liabilities, and partnerships or limited partnerships provided that the corresponding shares are not disposed of for a period of five years.
- Real estate transactions in which one of the parties is a foreign government, an international organization, a diplomatic or

military authority, or a member of the diplomatic, consular, or military corps accredited in the Kingdom on the condition of reciprocity.

- Real estate disposal that was previously subject to VAT, provided that there is no change in the parties of the transaction or the value and terms of the contract.
- Transfer of ownership of a real estate by a partner in a company to that company, provided that this real estate is recorded in the company's assets before the RETT became effective.

The tax is generally due on the date of disposal of the real estate on the basis of the value of the real estate according to the value agreed upon between the buyer and the seller, provided that it is not less than the fair market value on the date of disposal. The Executive Regulations list different tax points for the different disposals.

The fine for late payment of RETT is 5% of the unpaid tax value for each month or part-month for which the tax has not been paid. The penalty for violating the rules of RETT is subject to a fine of no less than 10,000 Saudi Riyals and not more than the value of the tax due.

On 18th February 2021, ZATCA approved amendments to the RETT executive regulations taking effect on the same date. The main amendments are listed below:

- Extending the exemption under Article 3 (A.6) which involves the disposal of real estate as a gift between relatives up to the third degree instead of the second provided that the disposer does not pre-dispose of the gift to a person who does not qualify as up to a third-degree relative of the disposer for a period of three years from the date of certification of the gift.
- A joint venture exclusion statement has been added to Article 3 (A.10) which involves in-kind contributions of real estate.
- Amendments to the definitions section in the executive regulations to include definitions of the first, second, and third-degree relatives.
- Amendment to the date of payment of RETT in relation to the transactions carried out according to off-plan sales projects.

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

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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
- Private Limited company
- Public 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)

Singapore's economic growth is expected to moderate further next year, tracking a slowdown in its major trading partners, while global inflation is expected to ease in 2023.

Singapore is seeing a surge in inflation globally because a robust demand recovery post-COVID has run into supply-side frictions and, more recently, war-related disruptions. Rising inflation has no doubt dented business and consumer confidence, but not yet to a degree that would lead to a severe downturn this year.

Inflation is expected to ease in 2023 as major central banks withdraw policy accommodation and supply challenges are addressed. Globally, policy makers are ramping up their battle against mounting inflation, driven by supply constraints caused by the Ukraine war and the pandemic.

The extent of the growth moderation will depend in part on how the scenarios for the global economy will pan out. As of now, we expect neither a recession nor a stagflation in Singapore next year.

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 taxpayers. 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 2021 will be taxed in YA 2022.

2022 is the Year of Assessment (YA), the year in which the income is assessed to tax.

2.4 Profits deemed to be taxable

Payment to non-resident company or individual (e.g. commission, interest, management fee, remunerations, rental of movable properties, royalties, and technical fees) are deemed to be derived from Singapore. Such payments are subject to withholding tax of 10% to 15%. The tax rates for Companies and unincorporated bodies are 17% and 22% respectively.

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.

Foreign sourced dividends remitted to Singapore may exempt from tax if they meet all the conditions below:

- It has been subjected to tax in foreign jurisdiction
- the foreign headline tax rate is at least 15% at the time the foreign dividend is received in Singapore
- tax exemption is beneficial to the Singapore tax resident company.

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 transferred to another company in the same group with conditions apply (e.g. 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)

- Under the Loss carry-back relief Scheme, companies are allowed to carry back the losses in a YA to reduce the amount of tax payable in the immediate preceding year of assessment provided that the companies satisfies the shareholding test. The maximum amount of qualifying deduction that can be carried back is SGD 100,000

2.9 Key Tax incentives

Singapore Tax incentives for Companies

Tax incentives for companies are provided in the Singapore Income Tax Act ("SITA") 1947 and Economic Expansion Incentives Act (Relief from Income Tax) 1967 (EEIA).

The following key tax incentives are available: -

Governing Legislation	Types of incentives	Statutory Board
1. SITA – Section 13E	Exemption of international shipping profits	Maritime and Port Authority of Singapore ("MPA") www.mpa.gov.sg
2. SITA – Section 13G	Exemption of income of venture company	Enterprise Singapore www.enterprisesg.gov.sg
3. SITA – Section 13P	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 43E	Concessionary Rate of Tax ("CRT") for Finance and Treasury Centre	EDB www.edb.gov.sg
8. SITA – Section 43I	CRT for global trading company and qualifying company	Enterprise Singapore www.enterprisesg.gov.sg
9. SITA – Section 43J	CRT for financial sector incentive company	MAS www.mas.gov.sg
10. SITA – Section 43L	CRT for shipping investment manager	MPA www.mpa.gov.sg
11. SITA – Section 43P	CRT for container investment enterprise	MPA www.mpa.gov.sg
12. SITA – Section 43Q	CRT for container investment manager	MPA www.mpa.gov.sg
13. SITA – Section 43T	CRT for ship broking and forward freight agreement trading	MPA www.mpa.gov.sg
14. EEIA – Part 2	Pioneer Industries	EDB www.edb.gov.sg
15. EEIA – Part 3	Pioneer Service Companies	EDB www.edb.gov.sg
16. EEIA – Part 4	Development and Expansion Incentive	EDB www.edb.gov.sg
17. EEIA – Part 8	Investment Allowances	EDB www.edb.gov.sg

2.10 Withholding tax

Please refer to Section 2.4

2.11 Transfer Pricing

IRAS endorses the arm's length principle as the standard to guide transfer pricing. It is an internationally accepted standard adopted for transfer pricing between related parties. IRAS subscribes to the principle that profits should be taxed where the real economic activities generating the profits are performed and where value is created. A proper application of the transfer pricing rules would ensure this outcome.

Where the pricing of related party transactions is not at arm's length and results in a reduced profit for the Singapore taxpayer, IRAS may adjust the profit of the Singapore taxpayer upward. The adjustment to reflect the arm's length results may increase the amount of income or reduce the amount of deduction or loss of the Singapore taxpayer.

Taxpayers should prepare and keep contemporaneous transfer pricing documentation. Transfer pricing documentation refers to the records kept by taxpayers to show that their related party transactions are conducted at arm's length.

The preparation and maintenance of transfer pricing documentation will facilitate reviews by tax authorities and therefore help resolve any transfer pricing issues that may arise.

Without transfer pricing documentation to show that the transfer prices are at arm's length, taxpayers may not be able to deal with transfer pricing enforcement actions by tax authority and double taxation arising from those actions.

