INTERNATIONAL BUSINESS

April 2019

Auren International Business is a quarterly publication, made up of contributions from colleagues all around the world. The newsletter compiles country focus articles, international tax cases as well as technical updates on a variety of topics that impact business.

Experts in Auren have the knowledge and experience to help you on your journey, and this issue should be the starting point for your inquiries.

Features of this edition include:

Corporate law in Central America, Reimbursement of German dividend tax to parent companies in other EU countries and Money laundering prevention-Mexico.

We hope you find the contents of this newsletter useful and informative. Happy reading!

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Export duties on services rendered in the country and used economically abroad. Decree 1201/2018

INTRODUCTION

In this article, we intend to synthetically consider the main characteristics of a new tax that reach the provision of services rendered in the country and used economically abroad, as of January 1, 2019, and that is going to modify the cost´s structure of the exporters of this services, being able to incise in the cases that are feasible, a modification of the prices of the exported services, so as to operate in a translation, at least partial, of the tax burden.

The explanation of this new tax is given by the need to compensate the generated loss in the significant devaluation suffered by AR$ against US dollar last year, which rose to 110%, and for the government's strength posture to close the fiscal accounts, in a difficult period of inflexibility of public spending, as it will be fiscal year 2019, year of presidential elections in Argentina.

With this tax, the government seeks to achieve part of the net benefit that have had the export sectors, like services, software or consulting, against devaluation, with costs that do not had increased in that proportion because they were not dollarized, mainly labor costs. It is worth to clarifying that before this norm, the export of services in Argentina was not reached with duties.

IMMEDIATE ANTECEDENT

The budget law No. 27,467 for the fiscal year 2019, published in the Official Gazette on December 4, 2018, modified the Customs Code in order to allow the subsequent taxation with duties to these services.

Object

Added paragraph 2 of article 10, subsection c)

"They are also considered for the purposes of this Code, as if they were merchandise ... c) services rendered in the country, whose use or effective exploitation is carried out abroad"

Subject

The second paragraph of article 91 was replaced by the following:

"In the cases foreseen in section 2 of article 10, those persons who are lenders/transferors of the services and/or rights therein involved will be considered as exporters".

Taxable Base

Regarding to the taxable value for the purpose of determining the export duty applicable to services rendered in the country and used economically abroad, art. No. 735 of the Custom Code establishes that the taxable value will be the amount that arises from the invoice or equivalent document.

DECREE 1201/2018

Finally, the Executive Power issued on December 28, 2018, the Decree 1201, **by which established an export right on services provided in the country and used abroad of 12%, but with a ceiling of AR $ 4 per U.S. dollar.** That is to say that in practical terms, with an exchange rate close to AR $ 40 per US $, this duty is 10%, and as long as this relation grows in the future, that is, the AR $ is devalued

compared to the US $, the percentage incidence of the tax will be lower.

It has application for operations that are borrowed and billed as of January 1, 2019, and validity of 2 years, that is until 12/31/20, but it should not be surprising that in the future this validity will be extended. For this period, until 12/31/20, Law No. 27,467 has allowed the Executive Power to set export rights.

Liquidation and Payment

At the moment of billing the service, the exporter must issue an electronic "E" invoice. On the base of these "E" invoices issued in each calendar month, AFIP (Federal Tax Agency) prepares a proforma affidavit F.1318. This proforma declaration will be registered automatically on the last day of each month, and available to be conformed and presented by the exporter, between 10 and 15 business days of the subsequent month.

The entry of the resulting tax payment must be made within 15 business days of the following month of registration of the sworn statement. This tax is not compensable (except with credits that arise in the law itself) nor can it be canceled through payment facility plans.

Minimum not taxable for Small and Medium Enterprises

A non-taxable annual minimum of US $ 600,000 is established for exports made by companies categorized as Micro (annual billing US $ 145,000) and Small (annual billing US $ 865,000) from the Services Sector. That is, up to US $ 600,000 in services exports,

accumulated as of January 1, 2019 these companies do not liquidate this duty, but begin to liquidate it over the surplus.

Extension of Payment Term

Those service exporters who export services for less than US $ 2,000,000 in the calendar year prior to the export date, will have an additional grace period for the payment of the duty, an additional 45 calendar days (to count from the day after the original expiration).

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Company setup and administration in Bulgaria

Congratulations, you have chosen a very perspective country to invest in; one with a stable economy in the last few years, an easy procedure for company registration and a transparent tax system with a short list of taxes and social security obligations. It is our pleasure to assist you in this process; but before you start you have to make some decisions in order to optimize your future business activities.

Choose the legal form of business which suits you the best

The Bulgarian legislation regulates two principal forms of business organizations:

- Commercial corporations;
- Co-operatives*

The Commerce Act lists exhaustively the following types of commercial corporations, which could be established:

- General partnership (SD);
- Limited partnership (KD);
- Limited liability company (OOD), incl. Single-member limited liability company (EOOD);
- Joint-stock company (AD);
- Partnership limited by shares (KDA).**

For investment purposes, the foreign capital rarely uses the General Partnership, Limited Partnership and the Partnership Limited by Shares as a type, because in these legal entities, either part of the shareholders (KD and KDA) or all of them (SD) have unlimited responsibility for the company's obligations.

The most typical type of companies are the Limited Liability Companies (OOD and EOOD) and the Joint-stock Companies (AD).

How will you finance your newly established company?

Any company can be financed either by the registered capital, via increasing of the share capital or by a loan capital.

The contributions to the capital of the company could be in cash or in-kind contributions.

The in-kind contributions follow a strict procedure before becoming a share capital. Their real value should be estimated by three evaluators, appointed by the Commercial Register. The procedure might take longer compared to the one followed for cash contributions.

The OOD and EOOD legal forms are preferred by the small and medium size enterprises and families as well. The AD legal form is the form of the "big capital", of investments and production.

The establishment of the two types of companies also differs: for the establishment of an OOD the minimum capital requirement is 2.00 (two) BGN, while for AD – 50,000.00 (fifty-thousand) BGN.

The AD legal form also provides more possibilities for attracting a capital: the company could issue bonds, could be listed at the stock-exchange list or could be transferred into a public legal entity.

Will you operate alone or will you prefer to have other shareholders as well?

This is an important question, which demands an honest answer, because it is entirely connected with the risk you will face and shall bear in the future. If you want to take the risk on your own, you will also have all the profits for you but If you choose to be joined by other shareholder/s, you will bear the risk and share the profits together.

Other important question here is the one concerning the votes at the General Assembly. The legislation establishes enough protection mechanisms when taking decisions at the General Assembly for the majority shareholders as well as for the minority shareholders.

Another important difference is that the shares of the OOD/EOOD are transferred only by a contract with a notary certified signatures, and at the same time – the transfer of stocks is much easier procedurally.

Who will manage the company?

The registered ADs can have a one-step management system and a two-step management system. For the One-step management system there is a Board of Directors and a General Assembly, while the Two-step system requires the establishment of a Management Board and a Supervisory Board and a general Assembly.

The Management of an OOD/EOOD could be performed by one person or by a legal entity. If there are more managers, they can manage together and separately or the two of them can manage and represent the company together.

For the management of the company, Eurofast can offer management services, which can be designed entirely for the needs of the newly registered legal entity.

What will be the name of the company?

The name of the company should be unique. Before you start the registration, you should check at the Commercial Register whether the same name is not used by another legal entity.

What documents are needed for the registration?

- Decision for the establishment of the company;
- Articles of Association;

- Declaration-specimen from the appointed Manager/s;
- PoA for the authorized lawyer to submit the documents;
- Payment document of the paid registration fee;
- Certificate for the opened account and the transferred amount of the initial share capital;
- Certificate of good standing (if any of the shareholders are a legal entity);
- A decision of the legal entity-shareholder to participate at the establishment of a new company);
- Other supporting documents;

Which bank to choose?

You can choose one of the 28 commercial banks which operate in Bulgaria. All of them can provide a full range of services: opening an account, online banking, etc. Most of the banks can also issue an electronic signature so that you can operate with the bank account from all over the world.

What are the expenses?

The main expenses to take into consideration include the initial share capital, registration fee, notarization, apostilles, translation, legalization, registration documentation fee, consulting services, bank fees, accountancy services, payroll services, contracts review services, etc.

Do you need any registrations, permissions for the activity you plan to do?

You will have to consider that for certain activities, you need to choose a specific legal form of the legal entity you wish to establish (e.g. banks can be only AD). For being a financial institution, you need to be registered at the Bulgarian National Bank in a special register. For construction activities, you need to be part of the Bulgarian Union of Builders. For doing any commercial activity (restaurant, shop) you need a permission from the respective local municipality.

Administration of the company

Eurofast can provide you with administration services for the purposes of establishment of a company. We can provide you with legal, tax and consultancy services as well as prepare and apply for the registration documentation which may be needed. We know how to support you and how to ensure a fast and secure registration of a new company.

Where should you apply?