2.12 Filing requirements of tax return

Filing due dates	All companies are required to e-file the tax return by 30 Nov of the year.
Penalties	In the event the company fails to submit the tax return, the following action will be taken by IRAS: <ul style="list-style-type: none"> a) Issue estimated Notice of Assessment, and the company is required to pay the estimated tax within 30 days from the date of assessment b) Offer to compound the offence with a composition amount not exceeding \$1,000 c) Issue a Section 65B (3) notice to the director to submit the required information in the Form C-S/ C to IRAS; and/or d) Summon the company or person responsible for running of the company (including the directors) to Court.
Payment of profit tax and application of holdover	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: <ul style="list-style-type: none"> a) ECI is NIL and b) Annual revenue is less than SGD 5 million 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.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All incomes 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

FROM YA 2017 to YA 2023

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	-	\$200
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
In excess of \$320,000	22	No capped amount

Singapore's personal income tax rates for resident taxpayers 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 in excess of \$320,000 per annum after deducting personal reliefs which individuals entitled from YA 2017 to YA 2013.

FROM YA 2024 ONWARDS

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	-	\$200
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
Next \$180,000	22	\$39,600
First \$500,000	-	\$84,150
Next \$500,000	23	\$115,000
First \$1,000,000	-	\$199,150
In excess of \$1,000,000	24	No capped amount

Singapore's personal income tax rates for resident taxpayers are progressive. This means that higher income earners pay a proportionately higher tax, with the current highest personal income tax rate of 24% for income in excess of \$1,000,000 per annum after deducting personal reliefs which individuals entitled as from YA 2024 onwards.

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% from YA 2017 to YA 2023. As from YA 2024 onwards, it will be increased from 22% to 24%.

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 Any amount paid or reimbursed by your employer or any other organisations (including the use of SkillsFuture Credit) cannot be claimed as Course Fees Relief.
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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 1953.
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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. No relief to be claimed if the total CPF contributed is \$5,000 or more.
Foreign Domestic Worker Levy Relief	Twice the levy paid in the previous years on one foreign maid (subject to maximum of \$10,800 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 (Given to working mothers 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

Parenthood Tax Rebate	First child - \$5,000
	2nd child - \$10,000
	3rd child - \$20,000
	4th child - \$20,000
	5th and subsequent - \$20,000 each child

*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 tax for individuals.

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.;

- e) Interest from refund of excess employee's CPF contributions; and
- f) Debt securities (e.g. bonds) that are derived from a partnership in Singapore or from the carrying on of a trade in debt securities.

However, Interest received from deposits with approved banks or licensed finance companies in Singapore is not taxable.

3.8 Personal assessment and utilization of losses

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 to subsequent years to offset against the income until the trade losses are fully utilised.

3.9 Withholding tax

Please refer to Section 2.4

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 with 6 or more employees or who have 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

Employers are required to keep proper records of all employees' income and deductions submitted to IRAS for 5 years from the relevant Year of Assessment (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>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> <ul style="list-style-type: none"> a) Ceases to work in Singapore; or b) is on overseas posting; or <p>Leaves Singapore for any period exceeding three months.</p>
Penalties	<p>Consequences for Late / Non-Filing of Tax Returns</p> <p>An individual is deemed to have committed an offence if he fails to file his income tax return by the due date. Instead of taking prosecution actions, IRAS may allow the individual to settle the offence through the payment of a late filing fee.</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> <ul style="list-style-type: none"> a) Impose a late filing fee not exceeding \$1,000; b) Issue an estimated Notice of Assessment (NOA); and/or c) Summon you to Court. <p>Employers do not comply with CPF Act</p> <p>It is a criminal offence under CPF Act for late/non-payment of CPF contributions. 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> <ul style="list-style-type: none"> a) Late payment interest charged at 18% per annum (1.5% per month) b) Composition amount of up to \$1,000 per offence; c) 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. d) 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	N/A

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: -

- a) Ordinary Account - the savings can be used to buy a home, pay for CPF insurance, investment and education.
- b) Special Account - for old age and investment in retirement-related financial products.
- c) 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 2022 to 31 December 2022:

Employee Age (Years)	Employer (% of wages)	Employee (% of wages)
55 and below	17%	20%
Above 55 to 60	14%	14%
Above 60 to 65	10%	8.5%
Above 65 to 70	8%	6%
Above 70	7.5%	5%
From 01 January 2023 onwards		
55 and below	17%	20%
Above 55 to 60	14.5%	15%
Above 60 to 65	11%	9.5%
Above 65 to 70	8.5%	7%
Above 70	7.5%	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.

31st day.

Voluntary Registration

Companies with annual taxable turnover less than S\$1 million are not required to register for GST. However, they can still register for GST voluntarily if they decide to do so.

Exemption From Registration

Certain companies that otherwise are subject to mandatory GST registration can apply with IRAS to receive a registration exemption if they satisfy the following criteria:

- At least 90% of the company's total revenue is from zero-rated supplies; and
- The net balance of GST collected for supplies vs GST paid for purchases is negative

GST/VAT

5.1 Basis of tax

GST is a broad-based consumption tax levied on nearly all supplies of goods and services in Singapore, as well as the importation of goods into Singapore. GST is paid whenever customers buy taxable goods or services from GST-registered businesses. The suppliers effectively act as GST collection agents.

GST is charged on: -

- Supply of goods and services in Singapore - GST is collected by the GST-registered supplier and paid to Comptroller of GST
- Importation of goods into Singapore - GST is collected by Singapore Customs at the point of importation

Except for exported goods, international services and exempt supplies.

To calculate the GST to be paid to or refunded from the Comptroller of GST:

GST collected from customers (output tax) – GST paid on purchases and expenses for the business (input tax) = Net GST

In certain circumstances, the customer is responsible for paying the output tax to IRAS instead (i.e. where 'Customer Accounting' applies). Hence no GST is charged or collected by the GST registered business that makes the sale.

Customer Accounting currently applies to the local sales of mobile phones, memory cards and off-the-shelf software ('prescribed goods') exceeding \$10,000 in value (a relevant supply) to a GST registered customer for his business purpose.

5.2 Rates of tax

7%

5.3 Registration

Mandatory Registration Threshold

Companies are required to register and collect GST when:

- The taxable turnover exceeds S\$1 million at the end of the calendar year OR
- The company expects to exceed S\$1 million in taxable turnover in the next 12 months.

Companies are expected to monitor their taxable turnover to determine if they need to register for GST.

Companies that have exceeded S\$1 million in taxable turnover at the end of the calendar year are required to register for GST by 30 Jan. They will be registered for GST on 1 Mar.