The Registration starts with the payment of the share capital at the opened special bank account. Then the registration documents are submitted to the Commercial Register. At the moment when the company is approved to be registered, it also receives a special Unified Identification Code (UIC – EIK is the abbreviation in Bulgaria) which is the unique number of the company with which it is usually identified. The registration documents can be submitted by a legal representative of the company, by a lawyer or by an explicitly authorized third person. The documents can be submitted either at the Commercial Register desk in hard copy or electronically.

As a newly registered company, you will likely not have sufficient personnel to complete all the required actions and operations in order to comply with the local legislation and regulations. Eurofast can give you a hand during this stage of the establishment of the new business in Bulgaria with management, accountancy, VAT compliance and fiscal representation, legal, payroll and employment, audit, AML, Personal Data Protection, transfer pricing, real estate issues, leasing, intellectual property, citizenship and residency services, marketing, etc.

Supporting activities

You need to consider finding an office and/or a place for the commercial, production, service activities which you are going to perform.

You have will have to obtain a stamp of the company.

Additionally, you will need to arrange your relations with the Manager of the company via a written Management Agreement.

In conclusion

You have to be prepared to meet different commercial practices, procedures, additional obligations, different commercial habits, type of correspondence, dress code, administrative services and documentation, etc.

Be sure to have a reliable partner on your side during the whole procedure. At EUROFAST, we have been committed to servicing our clients and partners for over 40 years and can provide a full range of services required for the efficient and successful registration of your business in Bulgaria.

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Changes in Croatian legislation: Third chapter of the Tax Reform

The Croatian government is working relentlessly on the recovery of the Croatian economy. Two rounds of tax reforms already took place in 2017 and 2018 respectively, with a third chapter being opened currently. As of January 1, 2019, a total of 80 laws and bylaws have been amended, most of them related to tax issues. We are hereby summarizing an overview of selected legislation that has so far raised most interest.

Closely abiding by the National Reform Program issued in 2016, the Croatian Government continues with its efforts to alleviate tax burdens from citizens and entrepreneurs and to give a healthy recovery of the Croatian economy. Croatia is facing a substantial issue with workforce deficit, due to heavy emigration of Croatians towards countries with more attractive tax structures and better paid salaries. A large number of laws and regulations has therefore been amended in the area of taxes, contributions, fiscalisation, island economy, energy sector and real estate.

Personal Income Taxes and Contributions

2019 brings certain changes regarding salaries:

- The highest employment tax rate of 36% will now apply to annual taxable base higher than 360,000 HRK (30,000 HRK monthly), instead of the previously applicable 210,000 annually (17,500 monthly). This change is effective for all payments made after January 1, 2019, which means also for December 2018 salaries paid in January 2019.
- Employers can now pay additional annual 5,000 HRK of non-taxable award to their employees. The purpose of the award is not directly specified, and it can be paid out in monthly fractions. This change has already entered into force as of December 1, 2018 and many employers have taken advantage to pay higher Christmas allowances.
- The amount of the minimum net salary has been increased from 2,751 HRK to 3,000 HRK and the new Act on minimum net salary has been issued.
- Contributions paid on top of the gross salary (the so-called Gross II) are decreased by 0.7%. The contribution for unemployment (1.7%) and contribution for safety at work (0.5%) have been abolished, whereas the contribution for health insurance has been increased by 1.5%. These changes, as well as minimum salary novelty, are effective for all salary calculations after January 1, 2019.
- Scholarships will no longer represent an obstacle for children to qualify themselves as supported family member for tax deduction purposes.

Value Added Tax

- As of January 1, 2020, the general VAT rate shall be decreased from 25% to 24%.
- Reduced rates of 13% and 5% have had their application extended: certain food (meat, fish, eggs, fruits and vegetables) as well as baby diapers are from January 1 onwards taxed with 13% instead of 25%, whereas medicine, books, news-

papers and magazines, regardless of their format (e.g. electronic) are reduced to 5%.

- The amount of 300,000 HRK of delivered goods or rendered services within a year remains unchanged as a threshold for the mandatory registration as a VAT payer; however, the obligation to register shall occur during the year in which a threshold has been reached (previously the obligation was to register in the following year).
- VAT payers from now on will have the obligation to submit an incoming invoices ledger along with the VAT return, in electronic format.
- 50% of input VAT on purchase of vehicles for personal use can be deducted regardless of the purchasing value. Previously, the value limit was set to 400,000 HRK.
- Foreign entrepreneurs in possession of a Croatian VAT ID number and those who invoice goods or services to a Croatian taxpayer will not be able to transfer the tax obligation as it was the case until now, but they will have to charge the Croatian VAT to the Croatian customer.

Other changes

- The Real Estate Transfer Tax has been further decreased to 3%. The government hopes that by this measure there will be less avoidance of registration of property transfers and that finally the land registries across country shall reflect the actual state.
- A withholding tax of 20% for transactions not subject to a Double Tax Treaty or similar agreement and paid to persons resident in the so-called tax heavens has been extended to apply to interests, dividends and royalties. A 15% WHHT is now due on fees paid to foreign performers (sportsmen and sportswomen, artists etc.)
- Accounting records in paper format can now be converted to electronic form, for tax and audit purposes, maintaining the requirements of readability and integrity of their origin and content.
- OPZ-STAT reporting is now due once per year as opposed to the quarterly reporting in force before 2019.
- The licencing of accountants which was supposed to take effect as of January 2019 has been abolished, in accordance with the EU recommendations for ensuring of quality of standards and services through voluntary certifications and not through formally imposed licencing.

The above list is not a comprehensive overview of all changes introduced in 2019 but a mere selection of what we consider as most interesting and important amendments. We encourage Croatian businesses to seek professional assistance in an in-depth survey of the legislation changes affecting them and remain at their disposal with tailor-made advisory services.

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Less Income Tax investing abroad?

There are regulations that promote capital investment abroad that pay less taxes in Ecuador; when this "tax short-circuit" is used by a taxpayer is constituted in an option economy, that is, a valid and legal mechanism, to which any citizen may opt, without any subsequent observation of the Internal Revenue Service. The result is an increase in profitability and a revenue loss for the country.

For example, the Ecuadorian company XYZ that invests in a chocolate factory. If the factory is located in Ecuador and obtains $ 100,000 of profits, it will pay for Income Tax (IT) $ 25,000 (25%) and will receive a dividend check of $ 75,000 (net profit).

If the same company decides to locate the investment of the factory in Switzerland, for the sole purpose of saving taxes, for a profit of $ 100,000 it will pay for the Swiss IT $ 18,000 (18%) and will receive a utility check of $ 82,000; improving profitability by 9%.

How does this phenomenon happen? Our Internal Tax Regime Law provides that any income obtained abroad that has been "subject to taxation" will be excluded from the tax base of the IT in Ecuador. This aims to avoid the double international taxation that can be generated when the same person is imposed a tax obligation for the same matter and period of time in different jurisdictions. Thus, this would be verified in the previous example, if the Ecuadorian company XYZ that wants to invest in a chocolate factory located in Ecuador or in Switzerland obtains 100,000 of profits, assuming there is no double taxation prohibition, it will pay for Income Tax (IT) $ 25,000 (25%) in Ecuador and for the Swiss IT $ 18,000 (18%), obtaining only $ 57,000 of profits.

That is why the country has chosen to declare "exempt" such income in order to comply with the provisions of international law to avoid double taxation, a problem that may result in an unfair tax burden for taxpayers. However, this method not only means a waiver to collect taxes for income obtained abroad, but also encourages investments that could be made in Ecuador to be located abroad, without paying IT. Some readers have warned that this provision reinforces the tax collection in the middle class that receives income mainly from their work in relation of dependence or free exercise, which for practical reasons can not benefit from this benefit; favoring instead the class of high economic resources that can relocate financial investments to other jurisdictions with lower rates than the Ecuadorian one. This corroborates what several scholars maintain, the collection of taxes is sustained in the "sandwich class", since the lower class does not pay taxes and the upper class takes advantage of the tax shields provided by the State.

This situation is accentuated with the approval of the Organic Law for Productive Development, Attraction of Investments, Generation of Employment, and Stability and Fiscal Equilibrium of Productive Development, to increase the profits to the new investments, freeing them from the IT payment, even when they have the economic capacity to do so. Thus, Article 26 of the Law on Productive Development provides that the new productive investments, which are the resources destined to produce goods and services, to expand the productive capacity and to generate sources of work in the national economy and the resources destined to increase the capital stock the economy, through an effective investment in productive assets that allows to expand the future productive capacity, generate a higher level of production of goods and services, or generate new sources of work, are entitled to the exemption of income tax, and its advance, for 12 years, when they are outside the urban jurisdictions of Quito and Guayaquil.

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Reimbursement of German dividend tax to parent companies in other EU countries

On dividends to parent companies capital gains tax is levied as withholding tax. This is deducted directly from the paying German subsidiary and transferred to the tax office.

Under the terms of the EU Parent-Subsidiary Directive, the EU parent company can apply to the tax office for exemption from the dividend tax or refund.

However, exemption or reimbursement is excluded if the parent company does not meet significant substance requirements.