Companies that expect to exceed S\$1 million in taxable turnover during the next 12 months must register for GST within 30 days of such determination. They will be registered for GST on the

5.4 Filing requirements

GST registered businesses are required to file their GST returns through "myTaxPortal" based on the accounting cycle, normally on a quarterly basis. In the return, businesses will indicate the total value of your local sales, exports and purchases from GST registered entities, the GST collected, and GST claimed for that accounting period. Businesses must pay the net GST to IRAS by due date.

Both GST returns and payment are due one month after the end of the accounting period covered by the return. If the businesses are on GIRO plan for GST payment, GIRO deductions are on the 15th day of the month after the payment due date.

GST refunds will usually be made within three months from the date the Comptroller receives your GST return.

Penalties will be imposed if businesses are late in making the GST payment.

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. It 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

Singapore has signed Avoidance of Double Taxation Agreements

("DTAs") with 96 Countries/regions

Albania	Greece	New Zealand	Ukraine
Armenia	Guernsey	Nigeria	United Arab Emirates
Australia	Hungary	Norway	United Kingdom
Austria	India	Oman	Uruguay
Bahrain	Indonesia	Pakistan	Uzbekistan
Bangladesh	Ireland	Panama	Vietnam
Barbados	Isle of Man	Papua New Guinea	
Belarus	Israel	Philippines	
Belgium	Italy	Poland	
Brazil	Japan	Portugal	
Brunei	Jersey	Qatar	
Bulgaria	Jordan	Romania	
Cabo Verde	Kazakhstan	Russian Federation	
Cambodia	Kenya	Rwanda	
Canada	Korea, Republic of	San Marino	
China	Kuwait	Saudi Arabia	
Cyprus	Laos	Serbia	
Czech Republic	Latvia	Seychelles	
Denmark	Libya	Slovak Republic	
Ecuador	Liechtenstein	Slovenia	
Egypt	Lithuania	South Africa	
Estonia	Luxembourg	Spain	
Ethiopia	Malaysia	Sri Lanka	
Fiji	Malta	Sweden	
Finland	Mauritius	Switzerland	
France	Mexico	Taiwan	
Gabon	Mongolia	Thailand	
Georgia	Morocco	Tunisia	
Germany	Myanmar	Turkey	
Ghana	Netherlands	Turkmenistan	

Singapore has signed Avoidance of Limited Double Taxation Agreements

("Limited DTAs") with 8 Countries/regions

Bahrain	Chile	Oman	
Brazil	Hong Kong	Saudi Arabia	
United Arab Emirates	United States of America		

Singapore has signed Avoidance of Exchange of Information (EOI) Agreements with 2 Countries/regions

Bermuda	United States of America		
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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.

7.3 Estate duty

Estate duty has been removed for deaths on and after 15 Feb 2008.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A

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THAILAND

GENERAL INFORMATION

1.1 Country/Region

Thailand

1.2 Currency

Thai Baht (THB)

1.3 Principal business entities

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

1.4 Foreign exchange control

The legal basis for exchange control in Thailand is derived from the Exchange Control Act (B.E. 2485) and Ministerial Regulation No. 13 (B.E. 2497) issued under the Exchange Control Act. These laws set out the principles of controls under which Notifications of the Ministry of Finance and Notices of the Competent Officer are issued.

I. EXCHANGE CONTROL REGULATIONS

1. Foreign Currency

Foreign currencies can be transferred or brought into Thailand without limit. Any person receiving foreign currencies from abroad in an amount equivalent to USD 1 million or above is required to repatriate such funds immediately and sell to an authorized bank or deposit them in a foreign currency account with an authorized bank within 360 days of receipt, except for foreigners temporarily staying in Thailand for not more than three months, foreign embassies, international organizations including their staff with diplomatic privileges and immunities, and Thai emigrants who are permanent residents abroad or working abroad.

Purchase of foreign currency from authorized banks is generally allowed upon submission of documents indicating international trade and investment. Companies in Thailand can engage in derivatives transactions with authorized banks to hedge against foreign exchange risk arising from foreign currency receipts or obligations.

2. Local Currency

There is no limit on the amount of Thai baht bank notes that may be brought into the country. A person traveling to Vietnam, the People's Republic of China (only Yunnan province) and Thailand's bordering countries is allowed to take out up to THB 2,000,000. A person traveling to other countries is allowed up to THB 50,000.

Any person bringing into or taking out of Thailand Thai

baht bank notes, foreign currency bank notes or negotiable monetary instruments in an aggregate amount exceeding 450,000 Baht or USD 15,000 or its equivalent must make a declaration to a customs officer.

II. BANK DEPOSITS

a. Foreign Currency Account of Thai Residents

Thai residents are allowed to maintain foreign currency accounts (FCD) with authorized banks. Deposit and withdrawal of funds from such accounts are allowed under the following conditions:

1. Deposit

Thai residents are allowed to deposit foreign currencies originating from abroad or foreign currencies purchased or borrowed from authorized banks without limit.

Deposit of foreign currency notes and coins is allowed 1) up to the amount brought into Thailand or obtained from commercial banks or non-bank FX licensees or 2) up to USD 15,000.

2. Withdrawal

- (1) For payment of obligations to entities abroad.
- (2) For payment of obligations to commercial banks or non-bank FX licensees.
- (3) For deposit into other FCDs of the same account holder or other Thai residents.
- (4) For conversion into Thai Baht.

b. Foreign Currency Account of Non-residents

Non-residents may maintain foreign currency accounts with authorized banks in Thailand without limit. The accounts can be freely deposited or withdrawn. However, deposit of foreign currency notes and coins is subject to the same regulation as mentioned above.

c. Non-resident Baht Account

Non-residents may open Thai Baht accounts with authorized banks in Thailand as follows:

- (1) Non-resident Baht Account for Securities (NRBS): The account may be debited or credited for the purpose of investment in securities and other financial instruments such as equity instruments, debt instruments, unit trusts, derivatives transactions traded on the Thailand Futures Exchange
- (2) Non-resident Baht Account (NRBA): The account may be debited or credited for general purposes (i.e. other than investment in securities) such as trade, services, foreign direct investment, investment in immovable assets, and loans.

The total daily outstanding balances for each type of account shall not exceed THB 200 million per non-resident. Transfers between different types of accounts are not allowed.

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

The Thai economy slowed down in March 2022. Domestic spending from private sector declined both in consumption and investment, while activities in the manufacturing sector also slowed down. Several factors accounted for such development: the Omicron variant outbreak, higher production costs, and rising living costs. Meanwhile, public spending declined from the same period last year both in current and capital expenditures of the central government. Nevertheless, merchandise exports value increased in line with trading partners' demand. Foreign tourist figures also continued to increase after the relaxation of international travel restrictions.

On the economic stability front, headline inflation increased from energy and prepared food prices. Labor market gradually improved but remained vulnerable. The current account became a surplus due to a larger surplus in trade balance, while the net service, income, and transfers registered a deficit close to the previous month.

1.6 National tax authority

Name: Revenue Department

Website: www.rd.go.th/

CORPORATE INCOME TAX

2.1 Basis of taxation

Thailand determines an income tax on the Thai-sourced income of both resident and non-residents individuals, regardless of whether such income is paid in or outside of Thailand. Residents are also subject to income tax on foreign-source income that is paid in or remitted to Thailand within the same calendar year in which the income is paid. The maximum tax rate applicable to both residents and non-residents is 35 percent.

Income derived from a duty, post, employment, or office performed in Thailand; or from a business or an employer's business carried on in Thailand; or from property located in Thailand; is regarded as income sourced in Thailand.

An individual, resident or non-resident, who derives assessable income from their employment in Thailand, is subject to personal income tax on the whole amount related to their employment incurred both in Thailand and abroad.

Tax categories are Personal Income Tax, Corporate Income Tax, Value Added Tax, Specific Business Tax and Duty Stamp.

However, Double Tax Agreement will be a part of tax shield for foreign companies and foreigners as Tax Planning

2.2 Rates of tax

In general, Tax Rate of major categories are

- Personal Income Tax 5 – 35%
- Corporate Income Tax 20%
- Value Added Tax (VAT) 7%

2.3 Year of assessment

The basis period of tax computation is commencing on both 1 January and ending on 31 December and self-determined accounting period.

2.4 Profits deemed to be taxable

In the case of Corporate Income Tax, the taxable profit is calculated based on the income and taxable expenses which must be complied with Thai Revenue Code.

2.5 Taxation of dividends

It is no tax of the dividend was paid out of profit from listed company after Thailand taxation and such investments have to held 3 months before and after the investments' date.

2.6 Taxation of capital gains

No special capital gain tax from listed companies but It has to be included as income item.

2.7 Taxation of interest income

It is treated as normal income item.

2.8 Utilization of tax losses

The net loss incurred in any year of operation can be deducted from the taxable profit of the one or more subsequent years but limited to a maximum of five years.

2.9 Key Tax incentives

Thailand government offer profit tax exemption for assessed profit and more privileges under Board of Investment Law.

2.10 Withholding tax

There are some categories that will be subjected to withholding income tax. For foreign entities or individuals, these major sample incomes are subject to withholding income tax

- Dividends 10%
- Royalties 3%
- Interest 1%

2.11 Transfer Pricing

On 21 November 2018, Thailand complied specific transfer pricing provision into the income tax law and regulations commencing accounting periods starting on or after 1 January 2019.

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 individuals are subjected to submit the tax filing within March each year. The juristic persons are subjected to submit the tax filing within 150 days after the end of accounting period each year.

Penalties

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 certain percentage up to double of missing tax.
2. The addition surcharge of 1.5% per month will be calculated and pay together with its missing tax.

Payment of profit tax and application of holdover

No hold over is allowed.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal tax in Thailand is named as Personal Income Tax. It is applied to the income derived from services rendered for others or for individual trading.

3.2 Rates of tax

Sliding scale tax rates is shown as follows:

From	To	Tax Rate
0.00	150,000.00	0%
150,000.01	300,000.00	5%
300,000.01	500,000.00	10%
500,000.01	750,000.00	15%
750,000.01	1,000,000.00	20%
1,000,000.01	2,000,000.00	25%
2,000,000.01	4,000,000	30%
Above 4,000,000.00		35%

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

Maximum 60% of the total gross amount of income can be allowed as deductibles.

3.5 Taxation of dividends

Subject to the investment conditions and period.

3.6 Taxation of capital gain

Subject to the investment conditions and period.

3.7 Taxation of interest income

Subject to the investment conditions and period.

3.8 Personal assessment and utilization of losses

Personal Income Tax is collected on a Pay as You Earn ("PAYE") on cash basis where employers are required to deduct the tax from their payments to employees at source. Personal Income Tax collected is then payable to the tax authority by the employer on a monthly basis. By every 7th date of the following month. The Personal Income Tax form is subjected to submit every March.

3.9 Withholding tax

All Personal Income Tax payable shall be withheld by employer and payable to Revenue Department by every month ended.

3.10 Statutory obligation of employers

All employees shall be registered under Personal Income Tax by receiving Personal Tax I.D. Any withheld tax from salary, hire of work and trading.

3.11 Filing requirement of tax return

Filing due dates

End of March.

Penalties

1. The absence of or inaccuracy in the declaration of tax return, as well as omissions verified in them will result in double as penalties.
2. Surcharge will be calculated depending on type of incomes.

Application of holdover

N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Social Security Act B.E. 2533 (1990)

4.2 Basis of contribution

After the working relation is established between employer and employee, the Social Security Fund System should also be mandated to register new staff within 30 days.

4.3 Contribution rate

5% not exceed Baht 750 and top up by employer with the same rate (as normal situation)

4.4 Exemption from tax

No exemption

GST/VAT

5.1 Basis of tax

Value Added Tax (VAT) in Thailand is levied on the sales of goods or the provision of services rendered.

5.2 Rates of tax

Exemption, 0% and 7%

5.3 Registration

The registration must be done when the income exceeds the threshold of at least Baht 1.8 million per annum.

5.4 Filing requirements

The VAT Filing must made within 15 days of the following month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Double Tax Agreement Law with some countries were entered for tax relieve.