In various judgments, the ECJ has confirmed that this regulation violates the freedom of establishment of the EU Treaty.

The German tax authorities reacted to these judgments. Each individual case is now to be examined individually. If only a tax advantage is to be obtained through the parent-subsidiary relationship, the withholding tax on the dividend is to be levied and this can not be reimbursed. The economic meaning of the mother-daughter relationship is important in this examination.

However, the ECJ ruled in its judgments that the parent-subsidiary directive for dividends generally requires a general withholding tax exemption (if the minimum participation rate of 10% is met).

Consequently, Germany can not limit this right of exemption.

According to ECJ case law, exemption from withholding tax can only be refused in cases of tax evasion and abuse. The German regulation therefore remains too broad.

With reference to the case law of the European Court of Justice, we do not recommend accepting refusals for exemption from German dividend tax to EU parent companies without further examination. The filing of an appeal n or a court action should be considered.

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Taxation on rental housing (dwelling & vacation) and business premises for Financial Year 2018-2019

Rental income from House Property is taxed under the head "Income from House Property" if all the three conditions mentioned below are satisfied-

1. The property should consist of any buildings or buildings and land appurtenant there to;
2. The assessee should be the owner of the property; and
3. The property should not be used by the owner for his own business and profession.

However, whether a particular structure is a building or not will be decided on the facts of the case.

Owner for this purpose means a person who can exercise the rights of the owner not on behalf of the owner but in his own right. The term 'owner' incorporates legal ownership as well as deemed ownership as specified under Sec. 27 of the Income Tax Act, 1961 (herein after referred to as 'the Act') and ownership includes both free-hold and lease-hold rights. Therefore income derived from sub-letting of the house property will be taxed as income under head "Income from Other Sources".

Ownership for the Previous Year is relevant and not for the Assessment Year.

Tax Chargeability Sec. 22 of the Act - The annual value of property consisting of any building or lands appurtenant thereto of which the assessee is the owner shall be subject to Income-tax under the head "Income from House Property" after claiming Deduction under Sec. 24 of the Act namely-

1. **Municipal taxes:** - including service-taxes levied by any local authority in respect of house property is allowed as deduction, if: Taxes are borne by the owner; and Taxes are actually paid by him during the year.
2. **Standard deductions:** - From the net annual value computed, the assessee shall be allowed a standard deduction of a sum equal to 30% of the net annual value.
3. **Interest on borrowed capital:** - Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital is allowed as a deduction. Any amount paid for brokerage or commission for arrangement of the loan will not be allowed as deduction. Deduction for interest on housing loan can be availed as per the provisions of Sec. 80EE

Composite Rent: The landlord or owner of a property sometimes receives rent in respect of building let out including other assets as for example furniture, fixtures, plant and machinery, etc. The cumulative amount so received is known as "Composite Rent".

Where composite rent includes rent of building and charges for different services (lifts, security etc.), the composite rent has to be bifurcated in the following manner –

1. The amount apportionable to use of property is to be assessed under Sec. 22 as Income from house property;
2. The amount apportionable to use of services is to be charged to tax under the head "Profit and gains of business or profession" or under the head "Income from other sources."

However, the composite rent should be checked for its separability before applying any tax treatment.

Arrears of rent received shall be treated as per the provisions of Sec. 25B and Unrealised rent is dealt with as per the provisions of Sec. 25AA

Co-owner: If house property is owned by co-owners and their share in house property is definite and ascertainable than the income of such house property will be assessed in the hands of each co-owner separately in accordance with the provisions of Sec. 26 of the Act.

Computation of Income from House Property for F.Y.2018-19

S. No.	Property Type	Gross Annual Value of the property	Deduction for municipal taxes	Net Annual Value of the property	Std. Deduction	Interest on borrowed capital
1	One self-occupied house property	Nil	Nil	Nil	Nil	Deduction for interest on borrowed capital is allowed up to Rs. 2,00,000, as the case may be.
2	House property could not be occupied by the owner due to employment or business carried on at any other place	Nil	Nil	Nil	Nil	Deduction for interest on borrowed capital is allowed up to Rs. 2,00,000, as the case may be.
3	Let out property	To be computed as per provisions of Section 23(1)	Allowed on actual payment basis	Gross annual value less Municipal taxes	30% of Net Annual Value	Entire amount of interest paid or payable on borrowed capital shall be allowed as deduction. Pre-construction interest shall be allowed as deduction in 5 annual equal installments (Subject to certain conditions).
4	Only one property selected by the taxpayer will be considered as self-occupied house property and all other properties shall be deemed to be let-out for the purpose of computation of income under the head house property.					
5	The house will be taken as let-out property and no concession shall be available for the duration during which the property was self-occupied.					
6	Each part of the property shall be considered as separate property and income will be computed accordingly					

In India taxes are broadly categorised into five heads namely-

- Income from Salary
- Income from House Property
- Income from Business & Profession
- Income from Capital Gains
- Income from Other Sources

Accordingly Income from House Property will be taken into account for, in the total income of the

assessee as per the tax rates as are made applicable to the assessee. The tax rates applicable in India for various assesses are as follows-

1. Income Tax Slab Rate for men & women below 60 Years of Age

Income Tax Slab	Income Tax Rate
Income upto Rs. 2,50,000	Nil
Income between Rs. 2,50,001 - Rs. 500,000	5% of Income exceeding Rs. 2,50,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

PLUS

Surcharge:
10% of tax where total income exceeds Rs. 50 lakh
15% of tax where total income exceeds Rs. 1 crore
Health & Education cess: 4% of tax plus surcharge

2. Income Tax Slab Rate for Senior Citizens (Age 60 years or more but less than 80 years)

Income Tax Slab	Income Tax Rate
Income upto Rs. 3,00,000	Nil
Income between Rs. 3,00,001 - Rs. 500,000	5% of Income exceeding Rs. 3,00,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

PLUS

Surcharge:
10% of tax where total income exceeds Rs. 50 lakh
15% of tax where total income exceeds Rs. 1 crore-
Health & Education cess: 4% of tax plus surcharge

3. Income Tax Slab Rate for Senior Citizens (Age 80 years or more)

Income Tax Slab	Income Tax Rate
Income upto Rs. 5,00,000	Nil
Income between Rs. 500,001 - Rs. 10,00,000	5% of Income exceeding Rs. 2,50,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

PLUS

Surcharge:
10% of tax where total income exceeds Rs. 50 lakh
15% of tax where total income exceeds Rs. 1 crore
Health & Education cess: 4% of tax plus surcharge

4. Income Tax Slab Rate Hindu Undivided Families (HUF)

Income Tax Slab	Income Tax Rate
Income up to Rs. 2,50,000	Nil
Income between Rs. 2,50,001 - Rs. 500,000	5% of Income exceeding Rs. 2,50,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

PLUS

Surcharge:
10% of tax where total income exceeds Rs. 50 lakh
15% of tax where total income exceeds Rs. 1 crore
Health & Education cess: 4% of tax plus surcharge

5. Partnership Firms

Partnership Firms and LLPs (Limited Liability Partnerships) are to be taxed at the rate of 30%.

PLUS

Surcharge: 12% of tax where total income exceeds Rs. 1 Crore Health & Education cess: 4% of tax plus surcharge

6. Local Authorities

Local Authorities are to be taxed at the rate of 30%.

PLUS

Surcharge: 12% of tax where total income exceeds Rs. 1 Crore
Health & Education cess: 4% of tax plus surcharge

7. Domestic Companies

Domestic Companies are to be taxed at the rate of 30%. However, tax rate will be 25% if turnover or gross receipt of the company does not exceed Rs. 250 crores.

PLUS

Surcharge: 7% of tax where total income exceeds Rs. 1 Crore
12% of tax where total income exceeds Rs. 10 Crore
Health & Education cess: 4% of tax plus surcharge

8. Income Tax Slab Rate of Co-operative Societies

Income Tax Slab	Income Tax Rate
Up to Rs.10,000	10% of Income
Rs.10,000 to Rs 20,000	20% of Income exceeding Rs. 10,000
Over Rs. 20,000	30% of Income exceeding Rs. 20,000

PLUS

Surcharge:

12% of tax where total income exceeds Rs. 1 Crore
Health & Education cess: 4% of tax plus surcharge

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The general anti-avoidance rule "Deterrent to tax avoidance"

1. Applicability of GAAR

General Anti-Avoidance Rules (GAAR) came into force w.e.f. 1.4.2017 (Assessment Year 2018-19). It is meant to apply to transactions which are prima facie legal but result in tax reduction. However, every transaction resulting into tax reduction will not come under the ambit of GAAR. For example, a tax relief provided by the Government cannot be a matter of GAAR scrutiny if the relief has been claimed in a bona fide manner and as per rules.

Section 95 of Income Tax Act,1961 deals with the basic requirement for applicability. It applies to an arrangement if it is declared as an impermissible avoidance arrangement (IAA).