6.2 List of double tax treaties signed (By Government Announcement and Alphabet)

1. Armenia	21. Hong Kong	41. Pakistan
2. Australia	22. Hungary	42. Philippines
3. Austria	23. India	43. Poland
4. Bahrain	24. Indonesia	44. Romania
5. Bangladesh	25. Ireland	45. Russian
6. Belarus	26. Israel	46. Seychelles
7. Belgium	27. Italy	47. Singapore
8. Canada	28. Japan	48. Slovenia
9. Cambodia	29. Korea	49. South Africa
10. Canada	30. Kuwait	50. Spain
11. Chile	31. Laos	51. Sri Lanka
12. China	32. Luxembourg	52. Sweden
13. Cyprus	33. Malaysia	53. Switzerland
14. Czech Republic	34. Mauritius	54. Chinese Taipei
15. Denmark	35. Myanmar	55. Tajikistan
16. Estonia	36. Nepal	56. Turkey
17. Finland	37. Netherlands	57. Ukraine
18. France	38. New Zealand	58. UAE
19. Germany	39. Norway	59. USA
20. Great Britain and Northern Ireland	40. Oman	60. Uzbekistan
		61. Vietnam

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OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duties are taxed on instruments and not on transactions or persons. For the purposes of stamp duty, an instrument is defined as any document chargeable with duty under the Revenue Code. There are 28 categories subjected to duty stamps with the variety of rate start from 0.001%

7.2 Real property tax

On December 13, 2021, the Royal Decree on the Stipulation of Land and Building Tax Rates B.E. 2564 (2021) was published in the Government Gazette. The royal decree, which was issued under the Land and Building Tax Act B.E. 2562 (2019) and takes effect on January 1, 2022.

The rates are varied by appraisal value from 0.01% - 0.7% depending on the purpose of holding the properties.

7.3 Estate duty

The duty is based on the right transfer of estate depending on the type of estates.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A

Consumption tax, etc.

N/A



UAE

GENERAL INFORMATION

1.1 Country/Region

United Arab Emirates (UAE)

1.2 Currency

AED - UAE Dirham

1.3 Principal business entities

As per the prevailing rules and regulations of the Department of Economic Development, Free Zone Authorities, and Offshore Authorities, all business entities are required to register with the respective Authority and have a license to operate in UAE. Business entities are also required to register with Federal Tax Authority for Excise, VAT (Value Added Tax), Customs (if applicable), and Corporate Tax (Introduced on 31st January 2022 for FY starting on or after 1st June 2023). The following forms of business enterprises can be incorporated in the UAE: -

1. Public Joint Stock Company
2. Private Joint Stock Company
3. Limited Liability Company
4. Civil Company
5. Types of Partnership
 - a. Limited Partnership
 - b. General Partnership
6. Sole Proprietorship
7. Types of Branches
 - a. Local Company Branch
 - b. Foreign Company Branch
8. Commercial Representative Office

1.4 Foreign exchange control

The Central Bank of the UAE

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

The UAE remains one of the most competitive economies in the Middle East and Africa (MENA) Region. UAE is a core tourism axis and business gateway of the Middle East and the world at large. UAE's business progress witnessed a GDP of US\$ 400 billion (2021) from US\$ 15 billion (1975). A major contributor to GDP and upward business and tourism growth augmented by the streams of businesses such as oil & gas, tourism, manufacturing and international trade, core infrastructure, and real estate. World Expo 2020 held in 2021-2022 has given a boost to multicultural ties and investment opportunities, with deals and understandings being signed.

The UAE govt. received worldwide praise for proactively tackling

the pandemic and vaccinating 100% of its eligible residents. The government has since the last quarter of 2021 relaxed the social distancing rules for businesses and public places alike.

The UAE Cabinet in 2022 has also approved an AED16 billion economic stimulus package to support the micro & macro economy, ensure business continuity, and mitigate the coronavirus impact.

Post pandemic, UAE has made a strong rebound in non-oil sectors, with businesses reporting a sharper increase in new work on the back of higher demand from clients. The tourism and hospitality sector is also booming with the ease of flying restrictions. The oil sector has seen a spike with petrol and oil prices increasing substantially in the region. With the influx of new investors and residents moving to the UAE, the real estate sector has seen a major recovery with rentals skyrocketing and purchase prices hiking. The major update in the region is the introduction of corporate tax on business profits from 2023 which would further leverage the UAE economy. Thus, the country is ranked highly in terms of ease of incorporating, promoting, sustaining, and developing businesses.

1.6 National tax authority

Name

Federal Tax Authority

Website

www.tax.gov.ae

CORPORATE INCOME TAX

2.1 Basis of taxation

On 31 January 2022, the Ministry of Finance (MOF) announced that the UAE will introduce a federal Corporate Tax (CT) on business profits (net income) effective for the financial year starting on or after 1 June 2023. The proposed basis of taxation under the UAE CT regime:

1. Resident

- a. Any company (legal person) that is incorporated in the UAE will automatically be considered a 'resident'
- b. Foreign company may be treated as resident if it is effectively managed and controlled in the UAE.

2. Non-resident

- a. Taxable income from their Permanent Establishment (PE) in the UAE. The activity threshold that will trigger a PE for a foreign company in the UAE will be determined by two tests:
 - i. Fixed place of business test
 - ii. Dependent agent test
- b. Income which is sourced in the UAE.

- Businesses established in free zones (including financial free zones) will be subject to CT, but the CT regime will continue to honor the CT incentives currently being offered to free zone businesses that comply with all regulatory requirements and that do not conduct business with mainland UAE.
- Banking operations, including those currently taxed at the Emirate level, will be subject to CT.
- Businesses engaged in the extraction of natural resources will remain subject to the current Emirate-level tax rules and will be outside the scope of CT.

2.2 Rates of tax

The CT rates are:

1. 0% for taxable income up to AED 375,000
2. 9% for taxable income above AED 375,000; and
3. a different tax rate (to be specified) for large multinationals that meet specific criteria set with reference to Pillar II of the OECD BEPS

2.3 Year of assessment

The UAE CT regime will become effective for financial years starting on or after 1 June 2023.

1. A business that has a financial year starting on 1 July 2023 and ending on 30 June 2024 will become subject to UAE CT from 1 July 2023 (which is the beginning of the first financial year that starts on or after 1 June 2023)
2. A business that has a (calendar year) financial year starting on 1 January 2023 and ending on 31 December 2023 will become subject to UAE CT from 1 January 2024 (which is the beginning of the first financial year that starts on or after 1 June 2023)

2.4 Profits deemed to be taxable

CT will be payable on the profits of UAE businesses as reported in their financial statements prepared in accordance with internationally accepted accounting standards, with minimal exceptions and adjustments.

2.5 Taxation of dividends

Dividends earned by a UAE business from its qualifying shareholdings will be exempted from UAE CT.

2.6 Taxation of capital gains

Capital gains earned by a UAE business from its qualifying shareholdings will be exempted from UAE CT

2.7 Taxation of interest income

UAE CT will generally not be levied on a foreign investor's income from dividends, capital gains, interest, royalties, and other investment returns.

2.8 Utilization of tax losses

The UAE CT regime will allow a business to offset losses incurred (as from the UAE CT effective date) in one period against the taxable income of future periods, up to a maximum of 75% of the taxable income in each of those future periods.