2. Which arrangement could be declared as an impermissible avoidance arrangement (IAA)?

Section 96(1) of the Income Tax Act describes the conditions which if present in an arrangement, may be declared as IAA. Impermissible avoidance arrangement means an arrangement, the main purpose of which is to obtain a tax benefit, and it-

(a) Creates rights, or obligations which are not ordinarily created between persons dealing at arm's length;

(b) results, directly or indirectly, in the misuse, or abuse of the law;

(c) lacks or is deemed to lack commercial substance

3. Which arrangements shall be deemed to lack commercial substance?

An arrangement shall be deemed to lack commercial substance, if-

(a) the substance or effect of the arrangement as a whole, is inconsistent with, or differs significantly from, the form of its individual steps or a part; or

(b) it involves or includes-

(i) round trip financing;

(ii) an accommodating party;

(iii) elements that have effect of offsetting or cancelling each other; or

(iv) a transaction which is conducted through one or more persons and disguises the value, location, source, ownership or control of funds which is the subject matter of such transaction; or

(c) it involves the location of an asset or of a transaction or of the place of residence of any party which is without any substantial commercial purpose other than obtaining a tax benefit for a party; or

(d) it does not have a significant effect upon the business risks or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained.

4. What are the consequences if the arrangement is declared as IAA?

If an arrangement is declared to be IAA, then, the authority may take action which it deems appropriate including denial of tax benefit or a benefit under a tax treaty.

5. How to determine whether tax benefit exist in an arrangement?

Following are the conditions which needs to be checked in order to determine whether a tax benefit exists-

(i) the parties who are connected persons in relation to each other may be treated as one and the same person;

(ii) any accommodating party may be disregarded;

(iii) the accommodating party and any other party may be treated as one and the same person;

(iv) the arrangement may be considered or looked through by disregarding any corporate structure.

6. Grandfathering / Exclusions from applicability of GAAR:

In addition to exclusion from the applicability of GAAR for any arrangements entered before 1 April 2017, certain other exclusions have been granted in Rule 10U of the Income-tax Rules, which are as follows:

a) GAAR shall not apply to an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed INR 3 crores;

b) Exemption to Foreign Institutional Investors (FII) and Foreign Portfolio Investors who is an assessee under the act and has not taken benefit of section 90/90A of the said act;

c) Exemption to non-resident for investment in P-Notes/ FII

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Time is "Money"

New Israeli government regulations reduce cash as the primary means of payment.

Countries throughout the world have recognized that the widespread use of cash in transactions serves as the main source of tax evasion and money laundering. In 2013, the Israeli government established the Locker Committee to discuss this issue and formulate a law to set an appropriate course of action.

The committee submitted a recommendation for a bill already in 2014, which resulted in the "Law for the Reduction of Use of Cash," which passed its first and second readings in the Knesset and is to come into effect on January 1, 2019.

This law corresponds with OECD and international efforts to reduce financial crimes and money laundering.

The new law aims to reduce financial crimes and money laundering by dramatically reducing the use of cash and open checks and encouraging the increased use of electronic means of payment and applies. It is expected that the government will collect greater sums in taxes as more and more transactions will be recorded and reported.

The new regulation applies to businesses, business people, private citizens, and tourists.

What are the Law's Provisions?

The law creates distinctions among a dealer (a business, business owner, company, and any other business entity), a private person, and a tourist. There are also some exclusion regarding CPAs and attorneys providing business services to a client, either as a private person or as a business.

The law places a ceiling on cash transactions of up to NIS 11,000 for business owners and up to NIS 50,000 for private citizens who do not own a business. The restrictions apply to everyone as specified above.

In transactions exceeding these amounts, it is possible to pay up to 10% of the transaction value in cash or the maximum amount permitted for cash transactions, which is lower.

Tourists are limited to pay cash payments of up to NIS 55,000 for a business. Some other special exclusions are available to tourists only. The new law's limitations on checks are even more stringent. Private individuals will be permitted to give and receive checks of up to NIS 5,000 to another private person in the form of a donation gift, loan, salary or other transaction. Those defined as dealers may not under any circumstances receive funds or pay with an open or converted check at all.

When a check is used, the details of the recipient and the payee must appear in full and the amount of the payment must be specified.

When?

Two stages:

Stage 1: January 1, 2019: Enforcement of provisions regarding cash;

Stage 2: July 1, 2019: Enforcement of provisions regarding checks.

Implications:

Violation of the law can result in criminal and civil consequences.

Criminal: In the event that criminal intentions are proven, namely that a person, either a dealer or a private individual, acted knowingly and in order to avoid payment of tax as required by law, that person is liable to up to three years in prison.

Civil: There are established levels of fines and penalties set forth in the regulation that applies both to the receiver and the payer of cash in violation of the law:

- On transactions of up to NIS 25,000, the penalty rate will be 15%.
- On transactions ranging from NIS 25,000 – NIS 50,000 NIS, the penalty rate will be 20%.
- On transactions of greater than NIS 50,000, the penalty rate will be 30%.

The penalty rates will be calculated according to the amount of cash actually paid in the transaction.

Total fines can reach up to 90% of the total amount of the transaction.,

Repeated violations by the payee may increase the penalty rate by up to 60% of the total transaction.

Where Do We Go from Here?

The government plans to review the legislation one year after it comes into effect with the intention of updating and reducing the cash amounts permitted in transactions. Assuming that the law has no ill effects, one can anticipate that it will become permanent and will set in motion a trend of reducing the use of cash at both the business and private levels in order to prevent tax evasion.

Bear in Mind:

Understanding the law's limitations on individuals and business entities may prove critical to you.

Our team of experts is at your service to answer any questions and to advise you in planning your future private or business transactions in light of the new regulations.

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The italian insolvency procedures: the new "code of business crisis and insolvency" and employment-related aspects

On 12th January 2019, the new and long awaited "Code of business crisis and insolvency" (Legislative Decree 14/2019) was finally approved in Italy, and it is due to enter into force on 15th August 2020. The Italian lawmaker voiced the calls and concerns from many quarters for a reform of the former Bankruptcy Law (dating back to 1942) and of the insolvency procedures (bankruptcy, agreement with creditors and composition with creditors) towards the creation of less punitive measures for the insolvent company and entrepreneur.

To this extent, the new set of law adopts a different and diagnosis-oriented approach.

In particular, in an effort to reconcile the Italian law provisions with those of other European countries, especially France and Spain, the terms "bankrupt" and "bankruptcy" have been removed and replaced by the less denigrating and belittling term "judicial winding-up". The entire set of insolvency procedures aims to prevent company's crisis situation from arising, developing and spreading until its most severe consequences. This objective is pursued through a consistent and organic system, that operates on different levels.

First of all, an "alert system" is introduced, which allows the crisis situation to be detected at its earliest stage. Companies' internal control bodies and Revenue and customs authorities shall report as soon as the early symptoms of crisis manifest. Particularly the companies' internal control bodies shall adopt the most adequate initiatives to verify the solidity of the company economic and financial conditions, indicating which actions to undertake to ascertain the initial crisis does not develop into a more problematic situation.

However, once the crisis situation occurs, priority is given to those initiatives that allow the crisis situation to be overcome, ensuring the business continuity. With particular reference to the employer's crisis and insolvency situation, specific measures in order to protect the employees and their wages are adopted. A judicial winding-up procedure in relation to an employer being initiated does not constitute grounds for dismissal. Should a judicial decision in relation to the winding-up be issued, the employment relation in effect at the time of the decision are merely suspended, until the insolvency practitioner is authorised by the judge to replace the employer in the employment relations, or to terminate them.

It is worth noting that in case of an insolvency procedure which implies the termination of any business activity, the employment agreements are not automatically terminated.

In such case, a collective dismissal procedure provided for by Italian law must be implemented whenever it involves: (i) five or more employees, including executives (if any), working in the same business unit or in different business units located in the same Italian province to be dismissed within 120 days of each other; (ii) an employer with more than 15 employees; and (iii) a restructuring or shut-down of the employer's activities due to financial difficulties or strategic, technological or organizational change.

In addition to any special rules that may be contained in company-level agreements, Italian law mandates that the following specific steps shall be taken when implementing a collective dismissal procedure: (i) a relevant notice must be provided to the internal work councils if any, the (external) local representatives of the Trade Unions representing the employees of the sector involved and the labour authorities; (ii) a consultation procedure must be commenced with such Trade Unions and the works council; and (iii) a mediation procedure must be commenced with the labour authorities.

The goal of the consultation/mediation process is to encourage all parties to agree on the specific terms for implementing the proposed collective dismissal procedure. Although the company is under no obligation whatsoever to enter into any such agreement, failure to do so would greatly increase the risk of strikes and other disruptive actions as well as of future litigation by terminated employees.

In the event that no such agreement is ultimately entered into, the company would be authorised to send dismissal letters to redundant employees once the mandatory mediation process expires. To this extent, please consider that, in accordance with Italian law, the whole consultation period shall last 75 days, but usually extra days might be necessary in order to start the procedure itself and to carry out further meetings with Trade Unions.