2.9 Key Tax incentives

1. The UAE Corporate Tax regime will honor the tax incentives currently being offered to free zone businesses that comply

with all regulatory requirements and that do not conduct business with mainland UAE.

2. Dividends and capital gains earned by a UAE business from its qualifying shareholdings will be exempted from UAE CT

2.10 Withholding tax

0% withholding tax will be applied on domestic and cross-border payments made by UAE businesses.

2.11 Transfer Pricing

The UAE CT regime will have transfer pricing rules to ensure that the price of a transaction is not influenced by the relationship between the parties involved. The UAE CT regime is expected to introduce TP rules and TP documentation in line with OECD TP Guidelines.

In order to achieve this, the UAE will apply the internationally recognized "arm's length" principle to transactions and arrangements between related parties and with connected persons. The documentation as per the OECD TP Guidelines includes the Master file, Local file, and Country by Country Report.

2.12 Filing requirements of tax return

Filing due dates

As per the Public consultation document from the Ministry of Finance, each tax return and related supporting schedules will need to be submitted to the FTA within 9 (nine) months of the relevant Tax period.

Penalties

Similar to other taxes in the UAE (e.g., VAT), businesses will be subject to penalties for non-compliance with the CT regime. Further information on the UAE CT compliance obligations and applicable penalties will be released in due course

Payment of profit tax and application of holdover

UAE businesses will not be required to make advance UAE CT payments

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

N/A

3.2 Rates of tax

N/A

3.3 Year of assessment

N/A

3.4 Allowances and Deductions

N/A

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

Gratuity-End of service benefits, Annual leave, Insurance

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

Ministry of Labor, UAE

4.2 Basis of contribution

Basic Remuneration

4.3 Contribution rate

- 21 calendar days basic pay for every year of service up to five years of service
- 30 calendar days basic pay for every year of service over five years of service.
- Employee basic pay was calculated on the basis of calendar days and a maximum cap of two years of remuneration was applied.
- Employees with over one year's service continue to be entitled to end-of-service gratuity (ESG), calculated on the same basis as before.

4.4 Exemption from tax

Public and regulated private social security and retirement pension funds will be exempt from UAE CT

GST/VAT

5.1 Basis of tax

Value-added tax is applicable at every stage of value addition to the supply in the state.

5.2 Rates of tax

VAT is a transaction-based tax 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 an effective rate of 5% standard rate, zero rate, and with exemption to some specific supplies.

5.3 Registration

Registration with Federal Tax Authority (FTA)

Residents in UAE, whose taxable turnover in the previous 12-month period or anticipated to make in the next 30 days exceeds the following VAT registration threshold need to get registered in UAE. No registration threshold applies to non-resident businesses. Such a person who is required to register for VAT must file a Tax Registration application to the Federal Tax Authority (FTA) within (30) days of being required to register. 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

The foreign tax credit is available to companies fulfilling the requirements as per the corporate tax laws. Also, foreign tax credit (FTC) is available as per the DTAA signed with other countries.

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 agreements with 137 countries till 29-06-2022. More detailed information can be found on the below ministry of finance website link: <https://mof.gov.ae/>

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 the imposition of 4% registration charges)

7.2 Real property tax

N/A

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.

Excise tax has been introduced and implemented from 1st October 2017. Excise tax covers import, production, and release of Excisable goods from the Designated zone for very limited products like tobacco and energy drinks. The Excise tax rate is 100% on tobacco, tobacco products, and energy drinks whereas for carbonated drinks and sweetened drinks the rate of the 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 issued the ESR legislation in April 2019 under cabinet resolution no. 31 of April 2019, followed by cabinet resolution no. 58 of September 2019 for the determining of the concerned authority as well as cabinet decision no. 215 of 11th September 2019 guidelines for the implementation of ESR.

A Licensee carries out any of the following relevant activities that are covered under ESR and is 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 amended the CbCr vide Cabinet Resolution No. 44 of 2020, thereby repealing Resolution No. 32 of 2019.

The obligation of filing the Country-by-Country Report ("CbC Report") was effective 1 January 2019 and the need to file the CBC report within 12 months from the end of the financial year.

The Amended CbCr is effectively applicable to only UAE-headquartered multinational enterprise ("MNE") group 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 and replaced Cabinet Resolution No. 34 of 2020. The Resolution introduces new requirements for entities to disclose their ultimate beneficial owners. The main purpose is to enhance the transparency of entities registered in the UAE and to develop an effective beneficial owner data

mechanism.

The Licensee in the UAE (unless exemptions apply) 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 that are directly or indirectly wholly owned by the Federal or Emirate government.

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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 Russia-Ukraine conflict has had major impacts on the current economy. Russia has a great exposure to the UK, and as the result of the conflict, we expect the impact on the UK could be to reduce GDP growth by around 0.8 per cent to 4.0 per cent in 2022 and to 0.5 per cent in 2023.

The cost-of-living crisis is deepening with UK inflation rising at its fastest pace in 40 years, according to the latest figures published by the Office for National Statistics (ONS). The Consumer Price Index (CPI) shows that the cost of living has risen for a ninth month in a row to 9% - estimated to be at its highest levels since March 1982 (9.1%). With the global supplies being already tight, the cost of fuel, energy, clothes and footwear have increased significantly.

The last time inflation rates in the UK were this high was in 1982. It has been predicted that the UK will go into recession in 2022. The cost-of-living crisis coupled with high inflation rates, has seen the UK economy grow at the slowest rate in a year.

The Inflation will keep increasing due to higher energy and commodity prices and continuing supply shortages. It was expected to peak at 4.9% in the first half of 2022 and then fall back towards the 2% target by the end of 2023.

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.

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.

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	2022	2023
UK Resident companies	19%	19%	19%	19%	19%	19%
UK non-resident companies	19%	19%	19%	19%	19%	19%
Northern Ireland SMEs with trading activity	19%	12.5%	12.5%	12.5%	12.5%	12.5%

From 1 April 2023, the Corporation Tax main rate for non-ring-fenced profits will be increased to 25% applying to profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

2.3 Year of assessment

Companies pay CT based on the profits in a chargeable accounting period and the accounting period cannot be longer than 12 months. If your accounting period is longer than 12 months, a corporation tax return will be due for the first 12 months and a

second return due for the remaining period.

If an accounting period straddles the beginning of a financial year for which the rates differ from those of the preceding financial year, the two parts of the accounting period are treated as if they are separate accounting periods. The profits are apportioned between those parts on a time basis. Once the profits are apportioned, the appropriate corporation tax rate is applied to calculate the tax liability due.

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

A dividend is a payment a company can make to shareholders if it has made a profit. We do not account for dividends as a business cost when calculating corporation tax. 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 with relief due only with reference to the retail price index at December 2017.

2.7 Taxation of interest income

Taxed in similar way to profits and at the same tax rates.

Non-trading loan relationship credits are chargeable to corporation tax at the applicable rate.

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 can also be offset against profits for the earlier 12-month period, you can only do this if the company or organization was carrying on the same trade at some point in the accounting period or periods that fall in the earlier 12-month period.

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. The relief allows you to carry back any trading losses that occur in the final 12 months of the trade and set off them off against profits made in any or all of the three years up to the period when you made the loss. The loss can only be set against profits of the same trade. From 1 April 2017, if your company or organisation stops trading, you may be able to 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.

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 incurred between 1 January 2019 and 31 March 2023.
- 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 on qualifying capital assets where the £1,000,000 allowance has been exceeded or the capital assets do not qualify for AIA. The allowance is calculated by deducting a percentage of the value if an item in the “capital allowance main pool” annually on a reducing balance basis.
- Special rate pool allowance – 6% allowance for certain types of assets such as cars with high CO2 emissions and integral feature of a building where the AIA apart from cars has been utilised on a reducing balance basis.

- 130% Super deduction – Companies within the charge to corporation tax can claim 130% of the cost of the main rate plant and machinery, except for cars, in the tax year in which the assets are bought. Also, companies will be liable to a balancing charge if they sell an asset for which this has been claimed. The balancing charge may be up to 130% of the disposal value if the sale takes place in a tax year commencing before 1 April 2023.
- 50% Special rate allowance – Companies within the charge to corporation tax can claim 50% of the cost of special rate plant and machinery, except for cars, in the tax year in which the assets are bought. The balance of the expenditure after the special rate allowance has been claimed can be added to the special rate pool in the following accounting period. Companies will be liable to a balancing charge if they sell an asset for which a 50% special rate allowance has been claimed.

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 €100 million euros (EUR) or a balance sheet total under €86 million euros (EUR)

SME R&D relief allows companies to:

- Deduct an extra 130% of their qualifying costs from their yearly profit, as well as the normal 100% deduction to make a total 230% deduction
- Claim a tax credit if the company is loss making, worth up to 14.5% of the surrenderable loss

Large companies can claim a research and development expenditure credit (RDEC) for working on R&D projects. It can also be claimed by SMEs and large companies who have been subcontracted to do R&D work by a large company.

The RDEC is a tax credit is 13% from 1 April 2020.

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).

Enterprise Management Incentives (EMIs) – 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 qualifying investors in certain companies. 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 €10 million
- Medium size is if it has less than 250 employees and turnover of less than €50 million or balance sheet value of less than €43 million
- The overseas entity is not in a jurisdiction which has
 - a. a low tax regime; and the UK does not have a treaty agreement which includes a non-discrimination clause.

2.12 Filing requirements of tax return

Filing due dates

Corporation Tax Return (CT600) is due by the later of:

- 12 months after the end of the accounting period
- three months from the receipt of the filing notice (CT603)

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 times in a row over three consecutive years, the £100 penalties are increased to £500 each.

Payment of profit tax and application of holdover

Corporation tax is due 9 months and 1 day after the end of the accounting period for your previous financial year.

“Large” companies (usually with profits over £1.5 million but do not exceed £20 million) and “Very Large Companies” (with profits over £20 million) are required to pay CT in instalments starting in advance of the accounting year end.

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?		
	UKR1	UKRND2	NUKR3
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 disregarded or exempt under the treaty			
6 May be exempted 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 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

Income Tax is charged at basic rate of 20% on taxable income of up to £50,270 (basic rate threshold) for 2022/23. Taxable income from £50,271 to £150,000 falls into the higher rate tax band and is charged at a rate of 40%. Taxable income exceeding £150,000 is charged at the additional rate of tax at 45%.

	UK Taxpayer rates	
	Y/E 2021/22	Y/E 2022/23
£0 - £12,570*	0%	0%
£12,571 - £50,270	20%	20%
£50,271 - £150,000	40%	40%
Over £150,000	45%	45%

*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 £12,570 for 2022/23
- A PA is received if an individual holds a British passport, are a citizen of a European Economic Area (EEA) country, have worked for the UK government at any time during that tax year or if individual is entitled to PA 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)
- Starting rate for savings of £5,000 if your non-saving income is covered by PA, the first £5,000 of interest income will be taxed at £0.0 rate of tax
- Married Couple Allowance (MCA) for people born before 6 April 1935 is a flat rate tax deduction of 10%, reducing the liability by a maximum of £941.50 for 2022/23. There is a minimum tax relief of £364 in 2022/23.
- Marriage Allowance entitles married couples to transfer 10% of their PA from the spouse with the lower earnings to the spouse with higher earnings, if they are both basic rate taxpayers. The lower earner must normally have an income below the PA and the higher earner's income must be less than £50,270.
- Rent-a-room allowance of £7,500 for 2022/23 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	2021/22	2022/23
First £2,000	0%	0%
Basic rate	7.50%	8.75%
Higher rate	32.50%	33.75%
Additional rate	38.10%	39.35%

3.6 Taxation of capital gain

You only pay Capital Gains Tax on your overall gains above the Annual Exempt Amount of £12,300 for the 2022/23 tax year.

The Business Asset Disposal Relief, formally known as "Entrepreneurs' Relief" lifetime allowance is capped at £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 up to £5,000, 20% up to basic rate limit of £37,700, thereafter 40% for higher rate and 45% above £150,000.

3.8 Personal assessment and utilization of losses

Under Self-Assessment, certain individuals are required to self assess by completing 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

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.

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.

Employers must 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.

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
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, capped at £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	
Application of holdover	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.	
Application of holdover	If assets are given away, it is considered a gift and a disposal at arm's length for the purposes of CGT. The capital gain that arises can be deferred if a claim for Hold-over-Relief is made jointly by the transferor and transferee. The gain is rolled over against the base cost of the asset and the recipient will pay a higher capital gain tax when the asset is sold.	

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The UK regulatory organisation is HMRC

4.2 Basis of contribution

Employers and employees pay primary and secondary National Insurance (NI) on earnings.

Employers also pay NI on certain benefits provided to employees.

Self-employed people pay Class 2 NI. In addition, they may be liable to pay a separate Class 4 profits related contribution.

Individuals may also pay Class 3 NI voluntarily to fill in gaps in their NI record to ensure that they qualify for state pension and

bereavement benefits.

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

Employees and employers are required to make NI contributions.