Actual termination would take effect upon expiry of the notice periods applicable to such employees and provided for by the applicable national collective bargaining agreement.

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Object: Electronic invoicing

Introduction

Article 1, paragraph 909 of Law No. 205 of 27th December 2017 has amended article 1 of Legislative Decree No. 127 of 5th August 2015, by introducing the obligation to issue and receive electronic invoices for transactions involving sales of goods and provisions of services between parties residing, based in Italy (excluded from the mandatory adoption of e-invoicing only the transactions involving foreign entities, as supplier and/or customers, even if identified in Italy for VAT).

On the other hands the transactions with counterparty foreign entities (excluded by the e-invoice) are subject to the obligation of the electronic transmission of data for transactions involving sales and purchases of goods and provisions of services to and from parties based outside the country.

The new rules shall apply to the majority of cases as of 1st January 2019.

On the other hand, mandatory electronic invoicing has entered into force earlier, as of 1st July 2018, for the following transactions:

- Sales of gasoline or diesel,
- Services rendered by subcontractors in the business chain, in the framework of works, service or supply contracts entered into with public administrations, as per article 1, paragraph 917 of Law No. 205 of 27th December 2017, and carried out after 1st July 2018.

Before this, the legislator had already introduced mandatory electronic invoicing for transactions with the Public Administration.

In view of the entry into force of the general obligation of electronic invoicing as of 1st January 2019, and as of 1st July 2018 for some types of transactions as described above, the Italian Revenue Agency has issued Order No. 89757/2018 ("Order"), whose key features are highlighted hereinafter.

1. The Exchange System (Sistema di Interscambio – SDI)

Before dealing with the contents of an e-invoice and with the subjective and objective fields of application thereof, we should explain the process whereby the Public Administration monitors transactions between private individuals documented by electronic invoicing.

Actually, e-invoicing involves the contracting parties (vendor and client), as well as the Exchange System (Sistema di Interscambio – SDI), which receives the invoice from the vendor, performs the relevant checks, and forwards it to the recipient.

The Exchange System is the electronic platform – established by the Italian Ministry of Economy and Finances, managed by the Revenue Agency and developed by SOGEI – that enables the electronic transmission of e-invoices and of the corresponding notifications.

For an electronic invoice to be properly managed by the Exchange System, it must feature the following technical specifications:

- The contents are presented in an XML file according to a mandatory format provided by the Tax Agency and not customizable;
- The authenticity of the origin and the integrity of the contents must be guaranteed by the digital signature affixed by the issuer of the invoice.

In order to use the Exchange System, issuers of invoices must join it by accepting and signing a service agreement.

The transmission of files (invoices) through the Exchange System may occur in the following modes:

a) Certified Electronic Mail, hereinafter the "CEM";

b) IT services provided by the Revenue Agency, which shall establish a free web procedure, i.e. an application that can be used on mobile devices and a software to be installed on PCs (referred to as the app and the web procedure, respectively);

c) Application cooperation system, on the Internet, with service presented through a "web service" model;

d) Data transmission system between remote terminals based on FTP protocol.

The modes as per letters c) and d) shall require a previous "accreditation" process to the SdI, enabling the setting of technical rules for the exchange between the IT infrastructure of the sender and the SdI itself – at the end of such procedure, the SdI, on request, shall associate the activated data transmission channel at least to a 7-digit code (hereinafter the "recipient code"). For each file in the e-invoice or lot of e-invoices duly received by the SdI, a feedback is given.

For each file in the e-invoice or lot of e-invoices duly received, the SdI performs subsequent checks of the file itself. If checks are unsuccessful, a "rejection notice" of the file is transmitted – within 5 days – to the sender, using the same channel as the one employed to send the file to the SdI. Any e-invoice or lot of e-invoices in the file rejected by the SdI shall not be regarded as issued.

2. Definition of electronic invoice

For the purposes of the Order,

a) An electronic invoice is a structured computer document sent by data transmission to the Exchange System (Sistema di Interscambio, hereinafter the SdI), as per Decree of the Ministry of Economy and Finances of 7th March 2008, and delivered by the latter to the relevant recipient,

b) The data transmission to the SdI may refer to an individual invoice or to a lot of invoices pursuant to article 21, paragraph 3 of Decree of the President of the Republic No. 633 of 26th October 1972,

c) The electronic invoice must contain the mandatory information set by article 21 of Decree of the President of the Republic No. 633 of 26th October 1972, as well as any other information based on the technical specifications stated in Annex A of the Order,

d) The electronic invoice is an XML (eXtensible Markup Language) file that does not contain macro instructions or executable codes such to activate functions that may change the facts, deeds or data represented therein, in compliance with the technical specifications stated in Annex A of the Order,

5. The invoice file allows adding other optional data useful to manage the operators' accounts receivable and payable cycle.

To prepare the invoice file, the Revenue Agency has established a free web procedure, an application that can be used on mobile devices (app) and a software to be installed on PCs. To prepare the invoice file to be sent to the SdI using private software, the technical specifications stated in Annex A of the Order shall apply.

For electronic invoices issued to the Public Administrations, the provisions and technical rules under Ministerial Decree No. 55 of 3rd April 2013 shall continue to apply.

3. Date of issue and receipt of the electronic invoice via the SdI (resulting "collectability", for the issuer, and "tax deductibility", for the recipient, of VAT)

The date of issue of the electronic invoice is the date when the invoice is transmitted and accepted by SdI. Such date shall serve as the date of collectability of the tax for the seller/issuer.

The electronic invoice rejected by the SdI after the relevant checks shall not be deemed as issued.

If the checks are successful, the SdI shall deliver the electronic invoice to the recipient and, if delivery is successful, it shall send a "delivery notice" of the electronic invoice to the sender, which also states the date of receipt by the recipient.

In the event that delivery to the recipient proves impossible, the SdI shall still make the electronic invoice available to the buyer/client in its reserved area in the Revenue Agency website, and inform the sender thereof, as well as of the date on which the file is made available, so that the seller/provider informs the buyer/client (not through the SdI) that the electronic invoice is available thereto in the above-said reserved area.

The notices as per the sections above shall certify that the invoice has been issued.

If delivery of the electronic invoice is successful, the date of receipt is made available to the recipient depending on the relevant modes of receipt.

In the event that the invoice is made available in the reserved area, the date of receipt of the invoice for tax purposes shall be the date of acknowledgement thereof by the buyer/client on the Revenue Agency website. The SdI shall inform the seller/provider that the buyer/client has acknowledged the e-invoice.

In the event that the invoice is made available in the reserved area as per item, letters c) and d), the date of receipt shall be the date on which it is made available.

The date of receipt, identified as per above, is important: it is the date as of which VAT becomes deductible for the buyer/client. Therefore, it is possible that the date of collectability of the tax for the seller and the date of deductibility thereof for the buyer differ.

4. Retention of electronic invoices

Pursuant to Decree of the Ministry of Economy and Finances of 17th June 2014, the sellers/providers and buyers/clients residing, based or identified in

Italy may retain their e-invoices and credit/debit notes sent and received through the SdI in electronic format, using the free service made available by the Revenue Agency, in compliance with the provisions of Premier's Decree of 3rd December 2013.

To use the retention service, the operator must first join the service agreement published in the reserved area of the Revenue Agency website or through intermediaries.

5. Data transmission for cross-border transactions and mandatory "Spesometro" disclosure for transactions not subject to e-invoicing

As regards sales/purchases of goods and provisions of services from/to parties that are not based in the country, established VAT operators (with the current exclusion of the foreign entities only identified in Italy for VAT purposes because not considered established in Italy) shall transmit the following information, according to the guidelines and rules for compilation set forth by the technical specifications attached to the Order:

- identification data of the seller/provider,
- identification data of the buyer/client,
- date of the document giving evidence of the transaction,
- registration date (only for documents received and the relevant credit/debit notes),
- document number,
- taxable base,
- VAT rate and tax applied or, if the transaction does not require noting the tax in the document, the type of transaction.

The disclosure referred to in the section above is optional for all transactions resulting in the issue of a customs bill and those for which electronic invoices have been issued or received pursuant to the rules above.

Data transmission shall be performed within the last day of the month after that of the date of the document issued or after that of the date of receipt of the document giving evidence of the transaction. Date of receipt shall mean the date on which the transaction is registered for VAT payment purposes.

Only for invoices issued, the above disclosures may be performed by transmitting the entire invoice issued to the Revenue Agency system, in the e-invoice file format, in which only the "RecipientCode" field shall be filled in with a conventional code stated in the technical specifications attached to the Order.

First postponed deadline for 2019 it is April 2019 for the transactions carried out on January and February 2019.

6. Data processing

Electronic invoices and the relevant credit/debit notes duly transmitted to the SdI shall be filed with the Revenue Agency to enable consultation and acquisition of invoice files and for retention thereof pursuant to section 3.

Electronic invoices or their electronic duplicates may be accessed and acquired only by the data controller user, or by an intermediary appointed by the latter.