Class 1 Primary

Employees pay 13.25% on earnings above the primary threshold (PT) up to and including the upper earnings limit (UEL). The balance of the earnings above the UEL is chargeable at 3.25%.

Class 1 Secondary

Employers pay 15.05% on employee earnings above £175 per week for 2022/23.

Class 1A

Employers pay 15.05% on taxable benefits provided to employees.

Class 1B

Employers pay 15.05% on taxable benefits provided to employees, but reported on PSA agreement

Class 2

Self-employed people pay a fixed £3.15 per week for the tax year 2022/23.

Class 4

Self-employed people pay 10.25% on profits between 11,908 and £50,270 and 3.25% on profits above £50,270 (2022/23).

Class 3 Voluntary

The rate for 2022/23 tax year is £15.85 per week. There are special rates for certain industries such as fishing, etc.

4.4 Exemption from tax

You do not pay national insurance after you reach state pension age, unless you are self employed and pay class 4 contributions. You stop paying Class 4 contributions at the end of the tax year in which you reach State Pension age.

Self-employed individuals may apply for exemption from paying Class 2 contributions if their annual profits are less than the level of the SPT, set at £6,725.

Self-employed individuals with profits of less than £6,725 a year or have a specific job (such as an examiner or business owner in property or land) do not pay Class 2 national insurance.

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 are as follows:

Standard 20%

Reduced 5%

Zero rated 0%

5.3 Registration

You can register for VAT as the following:

- Sole proprietor
- Partnership
- Corporate body
- Club or association

Two or more corporate bodies may apply to register as a group if they can meet certain conditions.

The vat registration and deregistration thresholds are £85,000 and £83,000.

There are various VAT schemes available to small businesses to simplify the VAT administration.

5.4 Filing requirements

The VAT return is usually sent to HMRC every 3 months. The submission deadline is usually one month and 7 days after the end of the accounting period. The VAT must be paid electronically to HMRC one month and 7 days after the accounting period as well.

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

Albania	Guyana	Philippines
Algeria	Hong Kong	Poland
Anguilla	Hungary	Portugal
Antigua and Barbuda	Iceland	Qatar
Argentina	India	Romania
Aruba	Indonesia	Saint Kitts and Nevis
Armenia	Iran	Saint Vincent and the Grenadines
Australia	Ireland	Saudi Arabia
Austria	Israel	San Marino
Azerbaijan	Italy	Senegal
Bahrain	Isle of Man Sierra Leone	Serbia
Bahamas	Ivory Coast	Singapore
Bangladesh	Jamaica	Slovakia
Barbados	Japan	Slovenia
Belarus	Jordan	Solomon Islands
Belgium	Jersey	South Africa
Belize	Kazakhstan	South Korea
Bermuda	Kenya	Spain
Bolivia	Kiribati	St Lucia

Bosnia and Herzegovina	Kosovo	Sri Lanka
Botswana	Kuwait	Sudan
Brazil	Kyrgyzstan	Swaziland
British Virgin Islands	Latvia	Sweden
Brunei	Lebanon	Switzerland
Bulgaria	Lesotho	Taiwan
Burma (Myanmar)	Libya	Tajikistan
Cameroon	Liechtenstein	Thailand
Canada	Lithuania	Trinidad and Tobago
Cayman Islands	Luxembourg	Tunisia
Chile	Macedonia	Turkey
China	Macao	Turkey
Colombia	Malawi	Turkmenistan
Croatia	Malaysia	Tuvalu
Cyprus	Malta	Turks and Caicos Islands
Czech Republic	Mauritius	Tuvalu
Denmark	Mexico	Tuvalu
Egypt	Moldova	Uganda
Estonia	Monaco	Ukraine
Ethiopia	Mongolia	United Arab Emirates
Falkland Islands	Montenegro	Uruguay
Fiji	Morocco	Uzbekistan
Faroese	Montserrat	USA
France	Namibia	USSR
Finland	Netherlands	Venezuela
Gambia, The	New Zealand	Vietnam
Georgia	Nigeria	Zaire
Germany	Norway	Zambia
Ghana	Oman	Zimbabwe
Greece	Pakistan	
Grenada	Panama	
Guernsey	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

Rates of Tax 2022/23		
	Residential property	Additional Residential Property
Up to £125,000	0%	3%
£125,001 - £250,000	2%	6%
£250,001 - £925,000	5%	8%
£925,001 - £1,500,000	10%	13%
over £1,500,000	12%	15%

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 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 12 months of the sale of the previous main residence or within 12 months of the filing date of the return, whichever comes later.

You must send the SDLT return to HMRC and pay the tax within 14 days of completion.

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.

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		
	2021/22	2022/23
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		
	2021/22	2022/23
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 and transfer of property between group companies, the relief is claimed on the SDLT return even if there is no tax to pay.

An individual is not required to file an SDLT return or pay SDLT tax for some property transactions as follows:

- Transactions where no money or other type of payment changes hands
- 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 is not required to pay Stamp Duty for the following share transactions:

- Given shares for nothing
- Subscribe to a new issue of shares in a company
- 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.

Tax on disposal

UK tax residents and non-UK tax residents pay capital gains tax on the disposal of the UK Real Estate.

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 not due if the value of the estate is below the current threshold of £325,000 and you leave everything above £325,000 to your spouse, civil partner, a charity, or a community amateur sports club.

If you're married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die. This means their threshold can be as much as £1 million.

If you give away your home to your children (including adopted, foster or stepchildren) or grandchildren your threshold can increase to £500,000.

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 standard rate of tax charged on the value above the threshold is 40%. It is only charged on the part of your estate that's above the threshold.

The estate can pay Inheritance Tax at a reduced rate of 36% on some assets if you leave 10% or more of the 'net value' to charity in your will.

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 given and may be subject to a reduced inheritance tax (IHT) under the taper relief rules.

Business 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. To be able to claim this relief you will need to fill in both 'form IHT400' and 'Schedule IHT413'.

You can contact HMRC Inheritance tax and probate helpline about Agriculture Relief if your estate includes a farm or woodland.

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 charged on non-domestic properties which pay business rates calculated by the local government.

Some examples include:

- Shops
- Offices
- Pubs
- Warehouses
- Holiday rental homes or guest houses

Business rates are calculated on the rateable value.

Some properties are eligible for discounts from the local council on this business rates.

Vacant buildings do not pay business rates for the first three months, but after that the full rate applies unless the building qualifies for further exemption.

Certain properties are exempt from paying business rates such as agricultural land and buildings.

Consumption tax, etc.

In the UK this is covered by value added tax (VAT) – see above

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