In the event of control activities performed pursuant to the powers under article 51 of Decree of the President of the Republic No. 633 of 26th October 1972 and article 32 of Decree of the President of the Republic No. 600 of 29th September 1973, the Revenue Agency and the Guardia di Finanza (Italian Finance Police) may access electronic invoices and credit/debit notes only after duly notifying so to the taxpayer.

This mode to acquire invoices and credit/debit notes is aimed at causing the least possible disturbance to the performance of activities themselves, as well as to the taxpayer's business or professional relationships, pursuant to article 12 of the Taxpayer's Statute.

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Property Tax in Lebanon

Building Tax	Sliding Rates	Exemptions	Value Added Tax
The property Tax covers all properties located in Lebanon and the rental income is subject to a flat tax rate of four percent applicable on total rental revenue less than forty million LBP, and a sliding rate of between four to fourteen percent applicable on rental income greater than forty million. The expenses borne by the owner on behalf of the tenant are deductible. Twenty million of income is deducted of each unit before rate application. Exemptions are listed in article 8 of the Property Tax Law.	The sliding tax rate applies as follows: • 4% on income less than 40 Million LBP • 6% on income between 40 million LBP and 80 million LBP • 8% on income between 80 million LBP and 120 million LBP • 11% on income between 120 million LBP and 200 million LBP • 14% on income greater than 200 million LBP	**Article 8 Amended by Law 366 of 1 August 1994 - Exemption from tax permanently:** 1. Buildings owned by the State or municipalities, even if leased. 2 - Buildings owned by public institutions and are not leased or ready for rent. 3 - Buildings allocated within the agricultural land, for purposes directly related to agricultural investments and actually used for those purposes. 4 - Buildings dedicated to the practice of religious rites unless they are leased or rented. 5 - Public landfills and houses of guards and servants directly attached to them unless they are leased or rented. 6- Buildings of orphanages and homes of the elderly if not rented or leased. 7 - Buildings used as hospitals, clinics or institutes of education if: (A) The building should be owned by nonprofit associations or institutions or are used for religious or charitable purposes. (B) The project owner shall manage the project himself or any non-profit association or institution, and shall operate the building with symbolic or no return. The above shall apply to individuals who have allocated, without allowance or symbolic allowance, a building they own to be used as a hospital or clinic administered by a non-profit association or institution. 8-Buildings used as social cells, workshops, health centers, cultural clubs and buildings used as sports clubs, including their own playgrounds (whatever their size), as long as they meet the conditions set forth in paragraph 7 above. 9. Buildings owned by political parties, trade unions and other non-profit associations and institutions, as long as: (A) The mentioned bodies must be constituted in accordance with the laws in force; (B) The buildings shall be dedicated for purposes directly related to the activity of such authorities and shall not be leased. 10. Buildings owned by a foreign State and used as offices for its diplomatic or consular missions and as houses for the heads of such missions on the condition of reciprocity.	The leasing of real estate built for non-housing purposes, in which one of the parties to the contract is one of the sects or of its legal persons, public administrations, public institutions, municipalities or municipal federations, is subject to VAT. As well as the leasing of other property built for non-residential purposes are subject to VAT if they satisfy the conditions of submission VAT rate :11% Submission Income: 100,000,000 LBP

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Fintech law and its secondary regulation 2019, regarding to Money Laundering Prevention (PLD) - Mexico

On March 9, 2018, the Law to Regulate Financial Technology Institutions (Fintech Law) was published in Mexico, which aims to regulate the financial services provided by financial technology institutions, collective financing companies, electronic payments and virtual assets, which are the pillars of business such as mobile payment processors, person-to-person loans and crowdfunding platforms (collective funding), as well as the organization, operation and performance particularly of the private sector.

SECONDARY REGULATION

On September 10, 2018, the "PLD / FT Provisions" (Money Laundering Prevention /financing of terrorism) were issued, same that are designed to establish the regulatory framework applicable to the Organization of technology financial institutions (ITF´s), in order to establish measures and minimum procedures that the ITF can observed to prevent and detect acts, omissions or operations that could promote, provide aid, assistance or cooperation of any kind to the Commission of the crime of terrorism or operations with resources of illegal origin.

Financial Technology Institutions must observe these PLD / FT Provisions to avoid being used as a channel for the commission of operations with resources of illegal origin and financing of terrorism, as well as to prevent the abuse of the financial system.

PLD/FT provisions concern the following main points:

- The adequate knowledge of its clients, through the implementation of policies of identification and knowledge of the clients.
- Preparation and documentation that must be collected for the execution of operations and services that the FTIs provide and that also fully prove the identity of the client (KYC Know Your Customer)
- Protect and guarantee the security of your customers' information.
- Protect the acts, operations and services reported, using digital media, ensuring their legitimacy, conservation and authenticity.
- Use of automated systems.
- Establish a Communication and Control Committee.
- Name a Compliance Officer (certificated).
- Establish the guidelines for the annual review by the internal auditor or by an independent external auditor for the effectiveness and compliance with the Provisions.
- Establish a methodology for the evaluation of risks to which the FTIs are exposed in accordance with the services and / or technologies to which they are exposed.

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“Exemption from Dutch dividend tax by virtue of most favoured nation clause in tax treaty”

Introduction

On 18 January 2019, the Dutch Supreme Court ruled in favour of a South African shareholder that claimed a refund of the 5% dividend withholding tax that was withheld by its Dutch subsidiary company upon a dividend distribution. Based on the most favored nation (MFN) clause in the South Africa – Netherlands tax treaty (Dutch Tax Treaty), the South African shareholder was eligible for the requested refund. Pursuant to this Supreme Court ruling, South African shareholders that have incurred Dutch dividend withholding tax may be eligible for a refund. Furthermore, this ruling may also affect some other Dutch tax treaties that include an MFN clause.

The Dutch Supreme Court ruling

In 2013, a Dutch tax resident company paid a dividend to its sole shareholder, a South African tax resident company. In general, dividend payments by a Dutch company are subject to 15% dividend withholding tax. Based on the Dutch Tax Treaty (amended in 2008), the 15% rate was reduced to 5%, because the South-African shareholder owned at least 10% of the capital of the Dutch company. The shareholder requested a refund of the 5% Dutch dividend withholding tax, based on the MFN clause in the Dutch Tax Treaty. This MFN clause rules that if South Africa limits its dividend withholding tax rate to less than 5% under another tax treaty, which other treaty is concluded or amended after the conclusion of the Dutch Tax Treaty, the applicable withholding tax rate in the Dutch Tax Treaty should also be reduced to that lower rate.

In 2012, South Africa and Sweden (Sweden Treaty) amended their tax treaty and included an MFN clause. This MFN clause rules that the dividend tax exemption in the Sweden Treaty continues to apply until South Africa would no longer have any tax treaty providing for such exemption. Because South Africa had at that time a treaty in force with Kuwait that provides for a dividend tax exemption, the MFN clause in the Sweden Treaty applies. As a result, South Africa concluded or amended a tax treaty after the (2008 amended) Dutch Tax Treaty, that provides for a more favorable withholding tax rate than 5%.

The Dutch tax authorities refused the requested refund, and the South African shareholder started a court proceeding. The Dutch Supreme Court confirmed the position of the shareholder, and ruled that it is entitled to a refund of the withheld 5% Dutch dividend withholding tax.

The above ruling means that South African companies that have received dividend payments from Dutch tax resident companies in which they own 10% or more of the capital and on which payments Dutch dividend tax was withheld, may be eligible for a refund of the withheld dividend withholding tax. Furthermore, this ruling may also affect some other Dutch tax treaties that include an MFN clause.

Dividend payments on or after January 1, 2018

Dividend payments made by Dutch tax resident companies on or after 1 January 2018 to a company that is resident in a state that has concluded an income tax treaty with the Netherlands - such as South Africa - may be eligible for a full exemption of dividend withholding tax based on Dutch domestic law. The

most notably requirements for application of this domestic withholding tax exemption, are that the shareholder owns at least 5% of the nominal paid-up share capital of the Dutch company and that the structure has been established for valid commercial reasons that reflect economic reality.

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The Nigerian Road Investment Tax Credit Scheme: A Precis of the Incentive

The Scheme in Brief:

Following the October 2017 announcement by the Federal Government of Nigeria ("FGN") of the Road Infrastructure Tax Relief Scheme for the Private Sector, the Nigerian President on Friday, 25 January 2019, signed the Executive Order on the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (the "Order or Scheme"). The Scheme is for a ten (10) year duration that should expire on 24 January 2029.

The Scheme grants income tax credit to private sector entities that provide funding for the refurbishment and rehabilitation of Eligible Roads. The Order defines "Eligible Road" as any road approved by the President as eligible for the Scheme. The President's approval must be upon the recommendation of the Minister of Finance (the "Minister") who in turn must have been presented with a list of eligible road projects by the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme Management Committee (the "Committee"). The Minister is the chairman of the Committee.

Participants in the Scheme are entitled to full recovery of their costs ("Project Costs") for the construction or refurbishment of Eligible Roads plus an uplift that is set at the prevailing Central Bank of Nigeria Monetary Policy Rate plus 2% of Project Costs ("Uplift"). This will be used to defray company's income tax (CIT) liabilities, which implies that the Uplift will not be regarded as income in the hands of participants of the Scheme.

The FIRS and the Road Infrastructure Tax Credit (RITC) Certificate

The FIRS is saddled with the responsibility of annually issuing the RITC Certificate (the "Certificate"). The Certificate will be issued to a participant upon presentation of:

1. a confirmation of authorization to participate in the Scheme issued by the Committee;
2. approval of the Project Costs and completion timeline bid by the Committee;
3. contract award letter; and
4. certificate of work done issued by the Committee.

The RITC Certificate shall contain, the: (i) Project Costs incurred by a participant in the relevant fiscal year; (ii) the Uplift on the Project Costs; and (iii) the RITC due to the participant. Where there is a pool of companies represented by a fund manager or any other person, the FIRS shall, through the Committee, issue separate RITC Certificates to each company in the pool in proportion to their contribution on the advice of the fund manager or representative.

In the event a participant has been issued a certificate of work done by the Ministry of Works through the Committee and the FIRS fails to issue the RITC Certificate within 14 (fourteen) days of issuance of the certificate of work done, a participant shall be entitled to claim its RITC within 14 (fourteen) days of issuance of the certificate of work done by the Committee.

The RITC that can be claimed in any year of assessment shall be limited to 50% (fifty) of the CIT payable by a participant provided however, there is no cap on Eligible Road project in an "Economically Disadvantaged Area". An Economically Disadvantaged Area is any area or location in any geopolitical zone or state designated as "Economically Disadvantaged" by the President on the advice of the Minister. Factors to determine if an area is economically disadvantaged include: (i) average income level of the inhabitants in such area (ii) availability of basic infrastructure such as electricity, water, sewage, telecommunication, transport, etc. (iii)volume of economic activities being undertaken in the area.

The owner or bearer of RITC cannot claim any other tax credit, capital allowance, relief or incentive on the Project Costs under any other Nigerian law.

The RITC Certificate is a tradeable instrument and a participant or holder of the Certificate can dispose the whole or a part of it to a willing buyer on the FMDQ Over-the-Counter Securities Exchange or any other approved securities exchange (the "Relevant Securities Exchange"). Any participant willing to trade its RITC Certificate shall obtain the approval of the Committee and designate the transaction status of its Certificate as "tradable on the Relevant Securities Exchange". Where the whole or part of a RITC Certificate had been designated as "tradable on the Relevant Securities Exchange" by a participant and that participant (i) no longer wishes to trade on either the whole or part of the RITC Certificate on the Relevant Securities Exchange or (ii) wishes to utilize the whole or part of its RITC Certificate, the participant shall notify the Committee to change the registration status of the whole or part of the Certificate, so as to indicate that it is "no longer tradeable on the Relevant Securities Exchange".

Every disposal of an RITC Certificate shall be reported to the Committee which shall de-register the participant making the disposal and register the new beneficiary of the Certificate.

The RITC Certificate qualifies as an asset to a participant of the scheme and shall be subject to capital gains tax rules in the event of a disposal.

Our Immediate Thoughts:

The innovations that the Order has introduced to the Nigerian income tax incentives landscape is novel and welcome. The financing of critical road infrastructure through tax incentives; the application of the deemed approval concept of the FGN's Executive Order 1; and the tradability of RITCs are some of the laudable concepts of the Order. True with most good intentions, the greater challenge of the Order will be in its implementation. The establishment of a relatively elongated and over-lapping bureaucratic process for the implementation of the Order does not disabuse this view.

FIRS' administration of the RITC is pivotal to the administrative success of the Order. The practicality of a deemed approval of a RITC Certificate by the FIRS is a source of concern as it is doubtful that a participant would want to take the risk of a deemed approval especially with the FIRS, considering that same FIRS is responsible for recognizing the RITC against applicable income taxes. The FIRS commitment to the success of the Order would have to be demonstrated by its administrative efficiency to the recognition and issuance of RITCs. This includes the FIRS avoiding such future instance as was experienced with the withholding tax (WHT) utilization directive, where holders of WHT Credit Notes had to revalidate them with the issuing authority, the FIRS.

The Committee has its work cut for it on so many fronts, including for questionable organizational processes; for example, although headed by the Minister, the Committee still has the responsibility of advising the Minister. Some clarifications will still be required by the Committee, for example on how it expects the requirement of a competitive bid process for the award of road construction contracts to apply to construction companies who intend to participate in the Scheme, in the circumstance that such companies may rationally use their human, financial and material resources to execute an Eligible Road project without the need for vendors. It is expected that the Committee will set out the applicable rules for these categories of participants.

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Corporate Law in Central America

A corporate lawyer must have a financial and business vision accompanied by their legal knowledge in order to advise legal persons and partners in development of their markets adapting the business and investment needs of entrepreneurs to the applicable legislation and materialize it in legal terms, the business ideas that entrepreneurs usually have and that by the dynamic activity of their industries can be very diverse. Corporate lawyers are considered an elite group in legal practice, being specialists in a branch of law that focuses on companies and covers a large part of the legal processes they need to operate and protect their assets.

In this sense, Corporate Law extends to the different stages of any commercial transaction that due to its complexity, requires legal assurance and documentation that facilitates the structuring of payments or financing of large transactions. Their contribution can be incorporated into the needs of banks or private investors, being able to represent buyers, sellers or third parties interested in these operations, standing out in the processes of acquisitions, mergers and restructuring of complex commercial organizations.

In Central America, Costa Rica is the country with the largest number of firms with distinctions in Corporate Law, followed by the Dominican Republic, Guatemala, Panama, El Salvador, Honduras and Nicaragua.

Nowadays, as a result of globalization and the interconnection of international commercial markets in the region, it is necessary for large companies to maintain permanent legal advice on issues such as: international arbitration, economic constitutional law, environmental regulations, tax law and intellectual property, Transfer Pricing and other topics that the Corporate Law understands and manages for a better result of the commercial operations of the big businessmen. However, we must emphasize that together with all this, the market for legal services has been undergoing a huge transformation, largely due to the increase of risks faced by companies and the complex regulatory environment, as well as the changes that has brought the digital economy.

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Tax considerations for river transport companies

The river transport business has its peculiarities due to the great variety of operations developed by numerous actors of the public and private sector. It is necessary to respond to the demands with solvency, experience and extensive knowledge of the sector. Here we share some points that affect the tax aspect of this relevant industry in the Paraguayan economy.

VAT Tax credit affected to exports.

The international export freight services are services that by the tax rule itself are similar to export operations. As a result, all VAT tax credits, direct or indirect, affected to these services lead to the SET's VAT recovery.

VAT Financial Tax Credit

Today, a large part of the mass of taxpayers managed by the SET are Retention Agents, whether they were designated as such or recovered tax credit for export operations. That is why, sales taxed to these taxpayers, are subject to VAT withholding. This VAT withheld is called VAT credit, financial balance. This balance can be requested in return to SET. These credits have a legal expiration period to request their return of 4 years.

Law No. 60/90 of Promotion of National or Foreign Investment

The importation of Capital Goods (for this sector, barges, tugboats or pushers) covered by this Law have different tax benefits, such as:

- Customs duties and VAT are exempted in the importation.
- If foreign financing is taken for amounts equal to or greater than $ 5,000,000, the taxes levied on remittances are exempted from interest, commissions and capital.
- The taxes levied on remittances in the form of dividends and profits from the investment project are exempt for a term of 10 years when said project is at least $ 5,000,000.-

Import of barges under the Leasing modality

In the importation of barges for subsequent delivery in lease, lease or financial or commercial leasing, the VAT of the import is suspended, for which, the importer must secure the amount of VAT subject to such import, to the satisfaction of the DNA

Obtaining National Pavilion in boats

To obtain the National Pavilion of boats, you must submit the request to the Naval Prefecture with the following precautions:

a. Document of ownership of the vessel.
b. Plans on the general characteristics and construction of the boat.
c. Construction certificate or license, issued by the shipyard or competent body.
d. Certificate of navigability, safety and machines.
e. Passage of navigation or provisional registration (ships built by shipyards in the country of registration are excluded).

In the case of used boats, also the following:

a. Certificate of cessation of flag in the previous registry.
b. Certificate of non-existence of liens and mortgages.

Payments abroad as Leasing

Net installments accrued (including capital, interest and amounts charged to the Leasing policyholder) determine the taxable basis for the application of withholdings.

In Leasing Installments It is appropriate to retain the IRACIS 6% (effective rate) and VAT 10%.

Demurrage treatment

A usual doubt is usually what tax treatment to give the demurrage (delay in the discharge). These services, provided they are rendered in Paraguayan jurisdiction, must be subject to Paraguayan taxation, that is, taxed by the VAT (10%) and by the IRACIS.

Port services treatment

The services that are rendered in ports belonging to the Paraguayan jurisdiction, that are used or exploited in Paraguayan territory, are subject to taxation in Paraguay. Taxed by the VAT at the rate of 10% and by the IRACIS at the same rate.

Treatment of profits or dividends

The net profits generated by companies located in Paraguayan territory are subject to the imposition of the IRACIS at the general rate of 10%. In the case of distribution of profits, the additional IRACIS rate of 5% applies, headed by the company paying these profits. If they are remitted abroad, a retention in concept of IRACIS of 15% is applied, headed by the foreign shareholder.

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Portuguese state budget 2019: new tax dead lines already in force in Portugal

The income tax declaration, model 3 the IRS (Personal Income Tax) can now be presented between April 1 and June 30, thus benefiting taxpayers with another month to submit the return.

On the other hand, the deadline for indicating to the Tax Authority, the relevant personal elements, namely the composition of the household and validation of the deductions to the tax income (health expenses, education, rents, etc.) is due to February 25.

The model 10 - declaration of income and withholdings also saw its extended period from January 31 to February 10.

New IMI (Municipal Property Tax) deadlines

The Article 113 (number 2) of the IMI Code has been amended, thus extending from the deadline for the tax to be paid by April of the following year.

Consequently, the tax must be paid:

- In a payment, in the month of May, when the amount is equal to or less than € 100.00;
- In two installments, in the months of May and November, when the amount is greater than € 100.00 and equal to or less than € 500.00;
- In three installments, in the months of May, August and November, when their amount exceeds € 500.00.

New IRC (Corporate Income Tax) Model 22 declaration of the cessation period deadlines

Article 120 (number 3) of the IRC Code, which sets the deadline for sending the income tax return (model 22) for the period of termination, was amended.

In the case of cessation of activity in accordance with Article 8 (number 5), the income tax return for the tax period in which it has occurred must be sent by the last day of the third month following the date of the cessation (regardless if it is, or not, a business day). This time-limits shall also apply to the forwarding of the declaration relating to the immediately preceding period of taxation, where the periods referred to in paragraphs 1 and 2 have not yet elapsed.

Regarding to the IES (Annual Simplified Company Information), there was no change to Article 121 of the CIRC, however, the application of the same period (as for the income tax return) should be considered in case of cessation of activity.

Thus, as an example, a company that has ceased activity for corporate income purposes in December 2018 may present the income tax declaration - model 22 and the annual declaration - IES of the termination period until March 31, 2019.

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Concluding an agreement with a Russian company: which corporate restrictions to consider?

Nowadays, the most popular point on the business partner due diligence agenda regarding Russian companies is a sanctions check of the Russian counterparty. However, after completing the sanctions check you should not forget about the general precautions before entering into an agreement. In particular, you should keep in mind that different corporate restrictions may influence the actions of your counterparties. Before signing transaction documents, your corporate lawyer should check if such restrictions exist and their details, because they may significantly affect the future deal.

Where do corporate limitations come from? Firstly, from legislation like the widely-known provisions about major and interested party transactions. This legislation has been constantly changing, and the experts are still arguing about the idea of "ordinary business activities", which are not affected by the major transactions restrictions. Transactions concluded in the course of "ordinary business activities" can be executed by the company's Director without any corporate approvals, but what does this "ordinary business" cover? The Supreme Court of the Russian Federation provided some guidance on this topic in the summer of 2018, but since then the disputes have only become more intense. Therefore, to determine whether the Director of your Russian counterparty should get approval for a transaction from the general meeting of participants or the board of directors, it is necessary to both look through its statutory documents and get a closer look at its day-to-day activities.

Secondly, and most importantly, restrictions can come from four kinds of corporate documents: the charter of the counterparty, their internal regulations (e.g. regulation of the general meeting of participants or of the board of directors), the shareholders agreement, and so-called normative corporate resolutions (e.g. resolutions of the general meeting covering the most common issues of the company's operation, like election of the board members). It is interesting that, for now, neither legislation nor court practice obliges us to analyze these four kinds of counterparties' corporate documents. However, the court practice in some cases allows recognizing transactions as invalid due to violation of corporate restrictions. This is why in the course of proper business partner due diligence prior to concluding a deal, all four kinds of corporate documents should always be carefully checked.

You should also remember that now Russian law allows several directors for one company. In such cases, the particular powers of each director are indicated in the charter and other documents of the company, and are not mentioned in the State Register of Companies. Therefore, it won't be enough to look in the State Register to understand if a particular director has the powers to conclude a certain deal.

Many businessmen and lawyers also forget to check if the counterparty is undergoing reorganization, for example, a merger. This is important because corporate limitations regarding the conclusion of transactions may arise from internal documents regulating a company's reorganization.

To summarize, before signing transaction documents we recommend you contact your corporate lawyer to inform you about the particular documents you should request from your counterparty and what you should search for in the documents to protect yourself. This will help to avoid court proceedings involving challenging a deal, and save time, money and effort.

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Serbia-San Marino DTT enters into force

Serbia and San Marino signed a DTT on April 16, 2018, thus effectively resulting in the removal of San Marino from the Serbian list of countries with a preferential tax regime. The Law on Confirmation of the DTT was adopted by the Serbian Assembly on September 25, 2018 and San Marino is expected to start the application of the DTT as of January, 2019.

The DTT introduces the following principles and rates:

- a maximum 5% withholding tax rate for dividends paid by a company to its shareholder company directly owning at least 25% of the capital of the company paying the dividends;
- a maximum of 10% withholding tax rate for to the payment of dividends paid to shareholders owning less than 25% of company's capital;
- Interests and royalties are generally taxable in the country of residence of the receiving company; but if taxed in the country of residence of the paying company the tax may not exceed 10%.
- In cases when more than 50% of the value of the company (for the 365 days preceding a sale) is derived from real estate, the capital gains from the sale of shares over such a company may be taxable in the country of residence of the company being sold.
- In all other cases, the capital gains from sale of shares will be taxable in the seller's country of residence.

As a result of its removal from the preferential tax regime jurisdiction list, transactions between legal entities from Serbia and San Marino will no longer be subject to 25% withholding tax rate.

We advise companies doing business with San Marino to carefully review current practices and evaluate whether the new treaty will have impact on their transactions. Our team is ready to answer your questions on how the agreement will simplify administrative procedures and tax burden related to withholding tax and to provide custom guidance on ensuring compliance with the treaty.

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Taxation of used real estate acquisition operations

The second and subsequent deliveries of buildings, including the land on which they are located, are exempt from VAT when they take place after their construction or rehabilitation has been completed. The first delivery shall be that made by the developer whose object is a building whose construction or renovation has been completed.

However, delivery by the developer after uninterrupted use of the property for a period of two years or more by its owner or by holders of rights in rem or by virtue of leasing contracts without an option to purchase shall not be regarded as first delivery, unless the purchaser is the one who used the building during that period.

Nonetheless, the law allows the seller to waive the VAT exemption and subject the transaction to VAT if the buyer states that:

- It acts in the exercise of its business or professional activities,
- The buyer has the right to make the total or partial deduction of the input tax when making the acquisition
- or, when the foregoing is not complied with, depending on its foreseeable destination, the assets acquired will be used, in whole or in part, in the performance of operations giving rise to the right to the deduction.

In the event that the waiver of the exemption is applicable, the taxable person of the transaction is the acquirer, who must deduct the VAT for the transaction.

In the event that the transferor is a natural person (not an entrepreneur or professional), the transaction will not be subject to VAT and will be subject to the Transfer Tax, in the form of onerous transfer of assets. The tax rate for these operations is set by the Autonomous Communities in which the property is located. Currently, the tax rate in force in Catalonia is 10% for properties whose real value does not exceed one million euros; the excess is taxed at 11%. This tax means a higher acquisition cost of the property.

When making an investment in real estate in Spain, it is of the utmost importance to have the advice of a tax expert, given the different casuistry that exists in the law.

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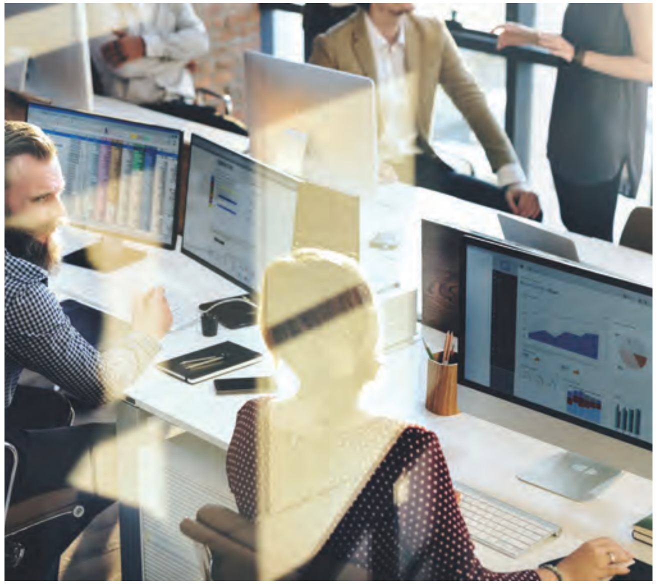

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